

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Lee J. Carter

3. **Committee** House Finance

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

2. **Bill Number** HB 465

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 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.

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. All of the Watercraft Sales and Use Tax revenues are currently deposited in the General Fund and allocated to the Game Protection Fund administered by the Department of Game and Inland Fisheries ("DGIF").

The effective date of this bill is not specified.

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

Item(s): Page 1, Revenue Estimates

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

7b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2017-18	\$0	GF
2018-19	\$5.5 million	GF
2019-20	\$6.1 million	GF
2020-21	\$6.2 million	GF
2021-22	\$6.4 million	GF
2022-23	\$6.5 million	GF
2023-24	\$6.6 million	GF

8. Fiscal implications:

Administrative Costs

DGIF considers the implementation of this bill to be routine and does not require additional funding.

The Department of Taxation ("the Department") has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not "routine." Additionally, the Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

Revenue Impact

The bill would increase General Fund revenues by an estimated \$5.5 million in Fiscal Year 2019, \$6.1 million in Fiscal Year 2020, \$6.2 million in Fiscal Year 2021, \$6.4 million in Fiscal Year 2022, \$6.5 million in Fiscal Year 2023, and \$6.6 million in Fiscal Year 2024. Revenues from this tax are deposited into the General Fund but then allocated 100 percent to the Game Protection Fund.

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 effective date of this bill is not specified.

Similar Legislation

House Bill 861 provides an exemption to the Watercraft Sales and Use Tax for watercraft registered to any member of an Indian tribe who is living on the tribal reservation.

cc : Secretary of Finance

Date: 1/16/2018 VB
HB465F161