

Cite as 3 WTD 77 (1987)

BEFORE THE INTERPRETATION AND APPEALS SECTION
DEPARTMENT OF REVENUE
STATE OF WASHINGTON

In the Matter of the Petition)	<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>	
for Correction of Assessment of)	No. 87-139
)	
)	
. . .)	1985 Watercraft
Valuation	
)	. . .
)	

[1] **BOAT TAX:** RCW CHAPTERS 82.49, 84.08, 84.36, 84.40 -
- WAC 458-12-300 -- WATERCRAFT VALUATION SCHEDULE --
COMMERCIAL FISHING VESSEL. The Department of
Revenue, in preparing the Watercraft Valuation
Schedule, takes into account comparable sales and
market conditions of the fishing industry.

[2] **BOAT TAX:** RCW'S 84.40.020, 84.36.005 -- PRORATION -
- APPORTIONMENT. The watercraft property tax
statutes do not allow proration or apportionment of
the boat tax, even if a boat is damaged after the
January 1 valuation period. 1 WTD 151 (1986).

[3] **BOAT TAX:** RCW CHAPTERS 82.49, 84.08, 84.36, 84.40 -
- TAXABLE VALUE -- FISHING LICENSE. The taxable
value of a commercial fishing boat does not include
the cost of the fishing license.

Headnotes are provided as a convenience for the reader and are
not in any way a part of the decision or in any way to be used
in construing or interpreting this Determination.

TAXPAYER REPRESENTED BY: . . .

DATE OF HEARING: September 23, 1985

NATURE OF ACTION

Taxpayers petitioned for a reduction of the 1985 personal property tax on their commercial fishing boat.

FACTS

Normoyle, A.L.J. (successor to M. Clark Chandler, Administrative Law Judge) -- The taxpayers bought a commercial fishing boat in 1976, for \$60,000. According to the taxpayers, the purchase included a purse seine license worth \$25,000.

The taxpayers did not list ownership of the boat in 1983 or 1984. As a consequence, the Department of Revenue estimated the value to be \$49,700, based on boat length (49.7 feet). The taxpayers also failed to list the boat in 1985, and again the Department used the \$49,700 value, for that year's tax assessment. The taxpayers then informed the Department of the original purchase price, and the 1985 assessment was reduced to \$36,600, on August 6, 1985. Included in the 1985 tax assessment was a 25% penalty for failure by the taxpayers to list the vessel with the Department.

According to the taxpayers, vandals sank the boat in July 1985. It was pulled out of the water, but is worth considerably less than before the vandalism.

The taxpayers protest the Department's valuation of \$36,600. They believe that the boat should be valued less, for these reasons:

1. The age of the boat and motor;
2. the lack of a selling market;
3. the lack of profitability;
4. the lack of any other use for the boat;
5. the damage done to the boat part way through the tax year; and
6. the purchase price was actually \$35,000 (\$60,000 minus \$25,000 for the fishing license).

ISSUES

1. Should the assessment be reduced because of the age of the boat and motor, the poor selling market, the lack of profitability of fishing, and the lack of any other use for the boat? Conclusion: No.

2. Should the assessment be reduced because of the damage done to the boat part way through the tax year? Conclusion: No.

3. Should the assessment be reduced, by subtracting the cost of the fishing license from the purchase price? Conclusion: Yes, if the taxpayers are able to establish that the sale price included a specified amount for the license.

DISCUSSION

[1] **Issue No. 1:** The Department of Revenue, pursuant to RCW 84.08.010, 84.08.200, 84.40.020, 84.40.130, and 84.40.200, assesses personal property taxes on owners of commercial fishing vessels. Vessels used exclusively for commercial fishing are exempt from watercraft excise tax, but are subject to property tax. RCW 82.49.020, 84.36.080. A boat owner is required to annually list the vessel with the Department of Revenue. If he or she does not do so, the Department determines the value. RCW 84.40.130(1) provides for a penalty of 5% per month, to a maximum of 25% of the tax, for those boat owners who fail to list the boat for tax purposes.

The tax is based on the "true and fair value of (the) property. True and fair value means market value." Washington Administrative Code 458-12-300. See also, RCW 84.40.030. The Department utilizes a watercraft valuation schedule in determining the value of a boat. The schedule is first based on a taxpayer's purchase price and then relies on comparable sales as an indication of fair market value. The schedule works this way: Assuming, as here, that a boat was purchased for \$60,000, in 1976. The schedule provides that the boat, by 1985, had depreciated 39%, meaning its 1985 value is 61% of its 1976 purchase price. $\$60,000 \times 61\% = \$36,600$.

In determining how much a fishing boat depreciates, the schedule takes into account comparable sales and market conditions of the fishing industry. The depreciation schedule does not allow further reduction because of the fact that a boat is old, that an individual taxpayer made no profit, or that the taxpayer had no other use for the boat.

Persons who dispute the assessment may provide appraisals in support of their claim that the depreciation schedule should not apply to their boat. The taxpayer in this case did not do so and the depreciation schedule was properly used to determine the 1985 taxes.

[2] Issue No. 2: Rightly or wrongly, the legislature did not provide for this type of personal property tax assessment to be prorated, in the event of damage to or destruction of a boat during the tax period in question. RCW 84.40.020 states, in pertinent part, that "All personal property in this state subject to taxation shall be listed and assessed every year, with reference to its value and ownership on the first day of January of the year in which it is assessed. . . ." See also, RCW 84.36.005. These statutes do not provide for proration of the value of boats. Therefore, any reduction in value due to vandalism cannot serve to reduce the boat tax, for the 1985 assessment although it may for the 1986 assessment.

[3] Issue No 3: The boat tax is a tax on the vessel itself, not on a fishing license purchased with the boat. If the taxpayers can establish that the purchase price included the fishing license, the Department will reduce tax accordingly. Documents which may prove the amount paid for the license include the bill of sale and the depreciation schedule from the taxpayers' federal income tax return, or other satisfactory documentation.

DECISION AND DISPOSITION

The tax assessment is sustained, unless the taxpayers, within 30 days of the date of this Determination, supply the Property Tax Division of the Department of Revenue with satisfactory proof of the amount of the original purchase price which was in payment of the fishing license. If they are able to so document, the Department shall reduce the tax accordingly. Otherwise, full payment will be due by the end of the 30 day period (May 29, 1987).

Interest which may otherwise accrue on the assessment shall be waived for the period from November 26, 1985, to May 29, 1987, as the delay in the issuance of the Determination was for the sole convenience of the Department.

DATED this 29th day of April 1987.