

Watercraft Industry

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PREFACE

This publication is intended as a general guide to the Sales and Use Tax Law and Regulations as they apply to the sellers, suppliers, brokers, purchasers, and users of watercraft.

This publication does *not* address sales and purchases of watercraft that are not considered *vessels* under the Sales and Use Tax Law and Regulations. These include:

- Seaplanes;
- Watercraft specifically designed to operate on a permanently fixed course, held on that course by a mechanical device;
- Watercraft designed only for rowing or paddling, such as kayaks or canoes;
- Sailboats that are no more than eight feet long.

Please note that this publication supplements [publication 73](#), *Your California Seller's Permit*. Publication 73 is provided to first-time applicants for seller's permits, includes general information about obtaining a permit; using a resale certificate; paying, collecting, and reporting sales and use taxes; buying, selling, or discontinuing a business; and keeping records. If you do not already have a copy of this publication, you may request one from your local Board of Equalization (BOE) office.

If you cannot find the information you are looking for in this publication, please contact our Customer Service Center. Representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays) at 1-800-400-7115.

We welcome your suggestions for improving this or any other publication. Please provide your suggestions or comments to:

Audit and Information Section
State Board of Equalization
450 N Street MIC:44
PO Box 942879
Sacramento, CA 94279-0044

Note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, decisions will be based on the law and not on this publication.

To contact your Board Member, see www.boe.ca.gov/members/board.htm.

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TAX-EXEMPT WATERCRAFT

In general, sales or use tax applies to the sale or purchase of tangible personal property in California. Sales of property covered by specific exemptions are not subject to tax—including watercraft, exempt from tax based on their principal or functional use, and their qualifying component parts. This chapter, which contains information useful to watercraft sellers, brokers, purchasers, and operators, explains the watercraft principal or functional use exemptions. Sellers and buyers can find specific information on how these exemptions apply to sales in the chapter, *Sales and Purchases of Watercraft*, and the chapter, *Sales of Watercraft Parts, Materials, and Supplies*. For more information, please see [Regulation 1594, Watercraft](#).

Exemptions

The sale, use, or lease of a watercraft vessel, and its qualifying component parts, is exempt from tax if:

- The vessel's *principal use* is transporting passengers or property for hire in interstate or foreign commerce;
- The vessel's *principal use* is commercial deep-sea fishing conducted outside California's territorial waters;
- The vessel's *functional use* is transporting people or property for hire to certain vessels or certain offshore drilling platforms.

To determine the **principal use** of a watercraft, the BOE usually looks at the way the craft is used during its first 12 months of operation following purchase or lease. The principal use is generally considered to be the operation that constitutes *more than 50 percent* of the vessel's activity during that period (unless specified otherwise for a particular exemption). The **functional use** is generally considered to be the operation that constitutes at least 80 percent of the vessel's activity during that period. In addition, the BOE may use other measurements, including minimum gross income standards, to determine whether a vessel qualifies for a particular watercraft exemption. The specific requirements for each type of use exemption are described below.

Vessels used in interstate and foreign commerce—*principal use*

Sales and leases of vessels *used principally* in interstate or foreign commerce, and their qualifying component parts, are exempt from tax. For this exemption, interstate or foreign commerce is defined as transportation of passengers or property **for hire** from this state to another state or foreign country, or vice-versa. To demonstrate that a vessel is used for hired transportation services, it usually must generate a minimum amount of income from such activity (see "Additional gross income requirement," on next page). To qualify for the interstate and foreign tax exemption, a watercraft must be used:

- *Exclusively* in interstate or foreign commerce; or
- In a combination of interstate or foreign commerce, and commerce between ports in the state (*intrastate* commerce), provided the vessel's *principal use*—more than 50 percent of its activity—is for interstate or foreign commerce.

Sailing in part on the high seas while traveling to and from California ports does not, by itself, qualify a vessel for the exemption. Furthermore, vessels used exclusively to transport their owners' property do not qualify for this exemption.

Tugboats and Barges

Under certain conditions, tugboats and barges may qualify for the interstate and foreign commerce exemption. Their *principal use* must be:

- Transporting cargoes moving in interstate or foreign commerce; or
- Towing, or helping to move, vessels used principally to transport passengers or cargoes in interstate or foreign commerce.

Please note: Tugboats and barges used to transport ships' stores, ships' crews, repair parts, and similar cargoes to and from a vessel are not eligible for the exemption.

Additional gross income requirement—interstate and foreign commerce

To demonstrate the vessel is used to transport people or property for hire, a watercraft must usually generate a certain amount of gross income from this activity during its first 12 months of operation. For boats sold or leased after January 1, 1987, the annual gross receipts from such transportation services must be greater than 10 percent of the cost of the watercraft to the purchaser or lessor, or \$25,000, whichever is *less* (*all* gross receipts from transporting passengers or property for hire may be included).

If gross income from a vessel you own or lease is less than the required amount, the BOE will presume that it is not used to transport people or property for hire, unless you can clearly establish otherwise. Watercraft not used for hired transportation services do not qualify for the interstate and foreign commerce principal use exemption.

Commercial deep-sea fishing boats—*principal use*

Sales and leases of watercraft *principally used* in commercial deep-sea fishing operations *outside the territorial waters of this state*, are exempt from tax. Operators of such vessels must be regularly engaged in commercial deep-sea fishing, as demonstrated by their gross income from fishing activity. Sales of qualifying component parts for exempt vessels are also exempt from tax.

Principal use outside state's territorial waters

The territorial waters of the state include waters which are:

- Within three English nautical miles of the coastline; or
- Within three English nautical miles seaward of a line drawn between the headlands of all bays and harbors along and adjacent to the coast; or
- The outermost waters within three English nautical miles of all islands which are a part of the state.

The total time a vessel is used in *actual fishing operations* during the first 12 months beginning with its first activity after sale or lease will be considered to determine the boat's eligibility for the exemption. If you are a boat owner or lessee, you should keep adequate records to document:

- Time spent traveling to and from the fishing grounds;
- Time the boat is used within the state's territorial waters; *and*
- Time the boat is used outside the territorial waters of the state.

If the time you conducted fishing operations outside the state's territorial waters exceeds the time operated within them, your boat would meet the basic principal use standard for the commercial deep-sea fishing exemption. Time the vessel is idle or stored in the state during the initial 12-month period would not be considered in this determination.

Fishing party and sportfishing boats

Fishing party and sportfishing boats having the necessary commercial fishing licenses and permits to take charter or fishing parties for hire may also qualify for this exemption. The following requirements apply:

- The principal use of the watercraft—commercial deep-sea fishing—takes place outside California’s territorial waters;
- The fishing is commercial in nature;
- The boat’s purchaser can satisfactorily demonstrate that profit is the primary motive for the fishing activity.

Additional gross income requirement—commercial deep-sea fishing

Persons operating watercraft sold on or after July 29, 1991, must generally satisfy a gross income requirement to qualify for this exemption. The boat owner or lessee’s gross receipts from commercial deep-sea fishing operations must total at least \$20,000 in a selected 12-month period (see *note*, below).

Fishing income from both inside and outside the state’s territorial waters may be included. (For boats sold during the period January 1, 1980 through July 28, 1991, the gross income requirement was \$5000 per year.)

If fishing receipts from a boat you own or lease are less than the specified minimum amount, the BOE will presume that you are not actively engaged in commercial deep-sea fishing—unless you can clearly demonstrate otherwise—and the purchase or lease of your watercraft will be subject to tax.

For information on additional evidence that may be required to establish your deep-sea fishing boat exemption, see [Purchasing a Watercraft with an Exemption Certificate](#).

Please note: The 12-month period selected for examination of your gross fishing income will depend on whether you were deep-sea fishing commercially at the time you purchased the vessel.

Watercraft used to transport passengers and cargo to vessels or oil platforms outside state territorial waters—*functional use*

Sales and leases of watercraft *functionally used* to transport people or property to vessels or offshore drilling platforms outside the state’s territorial waters, are exempt from tax. The vessel must be used for this purpose at least 80 percent of the time during its first 12 months of actual operation after purchase or lease. Sales of qualifying component parts of these vessels are not subject to tax.

Marine Invasive Species Fee (formerly the Ballast Water Management Fee)

To address the problem of the introduction and spread of nonindigenous aquatic species into the state waters of California, the California State Lands Commission initiated a ballast water management and control program. This program assesses a fee for each qualifying voyage. The BOE works with the California Marine Exchanges to identify daily arrivals of vessels into California ports and uses the information to:

- Determine if any vessels made voyages that are subject to the fee.
- Establish account numbers for the owner/operator of vessels that are subject to the fee.
- Mail notices of amounts due to owners/operators of vessels and fax copies of notices to the agents of record, if requested.

For further information about the Marine Invasive Species Fee, please contact Special Taxes and Fees at:

Special Taxes Policy and Compliance Division MIC:88

State Board of Equalization

PO Box 942879, Sacramento, CA 94279-0088

Phone: 1-800-400-7115

For information regarding ballast water management and testing or for copies of State Lands Commission regulations, please visit the State Lands Commission web page at www.slc.ca.gov or telephone them at 1-916-574-1900.

Vessels purchased or delivered out of state—not intended for use in California

If you purchase a vessel and take delivery out of state it may not be subject to tax. For more information, please see [publication 52, Vehicles and Vessels, How to request a use tax clearance for DMV registration](#).

For more information, please see our Sales and Use Tax Law Frequently Asked Questions at www.boe.ca.gov/sutax/faqscont.htm.

SALES AND PURCHASES OF WATERCRAFT

This chapter is designed to give you information on the taxability of watercraft sales, methods of tax reporting and payment, and the respective tax reporting responsibilities of registered sellers, brokers, and buyers. It also includes information on sales of exempt watercraft, as defined in the previous chapter.

Documented and undocumented vessels

Documented vessels

A documented vessel is a watercraft required to be documented by the United States Coast Guard, that has a valid Coast Guard-issued marine certificate. Sales and use tax on documented vessels is generally paid to the seller or to the BOE, as described later in this chapter.

A vessel is required to be documented with the United States Coast Guard if:

- It will be used in international waters (outside the 3-mile limit); or
- The vessel is 5 net tons or more and will be used in fishing activities.

Undocumented vessels

An undocumented vessel is a watercraft that does not require or have a Coast Guard-issued marine certificate. Undocumented vessels must be registered with the State Department of Motor Vehicles (DMV). Acting for the BOE, the DMV collects use tax from purchasers at the time they register vessels, unless the tax was previously paid by the seller or broker.

For more information on sales of documented and undocumented vessels, you may wish to obtain a copy of [Regulation 1610, Vehicles, Vessels, and Aircraft](#), at www.boe.ca.gov, or by calling our Customer Service Center at 1-800-400-7115.

Sales and leases by registered sellers of watercraft

If you hold a valid seller's permit, and you are in the business of selling watercraft, your sales are generally subject to sales tax. Whether you sell a *documented or undocumented vessel*, you are required to report and pay sales tax to the BOE. Sales of tax-exempt watercraft, defined in the first chapter, are described later in this section. If you have questions as to whether your vessel qualifies as documented or undocumented, the National Vessel Documentation Center provides answers to frequently asked questions on their website at www.uscg.mil.

When you sell an *undocumented vessel*, you must give the purchaser a sales tax certification form to present to the DMV, showing that tax was paid on the sale. An example is shown on the next page; copies are available from the [DMV website](#).

DAW A Public Service Agency		CF NUMBER	
Vessel Dealer or Manufacturer's Sales Tax Certification		CF	
		BUILDER	YR. MODEL
HULL IDENTIFICATION NUMBER		LENGTH	
		Ft.	In.
CHECK ONE	SALES PRICE	SALES TAX	
<input type="checkbox"/> Dealer	\$	\$	
<input type="checkbox"/> Manufacturer	SBE SELLER'S PERMIT NUMBER		
REGISTERED OWNER—NAME (LAST, FIRST, MIDDLE)			
STREET ADDRESS		STATE	APT. NO.
CITY		STATE	ZIP CODE
DEALER—MANUFACTURER FIRM NAME			
ADDRESS			
CITY			
<i>I certify under penalty of perjury under the laws of the State of California that the information entered by me on this document is true and correct, and the applicable taxes on the sale will be reported directly to the Board of Equalization.</i>			
CITY	SIGNATURE		
	X		
TITLE	DAYTIME TELEPHONE NUMBER		
	()		
BOAT 110 (REV. 3/94)			

Watercraft exempt from sales tax

Vessels exempt by principal or functional use

As described in the first chapter, sales of other vessels are exempt from sales tax based on the vessels' principal or functional use. The use must be:

- Principally for transporting passengers or property for hire in interstate or foreign commerce;
- Principally for commercial deep-sea fishing outside California's territorial waters; or
- Functionally for transporting people or property for hire to vessels or offshore oil platforms outside California's territorial waters.

If the time you conducted fishing operations outside the state's territorial waters exceeds the time operated within them, your boat would meet the basic principal use standard for the commercial deep-sea fishing exemption. The time the craft is idle or stored in the state during the initial 12-month period would not be considered in this determination.

Vessels of more than 1,000 tons burden

Shipbuilders' sales of vessels of more than 1,000 tons burden are exempt from sales tax. However, unless the vessel qualifies under one of the watercraft principal or functional use exemptions, the purchaser may be liable for use tax, and sales of component parts for the ship *are* taxable.

Leases of taxable watercraft

Lease payments you receive for taxable watercraft are generally subject to tax, unless you paid tax on the cost of the vessel. Different leasing rules apply to vessels that are at least 30 feet long, which are considered "Mobile Transportation Equipment."

For more information, please see [Regulation 1660](#), *Leases of Tangible Personal Property—in General*, or [Regulation 1661](#), *Leases of Mobile Transportation Equipment*.

Reporting District Taxes

When you sell an undocumented vessel, you must report district tax if the vessel is *registered or licensed* at an address within a special tax district. When you sell a documented vessel, you must report the appropriate district tax if the boat will usually be *moored or berthed* at an address in a special tax district, *and* you are engaged in business in that district.

In either case, if the applicable address is outside a special tax district, you should not report district tax on the sale. [California City and County Sales and Use Tax Rates](#) lists special tax districts and rates and is available online at www.boe.ca.gov. For more information on applying district tax, you may wish to obtain a copy of [publication 44, District Taxes](#), at www.boe.ca.gov or by calling our Customer Service Center at 1-800-400-7115.

Note to sellers located within a special tax district: If you sell an undocumented vessel that is exempt from the district tax in effect at your sales location, you must obtain a declaration from the purchaser and retain it in your records. The purchaser must certify, under penalty of perjury, that the vessel's licensing or registration address is the purchaser's principal place of residence, or in the case of a corporation, its principal place of business. Sample declaration certificates can be found in [Regulation 1823.5, Place of Delivery of Certain Vehicles, Aircraft, and Undocumented Vessels](#).

Brokerage sales

In a brokerage transaction—where the seller/broker acts as an agent without authority to bind the parties or transfer title to the watercraft—the broker is generally not considered a retailer. He or she is not required to collect sales or use tax. Although the purchaser is liable for the use tax due, the broker *may* collect it, as described below.

If the broker collects the use tax from the purchaser and provides a receipt, the *broker*, not the purchaser, is liable for the use tax amount paid and must pay that amount to the BOE (for documented vessels) or to the DMV (for undocumented vessels). If the BOE determines that additional use tax is due, the *purchaser* is liable for the additional tax. *Please note:* the purchaser should keep the receipt for any use tax paid to a broker.

For more information, please see [Regulation 1610, Vehicles, Vessels, and Aircraft](#). You may also call our Consumer Use Tax Section at 1-916-445-9524.

Purchaser's responsibility to report tax

In some cases, the buyer of a watercraft is responsible to pay sales or use tax directly to the BOE or to the DMV. This section addresses your obligations as the purchaser of a vessel.

Purchasing a documented vessel

If you buy a documented vessel from a person who does not hold a seller's permit, or from a broker who does not collect and submit the tax on your behalf, you must pay *use tax* to the BOE. Use tax is also due on watercraft purchased from a seller located outside the state, if the seller does not collect California use tax from you.

The tax due is based on the effective rate in the county where you usually moor or berth the vessel. If you customarily moor or berth your vessel within a special tax district, but you did not pay district tax on the vessel's purchase, you may be liable for the district use tax. For information on the correct tax rate, refer to [publication 44, District Taxes](#), available on our website at www.boe.ca.gov or by calling our Customer Service Center at 1-800-400-7115.

Purchasers with a valid seller's permit or consumer's use tax number

If you hold a valid seller's permit or a consumer's use tax number, you must report the tax on your return for the reporting period in which the purchase took place, unless you have purchased the vessel for resale. If you are a registered seller who purchased the vessel for personal or business use, you would list the amount of the purchase under *Purchases Subject to Use Tax* on your sales and use tax return.

Purchasers without a seller's permit or consumer's use tax number

If you do *not* have a valid seller's permit or consumer's use tax number, you must pay use tax directly to the BOE. By using [publication 79, Documented Vessels and California Tax](#), you can file your payment directly with the Consumer Use Tax Section or any BOE [field office](#). You must include a brief statement giving the date of purchase, purchase

price the city in which the vessel is moored, berthed, or stored and a description of the vessel. The description should include:

- Year of manufacture and name of builder
- Length of the vessel
- Name, documentation, or CF number

Please note your payment is due on the earlier of:

- The month following the month you were mailed a copy of a return by the BOE; or
- The month following the twelfth month in which you purchased the vessel, if you do not receive a BOE return.

Purchasing an undocumented vessel

If you buy an undocumented vessel from a person who does not hold a seller's permit or from a broker who does not collect and pay the use tax, you must pay the tax yourself. When you register the craft with the DMV, they will collect the use tax due, based on the vessel's purchase price. If you have purchased the craft through a broker who has submitted your application and fees to the DMV without submitting the use tax, the DMV will contact you regarding payment of the tax.

Purchasing a watercraft with an exemption certificate

When you purchase a watercraft for one of the exempt principal uses described in first chapter, or purchase qualifying component parts for an exempt vessel, you must provide a *watercraft exemption certificate* to the seller. On the certificate, you must certify that the craft is to be used for one of the three exempt purposes allowed by law. An example of a watercraft exemption certificate is shown on page 10. This certificate is provided in [Regulation 1594, Watercraft](#).

You may be required to provide the BOE with additional information regarding the watercraft, such as:

- Date of purchase
- Home port
- Serial number
- Fish and Game Registration number
- Vessel I.D. number
- Number of nautical miles traveled during the first six months
- Type of fish caught
- Name and address of customers (including commercial fish receipts from those customers)
- Name and suppliers of bait and gear
- Blocks of areas fished
- List of reports made to Fish and Game and where they may be examined
- Ship's log
- Name of insurance company and type of coverage (commercial marine)
- Photo of vessel which clearly shows the rigging, California "CF" registration number, documented name, or Fish and Game number of the vessel
- Other information that may be needed to verify the exemption status of your vessel

Registering a vessel outside of California

If you register a watercraft outside the state to avoid paying state sales or use tax, you may be liable for a penalty of 50 percent of any tax the BOE determines is due on your vessel, plus interest and the original tax due.

Using an exempt watercraft in a nonexempt manner

If you use a watercraft exemption certificate to purchase a watercraft without tax, and use the watercraft in a manner not described on the certificate, you are liable for the tax based on the purchase price of the watercraft. You must report and pay the tax directly to the BOE at the time of such use. If you do not report and pay tax at that time, the BOE may later bill you for tax on the vessel's purchase, including applicable penalties and interest.

WATERCRAFT EXEMPTION CERTIFICATE

I HEREBY CERTIFY: That the watercraft identified below is used
() In the transportation by water of persons or property for hire in inter-state or foreign commerce*;
() In deep sea fishing operations outside the territorial waters of this state*;
() In transporting for hire persons or property to vessels or offshore drilling platforms located outside the territorial waters of this state.
That all tangible personal property which I shall purchase from

_____ described on purchase orders, or invoices, as tax exempt under Section 6368 of the Sales and Use Tax Law and Regulation 1594, consists of watercraft or tangible personal property becoming a component part of the watercraft in the course of constructing, repairing, cleaning, altering, or improving the same, which watercraft will be used principally in the operation checked above.

*Note: Revenue and Taxation Code Section 6368 (b) creates a rebuttable presumption that you are not regularly engaged in commercial deep sea fishing if your gross receipts from such operations are less than twenty thousand dollars (\$20,000) a year. Revenue and Taxation Code Section 6368 (c) creates a rebuttable presumption that the watercraft is not regularly used in interstate or foreign commerce if your yearly gross receipts from such operations do not exceed 10 percent of the cost of the watercraft or twenty-five thousand dollars (\$25,000), whichever is less.

Date Certificate Given _____

Purchaser _____
(Company Name)

Address _____

Signed By _____
(Signature of Authorized Person)

(Print or Type Name)

Title _____
(Owner, Purchasing Agent, etc.)

Seller's Permit No., (if any) _____
and/or

Fish and Game License No. _____

Names of Watercraft for which certifying purchaser will be making purchases:

SALES OF WATERCRAFT PARTS, MATERIALS, AND SUPPLIES

This section is a general guide to the application of tax to sales and purchases of watercraft parts, materials, and supplies. Generally, sales and purchases of these items are subject to tax. However, as with sales and purchases of watercraft, some special exemptions apply. If you have questions regarding the taxability of a particular item or transaction, you may contact our Customer Service Center for assistance at 1-800-400-7115.

Component parts of tax-exempt watercraft

Sales of *component parts* of a watercraft are not taxable if the parts are an integral part of a vessel that is exempt from tax based on its principal use (as described in the first chapter, *Tax-Exempt Watercraft*). They must become part of the vessel as it is constructed, repaired, cleaned, altered, or improved. Component parts must be:

- Substantially affixed or attached to the exempt watercraft while in use; or
- An affixed part of the vessel.

In addition, property normally treated as an expense item for accounting purposes, and not substantially affixed or attached while in use, is not considered to be a component part. Sales of these items are also taxable.

If you are a seller of watercraft parts, you must obtain a watercraft exemption certificate from all purchasers who buy qualifying component parts for an exempt vessel; otherwise, you are liable for sales tax on the transaction. See sample [Watercraft Exemption Certificate](#).

You must clearly separate taxable and nontaxable items on sales documents, including invoices, contracts, purchase orders, and so forth. You may wish to clearly mark each nontaxable item listed on your sales document in a way that refers to the watercraft exemption certificate on file. For example, you may identify each tax-exempt item with an asterisk (*), and write the following on your sales document: "All items marked with an asterisk (*) are exempt from sales or use tax per Watercraft Exemption Certificate dated _____."

For a listing of component parts that may be nontaxable, see the [Appendix, Component Parts and Taxable Items](#). For additional information, please see [Regulation 1594, Watercraft](#).

Fishing equipment

Sales of fishing nets normally attached to a tax-exempt vessel when in use, and items that become part of the nets or are attached to them, are generally tax-exempt. These fishing nets and parts are considered to be component parts. Sales of nets that are set out on buoys or floats, and their parts, are taxable. Examples of taxable and nontaxable fishing equipment can be found in the [Appendix](#).

Please note: Similar types of fishing gear may be classified as nontaxable in one situation and taxable in another, depending on their use or the way in which they are attached.

Navigational charts

Sales of hydrographic charts printed by the U.S. Government are not subject to tax. Sales of coast and geodetic charts, however, are taxable.

Repair supplies, parts, and materials

Sales of watercraft repair and refinishing supplies to ship and boat repairers are subject to tax. Examples include sandpaper, rags, paint thinners, solvents, paintbrushes, and pails. Sellers of these supplies should not accept a resale certificate or watercraft exemption certificate for the taxable items. The sale of paint to repairers is also taxable, unless the paint will be applied to exempt watercraft.

Boat repairers' sales of repair parts or materials are subject to tax if:

- The retail value of the parts is more than 10 percent of the total repair charge. When this occurs, parts and materials charges must be stated separately from repair labor or installation charges on repair invoices;
- Separate charges are made for repair parts and materials, regardless of the value of the parts.

Repairs to exempt watercraft

Sales of repair parts or materials that become component parts of exempt watercraft are exempt from sales tax. A watercraft exemption certificate should be provided to retailers when purchasing these component parts.

Trailers

You must register for a Tire Fee account if you are a California retailer that sells new tires. The fee is imposed upon the retail purchase of a new tire. Tires that are subject to the fee include new tires sold separately from, or included with, the retail purchase of new or used motor vehicles, including trailers. The fee is \$1.75 per tire. You can keep one and a half (1.5) percent of the fees you collect as a reimbursement for your related costs. For more information, see [publication 91](#), *California Tire Fee*, or contact the BOE Customer Service Center at 1-800-400-7115.

FABRICATION, REPAIR, AND INSTALLATION LABOR

Charges for labor may be subject to tax, as explained below. For more information, please see [Regulation 1546](#), Installing, Repairing, Reconditioning in General, [Regulation 1526](#), Production, Fabrication and Processing Property Furnished by Consumers—General Rules and [publication 108](#), Labor Charges. These are also available by calling the Customer Service Center at 1-800-400-7115.

Fabrication labor

If you charge for labor to *create or produce* a new item for a customer, the labor charges are taxable, whether you supply materials or use materials provided by the customer. Some examples include:

- Fabricating sails or dodgers
- Converting a fishing boat to a pleasure craft
- Making custom fishing nets

Labor charges for fabricating an exempt watercraft or a qualifying component or affixed part of an exempt vessel are not taxable.

Repair labor

If you make a separately stated charge for labor to *repair or recondition* an item to restore its original use, the labor charge is not taxable. Some examples include:

- Repairing a boat's engines
- Repairing fishing nets
- Rebuilding a pleasure boat's cabin and enlarging its galley, as long as the boat remains a pleasure craft

Installation of parts and equipment

Labor for *installation* of parts and equipment is not taxable. However, if installation occurs as part of fabricating an item in place, the whole labor charge is taxable (unless the item is affixed to a tax-exempt vessel). You should state installation charges separately from the other charges on your invoice or other sales document.

SALES TO WATER COMMON CARRIERS

Water common carriers are vessels that transport people or property for hire in interstate or foreign commerce. Special rules may apply to the sales of merchandise and fuel to common carriers, as described below.

Sales to common carriers

Sales of items to be used outside of California

Sales of items (other than fuel and petroleum products) to a water *common carrier* are exempt from sales tax when the merchandise sold is:

- Shipped by the seller via the purchasing carrier's own transportation equipment, including trucks, ships, or planes;
- Shipped under a bill of lading, whether or not shipping charges are made;
- Shipped to a point outside this state;
- Transported to the out-of-state destination for use by the common carrier in the conduct of its regular business; and
- Used *only* after arrival at the out-of-state destination.

The carrier must be authorized to transport cargo over the California portion of the route under common carrier rights.

In addition, the seller must obtain a certificate from the purchaser stating that all of the requirements listed above apply to the transaction. A sample certificate can be found in [Regulation 1621, Sales to Common Carriers](#) or by calling our Customer Service Center at 1-800-400-7115.

Fuel and petroleum products

From April 1, 2004, through December 31, 2023, sales of fuel and petroleum products to water common carriers may also be exempt from sales tax. The product sold must be immediately shipped outside the state, and cannot be used until the carrier reaches its first out-of-state destination. The common carrier who makes the purchase must hold a valid seller's permit or a fuel exemption registration number.

Please note: The first out-of-state destination includes the entry point of the Panama Canal, even when the carrier will only pass through the Canal en route to another destination.

Exemption Certificate. The common carrier must provide a written exemption certificate to the vendor stating the quantity of fuel or petroleum products that will be used after it reaches its first out-of-state destination. The certificate must include the common carrier's valid seller's permit number or valid fuel exemption registration number. Sellers accepting the certificate in good faith are not liable for the sales tax. A sample fuel exemption certificate, along with more detailed information on this type of transaction, can be found in [Regulation 1621, Sales to Common Carriers](#). For information on obtaining a fuel registration number, please see below.

Registration

If you claim an exemption from sales tax on fuel or petroleum products as described on the previous page, and you are not required to hold a valid seller's permit, you still must register for a fuel exemption certification number (FEN). After you register with us, you may be required to place a security deposit and to file tax returns.

A FEN or seller's permit must be provided to retail fuel vendors with proof of the exemption as outlined in [Regulation 1621, Sales to Common Carriers](#).

If you are a water common carrier and have never held a FEN permit, you must obtain the permit before claiming the exemption. To apply for a new FEN permit, complete and submit form [BOE-400-FEN](#), *Application for Fuel Exemption*.

If your FEN permit has expired, contact your local BOE office to provide us with your current information and reinstate the permit. You must do this before claiming the exemption.

For assistance with any of these requirements, please contact the Customer Service Center at 1-800-400-7115.

Record keeping

To document that you have transported the amount of fuel or petroleum product claimed as exempt to an out-of-state destination, the BOE may require you to provide records, including a copy of a log abstract or a cargo manifest. If you do not provide the records on request, the BOE may revoke your fuel exemption number.

In addition, if you use property, fuel, or petroleum products in any way that violates the restrictions of the exemption claimed, you will be liable for payment of sales tax. The tax will be based on the amount you paid for the claimed exempt items including any applicable penalties and interest.

APPENDIX: COMPONENT PARTS AND TAXABLE ITEMS FOR EXEMPT WATERCRAFT

The following lists provide examples of taxable items and nontaxable component parts for exempt watercraft, as defined in previous chapters. (The tax exemption for component parts does not apply to parts sold or purchased for vessels that do not qualify for one of the watercraft principal use exemptions.) The lists are intended as a guide, and do not include all items you may sell or purchase for exempt watercraft. Categories are listed in alphabetical order.

Basic principles for determining taxability

Nontaxable component parts

Sales of items listed as *nontaxable component parts* (including their parts) are not taxable *when the parts are substantially affixed or attached* to an exempt watercraft (or to one of its affixed parts), when in use. The parts must become part of the watercraft when it is constructed, repaired, cleaned, altered, or improved. Sales of items purchased for inventory or future use are taxable.

Taxable items

Items listed as taxable are *not affixed or attached* to an exempt watercraft in a substantial manner when in use. Items that are consumed during normal application, such as solvents or soap, are also subject to tax.

Important note: Some items are taxable in one situation and nontaxable in another, depending on their use or method of attachment. If you have any question regarding the application of tax to the sale or purchase of a particular item, please contact our Customer Service Center at 1-800-400-7115 for assistance.

Cleaning materials and gear

Taxable items

Acids
Ammonia, household
Baskets
Benzene
Bleaches
Bricks, grill and range
Brooms
Brushes
Buckets
Cans
Carpet sweepers, electric or hand
Caustic soda
Chipping hammers, power
Chloride of lime
Chore girls
Deodorants
Disinfectants
Drums
Dust pans

Emery cloth and powder
Handles for brooms or brushes
Holystones
Insecticides
Lye
Mops and swabs
Paint and varnish removers
Pails
Plumber's friend (force cup)
Pumice stone
Rags and cheesecloth
Sal soda
Sand, scrubbing
Sandpaper
Sawdust
Soaps, solvents, detergents, cleansers
Sponges
Squeegees
Steel wool

Dry goods (miscellaneous)

Nontaxable component parts

Awnings
Dodgers
Filter cloth (used in or as component part of vessel)
Flags and pennants (operational only)
Hatch tarpaulins
Hatch tents (carried on vessel)
Sails
Signal balls
Material for making or repairing any of these items

Dunnage materials

Taxable items

Fabrics
Lumber (dunnage only)
Paper

Environmental and fire control equipment

Nontaxable component parts

AFFF systems
CO² systems (including CO²)
Fire hoses and nozzles
General alarm system
Oil spill booms
Steam smothering lines and system

Taxable items

Portable firefighting equipment, such as fire extinguishers, fire axes, protective clothing, and breathing apparatus.

Fishing gear

Nontaxable component parts

Fishing nets normally attached to the vessel when in use and items that become part of the nets or are attached to them.

Examples: drag nets, drift nets, lampara nets, and purse seine nets

Taxable items

Bait well nets	Floats for buoying nets and lines
Crab gear	Gaff hooks
Fish baskets	Ice tongs, shavers, and picks
Fish forks, spears, and darts	Loading chutes
Fish hooks	Lobster gear
Fishing nets set out on buoys or floats, and parts or attachments	Net needles
	Portable bait tanks
	Fish lures

Note: Similar types of fishing gear may be classified as nontaxable in one situation and taxable in another, depending on their use or method of attachment. Please contact our Customer Service Center if you are unsure whether an item is taxable.

Fuels, gases, lubricants, and compounds

Taxable items

Bunker fuel	Graphite
Compounds—grinding, boiler, testing, and treating	Greases
Flux	Ink, instrument
Gases, acetylene	Kerosene
Gasoline	Oil—cutting, lubricating, storm, fuel
Glycerine	Oxygen

Furniture, furnishings, and entertainment equipment

Nontaxable component parts

Athletic Equipment (fixed)
Furniture and furniture parts: beds, benches, bunks, chairs, lockers, springs, stools, tables
Hospital and surgical equipment
Televisions and VCRs
Cassette and CD players
Radio receiving sets (house-hold type)
Recreational equipment
Rugs, carpets, mats, drapes, blinds, curtains, licenses and certificate frames, notices, pictures, shades, signs

Taxable items

Athletic equipment (movable), such as medicine balls and horse-billiard sets
Bed springs (not affixed)
Books
Cameras
Cots
Deck chairs
Games, party gear, portable sports equipment, toys
Portable stereo, radio, and video equipment
Portable benches, chairs, divans, lamps, stands, stools, tables
Portable hospital and surgical equipment, including portable first aid kits
Stretchers and litters
Wheelchairs

Note: Items that are usually moved from place to place in the watercraft, or stationary but not affixed to the vessel, are taxable.

Galley and stewards' equipment

Nontaxable component parts

Coffee urns
Dishwashing machinery
Griddles
Mixing, grinding, and slicing equipment

Ovens
Steam kettles
Steam tables
Stoves
Toasters

Taxable items

Appliances, portable
Bath mats
Bed sheets, spreads, and blankets
Chinaware
Crockery
Crocks, bowls, bottles
Electric irons
Galley knives, forks, and spoons
Glassware
Laundry bags
Lining paper
Matches
Mattresses and covers
Metalware

Mixing and grinding machines (portable)
Napkins
Paper bags, towels, napkins, cups
Percolators/coffee makers (portable)
Pillows and pillow cases
Pots and pans
Steamtable inserts
Tablecloths
Table knives, forks, and spoons
Toasters (portable)
Toilet paper
Toothpicks
Towels
Uniforms

Ground tackle and mooring equipment

Nontaxable component parts

Anchors

Anchor chains, links and shackles

Bumpers or fenders

Chocks

Cleats

Mooring lines—chain, wire, fiber

Hardware and accessories

Nontaxable component parts

Bolts

Brads

Glass—window, port

Joiners hardware

Metal rods, sheets, rolls, bars, shapes

Nails

Nuts

Padlocks

Pins

Rivets

Screws

Spikes

Staples

Tacks

Washers

Wire cloth

Wire screen

Lifesaving equipment

Nontaxable component parts

Lifeboats and equipment (first aid kits, water containers, flashlights, and so forth)

Life rafts and equipment

Taxable items

Portable life saving equipment such as ring buoys, life jackets, distress signals, flares, and rockets, when not part of a lifeboat or life raft.

Lights, electrical fixtures, and related items

Nontaxable component parts

Batteries

Electric wire and cable

Lanterns—if affixed

Lights—if affixed

Taxable items

Lights and lanterns used *intermittently* at various locations and for various purposes in the ship, such as flashlights, battle lanterns, oil lamps, and portable electric lights with extension cords.

Lumber and lumber products

Nontaxable component parts

Hatch boards

Plugs

Scupper splash boards

Sign boards

Taxable items

Lumber used for dunnage and other temporary, nonaffixed uses

Machinery and related items

Nontaxable component parts

Boilers

Capstan and warping engine

Cargo winches

Compressors

Condensers

Davits and lifeboat winches

Firebrick, boiler cement, firebrick facing (chrome ore, etc.)

Generators

Temperature control systems and equipment

Lighting systems and equipment

Main engine

Motors

Pipe and plumbing fittings

Propellers

Pumps

Refrigeration equipment (including refrigerants)

Sanitary systems and equipment

Steering engine

Tail shaft and shafting

Topping lift winches valves

Ventilating systems and equipment

Windlasses

Machine shop equipment, tools, and miscellaneous equipment

Nontaxable component parts

Anvils

Drill presses

Grinders

Lathes

Shapers

Vises

Taxable items

Adzes

Awls

Axes

Bars—boring, chisel, claw, crimping, pinch, punch, slice, wrecking

Bellows (portable)

Bevels

Bits for portable drills

Blades—knife and saw

Blowtorches

Boiler testing apparatus

Braziers

Brushes, paint

Calipers

Chain, measuring

Chisels—cold, pneumatic, wood

Clamps, wood

Machine shop equipment, tools, and miscellaneous equipment

Taxable items (continued)

Cutters—bolt, boiler tube, cable, gasket (portable),
glass, pipe, wire

Detectors, leak

Die nuts

Dies—pipe and bolt

Dividers

Drills (portable)

Fids—metal and wood

Figures, steel stamping

Files

Forklift trucks

Funnels

Gauges—depth, thickness, etc.

Gloves—leather, rubber

Goggles—chipping, welding

Guns—air, grease, oil, soot remover, paint spray

Hammers, pneumatic

Handles—composition, metal, wood

Hatchets

Hoists (portable)

Hooks, hand

Irons, caulking

Irons, soldering

Jacks

Keys, door and lock

Knives—drawer, jack, linoleum, putty

Ladders, step

Levels

Machines, deck scrubbing and polishing

Mallets

Measure—bulk, liquid

Meters (portable)

Needles

Oil cans

Packing tools

Palms, leather

Picks

Pitch payers

Planes

Pliers

Plumb bob

Pots—babbitt, glue, melting

Prickers, sail makers

Pump, barrel (portable)

Punches—arch, center, etc. (portable)

Ratchet, drilling

Reamers

Rules—folding, steel, tape

Saw frames

Saws

Scales—spring balance, platform (portable)

Scissors

Scoops

Scrapers

Screw drivers

Shears

Shovels

Snake, plumber's

Snips

Sounding rod

Squares

Stencils

Straddle carriers

Surgical instruments

Tap and die sets

Tape, masking

Tape, measuring

Tightener, chain

Tongs, blacksmith

Tool kit

Traps, rat and rodent

Trowel

Welding set (portable)

Wrenches

Miscellaneous

Nontaxable component parts

Belting
Cargo nets and slings
Caulking materials
Cement
Container Lift Spreader
Flexible ladders
Gangways, accommodation ladders
Gaskets
Glue
Insulation material
Packing
Putty, Plastic wood
Save-alls (nets)
Sealing compounds
Solder
Tapes—friction, linen, pipe wrapping, rubber

Taxable items

Alcohol
Dryers
Thinners
Turpentine

Navigation, communication and administrative equipment

Nontaxable component parts

Barometers
Buzzer signal systems
Clocks
Compasses
Computerized navigation aids
Fluids for gauges or instruments
Gauges
GPS—global positioning systems
Gyrocompasses
Indicators
Loran

Meters
Phone systems, cellular phones
Public address systems
Radar
Radios
Radio direction finder
Recording instruments
Satellite communication systems, INMARSAT
Sounding machines (automatic or manual)
Taffrail logs
Thermometers

Taxable items

Ammunition
Battery Acid
Binoculars
Blinkers—portable
Books
Bosun's chairs
Chart reading glasses
Charts
Chronometers
Distilled battery water
Dividers
Firearms
Flags, decorative and house
Florescent tubes
Handcuffs
Horns, hand (portable)

Light bulbs
Maps
Megaphones
Powder charges for line throwing
guns
Radios—portable, hand
Rat guards
Rulers, parallel
Rules
Safety belts
Sailing directions
Sextants
Signal rockets and flares
Stop watches
Tide tables
Typewriters (portable)

Office supplies

Taxable items

Blotters
Books—composition, memo
Calculators (portable)
Crayons
Carbon paper
Chalk
Computers
Envelopes
Erasers
Ink, ink eradicator
Paper
Paper clips
Pencils

Pen points
Printers
Printing supplies
Rubber bands
Rulers
Scotch tape
Staple removers
Staplers
Staples
Stamp pads
Stamp, rubber
Stencils
Thumb tacks

Running gear, rigging, rigging fittings, and lashing equipment

Nontaxable component parts

Batten bars

Battens

Blocks

Booms

Chain

Clamps

Fiber rope and lines

Hooks

Links and rings

Masts

Pulleys

Shackles

Spars

Thimbles (eyes for rope or wire ends)

Turnbuckles

Wire rope

Taxable items

Wire rope, chain, or fiber rope or lines not principally used for running gear, mooring, lashing or rigging, such as hand-held lines, heaving lines, and lines and chain used for miscellaneous purposes.

FOR MORE INFORMATION

For additional information or assistance with how the Sales and Use Tax Law applies to your business operations, please take advantage of the resources listed below.

CUSTOMER SERVICE CENTER

1-800-400-7115

TTY:711

Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

FIELD OFFICES

City	Area Code	Number
Bakersfield	1-661	395-2880
Culver City	1-310	342-1000
El Centro	1-760	352-3431
Fairfield	1-707	427-4800
Fresno	1-559	440-5330
Glendale	1-818	543-4900
Irvine	1-949	440-3473
Norwalk	1-562	466-1694
Oakland	1-510	622-4100
Rancho Cucamonga	1-909	257-2900
Rancho Mirage	1-760	770-4828
Redding	1-530	224-4729
Riverside	1-951	680-6400
Sacramento	1-916	227-6700
Salinas	1-831	443-3003
San Diego	1-858	385-4700
San Francisco	1-415	356-6600
San Jose	1-408	277-1231
Santa Clarita	1-661	222-6000
Santa Rosa	1-707	576-2100
Ventura	1-805	677-2700
West Covina	1-626	480-7200

Out-of-State Field Offices

Chicago, IL	1-312	201-5300
Houston, TX	1-713	739-3900
New York, NY	1-212	697-4680
Sacramento, CA	1-916	227-6600

INTERNET

www.boe.ca.gov

You can log onto our website for additional information—such as laws, regulations, forms, publications, and policy manuals—that will help you understand how the law applies to your business.

You can also verify seller's permit numbers on the BOE website (look for "[Verify a Permit/License](#)") or call our toll-free automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on our [website](#) at www.boe.ca.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

FAXBACK SERVICE

Our faxback service, which allows you to order selected publications, forms, and regulations, is available 24 hours a day. Call 1-800-400-7115 and choose the fax option. We'll fax your selection to you within 24 hours.

TAX INFORMATION BULLETIN

The quarterly Tax Information Bulletin (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current and archived TIBs on our website at www.boe.ca.gov/news/tibcont.htm. Sign up for our BOE updates email list and receive notification when the latest issue of the TIB has been posted to our website.

FREE CLASSES AND SEMINARS

Most of our statewide field offices offer free basic sales and use tax classes with some classes offered in other languages. Check the Sales and Use Tax Section on our website at www.boe.ca.gov for a [listing of classes and locations](#). You can also call your local field office for class information. We also offer [online seminars](#) including the Basic Sales and Use Tax tutorial and how to file your tax return that you can access on our website at any time. Some online seminars are also offered in other languages.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

Please visit our website at: www.boe.ca.gov/info/email.html to email your request. You may also send your request in a letter to: Audit and Information Section, MIC:44, State Board of Equalization, P.O. Box 942879, Sacramento, CA 94279-0044.

TAXPAYERS' RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see *Understanding Your Rights as a California Taxpayer*, [publication 70](#), or contact the [Taxpayers' Rights Advocate Office](#) for help at 1-916-324-2798 (or toll-free, 1-888-324-2798). Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers' Rights Advocate, MIC:70; State Board of Equalization; P.O. Box 942879; Sacramento, CA 94279-0070.

Regulations and publications

Lists vary by publication

Selected regulations, forms, and publications that may interest you are listed below. A complete listing of sales and use tax [regulations](#), [forms](#), and [publications](#) appears on our [website](#). Multilingual versions of our publications and other multilingual outreach materials are also available at www.boe.ca.gov/languages/menu.htm.

Regulations

- 1526 Producing, Fabricating and Processing Property Furnished by Consumers—General Rules
- 1546 Installing, Repairing, Reconditioning in General
- 1594 Watercraft
- 1610 Vehicles, Vessels and Aircraft
- 1621 Sales to Common Carriers
- 1661 Leases of Mobile Transportation Equipment
- 1698 Records
- 1700 Reimbursement for Sales Tax
- 1821 Foreword
- 1823 Application of Transactions (Sales) Tax and Use Tax
- 1823.5 Place of Delivery of Certain Vehicles, Aircraft, and Undocumented Vessels

Publications

- 17 Appeals Procedures: Sales and Use Taxes and Special Taxes
- 44 District Taxes
- 51 Resource Guide to Free Tax Products and Services for Small Businesses
- 61 Sales and Use Taxes: Exemptions and Exclusions
- 70 Understanding Your Rights as a California Taxpayer
- 73 Your California Seller's Permit
- 74 Closing Out Your Seller's Permit
- 75 Interest, Penalties and Fees
- 76 Audits
- 79 Documented Vessels and California Tax
- 100 Shipping and Delivery Charges
- 101 Sales Delivered Outside California
- 106 Combination Packages and Gift-Wrapping
- 108 Labor Charges

