

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **SB 9** SLS 09RS 117
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
|--|--------------------------------|
| Date: May 20, 2009 12:12 PM | Author: LONG |
| Dept./Agy.: Revenue/Wildlife and Fisheries | Analyst: Deborah Vivien |
| Subject: Changes provisions related to dealer demonstration boats | |

TAX EXEMPTIONS EG NO IMPACT GF RV See Note Page 1 of 1

Grants a sales tax exemption from all of the state sales tax and all of the local sales tax for new boats, vessels, or other water craft used as demonstrators. (7/1/09)

Current law subjects the sale of boats at retail to 4% state sales tax and local tax at the appropriate local rate. Boats used as manufacturer demonstrators are not subject to sales tax until sold at retail. The Department of Wildlife and Fisheries registers a dealer for a placard that can be used on any demonstrator boat until it is sold.

Proposed law specifically adds boats and water craft to the exemption from 3% of the state sales tax and from all local sales tax during the period of demonstration for factory-authorized dealers (consistent with the treatment of trucks, cars and airplanes). This exemption is suspended until June 30, 2009. The bill also exempts demonstrator water craft from the remaining 1% of state sales tax. The bill requires the specific demonstrator boats to be registered with the Department of Wildlife and Fisheries as demonstrator models. The sale of the boat at retail will then be subject to state and local sales tax, but proof of sales taxes paid to WLF will no longer be required when the buyer registers the water craft. Effective July 1, 2009.

| EXPENDITURES | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2009-10</u> | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Water craft dealers are typically sent demonstrator models from the manufacturer. The dealer registers with the Department of Wildlife and Fisheries to receive a portable placard with temporary registration numbers that serve as registration for any demonstrator model while it is being used as such. The registration is in effect for three years and can be transferred between boats without additional registration requirements. When the boat is sold at retail, state and local sales tax is due and proof of payment must be presented to WLF in order for the buyer to register the boat. Under this bill, demonstrator boats will be considered used when they are sold at retail because they have received a previous registration. Under current law, registration of a used boat does not require proof of payment of sales tax to WLF when the buyer registers the boat, even if it is sold by a dealer. Thus, there does not appear to be a change to sales tax liabilities since taxes are still due when a boat is finally sold (new or used), however, buyers of demonstrator boats will no longer have to show proof of payment of sales taxes to WLF when they register the boat.

This legislation seems directed toward "team boats" that are lent by dealers to local celebrities or professional fishermen to promote sales. As such, the bill states that the boats can only be used for certain activities related to increasing sales of such boats provided they do not occur on more than six consecutive days for no more than 12 days per calendar month. There is no maximum time period for a boat to be considered a demonstrator model.

In addition, the bill clarifies that, as of July 1, 2009, demonstrator models of boats, vessels and other water craft are exempt from 3% of state sales tax until they are sold at retail by including them in the same exemption as demonstrator trucks, cars and new aircraft. The bill further exempts demonstrator water craft from the remaining 1% of state sales tax. These provisions are equivalent to current law treatment of demonstrator boats.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist