

SUBJECT: Exempting certain boats and motors from sales or use tax

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 11 ayes — Burrows, Guillen, Bohac, Cole, Martinez Fischer, Murphy, Noble, E. Rodriguez, Sanford, Shaheen, Wray

0 nays

WITNESSES: For — Sara Bettale and Randy Bright, Texas Marine Industry Coalition; John Bowen, Texas Marine Industry Coalition and Elite Diesel Service; (*Registered, but did not testify:* John Kuhl, Boating Trades Association of Texas; Tammy Embrey, City of Corpus Christi; Samantha Bowen, Elite Diesel Service; Thomas Hilton, Hilton's Fishing Charts; Skip Pillsbury, Marine Service Technician; Johnny Timmons, Marinemax; Marvin Green, Motonautica Marine Service; Isaac Streety, William Cannan and Jay Dee Jackson, Texas Marine Industry Coalition; Chuck Mains, The Boating Trades Association of Metropolitan Houston; Tony Bettale; John Lowrance; John Preston; Cory Webster)

Against — None

BACKGROUND: Tax Code ch. 160 imposes a 6.25 percent sales and use tax on a taxable boat or motor. A "taxable boat or motor" is defined as:

- a boat other than a canoe, kayak, rowboat, raft, punt, or other vessel designed to be propelled by paddle, oar, or pole; or
- an outboard motor.

Tax Code ch. 160 defines "boat" using the definition in Parks and Wildlife Code sec. 31.003, which defines the term to mean any watercraft, other than a seaplane on water, not more than 65 feet in length.

DIGEST: HB 4032 would create certain exemptions from the sales or use tax on taxable boats or motors and would cap the tax that could be imposed on the sale of a boat or motor at \$18,750. The bill also would expand boats

subject to sales or use tax to include vessels of up to 115 feet in length and would make changes relating to distributors and dealers under the Parks and Wildlife Code.

Exemptions. The bill would exempt from tax the sale of taxable boats or motors in this state if they were sold for use outside the state and:

- were removed from this state within 10 days of purchase;
- were placed in a boat repair facility registered with the comptroller within 10 days of purchase, not used while being repaired or modified except as necessary to test the repairs or modifications, and removed from this state within 20 days of the repairs or modifications being finished; or
- displayed a temporary use permit at all times after purchase until removed from this state and were removed from this state within 90 days of the date of purchase.

Taxable boats or motors used in this state would not be subject to use tax if they:

- had a current certificate of number issued or approved under federal law;
- displayed a temporary use permit at all times while located in this state; and
- were removed from the state within 90 days after being brought into this state.

Temporary use permit. The comptroller or an agent of the Texas Parks and Wildlife Department (TPWD) could issue temporary use permits to owners of boats or motors that qualified for exemption under this bill.

These permits would be valid for 90 days and could not be renewed. An owner could obtain two permits in a calendar year for a boat or motor, and the second permit in the year could not be issued within 30 days after the expiration of the first permit. The fee for the permit would be \$150.

The comptroller would be required to adopt rules and procedures regarding temporary use permits and the exemptions under this bill.

Dealers and Distributors. The bill also would:

- expand the definition of a distributor under the Parks and Wildlife Code to include persons selling or processing for distribution any vessels in this state, instead of just boats as under current law; and
- allow TPWD to authorize certain dealers to act as agents for the issuance of certificates of number and the collection of fees and taxes for any vessels and outboard motors sold by those dealers, instead of just for boats as under current law.

The bill would take effect September 1, 2019.

NOTES:

According to the Legislative Budget Board, the bill would have an estimated negative impact of \$2.3 million to general revenue related funds through fiscal 2020-21.