

**DEPARTMENT OF TAXATION
2015 Fiscal Impact Statement**

1. **Patron** Adam P. Ebbin

2. **Bill Number** SB 1212

3. **Committee** Senate Finance

House of Origin:

Introduced

Substitute

Engrossed

4. **Title** Watercraft Sales and Use Tax; Increase

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would remove the existing \$2,000 cap and increase the rate of the Watercraft Sales and Use Tax from 2 percent to 4.15 percent of the sales price or the gross receipts from the lease, charter, or other use of any watercraft by a registered dealer. The bill also would provide that 48.2 percent of the Watercraft Sales and Use Tax revenues be allocated to the Game Protection Fund administered by Department of Game and Inland Fisheries ("DGIF"). The remaining revenues would be dedicated to the General Fund.

The effective date of this bill is not specified.

6. Budget amendment necessary: Yes.

Item(s): Page 1, Revenue Estimates

367, Department of Game and Inland Fisheries

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

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2014-15	\$0	GF
	\$0	GPF
2015-16	\$5.9 million	GF
	\$276,000	GPF
2016-17	\$6.1 million	GF
	\$287,000	GPF
2017-18	\$6.4 million	GF
	\$299,000	GPF
2018-19	\$6.6 million	GF
	\$310,000	GPF
2019-20	\$6.8 million	GF
	\$321,000	GPF
2020-21	\$7.1 million	GF
	\$332,000	GPF

8. Fiscal implications:

Administrative Costs

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

Revenue Impact

The bill would increase General Fund revenues by an estimated \$5.9 million in Fiscal Year 2016, \$6.1 million in Fiscal Year 2017, \$6.4 million in Fiscal Year 2018, \$6.6 million in Fiscal Year 2019, \$6.8 million in Fiscal Year 2020, and \$7.1 million in Fiscal Year 2021. The bill would increase revenues to the Game Protection Fund by an estimated \$276,000 in Fiscal Year 2016, \$287,000 in Fiscal Year 2017, \$299,000 in Fiscal Year 2018, \$310,000 in Fiscal Year 2019, \$321,000 in Fiscal Year 2020, and \$332,000 in Fiscal Year 2021.

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 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 and increase the rate of the Watercraft Sales and Use Tax from 2 percent to 4.15 percent of the sales price or the gross receipts from the lease, charter, or other use of any watercraft by a registered dealer. The bill also would provide that 48.2 percent of the Watercraft Sales and Use Tax revenues be allocated to the Game Protection Fund administered by Department of Game and Inland Fisheries (“DGIF”). The remaining revenues would be dedicated to the General Fund.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/19/2015 AM
DLAS File Name: SB1212F161