

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** David L. Englin

3. **Committee** House Finance

4. **Title** Watercraft Sales and Use Tax; Removal of
Cap

2. **Bill Number** HB 145

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would remove the existing \$2,000 cap on the Watercraft Sales and Use Tax that is currently imposed on each watercraft sold in the Commonwealth or required to be titled in the Commonwealth.

Under current law, the Watercraft Sales and Use Tax is imposed at the rate of 2 percent of the sales price of each watercraft sold in the Commonwealth and each watercraft required to be titled in the Commonwealth. The Watercraft Sales and Use Tax is imposed at the rate of 2 percent of the gross receipts from the lease, charter, or other use of any watercraft by a registered dealer. Currently, the maximum tax that can be levied is \$2,000.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** Yes.

7. Item(s): Page 1, Revenue Estimates
371, Department of Game and Inland Fisheries

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

8. **Fiscal implications:**

Administrative Costs

The Department considers implementation of this bill as routine, and does not require additional funding to implement.

Revenue Impact

Watercraft Sales and Use Tax revenues are deposited in the General Fund and allocated to the Game Protection Fund. This bill would result in an unknown revenue gain to the Game Protection Fund. In Fiscal Year 2011, the Department reported approximately \$3.5 million in Watercraft Sales and Use Tax revenues and the Department of Game and

Inland Fisheries ("DGIF") reported approximately \$200,000 in Watercraft Sales and Use Tax revenues. Based on the detailed data reported by the Department of Game and Inland Fisheries, this bill would have resulted in a revenue increase of approximately \$2 million in Fiscal Year 2011. However, Watercraft Sales and Use Tax revenues have decreased over the last several years. Given the downward trend of Watercraft Sales and Use Tax revenues, the estimate of \$2 million should be viewed as an order of magnitude only, and is likely high.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Game and Inland Fisheries

10. Technical amendment necessary: No.

11. Other comments:

Watercraft Sales and Use Tax

In 1981, the General Assembly enacted legislation to exempt certain watercraft from the state and local Retail Sales and Use Tax, then at a rate of 4 percent, and subject such watercraft to a titling tax at a rate of 2 percent. The Watercraft Sales and Use Tax continues to be imposed at the rate of 2 percent of the sales price of each watercraft sold in the Commonwealth and each watercraft required to be titled in the Commonwealth. In 1987, the General Assembly provided a maximum tax of \$1,000, which was set to expire July 1, 1992. The maximum tax was increased to \$2,000 and the expiration date was repealed in 1990. The Watercraft Sales and Use Tax is imposed at the rate of 2 percent of the gross receipts from the lease, charter, or other use of any watercraft by a registered dealer. There is no maximum tax if the Watercraft Sales and Use Tax is imposed on the gross receipts of a dealer. The Watercraft Sales and Use Tax is imposed only once on each transaction.

The Watercraft Sales and Use Tax may be collected by both the Department of Taxation and the Department of Game and Inland Fisheries ("DGIF"). Watercraft Sales and Use Tax revenues are deposited in the General Fund and allocated to the Game Protection Fund administered by DGIF. The funds are used by DGIF to satisfy expenses associated with boating-related activities and expenses and to improve recreational opportunities for boaters.

Proposal

This bill would remove the existing \$2,000 cap on the Watercraft Sales and Use Tax that is currently imposed on each watercraft sold in the Commonwealth or required to be titled in the Commonwealth.

The effective date of this bill is not specified.

cc : Secretary of Finance

