

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 318

(Chairman Budget and Taxation Committee)

(By Request – Department – Natural Resources)

Budget and Taxation

Ways and Means

Vessel Excise Tax - Family Transfers - Documented Vessels

This departmental bill establishes an exemption from the vessel excise tax for federally documented vessels transferred between immediate family members.

Fiscal Summary

State Effect: None. The bill codifies current practice.

Local Effect: None.

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

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.

Current law provides for an exemption from the vessel excise tax for Maryland-titled vessels when transferred to immediate family. Because the change of ownership on a federally documented vessel is handled by the U.S. Coast Guard, the taxable event upon

which the gift exemption is based under current law cannot be applied to documented vessels. This bill would extend the statutory exemption to documented vessels so long as the vessel applied for and was issued a valid use sticker (the taxable event for documented vessels). DNR advises that it already applies the exemption to these vessels; accordingly, the bill merely codifies current practice.

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 2, 2006
ncs/hlb

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