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SENATE BILL NO. 464 (and Amendment No. 469) – SENATE FINANCE  
Nevada Division of Wildlife Testimony  
May 6, 2003

An Act to tax occasional vessel sales and register documented motorboats.

Nevada law has designated the Division of Wildlife as the agency responsible for governing the operation, equipment, numbering and all other matters related to vessels operating on the waters of the state. Motorboat titling and registration fees fund the boating programs including administrative issuance of titles and registrations, boating safety, education, access, and compliance.

The Division has a long history of superior customer service as it relates to motorboat titling and registration. Our customer service offices do not have long lines or waits. We are able to process most title transactions in approximately 10-15 minutes with titles being mailed to the legal owner in approximately two weeks. We have worked hard to have a good computer system and to provide training so our clerks are prepared to deal with the complex titling issues

Page 1, Section 1. The Division has no comment.

Pages 2-3, Sections 2, 3, and 4. The appraisal of vessels and tax calculation and collection requirements for private sales will impact the Division of Wildlife, fiscally and in our ability to provide the current level of customer service currently afforded to our customers.

Based on a history and evaluation of title transactions, we believe that the number of motorboats affected is less than 3,000 (2,760) taxable sales per year. Therefore, we continue to be concerned that the revenue generated from that portion of the tax allocated to the Division for calculating and collecting tax for private sales will not offset the cost of the program for the Division. The Division

does not have a computer program to process flow-through tax and will have to pay for program to account for the tax.

The issues presented in SB 464 are complex. State law only requires motorboats to be numbered and titled. Motorboat means any vessel propelled by machinery, whether or not the machinery is the principal source of propulsion. SB 464 requires the Division appraise, calculate and collect tax on private sales of vessels. The definition of vessel means every description of watercraft, other than a seaplane, used or capable of being used as a means of transportation on water. Therefore, SB 464 proposes to tax private sales of vessels, which would include motorized and non-motorized vessels. If the private sales involved a non-motorized vessel, the buyer would be required to come to the Division for the sole purpose of paying taxes. We would have no means of knowing who these customers were, nor would we have any means of enforcing compliance for tax calculation and collection for vessels without motors.

While the amendment appears to limit the effort of appraisal to mean looking the value of the vessel up in the most recent edition of the National Automobile Dealers Association Consumer Marine Appraisal Guide. Unlike automobile manufacturers, there are 15,000 (14,596) boat manufacturers. Homemade vessels are not uncommon and will not be found in the guide.

Generally, the bills of sale that we see for private sales are written up as package deal (vessel, motor, and the trailer). The process trying to calculate the tax will consist of looking for the vessel, a separate lookup for the motor if it is an outboard, and then a lookup for the trailer. The value of the trailer will have to be subtracted if the bill of sale is all-inclusive and not itemized because DMV taxes the trailer. If the value of the vessel cannot be found in the guide, then the customer would be required to go to a boat dealer or manufacturer and pay for an appraisal (\$70). SB 464 does not provide provisions or a process for a contested appraisal.

Pages 3-5, Sections 5-9. The Division has no comment.

Page 5, line 28, Sec. 10; Page 6, line 11, Sec. 11; Page 6, line 22, Sec. 12. The Division supports annual registration for Coast Guard documented vessels located in Nevada waters in excess of 90 consecutive days.

Page 7, line 11, Sec. 13. There was a conflict in the language between Sec. 4 that says private sales of vessels will be appraised and taxed calculated, and Sec. 13 that states the Division would collect tax on private sales of motorboats. On line 23, the amended language changes the term "motorboat" to "vessel" in a section that deals with transferring titles for motorboats.

Page 7, line 33, Sec. 14. If SB 464 is passed as amended, the Division has requested changes to the original effective dates as we would need to adopt regulations, schedule major program modifications to our new computer program to handle appraised values, and flow through tax accounting and tracking.

Sections 2 and 4 would become effective upon passage and approval for the purposes of adopting regulations and on January 1, 2005 for all other purposes.

Sections 9-11 (amended section numbers) should become effective on January 1, 2004.

Sections 1, 2, 5 to 8 inclusive and 12 would become effective on January 1, 2005.

The State has a very capable agency in the Department of Taxation whose primary responsibilities are in collecting taxes for the State. They have long-standing expertise in appraising, calculating, and collecting tax; access to the public; an established and paid-for computer system; lower operating costs since they already have the staff and equipment; and if Taxation administers this

program, they will increase the revenue by 10 percent that they will not have to pay to the Division.