



The State Senate
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FINAL REPORT
OF THE
SENATE BOAT AND MOTOR TITLE AND AD VALOREM TAXATION
STUDY COMMITTEE

SENATE MEMBERS

Honorable Terrell A. Starr
Senator, 44th District
Chairman

Honorable Don Cheeks
Senator, 23rd District

Honorable Nathan Dean
Senator, 31st District

Honorable Carol Jackson
Senator, 50th District

Honorable Rene D. Kemp
Senator, 3rd District

2000

**Prepared by the
Senate Research Office**

**THE SENATE BOAT AND MOTOR TITLE AND
AD VALOREM TAXATION
STUDY COMMITTEE**

CREATION AND DUTIES

The Senate Boat and Motor Title and Ad Valorem Taxation Study Committee was created pursuant to Senate Resolution 569. The Study Committee was charged with reviewing the potential benefits of implementing titling procedures with respect to marine vessels, and the possibility of changing the method of taxation of marine vessels in Georgia.

Senator Terrell Starr served as the Committee's Chairman. The other members appointed to the Committee were: Senator Don Cheeks, Senator Nathan Dean, Senator Carol Jackson and Senator Rene D. Kemp. The Study Committee met on August 15, 2000, October 3, 2000, November 20, 2000 and December 15, 2000.

The Study Committee heard testimony from the following organizations and State government entities: the Office of Legislative Counsel, the Department of Revenue, the Department of Natural Resources, the Marine Trade Association of Metropolitan Atlanta, JOA Boating, Lockwood Marine, Inc., and Gainesville Marina.

COMMITTEE FINDINGS

The Senate Boat and Motor Title and Ad Valorem Taxation Study Committee examined three primary issues regarding marine vessels in Georgia:

1. The possibility of changing the method of ad valorem taxation of marine vessels, both with respect to inventory tax and the taxation of private boat owners;
2. The possibility of establishing a sales tax cap on the purchase of marine vessels; and
3. The advantages and disadvantages of establishing a system of titling marine vessels.

Ad Valorem and Inventory Taxation of Marine Vessels

The Study Committee discussed raising the ad valorem tax exemption for marine vessels. Georgia law currently provides that tangible personal property having a fair market value of less than \$500.00 is exempt from ad valorem taxation.¹ Testimony from the Department of Revenue revealed that it is not efficient to collect taxes on vessels which are worth less than \$5,000 – especially since Georgia does not have a system for titling and tracking marine vessels. In essence, it costs counties as much or more to pursue collecting taxes on these low-value properties than the county makes from collecting on them.

With assistance from the Office of Legislative Counsel, the Committee drafted proposed legislation which would exempt all marine vessels, with a fair market value of \$5,000 or less, from all ad valorem taxation (See Attachment). If passed, this exemption will become subject to a state-wide referendum.

The Study Committee also explored the possibility of changing the method of determining the amount of inventory tax Georgia's marine vessel dealers must pay each year. Currently, a dealer's inventory is assessed on January 1 of each year, as is the inventory of other property owners. Dealers must pay taxes on the merchandise that they have in stock on that day. As the winter months do not generate a large volume of marine vessel sales, dealers often have more than their usual supply of merchandise in their stores. The Committee, with agreement from the dealers, was interested in changing the assessment of marine vessels so that a dealer could pay taxes on the average value of its inventory through a given taxable year. This method of valuation would allow marine vessel dealers to pay a more fair amount of taxes, as it would be a more accurate statement of their annual inventories.

Article VII, Section I, Paragraph III (a) of the 1983 Georgia Constitution states that all taxation must be uniform upon the same class in a given taxing jurisdiction. The ability to change the method of valuation of marine vessels depended on the passage of a Constitutional Amendment, by a statewide referendum, which sought to classify marine vessels as a separate category of property for tax purposes. This amendment was defeated in the November 2000 general election. As a result, the Committee's effort to change the inventory taxation of marine vessels was stalled.

Sales Tax Cap on Marine Vessel Sales

Currently, purchasers of marine vessels in Georgia pay state and local sales tax at the same

¹O.C.G.A. § 48-5-42.1.

rate as on any other taxable type of purchase. Testimony from marine vessel merchants, however, indicated that they are losing business to vendors in Georgia's neighboring states, such as Tennessee, South Carolina and Florida, which have mitigated the sales tax on marine vessels. For example, Florida has a 6 percent state sales tax and a 1 percent local sales tax on boats. The local sales tax is capped so that a boat purchaser only pays local taxes on the first \$5,000.00 of the vessel's price. Further, Florida provides a drive-out tax exemption for marine vessels which are removed from the state within 90 days of purchase, with verification of registration in another state. Generally, out-of-state customers are not required to pay the tax at the time of purchase; nevertheless, if the Florida Department of Revenue does not receive registration verification, the department will bill the purchaser for the sales tax.²

Georgia does not have a sales tax cap on boats. As a result, the presence of sales tax caps in neighboring states has encouraged Georgia residents to purchase marine vessels from out-of-state merchants. Purchasers may buy the same vessel for the same retail price, but pay significantly less due to the caps on sales taxes. Information from the Department of Revenue states that marine and boat dealers collected approximately \$7,000,000.00 in state sales tax during Fiscal Year 2000. Although the Department of Revenue did not have information stating how much of that revenue would be lost if Georgia implemented a sales tax cap on marine vessels, the Committee concluded that a sales tax cap would benefit Georgia's boating industry by increasing in-state sales.

Titling of Marine Vessels

The Committee also discussed the possibility of developing a system of titling marine vessels in Georgia. The Committee discovered that titling would decrease theft, aid in lien perfection, and assist the State in tracking and registering vessels. Presently, Florida, Tennessee, and South Carolina have a system for titling motor boats. The boating industry expressed opposition to titling, indicating that titling would create an expensive and cumbersome burden on smaller dealers, boaters, and the agency that administers it. Moreover, the industry stated that lending institutions and insurance companies would be the primary beneficiaries, yet they would not incur any of the cost of implementing a boat titling law. The Committee did not reach a conclusion on a method of implementing a titling system.

CONCLUSION

The Committee recognized that the method of ad valorem taxation of marine vessels, both

²Tennessee has a 6 percent sales tax and a local tax of between 1 percent and 2.75 percent. However, Tennessee caps its sales tax on boats by charging a 6 percent sales tax on the first \$100,000.00 in sales, but only a 3 percent sales tax on any purchase amount in excess of \$100,000.00. Moreover, Tennessee only imposes a sales tax on non-resident purchasers when the vessel purchased remains in Tennessee for longer than three days after the purchase. At that time, the state imposes a 8.25 percent sales tax on the vessel purchased. South Carolina has a 5 percent sales tax and no local taxes. Additionally, South Carolina provides a sales tax cap on marine vessels so that purchasers pay no more than \$330 in sales tax on a single boat.

with respect to inventory tax and the taxation of private boat owners should be modified. The Committee also recognized the need to establish a sales tax cap on the purchase of marine vessels. Finally, the Committee recognized the potential advantages and disadvantages of a proposed titling system applied to marine vessels. However, with the November 2000 defeat of the proposed Constitutional amendment which would have classified marine vessels as a separate category of property for inventory tax purposes, the Committee is not presenting any formal recommendations.

Respectfully Submitted,

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AND AD VALOREM TAXATION
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