

Cite as 3 WTD 121 (1987)

BEFORE THE DIRECTOR
DEPARTMENT OF REVENUE
STATE OF WASHINGTON

In the Matter of the Petition)	<u>F</u> <u>I</u> <u>N</u> <u>A</u> <u>L</u>
For Correction of Assessment of)	<u>D</u> <u>E</u> <u>T</u> <u>E</u> <u>R</u> <u>M</u> <u>I</u> <u>N</u> <u>A</u> <u>T</u> <u>I</u> <u>O</u> <u>N</u>
)	
)	No. 86-138A
)	
. . .)	Watercraft Valuation
)	. . .
)	

- [1] PERSONAL PROPERTY TAX -- FLOATING EQUIPMENT -- VALUATION. The classification denoted "Floating Equipment" is the appropriate valuation category uniformly applied for valuing all commercial watercraft used for industrial purposes.
- [2] PERSONAL PROPERTY TAX -- WATERCRAFT EQUIPMENT -- VALUATION -- DEPRECIATION SCHEDULE -- REASONABLENESS. All floating, industrially equipped watercraft, e.g., crane-ships, are subject to the same, reasonable average depreciation method to determine value; it is not unreasonable to value such equipped watercraft under this uniform depreciation method merely because the equipment might also "reasonably" be valued under a more rapid depreciation schedule.
- [3] PERSONAL PROPERTY TAX -- WATERCRAFT VALUATION -- ADMINISTERING AGENCY -- INTENT. After 1984 amendment of RCW 84.08.200 the Department of Revenue is solely responsible for certifying the "equalized" value of all ships and vessels, including "Floating Equipment" for personal property tax purposes; it is the Department's intent that all floating equipment be uniformly valued under the same depreciation method.
- [4] PERSONAL PROPERTY TAX -- FLOATING EQUIPMENT -- BASIS OF VALUATION -- UNIFORMITY. Equipment installed on watercraft for industrial purposes, e.g., crane-ships, is uniformly valued for tax purposes as "Floating Equipment" at the scheduled rate of depreciation for such equipment, notwithstanding that the same kind of

equipment may incur a different depreciation rate if land based.

NATURE OF ACTION:

The taxpayer has appealed from a portion of the findings and conclusions contained in Determination No. 86-138, which was issued on April 23, 1986. That Determination sustained the Department's personal property tax valuation placed upon the working vessel, . . . a crane-ship owned and operated by the taxpayer in the marine construction business. Five of the taxpayer's vessels were valued by use of the Department's watercraft valuation schedule, calculated upon graduated rates of depreciation for various classifications of watercraft. The . . . is representative of all such vessels.

FACTS AND ISSUES:

Faker, Sr. A.L.J. -- The facts and respective vessel valuations, including that of the . . . are fully and properly reported in Determination 86-138 and not restated here.

The single issue in controversy is whether the vessels have been properly valued for tax purposes as "Floating Equipment," under Table 10 of the valuation schedules, which represents 10% annual depreciation. More specifically, is the correct valuation schedule for a crane-ship that of "Floating Equipment" or "General Construction Equipment?"

TAXPAYER'S EXCEPTIONS:

The taxpayer's position is succinctly set forth in its petition to the Director dated June 10, 1986, in pertinent parts as follows:

The taxpayer is in the construction business. Its watercraft are floating platforms for the heavy equipment used in its business. For example, the vessel . . . is essentially a construction crane located on a barge. It is used in the same way as a land-based construction crane and for the same purposes. By far the greatest portion of the . . . value is the value of the crane. The platform on which it sits is of relatively modest value.

The taxpayer took the position in its 1979 appeal to the Board of Tax Appeals that its equipment should be valued with other similar construction equipment, and not simply as watercraft. The Board agreed:

This Board is of the opinion that appellant's construction machinery and equipment, whether classified as watercraft or not, is used in construction and is subject to physical depreciation to at least the same degree as land-based equipment.

. . .

This position makes good sense: the typical vessel or barge is used in the transportation of people or equipment by water. The wear-and-tear and the consequent physical depreciation suffered by such watercraft is obviously less than the extraordinarily heavy wear to which the taxpayer's construction equipment is subjected. It makes no sense to depreciate transportation equipment (i.e., typical watercraft) on the same schedule as construction equipment (i.e., this taxpayer's construction equipment located on its barges).

The Department instructs county assessors to value general construction equipment using Column 16 on the value indicator tables. The equipment at issue here is to all intents and purposes subject to "at least the same degree" of physical depreciation as is general construction equipment. Board decision, page 6.

The Determination justifies use of the Departmental schedule on the basis that "the Department has consistently used the schedule" for valuing vessels of all types. In other words, the Department schedule represents a rough average of vessels of all kinds. Clearly this use of rough average discriminates against this taxpayer.

The Board so found in the prior case. Even if the Board decision is not res judicata in a technical sense, still the Department ought to give serious consideration to the Board's findings. The Board concluded, after a full hearing, that the taxpayer's equipment is subjected to much harder use than other vessels, justifying application of the depreciation schedule for similar construction equipment. The Determination does not dispute that conclusion. It simply ignores it.

It is no answer to say that the Department's tables are based on average vessels. The point is that this taxpayer's vessels are not average. It is these vessels that are being valued, not some hypothetical

average vessel. And the Determination does not (and could not) dispute the Board's finding that these vessels are different from the average.

DISCUSSION:

Though the taxpayer's petition requests an appeal hearing if an adverse ruling is indicated, the record and taxpayer's valuation files reveal sufficient information upon which this Final Determination may be issued without recourse to further oral conference. Accordingly, pursuant to the provisions of RCW 82.32.160 and WAC 458-20-100, the request for hearing is denied.

[1] The classification denoted "Floating Equipment" is the valuation category which is uniformly and consistently applied to determine valuation for all commercial watercraft used for industrial purposes. The taxpayer's vessels are simply "working" vessels, no different in purpose from any other watercraft equipped with construction equipment. All such equipped vessels and other industrial use watercraft were included within this category to derive the average annual depreciation factor, 10%.

[2] As Determination 86-138 explains, the taxpayer has not established that the 10% depreciation factor is unrealistic or unreasonable. The taxpayer simply argues, gratuitously, that the equipment could be reasonably valued under a different classification with a higher depreciation factor. That testimony does not obviate the fact that the "working" or equipped vessels are "watercraft," nor does it establish that the "Floating Equipment" valuation is unreasonable. Clearly, the average depreciation for commercial watercraft is derived by including both the high and the low within the computation. It is not dispositive of unreasonableness that some taxpayer's vessels happen to fall at either end of the grouping. All floating, equipped watercraft are subject to the same average depreciation to determine valuation. The methodology is reasonable. Otherwise, no standard valuation methods could be developed and each item of industrial personal property would need to be separately viewed and valued. There is no such requirement under the law.

Moreover, contrary to the taxpayer's contention, Determination 86-138 does not simply ignore the Order of the State Board of Tax Appeals. In fact, the bulk of the "Discussion" portion of the Determination is specifically devoted to explaining why that Order is not controlling.

[3] The responsibility for establishing standard and uniform property valuation tables rests with the Department of Revenue. It does so by utilizing appropriate and uniform methods,

including consideration for property depreciation. In 1984, at the time the Notices of Value in question here were issued, the valuation and tax collection responsibilities rested exclusively with the Department, no longer with County Assessors. The role of the Department is no longer simply advisory as it was at the time of the 1980 Board Order. See RCW 84.08.200. Under this statute the Department is to certify the "equalized" value of all ships and vessels. County Assessors are no longer expected to exercise best judgments in these matters, as the Board found in its Order. Furthermore, contrary to the Board's assumption in the 1980 Order (p. 7, paragraph 4) the kinds of vessels in question here are precisely among those which are "typical of what the Department of Revenue intended to be included in their 'Floating Equipment' . . . category."

[4] Finally, all personal property taxpayers who own this precise kind of construction watercraft equipment are uniformly taxed under the Floating Equipment valuation classification. The taxpayer is not differently situated. It is not dispositive or persuasive to argue that cranes or industrial equipment could be removed from the floating platforms (the vessels) and, therefore, be attributed with a land based valuation. Much the same could be said of tugs with respect to winches or other commercial equipment. Watercraft are watercraft, regardless of the nature of installed equipment. It is not the Department's intent, nor is it reasonable to conclude that the Table 10 valuation schedule should include only watercraft which are used to carry property in the traditional boating sense.

DECISION AND DISPOSITION:

The taxpayer's petition is denied. The valuation of the taxpayer's working vessels for property tax purposes will remain as assessed.

DATED this 8th day of May 1987.