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SENATE BILL NO. 464 - COMMITTEE ON TAXATION

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

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SB 464 proposes three items/issues:

1. Sections 1, 8, and 9. Includes vessels in the exemption for the sale of tangible personal property delivered by a vendor for shipment outside of the state and requires DMV to issue a permit for movement. These sections would not impact the Division and we are neutral on these sections.
2. Sec. 4-7 and 13. Proposes to tax occasional sales (private sales) of vessels and, as originally proposed, would require the Division of Wildlife to appraise the vessels and collect tax on the depreciated value of the vessels for flow-through revenue to the Department of Taxation. The bill would allow no more than \$10 per appraisal and the Division could retain 6% of the tax for administration of the program. As proposed, we estimate that the bill would have a \$500,000 fiscal impact (revenue minus expense) annually for the Division of Wildlife.

Mr. Jim Avance, the lobbyist for the Southern Nevada Marine Dealers, requested a meeting with the Division late last week to try to work out the language prior to this hearing. We appreciate Mr. Avance's efforts to work toward an acceptable resolution. However, we continue to have concerns with the amended language even though the 6% retained tax has been increased to 10%.

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The issue is complex. 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. Motorboat means any vessel propelled by machinery, whether or not the machinery is the principal source of propulsion. State law only requires motorboats to be numbered and titled.

SB 464 proposes to tax private sales of vessels, which would include motorized and non-motorized vessels. So 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.

In 2002, the Division titled 11,933 motorboats. Of this total, 5,032 motorboats were titled for the first time in the State (includes boats sold by dealers; or boats of nonresidents moving into the state). Of the remaining titles, 6,901 were title transfers. Of those, the Division estimates that 60% of the transactions would not qualify for the tax as proposed in this bill because the transactions are a result of dealer resale or liens satisfied. The Division estimates that 40%, or 2,760 of these title transfers may be occasional/private sales that would qualify for tax purposes of this bill. Therefore, the Division is concerned that the revenue generated from occasional/private sales will not offset the cost of the program.

Mr. Avance has proposed several changes in the language that 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 thousands of boat manufacturers, and homemade boats are not uncommon. The process of lookup will include looking for the vessel, a separate lookup for the motor if it is an outboard, and the trailer. The value of the trailer will have to be subtracted from the bill or sale if it is all-inclusive and not itemized. If the value of the vessel cannot be found in the guide, then the customer

would be required to go to an authorized boat dealer or manufacturer and pay for an appraisal.

During our meeting with Mr. Avance, we discussed the apparent conflict between Sec. 4 that says occasional/private sales of vessels will be appraised and taxed calculated, and Sec. 13 that states the Division would collect tax on occasional/private sales of motorboats. While we discussed using vessel in place of motorboat, after further review of this section, we do not believe that the term "motorboat" can be replaced by the term "vessel." This is because other statues dealing with titling require that only motorboats be titled.

Due to the lateness of our meeting with Mr. Avance, we have not been able to confirm the Department of Taxation's position on this bill.

The Division does not support those sections of the bill that would require the Division to appraise vessels and collect tax on occasional/private vessel sales.

3. SB 464 would require documented motorboats on the waters of the state to register annually with the Division. The Division supports sections 10, 11, and 12. Approval of these sections would generate some additional revenue to be split between the Division and the county school districts in which the vessels are located. The additional registrations may increase the federal funding the Division receives based on registered motorboats.

In Sec. 14, the Division requested amendment of the 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.