DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF POLICY ANALYSIS
MARYLAND GENERAL ASSEMBLY

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September 11, 2008

The Honorable John C. Astle
123 James Senate Office Building
Annapolis, Maryland 21401

Dear Senator Astle:

You recently requested information regarding tax and registration enforcement policies for transient boaters for five states: Florida, New Jersey, North Carolina, Rhode Island, and Virginia. Each question is reproduced below along with a response that surveys the policies in each of the five states.

Tax Policies

A boater purchases a boat in-state but registers the boat in another state, then returns a year later and stays for a majority of the year.

- **Florida:** For boats under 5 tons, a nonresident is exempt from the sales tax if a boat is purchased in Florida, but must (1) sign an affidavit stating that he will remove the boat; (2) provide a copy of the invoice, bill of sale, and/or closing statement, and the original signed removal affidavit within 5 days of purchase; (3) furnish proof of the boat's removal within 10 days of removal; and (4) prove that the boat was licensed, titled, registered, or documented outside the state, or provide evidence of application for such within 30 days of removal. If the boat is 5 tons or more, the purchaser may obtain a set of decals that authorize the boat to remain in Florida waters up to 90 days after purchase. This 90-day period may not be extended for any reason.

- **New Jersey:** A boat purchased in New Jersey is subject to the 7 percent state sales or use tax.

- **North Carolina:** Sales of new or used boats and aircraft are subject to a 3 percent state sales or use tax, with a maximum tax of $1,500 per article. A boat or aircraft dealer located in North Carolina, or a dealer located in another state that is engaged in business in North Carolina, is liable for collecting the applicable amount of tax from the purchaser and remitting the tax collected to the Department of Revenue.

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- **Rhode Island:** There is no state sales tax imposed on boat sales.

- **Virginia:** There is a separate tax imposed on the sale, use, lease, or charter of a watercraft at a rate of 2 percent or $2,000, whichever is less.

A boater purchases a boat out-of-state and uses it there for more than a year, then moves the boat to one of the states in question to recreate there for more than six months.

- **Florida:** No tax is owed if the boat was purchased out-of-state with no intent to bring it to Florida and was used there for six months or more.

- **New Jersey:** If the vessel was purchased in another state while the purchaser was a nonresident of New Jersey, then the owner is exempt from the sales tax.

- **North Carolina:** Anyone who purchases a boat and uses it in North Carolina must pay a use tax. If the boat is purchased out-of-state, it is the responsibility of the purchaser to remit the tax. However, if the boat was purchased in another state and a tax was paid in that state, that amount may be credited against the use tax when the boat is registered.

- **Rhode Island:** There is no state sales tax imposed on boat sales.

- **Virginia:** There is a separate tax for the sale, use, lease, or charter of a watercraft at a rate of 2 percent or $2,000, whichever is less. However, if a sales or use tax has already been paid in another state, proof of that payment may be shown to receive credit against any tax owed to Virginia. In addition, each county has its own personal property tax that may be applicable at various rates.

What states tax boats as personal property, and are tax rates lower in waterfront areas?

Exhibit 1 shows the taxation of personal property in Florida, New Jersey, North Carolina, Rhode Island, and Virginia, as well as any sales and use taxes applicable to boats and watercraft. As indicated in the exhibit, local governments in North Carolina and Virginia impose personal property taxes on boats (and other types of tangible personal property), and the tax rates can vary from county to county. Also, in addition to the state sales tax, counties in Florida are authorized to impose a discretionary sales surtax on tangible personal property, including boats.

Exhibit 1
Sales, Use, and Personal Property Taxes Imposed on Boats

Florida

Personal Property Tax – No state or local personal property tax.

Sales and Use Tax – All boats sold and/or delivered in Florida are subject to the state's 6 percent tax, unless otherwise exempt.

Discretionary Sales Surtax – An optional county sales tax with rates ranging from 0.25 to 1.5 percent. If a boat is delivered into a county that imposes this tax, a dealer must also collect this surtax. However, the surtax only applies to the first $5,000 of the purchase price.

New Jersey

Personal Property Tax – No state or local personal property tax.

Sales and Use Tax – 7.0 percent tax rate imposed on the receipts from every retail sale or rental of tangible personal property, except as otherwise provided in statute. Certain sales made in Salem County are only subject to a 3.5 percent tax rate.

North Carolina

Personal Property Tax – No state personal property tax.

Specified types of personal property, including motor vehicles, trailers, watercraft, engines for watercraft, and aircraft are taxable for local personal property tax purposes, unless specifically exempt. Tax rates for personal (and real) property vary by county and town.

Sales and Use Tax – Sales of boats subject to a 3 percent state sales and use tax, with a maximum tax of $1,500.

Rhode Island

Personal Property Tax – No state or local personal property tax.

Sales and Use Tax – No sales and use tax imposed on boats since July 1993.

Exhibit 1 (continued)
Sales, Use, and Personal Property Taxes Imposed on Boats

Virginia

Personal Property Tax – No state personal property tax.

All tangible personal property, including aircraft, mobile homes, campers, trailers, boats, and other watercraft, are subject to local personal property taxes, unless specifically exempt. Specified motor vehicles are also subject to personal property tax. Rates for the various types of taxable personal property vary by county. For illustrative purposes, the rate assessed in Arlington County is $5.00 per $100.00 of assessed value, and the rate in the City of Alexandria is $4.75 per $100.00 of assessed value.

Watercraft Sales and Use Tax – Imposed on any watercraft sold in Virginia and upon the user of any watercraft not sold in Virginia, if the watercraft is required to be titled with the Virginia Department of Game and Inland Fisheries for use in Virginia.

The tax rate is 2 percent of the purchase price or of the current market value (if purchased 6 months or more before it is required to be titled for use in Virginia). The maximum tax cannot exceed $2,000.

Source: State codes

With respect to the motor fuel tax, how many of these states receive a portion of the tax for their boating programs? Are there any states that reduce the tax on fuel pumped at marine fuel pumping facilities by the amount that goes into their transportation fund?

Exhibit 2 lists motor fuel excise taxes per gallon in each state, and the estimated total taxes paid which includes other taxes such as sales tax, local option taxes, and environmental surcharge fees.

Exhibit 2
Motor Fuel Excise Rates and Total Estimated Taxes per Gallon
Maryland and Selected States

	Excise Tax		Estimated Total	
	Regular Fuel	Diesel	Regular Fuel	Diesel
Maryland	**$0.235**	**$0.2425**	**$0.235**	**$0.2425**
Florida	0.156	0.29	0.332	0.29
New Jersey	0.105	0.135	0.145	0.175
North Carolina	0.299	0.299	0.302	0.302
Rhode Island	0.30	0.30	0.31	0.31
Virginia	0.175	0.175	0.196	0.196

Source: CCH State Tax Reporter, American Petroleum Institute

Florida and North Carolina index at least a portion of the motor fuel tax that is imposed. In Florida, the entire tax levied is increased by the annual percentage change in the U.S. Consumer Price Index. North Carolina's fuel taxes consist of a fixed rate of $0.175 per gallon and a wholesale component that fluctuates with the price of gasoline. The wholesale component is either 3.5 cents or 7 percent of the average wholesale price of motor fuel during the preceding 6-month base period, whichever is greater. Of these states, only Florida applies a state general sales tax to motor fuels, although a 2 percent local sales tax on motor fuels is applied in Northern Virginia localities.

North Carolina and Virginia provide motor fuel tax relief for fuel used in recreational marine activities. In Virginia, motor fuel purchased and used in a recreational boat, pleasure boat, or commercial watercraft, is eligible for a motor fuel tax refund. Individuals must include a dated receipt from the last 12 months for the purchase of at least 5 gallons of fuel. According to the Virginia Department of Motor Vehicles, as a matter of practice, most marinas in Virginia sell diesel fuel that is dyed and not subject to the Virginia fuel tax. In North Carolina, a person who purchases and uses motor fuel for a purpose other than to operate a licensed highway vehicle may receive a refund for the excise tax paid less the amount of sales and use tax and/or privilege tax due on the fuel. In general, recreational boaters receive a refund of the motor fuel tax minus sales and use tax due. In calendar 2008, a recreational boater claiming a refund would pay $0.16 per gallon as opposed to the full $0.299 per gallon assessed.

Rhode Island and New Jersey, while providing for motor tax refunds under certain conditions, do not exempt from tax motor fuel used to power recreational boats.

The Florida Boating Improvement Program, which receives a portion of motor fuel taxes and a portion of vessel registration fees and is administered by the Florida Fish and Wildlife Conservation Commission, provides competitive grants to cities and counties for boating access projects and other boating-related activities on coastal or inland waters. Program funds may be used for boat ramps, piers, docks, boating education, and boating-related economic development initiatives. A portion of North Carolina motor fuel taxes are dedicated to promote boating and water safety activities within the North Carolina Wildlife Resources Fund.

Fuel tax collected from the sales of gasoline used by watercraft in Virginia are to be used by the Marine Resources Commission, Virginia Soil and Water Conservation Board, State Water Control Board, and the Commonwealth Transportation Board to: (1) improve public docks; (2) improve commercial and sports fisheries in Virginia tidal waters; (3) make environmental improvements including Chesapeake and tributaries fisheries management and habitat enhancement; and (4) provide funding for access roads and bikeways to public recreational areas and historical sites.

In addition, Virginia statute provides that $0.015 of the fuel tax refunded on each gallon from:

- a commercial watercraft is paid to the credit of the Game Protection Fund. Monies are to be used to improve and maintain public boating access areas and for other activities of direct benefit to boaters; and

- a commercial fisherman is paid to the Department of Transportation to be used for the construction and maintenance of public docks used by commercial fishermen.

How do these various states define the term "principal use" as it pertains to taxation?

The definition of "state of principal use" in other states generally relates to the requirement to register the boat and not to whether the sales and use tax is due. In most states, boats will be exempt from the sales and use tax if the purchaser is a nonresident that meets certain requirements. In most situations, the purchaser will be liable for the use tax upon returning to his state of residency.

- **Florida**: There is no definition of "principal use" in state statute. However, subject to certain exceptions, each vessel that is used on the water of the state must be registered and titled. Sales and use tax may become due when a boat is required to be titled or registered in Florida. A boat must be titled or registered in Florida within 30 days after purchase, or within 90 days after the boat enters Florida if it is currently documented,

titled, and/or registered in another state. A boat that remains in Florida for more than 90 consecutive days or more than 183 days in a one-year period is presumed taxable unless it qualifies for another exemption.

- **New Jersey:** There is no definition of "principal use" within the tax statute; however, it is defined for other purposes, as marine equipment that has been in the state for a period in excess of 180 consecutive days, with certain exceptions applicable.

- **North Carolina:** There is no definition of "principal use" within the tax statute.

- **Rhode Island:** There is no state sales tax on boats. However, the Rhode Island Department of Environmental Management does use the phrase "principally moored" for purposes of boater registration and defines this as 90 days per year.

- **Virginia:** "Principal use" is mentioned in both statute and on the Virginia Department of Gaming and Inland Fisheries website, but it is not defined.

Registration Enforcement Policies

How long may a boater remain in a state before registration is required?

- **Florida:** Florida recognizes valid registration certificates and numbers issued to visiting boaters for a period of 90 days. An owner who intends to use his vessel in Florida longer than 90 days must register it with a county tax collector. If the owner has not registered his boat in another state, it must be registered before use on the waters of the state.

- **New Jersey:** No more than 180 consecutive days. A boater does not need to register if the boat has a federally approved number, in which case it must only record the number with the state.

- **North Carolina:** Ninety consecutive days, or as soon as it is titled in North Carolina.

- **Rhode Island:** Ninety days annually.

- **Virginia:** Ninety consecutive days.

What notice is given to boaters that they owe a registration fee?

- **Florida:** For a vessel purchased in Florida, the bill of sale is required to contain notice that the boat is only authorized for use on the waters of the state for 30 days before registration must be obtained.

- **New Jersey:** None.

- **North Carolina:** Once registered, renewal notices are mailed to the boat owner's address of record.

- **Rhode Island:** None.

- **Virginia:** It is incumbent upon boat owners to seek out registration and title. However, once registered, renewal notices are mailed to the boat owner's address of record.

Is there a state enforcement division to enforce registration requirements and ensure payment of registration fees?

- **Florida:** The Department of Highway Safety and Motor Vehicles or any other law enforcement agency may make any investigation necessary to secure information required to carry out and enforce the boat titling and registration laws. The boating laws and regulations of Florida are enforced by the Florida Fish and Wildlife Conservation Commission and its officers, county sheriffs and their deputies, and any other authorized law enforcement officer.

- **New Jersey:** The Department of Law and Public Safety and Marine Services Bureau in the Division of State Police, and any federal, state, or local law enforcement officer may request that registration be presented by a boater.

- **North Carolina:** Any license, permit, tax receipt, certificate, or identification document must be provided to a Wildlife Resource Commission inspector upon request. In addition, marinas are required by law to produce the names of its customer boat owners.

- **Rhode Island:** The Department of Environmental Management, harbormasters, assistant harbormasters, police officers, and employees of the department have the authority to enforce the regulation of boating laws.

- **Virginia:** Enforcement officers for the Department of Game and Inland Fisheries inspect boats to ensure the possession of decals representing the boat owner's registration.

If there is a special boat registration enforcement division, is it the same enforcement division responsible for collection of sales or use tax?

- **Florida:** No.

- **New Jersey:** No.

- **North Carolina:** No, however, inspectors of the Wildlife Resources Commission may inspect boats for both required tax receipts and certificates of registration.

- **Rhode Island:** No.

- **Virginia:** The Department of Game and Inland Fisheries does collect and forward taxes to the tax commissioner. However, these are not the same agents that enforce registration requirements through the inspection of boats.

What is the amount of the boat registration fee and how often is it collected?

The boater registration fees are shown in **Exhibit 3**.

Exhibit 3
Boat Registration Fees and Duration of Registration for Selected States

	Florida		New Jersey		North Carolina		Rhode Island		Virginia	
	Length	Cost	Length	Cost	Period	Cost	Length	Cost	Length	Cost
	< 12	$7.25	< 16	$12	1 year	$15	1-15	$30	< 16	$27
	12-16	14.25	16-26	28	3 year	40	16-20	40	16-20	31
	16-26	22.25	26-40	52			21-25	60	20-40	37
	26-40	54.25	40-65	80			26-30	100	> 40	45
	40-65	86.25	> 65	250			31-35	200		
	65-110	102.25					36-40	250		
	> 110	126.25					41-45	300		
							46-50	400		
							> 50	600		
Validity Period	Annual		Annual		(See above)		Biennial; (boats over 30 feet may elect annual)		Triennial	

Note: Length is in feet.

Source: Florida Department of Highway Safety and Motor Vehicles; New Jersey Motor Vehicle Commission; North Carolina General Statutes; Rhode Island Office of Boat Registration and Licensing; Virginia Department of Game and Inland Fisheries

I trust this information is responsive to your request. If you have any questions or need additional information, please feel free to contact me at (410) 946-5510.

Sincerely,

Evan M. Isaacson
Policy Analyst

EMI/kjl

cc: Mr. Karl S. Aro
Mr. Warren G. Deschenaux