

**Department of Legislative Services**  
Maryland General Assembly  
2006 Session

**FISCAL AND POLICY NOTE**

House Bill 1234

(Chairman, Environmental Matters Committee)  
(By Request – Departmental – Natural Resources)

Environmental Matters

Education, Health, and Environmental  
Affairs

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**Department of Natural Resources - State Boat Act**

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This departmental bill modifies the definition of “state of principal use” to include jurisdictions such as the District of Columbia; this change will allow the Department of Natural Resources (DNR) to take into consideration such jurisdictions in the calculation of principal use when determining vessel excise tax liability. The bill also repeals the Boat Dealer Assurance Fund and related provisions; any funds in the Boat Dealer Assurance Fund as of the effective date of the bill would revert to the general fund.

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**Fiscal Summary**

**State Effect:** The bill’s changes would not materially affect State operations or finances.

**Local Effect:** None.

**Small Business Effect:** DNR has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

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**Analysis**

**Current Law/Background:** Except under specified conditions, an excise tax is levied at the rate of 5% of the fair market value of a vessel on: (1) the issuance of every original certificate of title required for a vessel; (2) the issuance of every subsequent certificate of title for the sale, resale, or transfer of the vessel; (3) the sale within the State of every other vessel; and (4) the possession within the State of a vessel purchased outside the

State to be used principally in the State. The “state of principal use” is defined in statute to mean the “state” on whose water a vessel is used most during a calendar year. This bill would change the word “state” in this definition to “jurisdiction” in order to expand the definition beyond simply state boundaries to include jurisdictions such as the District of Columbia. Thus, in determining vessel excise tax liability, DNR could include time spent in other jurisdictions in the calculation of the state of principal use.

The Boat Dealer Assurance Fund is a special fund within DNR consisting of various registration, license, and certificate fees. Under current law, the fund must be used exclusively to pay title taxes and fees that boat dealers and manufacturers have failed to forward to DNR and for specified administrative costs. According to DNR, the fund addresses boat show exhibitors who are not licensed Maryland boat dealers. DNR advises that these provisions of law have not been implemented for some time because the Comptroller’s Office monitors those events to ensure the collection of Maryland tax when appropriate.

This bill is a result of cooperative interim discussions between DNR and its Boat Dealer Advisory Committee.

**State Fiscal Effect:** According to DNR, when determining the “state of principal use,” it generally gives consideration to vessel owners for time spent in other jurisdictions, despite the statutory definition. In addition, DNR advises that this change would only be applicable to a small number of vessels. Accordingly, the change in the definition is not anticipated to materially affect vessel excise tax revenues.

The bill’s provision regarding the reversion of funds from the Boat Dealer Assurance Fund to the general fund will have no fiscal impact; according to DNR, the fund balance as of June 30, 2004, which had been carried since 1999, was \$5,325. However, in fiscal 2005, that balance was transferred to the State Boat Act Account. Accordingly, there are no funds remaining in the Boat Dealer Assurance Fund.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Natural Resources, Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2006  
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