

DEPARTMENT OF TAXATION

2001 Fiscal Impact Statement

1. **Patron** Pollard

3. **Committee** House Finance

4. **Title:** Watercraft Sales and Use Tax: Exempts
Watercraft Purchased by a Commercial
Waterman for His Own Use

2. **Bill Number** HB 1675

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would exempt from the Watercraft Sales and Use Tax watercraft purchased by a commercial waterman for his own use. Currently, watercraft constructed by a commercial waterman for his own use is exempt from the tax.

6. **Fiscal Impact Estimates are:** Tentative. (See Line 8.)

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2001-02	(\$18,700)	GF – Restricted
2002-03	(\$19,200)	GF – Restricted

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

The Watercraft Sales and Use Tax is imposed at the rate of 2%, with a maximum tax of \$2,000.

The Department of Game and Inland Fisheries (DGIF) has registered and titled a combined total of 354 commercial fishing boats for the two-year period January 1999 through December 2000. The total purchase price of these 354 boats is reported to be \$1,777,843. Based on this historical data, the price of commercial fishing boats purchased in fiscal years 2002 and 2003 is estimated to be \$936,648 and \$961,000, respectively. Based on the 2% tax rate, this bill would result in a General Fund revenue loss of \$18,700 in fiscal year 2002 and \$19,200 in fiscal year 2003.

This revenue loss would result from an additional exemption to the Watercraft Sales and Use Tax. This tax is paid into the General Fund but is allocated to the Department of Game and Inland Fisheries' Game Protection Fund.

Specific agency or political subdivisions affected:

Department of Game and Inland Fisheries
Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

Watercraft Sales and Use Tax

Currently, Code of Virginia § 58.1-1404 exempts from the Watercraft Sales and Use Tax any watercraft "constructed by a commercial waterman for his own use." This bill would expand the current exemption to include any watercraft purchased by a commercial waterman for his own use.

The Watercraft Sales and Use Tax is imposed on the sale or use of watercraft in Virginia. The tax is imposed at a rate of 2% of the sale price of the watercraft, not to exceed \$2000.

Effective in Fiscal Year 2000, 100% of the revenues generated by the Watercraft Sales and Use Tax is paid into the general fund and allocated to the Game Protection Fund. The Game Protection Fund is available only to the Department of Game and Inland Fisheries to be used for a variety of boating-related activities and expenses. These include, but are not limited to, land acquisition, capital projects and maintenance of boating access sites; boating safety law enforcement; boating education activities; and other expenses and projects to enhance and improve recreational opportunities for Virginia boaters. By expanding the watercraft sales and use tax exemption available to commercial watermen, this bill will reduce the funds available for the Game Protection Fund.

Commercial Watermen

There is no statutory definition of "commercial waterman." However, Code of Virginia § 28.2-241(D) defines a "commercial fisherman" to mean "any person who fishes in tidal waters using any gear and who sells, trades or barter his catch or gives his catch to another in order that it may be sold, traded or bartered."

Those persons who desire to become licensed as a “commercial fisherman” are required to apply to the Virginia Marine Resources Commission and pay a \$150.00 annual fee. Pursuant to Code of Virginia § 28.2-241(C), the effective date of status as a commercial fisherman shall be “two years from the date the application is approved by the Commission.” The Virginia Marine Resources Commission reports that there are about 3,100 commercial fishermen currently licensed in Virginia.

Retail Sales and Use Tax

Code of Virginia § 58.1-609.2(4) currently exempts from the retail sales and use tax fishing boats sold to and purchased by commercial watermen. Accordingly, this bill has no impact on the retail sales and use tax.

cc: Secretary of Finance

Date: 1/13/01/SMS

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