Appendix V – State of Principal Use

§8-701(p) ***State of Principal Use*** *– "State of principal use" means the jurisdiction on whose waters a vessel is used or to be used most during a calendar year.*

Principal use is established in the jurisdiction on whose waters a vessel is used more than any other.

§8-716(e)(9) of Maryland's State Boat Act allows all vessels duly registered in another jurisdiction the use of Maryland waters for up to 90 cumulative days in any calendar year.

A vessel remaining in Maryland waters more than 90 days is not automatically subject to taxation. When "principal use" has been established elsewhere, and the vessel is duly registered in that jurisdiction, the vessel may use Maryland waters for more than 90 days so long as the total days in Maryland waters is less than the number of days spent in the "principal use" jurisdiction.

In 2006, the Department submitted HB1234 to modify the State Boat Act so that credit would be given for time spent in foreign waters when calculating "principal use". Effective October 1, 2006, the word "state" was changed to "jurisdiction" in the definition of "principal use".

§8-716(f) of Maryland's State Boat Act allows reciprocal tax credit. This means that when circumstances change and a vessel is now principally used in Maryland, the vessel owner will receive full credit for vessel tax paid to another jurisdiction, provided:

- The vessel was formerly:
  - Titled or numbered in another jurisdiction; or
  - U.S. Coast Guard documented and principally used in another jurisdiction;
- The present owner has paid a sales or excise tax on the vessel to the other jurisdiction; and
- The jurisdiction to which the tax was paid would allow an equivalent credit to a vessel titled and registered in Maryland.

New Jersey is the only East Coast state that allows more 90 days, but they must be consecutive rather than cumulative.

Tax exemption for repairs -- §8-716(i)(1) exempts a vessel from tax when held for maintenance, repair or commissioning if the work is:

1. Provided in exchange for compensation;
2. Performed pursuant to a schedule pre-established with one or more marine contractors; and
3. At least two times the reasonable current market cost of docking or storing the vessel.

Enforcement activities of the Boat Tax Enforcement Unit:

Below is a summary of the vessel excise tax enforcement activities in Maryland. The data demonstrates that an increased number of cases are being settled without requiring

OAH/TSC's and that there are still a large number of vessels intentionally circumventing Maryland's excise tax laws (see VET Enforcement Flow Chart).

	TSCs[1]	OAH Hearings	Rev $M	Total Cases	BTE	USCG
FY08	1	1[2]	$1.4	426	303	123
FY07	4	1	$1.5	677	528	149
FY06	4	2	$1.7	520	366	154
FY05	14	3	$2.9	911	773	138
FY04	20	5	$2.8	631	444	187
FY03	28	10	$1.8	482		

Vessel investigations by Boat Tax Enforcement (BTE) can originate from many sources:

1.	On-water survey by field investigators	BTE
2.	USCG quarterly documentation data	USCG
3.	Citizen contact	BTE
4.	Information from other states	BTE
5.	Boat dealer audits.	BTE

Source #1 -- Each year, Boat Tax Enforcement selects 3-4 areas to concentrate their field investigation efforts. Surveys are conducted monthly from March through November, depending on the weather and workload (5-6 months). The assessment of tax does not occur until use of Maryland waters is documented well in excess of 90 days, and usually more than 180 days – undeniably "principal use". Letters are not mailed to vessel owners until November. Subpoenas are issued only when all other investigative alternatives have been exhausted.

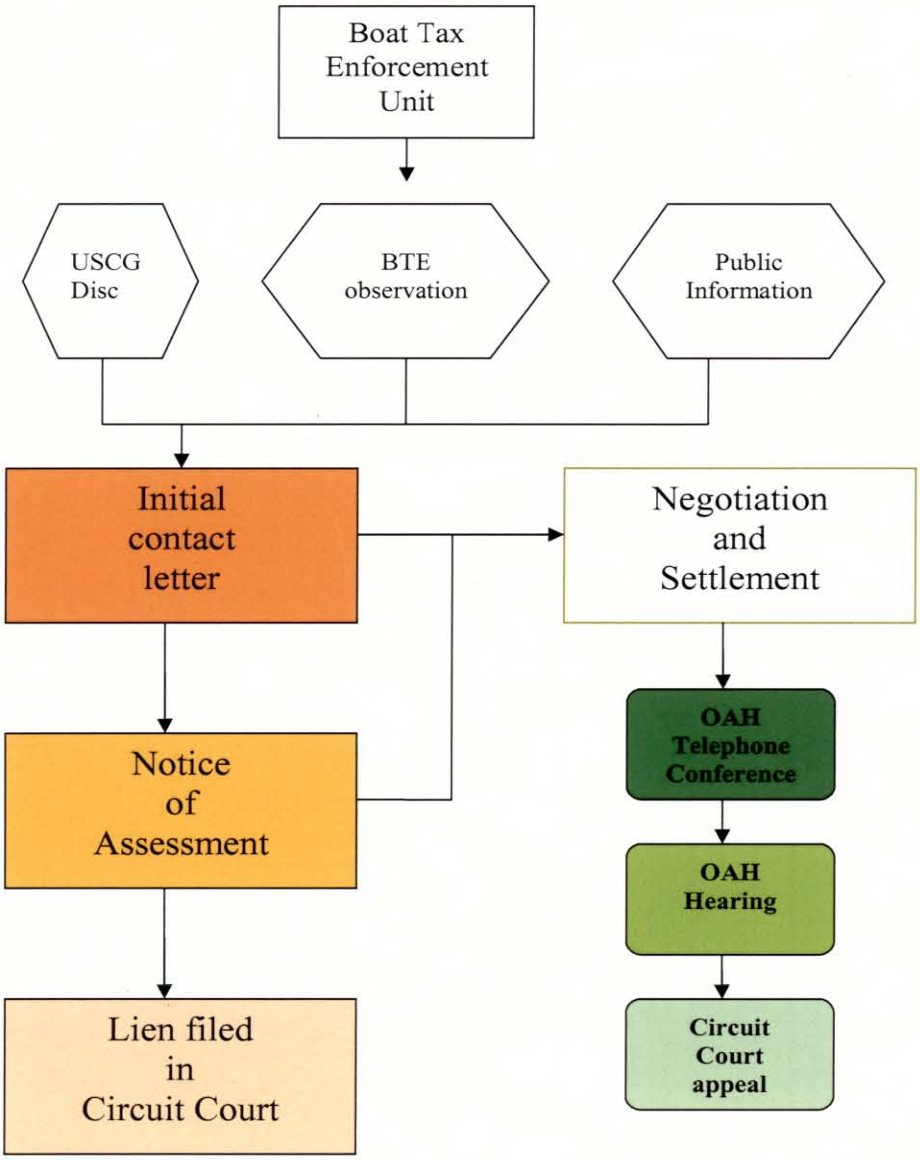
Source #2 -- Using quarterly CDs of documentation records issued by the U.S. Coast Guard, BTE administrative investigators contact vessel owners with Maryland addresses to remind them that a documented decal is required if their vessel is principally used in Maryland. These contacts are made based on USCG information, not observation of the vessel in Maryland waters.

Source #3 – When a complaint is lodged by a private citizen, BTE field investigators take whatever steps necessary to determine the validity of the complaint.

[1] TSC = Telephone Settlement Conference

[2] A second hearing was held in 2008 but OAH dismissed the appeal on the grounds it was not timely filed. Vessel owner (through counsel) negotiated and paid a settlement. Months later, the vessel owner filed an OAH appeal. The OAH hearing addressed whether his appeal could be filed after a negotiated settlement.

Source #4 – Individuals purchasing a vessel in Maryland for intended principal use elsewhere execute the DNR Form B-110. A copy of each form is forwarded to the intended state of principal use. Maryland receives equivalent documents from other states and contacts the owner of any vessel that is not yet registered in Maryland.

Source #5 – DNR Audit & Management Review notifies BTE when their audit of a boat dealer's records indicate that tax and fees were collected but the dealer has failed to forward those monies to the Department. We contact the dealer for the necessary paperwork so that the vessel can be titled and registered, and issue an assessment for tax, fees, penalty and interest.

VESSEL EXCISE TAX ENFORCEMENT