

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 317

(Chairman, Budget and Taxation Committee)

(By Request – Departmental – Natural Resources)

Budget and Taxation

Ways and Means

Vessel Excise Tax - Exemption - Vessels Taken Out of State

This departmental bill establishes an exemption from the vessel excise tax for the sale of a vessel within the State if: (1) the vessel is purchased from a licensed dealer; (2) the issuance of a title is not sought or required; (3) the vessel is not used or to be used principally on the waters of the State; (4) the vessel is duly registered in another jurisdiction within 30 days of the date of purchase; and (5) the dealer and the purchaser execute an agreement certifying the state of principal use for the vessel which is filed with the Department of Natural Resources (DNR) within 30 days of the date of purchase.

The bill takes effect June 1, 2006.

Fiscal Summary

State Effect: None. The bill codifies current practice.

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.

Analysis

Current Law: 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.

Background: This bill is intended to explicitly provide for a vessel excise tax exemption represented by DNR Form B110, “Certificate of State of Principal Use.” This form releases the boat dealer from responsibility for collecting the vessel excise tax when the purchaser certifies that principal use will be established in a state other than Maryland. According to DNR, questions have arisen regarding the use of this form. Specifically, a footnote to the March 14 decision of the Court of Appeals of Maryland in *Robert A. Schwartz, et al. v. Maryland Department of Natural Resources*, noted that the exemption at issue may not exist under the statute and that DNR might consider proposing to the legislature language clarifying or amending the statute to provide explicitly for that which is reflected in Form B110. As a result, this bill proposes to codify the provisions in that form.

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 3, 2006
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