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March 29, 2002

No. 2002/024

TO COUNTY ASSESSORS AND INTERESTED PARTIES:

ASSESSORS' HANDBOOK SECTION 576,
ASSESSMENT OF VESSELS

Enclosed are copies of Assessors' Handbook Section 576, *Assessment of Vessels*, which was adopted by the Board on February 6, 2002. This handbook section is a complete rewrite of the former AH 576. Noteworthy changes to the previous version of the handbook include the following:

- A new chapter on methods for discovery of vessels and owner reporting requirements to assessors.
- An expanded discussion on the comparative sales approach with regards to using data on the Internet, published value guide books, and records from the Department of Motor Vehicles in determining market value.
- An expanded discussion on documented vessels, especially those documented with the U.S. Coast Guard and those qualifying for the 4% preferential assessment.
- A more detailed discussion on the determination of the taxable situs of a vessel and how the 1995 closing of the Coast Guard's documentation centers in California have affected a vessel's "home port" designation.
- A new section on the business inventory exemption for vessels.
- An expanded discussion on the exemption for vessels of more than 50 tons burden (Article XIII, section 3(l) of the California Constitution).

AH 576 is available on the Board's Web site at www.boe.ca.gov and can be accessed by way of the following links: (1) Property Taxes, (2) Assessors' Handbook. Copies are also available on diskette upon request to the Policy, Planning, and Standards Division at (916) 445-4982.

TO COUNTY ASSESSORS AND
INTERESTED PARTIES:

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March 29, 2002

Board staff wishes to express its appreciation to all interested parties who participated in the revision of this section of the Assessors' Handbook. Those efforts contributed greatly to the success of this project.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property Taxes Department

DJG:mw
Enclosure

ASSESSORS' HANDBOOK
SECTION 576

ASSESSMENT OF VESSELS

FEBRUARY 2002

CALIFORNIA STATE BOARD OF EQUALIZATION

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FOREWORD

Assessors' Handbook Section 576 (AH 576), *Assessment of Vessels*, is a complete rewrite of the June 1973 version of AH 576. This new version of the handbook section is reorganized and contains new or expanded topics. It includes some text from the original manual but it also includes material concerning subjects not covered in the previous handbook section.

The rewrite of this handbook section was undertaken by staff members of the Policy, Planning, and Standards Division (PPSD) of the Property Taxes Department in conjunction with the staff of the Property Taxes Section of the Legal Division and is the product of the authors' writing at the direction of the Board.

The Department of Motor Vehicles or the Coast Guard is responsible for collecting registration fees on vessels; however, vessels are also subject to personal property taxation and assessors are responsible for the annual assessment of vessels. The objective of this handbook section is to give property tax appraisers, auditor-appraisers, and other interested parties an understanding of the issues concerning vessels for assessment purposes. It should serve as a guide and as an informational resource for the appraisal and assessment of this special, transitory type of personal property.

As part of the process of producing this manual, Board staff worked with members of the California Assessors' Association, industry representatives, and other interested parties to solicit input for this handbook section. The Board approved this section of the handbook on February 6, 2002.

Section 15606, subdivision (c), of the Government Code directs the State Board of Equalization to prescribe rules and regulations governing county assessors in the performance of their duties, and subdivision (f) provides that the Board shall issue instructions, such as those set forth in this handbook section. While regulations adopted by the State Board of Equalization are binding as law, Board-adopted handbook sections are advisory only. Nevertheless, courts have held that they may be properly considered as evidence in the adjudicatory process.¹ The citations and law references in this publication were current as of the writing of the handbook section.

David J. Gau
Deputy Director
Property Taxes Department
February 2002

¹ *Coca-Cola Co. v. State Board of Equalization* (1945) 25 Cal.2d 918; *Prudential Ins. Co. v. City and County of San Francisco* (1987) 191 Cal.App.3d 1142; *Hunt-Wesson Foods, Inc. v. County of Alameda* (1974) 41 Cal.App.3d 163.

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CHAPTER 1: INTRODUCTION

For purposes of property taxation, vessels are considered to be personal property, in which taxes are a personal liability of the assessee. The appraisal and assessment of vessels present challenges found only with this special type of property. These challenges arise because of vessels' transitory nature, their various configurations and applications of use, the great diversity of builders and manufacturers, and the many types of vessels in use.

This Assessors' Handbook section will provide a guide for the discovery, classification, and valuation of vessels and will identify those vessels qualifying for full or partial exemptions. In addition, this handbook section will clarify a central issue many assessors contend with – those questions regarding the situs of a vessel, to identify the proper taxing jurisdiction of this type of transitory property.

DEFINITION OF A VESSEL

Revenue and Taxation Code section 130² defines a vessel as "*every description of watercraft used or capable of being used as a means of transportation on water, but does not include aircraft.*"

Vehicle Code section 9840 provides for a similar definition of vessels.³ The California Department of Motor Vehicles (DMV) registers and numbers all vessels, as required by state law, that are not documented by the United States Coast Guard. It is useful to be aware of the DMV's definition as assessors exchange information with the DMV regarding vessels newly entering the county, those removed from the county, and any delinquencies on tax payments.

Floating homes are not categorized as vessels for property tax purposes. Although they are classified as personal property, floating homes are assessed in the same manner as real property. Floating homes should not to be confused with houseboats. Although houseboats may also be used as permanent places of abode, they are assessed in the same manner as all other vessels. See Chapter 7 for the definition of a floating home.

For assessment purposes, vessels are further sub-defined as *documented vessels* and *nondocumented vessels*. See the discussion of this distinction in Chapter 4.

CLASSIFICATION

Vessels are included on the local *unsecured* roll, as personal property. Whether trailered or kept in the water, vessels are moved so frequently that it is difficult to determine if they are actually

² All statutory references in this handbook section refer to the Revenue and Taxation Code unless otherwise indicated.

³ Vehicle Code section 9840, subdivision (a) defines a vessel as "every description of watercraft used or capable of being used as a means of transportation on water." See Appendix B for the full definition of vessels in this code section.

located upon a specific parcel of real property on the lien date. Therefore, it is reasonable that a vessel be enrolled on the unsecured roll so that it is not a lien on real property. Vessels are personal property assessable to the owner, whether the owner is an individual, a business, or otherwise. Unlike most types of personal property, to be assessable, there is no requirement that vessels be used for business purposes. The tax rate for property on the unsecured roll is the rate of the prior year's secured roll of the same taxing jurisdiction.⁴ Special assessments are not levied against vessels, as such assessments are levied on real property only.

Not all personal property is assessable and thus further sub-classification of vessels is necessary. Some vessels may be fully or partially exempt from property taxation due to the nature of their use or value, including those classified as business inventory. Such preferential assessments and exemptions are discussed in Chapters 4 and 6.

ENTRY ON ASSESSMENT ROLL

An *assessment roll*, as defined in section 109, is the entire listing of taxable property within the county. (The assessor actually prepares two separate rolls each year: the regular assessment roll and the supplemental assessment roll. Vessels are not subject to supplemental assessment; they are enrolled only on the regular assessment roll.) The assessment roll consists of two parts—the secured and the unsecured roll. Vessels should be included on the regular assessment roll and enrolled as unsecured property. Many county assessors prefer to group vessel assessments in a separate section of the unsecured roll rather than intermingle them with other unsecured assessments. Documented vessels meeting the requirements of section 227 (preferential 4 percent assessment) may be enrolled in a separate section at the end of the vessel section of the roll.⁵

Advantages of enrolling vessels on the unsecured tax roll, which permits the grouping of assessments, include:

- simplifying of roll-searching problems for the assessor, tax collector, and others when a permanently assigned block of assessment numbers serves to identify a particular property type;
- making statistical data more readily available;
- eliminating the confusion that ensues when the value of a vessel is included in the total personal property value and a taxpayer believes that the amount covers other types of taxable personal property;
- giving each taxpayer a separate tax bill and receipt identifying his or her vessel;

⁴ California Constitution, article XIII, section 12.

⁵ Documented vessels qualifying for 4 percent preferential assessment are discussed in Chapter 4.

- avoiding the necessity of adding the tax on the vessel to an impound account when a lending institution pays the tax bill on the real property and secured personal property.

OVERVIEW OF THE FACTORS IN MAKING AN ASSESSMENT

Of the seven basic determinations involved in the making of an assessment, the assessor only needs to consider five of the factors with respect to vessels. Two of the factors, classification and security, have already been determined due to the nature of vessels themselves as discussed earlier. All vessels are classified as personal property and should be listed on the unsecured, regular assessment roll. The other five factors of an assessment, assessability, assessee, situs, description, and value, are presented briefly below as a foundation for additional information presented in this handbook section. A more thorough study of *description*, *value*, and *situs* is necessary to make an accurate assessment of vessels; these factors are discussed in detail in Chapters 2, 3, and 5.

ASSESSABILITY OF PROPERTY

Taxability vs. Exempt Property

Article XIII, section 1 of the California Constitution states that, unless otherwise exempt as provided by the State Constitution or the laws of the United States, all property is taxable. The assessor must first determine whether a vessel is taxable (assessable) or exempt.⁶ The Legislature has the power to exempt personal property from taxation or to allow differential taxation of personal property; thus a vessel can be exempt from property taxation by reason of its ownership, use, and/or type. For example, business inventories are exempt by type. A complete discussion of exemptions is included in Chapter 6, *Exemptions*. It is important for the appraiser to be aware of exemptions in order to determine the assessability of the property being appraised. It is also important to note that not all exemptions are automatic, as some exemptions are allowed only if appropriate forms are filed timely.

Statute of Limitations

Section 532 establishes the statute of limitations on the assessor that affects the assessability of personal property. Vessels are assessable only if taxable on the January 1 lien date and the assessment must be made timely to be valid. Unless the assessee intentionally evades taxation, an assessment must normally be made within four years of the assessment period in which the property escaped assessment or was underassessed, as set forth by the statute of limitations.⁷

Lien Date

Section 2192 identifies the lien date as January 1.⁸ An assessee filing a 2001 property statement (which declares vessel ownership as of 12:01 a.m. January 1, 2001), for example, will receive

⁶ For purposes of property tax assessment and this text, "taxable" and "assessable" are used synonymously.

⁷ Section 532.

⁸ Effective January 1, 1997, the lien date for locally assessed property was changed from 12:01 a.m. March 1 to 12:01 a.m. January 1.

a tax bill for the fiscal year July 1, 2001 – June 30, 2002. The sale or disposal of a vessel between the lien date and start of the fiscal year does not relieve an assessee of any tax liability.⁹ Owners who have sold their vessels after the lien date and prior to the fiscal year that the tax bill covers are still responsible for the taxes imposed. Assesseees may need to be reminded that although the assessment is based on a vessel's value on the preceding lien date, the tax bill received is for the ensuing fiscal year. Thus, in the transfer of a vessel, any proration of taxes is left to the parties involved in the transaction and should be considered by the seller in determining the sales price.

The following is an example of how the lien date affects the assessment as determined by the assessor:

EXAMPLE 1.1 LIEN DATE
<p>On the lien date, January 1, 2001, a boat owned by owner A is located in Sacramento. The assessee (owner A) sells the vessel to a boat dealer (owner B) on January 15, 2001. It becomes inventory to owner B on that date.</p> <p>Owner A receives a tax bill for the fiscal year July 1, 2001, through June 30, 2002, for the assessment of the vessel. Although owner A does not own the boat during the fiscal year the bill covers, the bill is valid based on ownership on the lien date, as owner A was the owner on the lien date, January 1, 2001. Taxes on unsecured property are due on the lien date.</p> <p>If the sale were reversed and the dealer sold the boat to owner A after the lien date, the boat would be exempt from property taxation as owner B's business inventory even though owner A owned the boat from January 15 through June 30, 2001 (and beyond). Generally, ownership on the lien date determines the taxability, situs, and assessee of the property.</p>

Property taxes on the unsecured roll are payable in one installment, due no later than August 31 in the year which covers the lien date.

ASSESSEE

A vessel is assessed to the person owning, claiming, possessing, or controlling it on the lien date.¹⁰ Assessments are usually made in the name of the person listed as the owner of record on the lien date, based on the official documentation or registration. Section 611 requires the assessor to assess property to unknown owners if the owner of the property is not known. If this is the case, the vessel may be seized and sold in order to pay property taxes.

In the case where there is no clear title to a vessel, the assessor may assess the person claiming possession. If the vessel is no longer documented or registered, the assessment may be made in the name of the person who is accepting the care, custody, and control of the vessel.

⁹ See Example 1.1.

¹⁰ Section 405.

SITUS

Pursuant to the California Constitution, article XIII, section 14, all property taxed by local government shall be assessed in the county, city, and district in which it is situated. Situs, the place where property is situated, is therefore a very important factor in a valid assessment. The Vessel Owner's Report or the Vessel Property Statement, one or both of which a vessel owner may be required to submit (as discussed in the Description of Property section below), should aid in determining the taxable situs.

All vessels currently on the roll should remain so until a taxpayer or other party provides written notice to the assessor that the vessel has established another situs. The burden of notification falls upon the taxpayer and, unless otherwise given notice, the assessor should enroll a vessel at its last known situs. If proper documentation for a new situs is provided, the vessel assessment should then be cancelled via an "assessment roll change." If a tax bill from another county is offered as evidence of situs change, the assessor should request that the owner show that the bill has been paid, so as to ensure that the tax bill from the other county has not been, or is not subsequently, cancelled. If a vessel will be or has been moved to another county within California and the owner makes a written declaration of the fact, a copy of the declaration should be sent to the other county where the vessel will gain its situs. The taxpayer may request a temporary mailing address and designate an in "care of" (c/o) person while away during cruising.

Situs is seldom a problem with property that remains in one location, as in the case of real property, but many problems may be encountered when determining the situs of a vessel. Several situs statutes have been enacted and there have been numerous court cases with respect to situs determination. A complete discussion of situs is included in Chapter 5.

DESCRIPTION OF PROPERTY

An accurate assessment requires a description of the property assessed. Personal property must be described in the detail requested on the annual property statement¹¹ or on a vessel owner's report. The property statement, mandated by section 441, is a vital link in the communication between the property owner and the assessor. The vessel property statement requests information regarding taxable property needed by the appraiser for making an annual review and accurate assessment of the property.

Assessors use the property statement and vessel owner's report to obtain information on vessels. The vessel statement or owner's report requests a variety of information on the vessel -- such as the type, size, vessel number, builder, model, length, engine type, year built, equipment, cost, etc. A detailed discussion regarding property statements is included in Chapter 2.

VALUE OF PROPERTY

For purposes of California property taxation, vessels are valued at their fair market value every year as of the January 1 lien date. An appraiser's or auditor/appraiser's most important function

¹¹ Section 445.

is to determine the value of property. The terms "fair market value" and "full cash value" shall have the same meaning in the context of this handbook section. See the discussion of market value in Chapter 3, *Valuation of Vessels*.

CHAPTER 2: DISCOVERY AND DESCRIPTION

DISCOVERY

Developing a program for the discovery of information regarding taxable vessels and the verification of new and existing information is important to ensure accurate and valid assessments. Although discovery methods may differ from county to county, the primary methods of discovering assessable vessels involve the review of Department of Motor Vehicle records, Certificates of Documentation, and harbor master reports, referrals from other counties, and the use of field canvassing. Property statements are also useful tools in discovering assessable property.

Department of Motor Vehicles (DMV) Reports

With the exception of those vessels not required to be registered and those documented by the U.S. Coast Guard, all other vessels are required to be registered with the DMV. See Chapter 4 for information regarding the DMV's registration of vessels.¹² Based on a vessel's CF number, the DMV can provide such information as the owner's name, address, vessel type, cost class, and other pertinent information. The DMV periodically sends reports to the county assessors' offices that list all vessels registered in the various counties. To facilitate the tracking of vessel owners and vessel locations, the DMV permits assessors' offices to establish an on-line communications link to access its database. This link saves considerable staff time in determining the accessibility of pleasure boats.

Certificate of Documentation

Such documents are issued by the Department of Transportation, United States Coast Guard division. If the name of a vessel or a Coast Guard document number is known, an assessor may access an Internet web site¹³ to find additional information on the vessel. The web site provides data on the owner's name and address, the vessel's gross and net tonnage, home port, type of service, whether or not the vessel is currently documented, etc. This information is useful in determining the situs of a vessel and determining if a vessel may qualify for an exemption or preferential assessment. See Chapter 4 for further information regarding the Coast Guard documentation of vessels.

Harbor Master's Marina Reports

Assessors should annually send a "List of Vessels," Form BOE-576-C, to all harbor masters in their county to complete. This report identifies vessels kept at a boating facility in the county, whether in the water or in dry storage. These reports may be compared with the assessors' records and aids in the discovery of vessels that may have escaped assessment. The form should

¹² As discussed in Chapter 4, some vessels do not require either registration or documentation.

¹³ www.st.nmfs.gov/commercial/index.html.

be sent prior to the lien date and completed as of the lien date. A follow-up should be made if the report is not returned.

Referrals from Other Counties

Often county assessors receive information from a taxpayer that a vessel has relocated to another county. This information can be useful to determine accurate situs. Cooperation between county assessors is essential to the proper assessment of all vessels. Without it, many vessels would escape assessment and accurate information regarding the description, ownership, and situs of such vessels could be lost permanently.

An assessor frequently receives information that a vessel has been taken to another county or was actually in a different county than that indicated by the information received from the DMV. This information should be routinely forwarded to the assessor gaining jurisdiction along with all other information that may be available, such as vessel description and previously assessed values. It is important that the recipient of this information follow it through to the point of assessment. If neither the vessel nor the vessel owner can be found where reported, the county originating the information should be notified so that further action can be taken by it to prevent an escape assessment. The originating county should send either Form BOE-576-A or Form BOE-576-BAH to the vessel owner's last known address and, upon the return of the form, the owner should have established the exact location of the vessel.

Field Canvass

Field canvassing is a technique that involves physically viewing vessels at their place of docking. The appraiser should conduct field canvassing near the lien date, note any vessels located at docks and in marinas that are not listed in their files, and investigate the status of such vessels. It is also useful to review the harbor master's report when conducting a field canvas.

Property Statements

The vessel property statement provides detailed information regarding a vessel to aid in a more accurate assessment. Furthermore, owners may install additional equipment on their vessels and identify such equipment on the property statement. Assessors use these statements to gather information and ultimately determine assessable value.

DESCRIPTION

An accurate assessment requires a description of the property assessed. Property statements and other vessel forms used by the assessor provide essential information on vessels. Pursuant to section 445, personal property must be described in the detail requested on the annual property statement.

PROPERTY STATEMENTS

Property Statements are declarations of assessable property signed by the assessee under penalty of perjury. Assessors use these property statements to gather information and ultimately determine the assessable value of property. The assessor should furnish the property statement to every person required by law to file and to those other persons requested to file. Failure of the assessor to request or secure the property statement, however, does not render any assessment invalid.¹⁴ The Board-prescribed Vessel Property Statement is Form BOE-576-D.

Each person owning a vessel having an aggregate cost of one hundred thousand dollars (\$100,000) or more for any assessment year is required to file a signed property statement with the assessor.¹⁵ Other owners are required to file only upon request of the assessor. Owners must report the aggregate cost of the vessel, including all affixed boat equipment and accessories, as well as sales tax. When boat dealers report a vessel's purchase price to the DMV, the sales price that is the basis of value includes sales tax and freight charges, if applicable.

Form BOE-576-D

Historically, many assessors have chosen to utilize their own vessel property statement or questionnaire in lieu of the Board-prescribed Vessel Property Statement, especially for vessels with a cost of less than \$100,000. However, the statutory provision permitting the application of a 10 percent penalty for late filing of a statement is only applicable in situations where the Board-prescribed form is used.¹⁶ Therefore, the Board recommends that assessors use the Board-prescribed Vessel Property Statement, Form BOE-576-D, for all vessels, regardless of their cost. The assessor may rearrange content and alter the size and design of the Board-prescribed form, but the proposed, rearranged form must be approved by the Board following procedures described in Rule 171, subsection (a). A copy of this form is included in Appendix A.

The owner's Vessel Property Statement shall be filed annually with the assessor between the lien date, January 1, and 5 p.m., April 1 for information as of 12:01 a.m. January 1. Pursuant to section 441, the statement shall be declared to be true under penalty of perjury.

A property statement may be amended until May 31 of the year in which the property statement is due, for errors and omissions not willfully intended by the assessee. The penalty authorized by section 463 shall not apply to an amended statement received prior to May 31, provided that the original property statement was filed in a timely manner.

A person owning a vessel that does not require the filing of a property statement shall file a signed property statement (BOE-576-D), if requested by the assessor.

¹⁴ Section 441, subdivision (a).

¹⁵ *Ibid.*

¹⁶ Section 463 provides for penalty application if not filed by May 7.

Other Vessel Forms

The Board has several other forms that can be useful in obtaining information on vessels. These are BOE-576-A, BOE-576-BAH, BOE-576-B1, and BOE-576-C. Although the Board suggests the use of these alternative forms, they are not Board-prescribed and accordingly the penalty assessment for failure to file cannot be applied.

For those vessels with an aggregate cost of less than \$100,000, an owner is not required to file an annual property statement. Assessors may utilize a Vessel Owner's Report, Form BOE-576-B1, or postcard size Form BOE-576-BAH, to request the description of these vessels. Assessors may also rely upon Form BOE-576-A, which should be sent annually to each vessel owner of record.

- BOE-576-A, *Vessel or Aircraft Form*, is a postcard style form that can be used to confirm continued ownership and situs of a vessel. An owner, when returning this postcard, should indicate whether any modifications have been made to a vessel's motor, hull, or frame.
- BOE-576-BAH, *Vessel Form*, is a postcard style vessel questionnaire that requests information about a vessel, its acquisition cost, and location.
- BOE-576-B1, *Vessel Owner's Report*, requests information about the vessel, its acquisition cost, and location. It is an alternative to BOE-576-BAH for those assessors who prefer a letter format.
- BOE-576-C, *List of Vessels*, is submitted by harbor masters and identifies vessels located in a boating facility. This form, however, does not provide any other description of a vessel.

CHAPTER 3: VALUATION OF VESSELS

VALUE CONCEPT

The fundamental principles of appraisal apply to the valuation of vessels, as they do to any other personal or real property. The assessor should consider the three approaches to value, the cost, comparative sales, and income approaches, when determining the market value of a vessel. Although the approaches to value are similar, the assessment of vessels and other personal property differ significantly from real property in that the market value of personal property must be estimated on the lien date every year. Unlike real property, personal property (with the exception of manufactured homes (mobilehomes) and floating homes with permanent utility connections) is not governed by the base year value limitations of article XIII A of the California Constitution. The market value of vessels, like all other types of property, is defined in section 110, subdivision (a):

.... the amount of cash or its equivalent that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other, and both the buyer and the seller have knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used, and of the enforceable restrictions upon those uses and purposes.

Full cash value, or fair market value, of a vessel as concluded by the appraiser on the lien date is unrelated to its net book value (capitalized cost less depreciation) reflected on an assessee's books. Any similarity is merely coincidental.

APPROACHES TO VALUE

Property Tax Rule 3, Valuation Approaches, which applies to both real and personal property, discusses five approaches to value. The three major appraisal approaches for estimating value (cost, comparative sales, and income), as discussed in Rule 3 regarding real property, are applicable to personal property, including vessels. Although all three approaches to value should be considered, the use of all three may not always be appropriate. The nature of property, its market, and the availability of data will normally indicate which approach(es) is most applicable. This is supported by Rule 3, which states in part:

In estimating value as defined in section 2, the assessor shall consider one or more of the following [approaches to value], *as may be appropriate for the property being appraised.* (Italics added.)

Often only one approach is feasible and the appraiser should analyze all available information to determine the most applicable and reliable approach. The courts recognize this fact and the California Supreme Court has stated that:

Assessors generally estimate value by analyzing market data on sales of similar property, replacement costs, and income from the property ..., and since no one of these methods alone can be used to estimate the value of all property, the assessor, subject to requirements of fairness and uniformity, may exercise his discretion in using one or more of them.¹⁷

COST APPROACH

One method of the cost approach estimates the value of an asset or a group of assets as the original or historical cost of the asset (or group of assets), adjusted to account for changes in value since purchase and/or installation. It is the method of valuation most frequently relied on when no reliable sales data is available. Replacement cost new, in the case of a new or nearly new vessel and when considered along with normal depreciation, will be a strong indication of market value in the case of vessels that continue to be manufactured. As vessels grow older, however, an estimate of depreciation is less predictable and the accuracy of this approach diminishes.

The cost approach method typically used by assessors estimates the value of a vessel based on its original or historical cost. When a vessel of any type is new or nearly new, this approach may be a good representative of market value, provided the original cost was an arms length transaction representing fair market value. In the case of older pleasure boats, the cost approach is generally not used due to the availability of nationally published value guides that provide annual market values based on a large collection of sales data. There are no published value guides for commercial boats (e.g., fishing boats, freighters, research vessels), in which case, an appraiser typically relies on the cost approach for valuation, even in the case of an older vessel.

New large vessels or vessels built by little known manufacturers should be valued by the cost approach. Unlike automobiles and airplanes, which have comparatively few manufacturers, there are many manufacturers of vessels and their products may be delivered in various stages of completion. In most cases, an appraiser will have to make a physical survey of the subject vessel and should be knowledgeable about the costs of constructing such a vessel. The cost of the vessel reported by the taxpayer may not include the total cost of such components as engines, electronics, the interior, and other equipment. An appraiser must review the original delivery contract or invoice showing all listed equipment and all invoices for equipment added after delivery.

COMPARATIVE SALES APPROACH

The comparative sales approach may be defined as any approach that uses direct evidence of the market's opinion of value of a property. It is based upon the principle of substitution; that is, the fair market value of an item is closely and directly related to the sale prices of comparable, competitive properties. This approach presumes that the value of a property will approximate the selling prices, offers, opinions of owners and appraisers, and appraisals of competitive substitutes. Listing prices will generally set the upper limit of value.

¹⁷ *De Luz Homes, Inc. v. County of San Diego* (1955) 45 Cal.2d 546, 563-564.

Sale prices of comparable properties provide an indication of what the market is willing to pay for that type of property at a specific time. For personal property such as vessels, nationally published value guides that reflect the going market price for comparable vessels can be used as the basis for determining market value when no direct sale comparables in the subject's market area are found. Adjustments should be made when the condition or equipment of the subject vessel is above or below the standard of the base price given on a value guide. Another adjustment to consider is the location of the subject vessel. The base price shown in the vessel price guides may reflect values in a specific region and the appraiser should adjust the value for regional differences as suggested in the guide. Sales tax, an element of value, is not included in the values shown in any of the value guide books and the appropriate tax should be added to the listed value to arrive at full cash value for property tax purposes.¹⁸ If applicable, freight and transportation charges should also be considered.

The addition of taxes, freight, and transportation charges to the list price of a vessel is consistent with an appraisal approach that gives consideration to the consumer's total cost in arriving at market value. Furthermore, it is consistent with generally accepted accounting principles. The cost of any asset includes purchase price, sales tax, brokerage commission, duties, transportation and all costs of placing an asset in a condition for use. However, when a new vessel is purchased, these additional charges, if applicable, are not included in the DMV's reported purchase price. Since an owner has the sales tax, freight, and transportation information readily available from the invoice, the owner should include these charges in the property statement and the appraiser needs to consider them to arrive at the market value of a vessel.

As mentioned in the cost approach section above, new, large, custom vessels, and vessels built by little known manufacturers should be valued by the cost approach, unless reliable sales data is available. Such vessels previously owned can be accurately valued by the comparative sales approach; however, the appraiser must be familiar with the vessels being compared. In most cases, the appraiser will have to make a physical survey of the subject vessel and compare it to others on the market. Finding comparable sales of large vessels may be difficult, as there is a reluctance among buyers, sellers, and brokers to divulge accurate sales information.

When reliable comparables are available, whether from sales found in the local market place, published value guides, or other sources, the comparative sales approach may be preferable to other value approaches. The following is an example where such sales are available and the vessel's value is determined using the comparative sales approach as discussed in this section.

¹⁸ *Xerox Corp. v. Orange County* (1977) 66 Cal.App.3d 746.

EXAMPLE 3.1
USE OF THE COMPARATIVE SALES APPROACH

John Jetski purchased a new 1990 Bayliner boat with 110 HP mercury engine and trailer in 1990 for \$15,000. On the 2001 lien date, this boat was located in the county and was assessable.

The following information was available to and gathered by the appraiser:

- The assessee is planning to sell the boat to his brother next month for \$1,000 because he is moving out of state.
- A similar boat (with trailer) was seen advertised in the local newspaper for \$9,000.
- Research in two separate value guides found a value range from \$6,500 to \$8,000 for this particular boat in average condition.
- An inspection of the boat and a conversation with the assessee found the boat to be in average condition for its age.

The assessee argues that the boat's value is \$1,000.

USING THE COMPARATIVE SALES APPROACH TO VALUE, WHAT IS THE ESTIMATED TAXABLE VALUE OF THIS VESSEL?

The estimated taxable value of the boat is between \$6,500 - \$8,000 using two, separate, used-boat value guides. The assessee's estimate of value, \$1,000, does not represent market value because it is not an arm's length transaction, has not occurred under normal circumstances, and is not a "sale" (the sale has not occurred yet). The appraiser in this case estimates the value at **\$7,500**, which includes sales tax.

Sources of Information

When using the comparative sales approach to value vessels, data sources available include DMV records, published value guides, and the Internet.

DMV Records

As of March 2001, there were approximately 913,000 vessels registered in California through the Department of Motor Vehicles. In 2000, approximately 98,000 used vessels were transferred and 38,000 new vessels were registered. These transfers provide good sales data for many vessels. The sales data on new vessel registrations is fairly accurate as dealers report this information. For the most part, sales data for used vessels may not be as accurate as that for new vessels because buyers report these transactions to the DMV at the time of registration. Even if a sale contract is offered as proof, such documentation is insufficient in determining whether or not a sale is an arm's length transaction.

Internet

The Internet is also a useful tool in establishing the market value of larger vessels. Various web sites, as listed in Appendix D, provide current listings of vessels for sale. Other listings may be found in numerous boating magazines, such as *Sea*, *Latitude 38*, *Boating World*, etc. Some of these magazines have classified advertisements on the Internet as well.

Value Guides

Published value guides list models of vessels built by known manufacturers. Some include list prices and recommended depreciation schedules. There are three primary value guidebooks that most boat dealers, appraisers, owners, and sellers refer to when determining the market value of pleasure boats and houseboats. These are the BUC Used Boat Price Guide, the ABOS Marine Blue Book, and the National Automobile Dealers Association Marine Appraisal Guide (N.A.D.A.).¹⁹ The listed market values or ranges reported in each of these books will vary; therefore, it is good practice to utilize more than one value guidebook when determining the market value of a particular vessel. It is important for an appraiser to be aware of what the values listed in each book represent and to know what adjustments, if any, are required to that value. An appraiser should be familiar with the instructions of a particular guide book, to ensure proper use of the guide book before proceeding.

BUC Used Boat Price Guide

An appraiser should read the Introduction and How to Use This Book sections of this guide book from time to time. Reading these sections is essential for the first time or infrequent users. Simply turning to a page and referencing a price without regard to "Area, Equipment, and Condition Scales" may result in a misuse and may be detrimental to the value estimate. The basic concept of the BUC Price Guide is that the price under the "Retail High" column represents the price at which the maximum number of sales will take place but does not represent the highest price an owner may receive for the vessel. It is the projected value that will occur with the highest frequency. The "Retail Low" is a percentile whereby 70% to 80% of all boat sales will be located between it and the "Retail High." Typically, the range difference between the retail high and the retail low is 8% to 16%, with most being around 10%. The BUC Price Guide does not report the highest and lowest prices reported, because the range in dollars would be so great as to have no practical value. The narrower the range between the statistically-derived retail high and low, the firmer the price on the vessel. An appraiser must also consider necessary adjustments to the base price shown for area and condition. Adjustment percentages are provided on the reverse side of the front cover of the price guide.

ABOS Marine Blue Book

Values in the ABOS Blue Book differ from those found in the BUC Used Boat Price Guide because they represent estimated "low" and "high" wholesale average trade-in values, rather than average selling prices of a vessel. The last column in the book is the "Code" column, which is the estimated average resale or retail price (excluding options), which may be closer in value to

¹⁹ In addition to these price guides, the Kelley Blue Book Motorcycle Guide, or its interactive web site at www.kbb.com, can also be used for pricing personal watercraft.

those shown in the BUC Price Guide. Adjustments should be made for conditions above or below the "good-average" base condition as well as for those vessels loaded with optional or custom equipment; this guide book, however, does not provide for any location adjustments. The guide book also includes a column indicating the manufacturer's suggested retail price new, excluding shipping charges and/or options. This book is useful to a dealer who may want to show his or her customer the estimated retail price new and "high" and "low" trade-in values without disclosing the estimated resale value that is coded in the last column of the book. As in the BUC Price Guide, an appraiser should be knowledgeable as to the format of the book before a value is placed on a particular vessel.

N.A.D.A.

The National Automobile Dealers Association publishes a Consumer Marine Appraisal Guide. The range of values listed in this guide reflects the most current information available and is based on a boat's equipment and overall condition. Highly customized or reconditioned vessels can be worth substantially more than the values listed in the guide book (N.A.D.A. has an Optional Equipment Section located at the rear of the guide). Conversely, a neglected vessel can be worth considerably less. An appraiser should be well aware of a vessel's overall interior, exterior, and mechanical condition, any optional equipment, as well as its use in fresh water or salt water to properly arrive at a market value. Vessels used exclusively in salt water, that are not maintained and cleansed with fresh water, may depreciate more rapidly. Such vessels may be 10% to 15% lower than the value stated in this guide. Popularity of a certain manufacturer or model in a particular area should also be considered as this may impact value.

The N.A.D.A. Guide, like the ABOS Blue Book, provides for an average trade-in value under the "used trade-in" column. This value represents a clean vessel "ready for resale" and may be considered the low book value. The next price column is the average retail value of a vessel in a clean, running condition with no visible damage or defects, showing some moderate wear and tear with minor cosmetic or mechanical work needed. The "high retail" in the last column reflects those vessels in excellent condition with an engine in good condition. In the January and April editions only, the pricing in italics under the high retail column is the manufacturers' suggested retail pricing (MSRP), or the approximate price of the vessel when brand new. This price assists in the financing, insuring, and appraising of vessels. The N.A.D.A. Guide also has cross-reference sections for model-to-manufacturer if only the model name or if only the hull identification number is known, but the manufacturer is not. Pricing on a specific vessel is also available on the Internet. See Appendix D for the web site.

Valuation of Pleasure Boats

Many assessors record the initial purchase price of a new or used vessel as market value if it falls within the range of one of the pricing guides. If for no apparent or discernable reason the reported purchase price is significantly lower than the value indicated by the pricing guide(s), a value is determined from the pricing guide. Once the initial value is set, the practice for some assessors has been for future assessments to be annually reduced by a fixed depreciation rate. While this method of determining subsequent market value is administratively convenient and

simplifies the assessment process, an arbitrary value reduction to all pleasure boats may or may not lead to market value. The use of a "blanket" depreciation factor does not conform to good appraisal practice.

A better method is for the assessor to annually appraise all vessels at market value using a valuation guide or by deriving trend factors from the market by using the value guides. Trends can be developed by categorizing pleasure boats into two groups – new and used. These groups can then be further subdivided into subgroups (e.g., houseboat, cruiser, sailboat, inboard, outboard, and personal watercraft), as noted in the valuation guides. Trends in market values for these groups can be determined by comparing published boat valuation guides for the current and previous year. Once trend factors are computed, either for appreciation or depreciation, they can be applied to all boats within each group and subgroup.

Application of trend factors for determining vessel values may not represent market value in specific instances. As such, the appraiser may need to review some vessels on a case by case basis and adjust the values where appropriate.

Valuation of Yachts, Tugboats, Barges, and Other Commercial Vessels

In addition to locating the market value of a yacht from a nationally published guide, some yachts, especially larger, custom yachts, may be compared to listings of vessels available on various Internet sites (see Appendix D for some specific web sites). Since these are only listings of vessels available for sale, they will typically represent the upper end of value for a particular vessel.

Marcon International, Inc., a leading vessel and barge consulting and brokerage company to the offshore petroleum, towing, and marine construction industries, publishes a quarterly newsletter. Past and present information from the newsletter is now posted on the Internet. This publication, along with Marcon's web site has a wealth of information concerning tugboats, barges, and other commercial vessels. Current and past market conditions for the different types of vessels (utility, tug boat, tank barge, crew boat, etc.) are separately analyzed and reported. An appraiser may find the current listings section helpful in estimating a specific vessel's value. One feature of the web site includes a daily updated, searchable database to find information on listed vessels or barges. While the web site includes a section with sales information, which provides the specifications and history of the vessel and perhaps the names of the buyer and seller, no sales prices are indicated. Copies of the printed Marcon Newsletter can be downloaded from its web site. Additionally, articles and information may be searched, viewed, or printed based on the topic of interest.

INCOME APPROACH

The income approach to value includes any method of converting an anticipated income stream into a present value estimate. The income approach is generally of little assistance in valuing vessels for several reasons:

- A business dependent upon the use of vessels may be shown to benefit from the vessels because of their use, but this is unlikely to be an indication of value for any particular vessel.
- One model of a vessel may have different full-time commercial or pleasure applications and the income approach might indicate different values for the same model, depending upon its use.
- The income approach relies on information concerning income and expenses on the vessel being valued. To determine the capitalization rate of the vessel, net income information from the operations of other similar vessels sold would also be required. Cooperation from owners regarding such data is limited at best. Furthermore, there are no published sources with regards to market income information on vessels where an appraiser may gather such data. If an appraiser does happen to collect good data, he or she must then analyze it to determine if the information is typical of the market for that particular vessel.

REASSESSMENT DUE TO MISFORTUNE OR CALAMITY

Section 170 provides for any taxable property to be eligible for reassessment if it has been damaged or destroyed by no fault of the owner. As such, vessels damaged or destroyed by a misfortune or calamity would be subject to the relief provisions of this section, if the county has adopted an ordinance pursuant to section 170, subdivision (a).

The provisions of section 170, however, do not provide any authority for considering a salmon or other fishing drought a disaster entitling owners of commercial fishing vessels to assessment relief. See the discussion of this subject in Chapter 4.

CHAPTER 4: DOCUMENTED VESSELS

DEFINITION

The term "documented vessel" has a dual meaning. According to the United States Coast Guard (Coast Guard)²⁰ and the Department of Motor Vehicles (DMV), a documented vessel is one that is required to have and does have a valid marine document issued by the Coast Guard. Such a vessel is considered to have federal registration.

For California property tax purposes, a "*documented vessel*" is defined as any vessel that is required to have and does have a valid marine document issued by the Coast Guard,²¹ except documented yachts of the United States, or is registered with, or licensed by, the Department of Motor Vehicles. A "documented vessel" does not include any vessel exempt from taxation under subdivision (l) of section 3 of article XIII of the California Constitution.

It is important to understand both definitions of this term for purposes of applying the vessel situs statutes. A documented vessel, for California property tax purposes then, is a vessel with a valid marine document nationally registered with the U.S. Coast Guard or one registered or licensed by the State of California through the DMV. Although documented by the Coast Guard, vessels of more than 50 tons burden and engaged in the transportation of freight or passengers are not subject to the same statutes and guidelines set forth for other documented vessels, as they are wholly exempt from taxation. See the discussion of exemptions in Chapter 6.

DMV REGISTRATION AND NUMBERING

Every vessel using the waters of this state must be numbered by the Department of Motor Vehicles except when a valid number issued pursuant to federal law (i.e., U.S. Coast Guard document) or a federally approved numbering system of another state already exists.²² Assessments are made and taxes are paid to the county in which the vessel is registered. The area of usage or storage is not the criteria for the taxation for vessels registered by the DMV. Vehicle Code section 9873 provides that vessels are not required to be numbered in the following situations:

- The vessel is already covered by a number in full force and effect that has been issued to it pursuant to federal law or a federally approved numbering system of another state; provided, however, that the undocumented vessel will become subject to the numbering requirements of the Vehicle Code if the vessel changes its state of principal use and is within the state for a period in excess of 90 consecutive days.

²⁰ The United States Coast Guard is an agency of the U.S. Department of Transportation.

²¹ Section 130, subdivision (b); although this section refers to the United States Bureau of Customs, the United States Coast Guard has succeeded that agency for this responsibility.

²² Vehicle Code section 9850.

- The vessel is from a country other than the United States, temporarily using the waters of the state.
- The vessel is a public vessel of the United States, another state or subdivision thereof or a municipality of such other state.
- The vessel is a ship's lifeboat; a dinghy is not a lifeboat.
- Any vessel belonging to a class of boats which has been exempted from numbering if the DMV has determined that the numbering of such a class of vessel will not materially aid in their identification. Such exempt vessels would include undocumented vessels propelled solely by oars or paddles and undocumented vessels eight feet or less propelled solely by sail.

Other vessels that do not require numbering are vessels brought into California for racing purposes only (exempted only during races and tune-ups) and non-motorized surfboards propelled by a sail and with a mast that must be held upright by the operator.

COAST GUARD REGISTRATION AND NUMBERING

Vessel documentation by the U.S. Coast Guard is a national form of registration, one of the oldest functions of federal government, dating back to the 11th Act of the First Congress. Such documentation provides conclusive evidence of nationality for international purposes, provides for unhindered commerce between the states, and admits vessels to certain restricted trades, such as coastwise trade and the fisheries on navigable waters of the United States or in the Exclusive Economic Zone (EEZ),²³ unless the vessel is exempt from documentation. Coastwise trade is generally defined as the transportation of merchandise or passengers between points in the United States or the EEZ. In addition, towboats operating between points in the U.S. or the EEZ or between the EEZ and points in the U.S. and dredges operating in the U.S. or the EEZ must be documented.²⁴

Currently, to federally register a vessel, vessel owners must apply for a Certificate of Documentation or the renewal of a Certificate of Documentation with the National Vessel Documentation Center in Falling Waters, West Virginia.

To register a vessel at the state level, owners apply at the DMV for a Certificate of Number (CF number). California law requires current registration of most vessels; however, see the discussion above for vessels not required to be registered. This includes vessels that are moored, whether or not they are used. The DMV will also record where a vessel is habitually moored, but its location is not indicated on the registration slip.

²³ The Exclusive Economic Zone is a zone in which the United States claims economic jurisdiction over coastal waters for fishing rights pursuant to the *United Nations Convention on the Law of the Sea*.

²⁴ Code of Federal Regulations, section 67.

ELIGIBLE VESSELS

A vessel is eligible for a Coast Guard Certificate of Documentation if it is at least five net tons,²⁵ and with the exception of certain oil spill response vessels, it must be wholly owned by a citizen or citizens of the United States, although certain exceptions may apply. This includes, but is not limited to, a vessel that is used exclusively for recreational purposes and a vessel used in foreign trade.²⁶ Although not required, pleasure vessels over five net tons are often federally documented. Virtually, all large yachts are documented in this manner.

VESSELS REQUIRING DOCUMENTATION

A Certificate of Documentation is required for any vessel of at least five net tons that engages in the fisheries of the navigable waters of the United States or in the EEZ, Great Lakes trade, or coastwise trade, unless exempt. Exempt vessels are discussed in the following subsection of this chapter. The Certificate of Documentation must bear a valid endorsement appropriate for the activity in which the vessel is engaged.²⁷

As mentioned above, U.S. Coast Guard documented vessels are now registered at the National Vessel Documentation Center in Falling Waters, West Virginia. There is no longer a California vessel documentation office, as the last one in Long Beach was closed in 1995. Applications for a Certificate of Documentation, renewals, replacements, etc. are processed in West Virginia. Information and forms are available at the U.S. Coast Guard web site²⁸ or by telephoning the Documentation Center. Documented vessels are identified by a unique combination of a name and a hailing port that must be painted on the stern.

For vessels initially documented prior to 1995, when documentation centers were located in California, Certificates of Documentation indicate a "home port," that is, the port nearest the domicile of the owner, or where the vessel is habitually moored. This was typically the taxing jurisdiction of the vessel. However, for vessels documented since 1995, a "hailing port" designation has taken the place of a "home port" designation on the certificate. A hailing port, unlike a home port, may be any city or place within the United States that the owner chooses; it does not have to be where the owner is domiciled. Decal stickers are issued for annual certificate renewals, which are placed on the original certificate of documentation. An assessor can determine whether or not a specific vessel is currently documented via an Internet site.²⁹ The search may be based on a vessel's name or the U.S. Coast Guard identification (document) number.

²⁵ Vessels at least five net tons are typically those over 25 feet in length. During the documentation process, however, verification of a vessel's gross and net tons is required.

²⁶ Code of Federal Regulations (CFR), Title 46, section 67.5.

²⁷ CFR, Title 46, section 67.7.

²⁸ www.uscg.mil/hq/g-m/vdoc/nvdc.htm.

²⁹ www.st.nmfs.gov/commercial/index.html.

VESSELS EXCLUDED FROM OR EXEMPT FROM DOCUMENTATION

The Code of Federal Regulations (CFR), Title 46, section 67.9 excludes or exempts the following vessels from Coast Guard documentation:

- (1) A vessel of less than five net tons is excluded.
- (2) A vessel, even though over five net tons, which does not operate on the navigable waters of the United States or in the fisheries in the EEZ is exempt.
- (3) A non-self-propelled vessel qualified to engage in the coastwise trade is exempt from the requirement to be documented with a coastwise endorsement, if the coastwise trade is within a harbor, on the rivers or lakes (except the Great Lakes) of the United States, or on the internal waters or canals of any state.
- (4) A vessel exempt from the requirement to be documented by (2) or (3) above may be documented at the option of the owner, provided the vessel meets the other requirements of documentation.

ENDORSEMENTS

A Certificate of Documentation may be issued for any or all of the endorsements as summarized below. Complete requirements of each endorsement may be found in the CFR, Title 46, sections 67.17, 67.19, 67.21, and 67.23.

- **Recreational** - A recreational endorsement entitles a vessel to pleasure use only, including bare-boat charter. A vessel with this endorsement may be foreign-built or foreign-owned.
- **Coastwise** - A coastwise endorsement entitles a vessel to employment in unrestricted coastwise trade, dredging, towing, and any other employment for which a registry or fishery endorsement is not required. This endorsement is for commercial use in U.S. waters only. A vessel with this endorsement must be U.S. built and owned by U.S. citizens.
- **Registry** - A registry endorsement entitles a vessel to employment in the foreign trade and any other employment for which a coastwise or fishery endorsement is not required. A vessel with this endorsement may be foreign-built or foreign-owned.
- **Fishery** - A fishery endorsement entitles a vessel to employment in the fisheries, subject to Federal and State laws regulating the fisheries, and in any other employment for which a registry or coastwise endorsement is not required. A fishery endorsement entitles a vessel to land its catch, wherever caught, in the United States. A vessel with this endorsement must be U.S. built and owned by U.S. citizens.

Any documented vessel may be used for recreational purposes, regardless of its endorsement, but a vessel documented with a recreational endorsement only may not be used for any other purpose.

QUALIFYING VESSELS FOR THE PREFERENTIAL 4 PERCENT ASSESSMENT

Pursuant to section 227 and Rule 151, certain documented vessels are assessed at 4 percent of their full cash value, which amounts to a virtual exemption. This preferential assessment is not automatic and the exemption is allowed only if appropriate forms are filed on a timely basis. Per section 227, vessels qualifying for the reduced assessment are documented vessels that are engaged or employed exclusively in any of the following:

- (a) In the taking and possession of fish or other living resource of the sea for commercial purposes.
- (b) In instruction or research studies as an oceanographic vessel.
- (c) In carrying or transporting seven or more people for hire for commercial passenger fishing purposes and holds a current certificate of inspection issued by the United States Coast Guard. A vessel shall not be deemed to be engaged or employed in activities other than the carrying or transporting of seven or more persons for hire for commercial passenger fishing purposes by reason of that vessel being used occasionally for dive, tour, or whale watching purposes. For purposes of this subdivision, "occasionally" means 15 percent or less of the total operating time logged for the immediately preceding assessment year.

To qualify for the 4 percent preferential assessment, the vessel need not be owned by the taxpayer, but only used for one of the purposes set forth in section 227. If the vessel is leased out on the lien date and the lessee utilizes the vessel for the purposes set forth in this statute, the lessor or lessee should apply for the preferential assessment.

Vessels need not be documented in a California port to qualify for the 4 percent special assessment. Such a requirement would result in an unjustified discrimination between residents owning fishing vessels documented in California and residents owning such vessels documented in other states.³⁰ The operation of fishing boats registered in other states in no way differs from that of boats registered in California. Both must satisfy the same licensing requirements and obey the same regulations as to the amount of catch within state waters.

NUMBER OF DAYS USED

The number of days that a vessel is used for the specific purposes set forth in section 227, in order to qualify for this preferential assessment, is not, in and of itself, determinative for qualification. If a commercially-licensed vessel's log shows it had been used for only 20 days during the year for fishing purposes and the balance of the year it was purportedly tied up in its slip and the assessor has no documentation of other usage, the vessel may be allowed the 4 percent assessment. If, however, the assessor feels that the actual use is not economic, he should determine if the number of days was limited due to some specific cause (e.g., an inability to obtain charters due to excessive competition or a poor fishing season) or simply

³⁰ *Haman v. County of Humboldt* (1973) 8 Cal.3d 922.

because the owner chose to limit the use of the vessel. The assessor should base his decision on what is discovered from an investigation, keeping in mind that the vessel needs to be actually engaged in commercial fishing and not merely fishing for three weeks in order to get a 4 percent assessment on the vessel.

There is no requirement that a vessel be used an "x" number of days for the purposes in which it is being exempted; nor is there a requirement in section 227, subdivision (a) that an "x" number of fish must be caught. The key to allowing this preferential assessment is the exclusivity of the vessel's usage for commercial fishing purposes or for studies as an oceanographic vessel during the immediately preceding assessment year. Any other use would disqualify the vessel from receiving the 4 percent assessment, except in the case of section 227, subdivision (c), where a vessel may be used 15 percent or less of its total operating time during the prior assessment year for dive, tour, or whale watching purposes.

QUALIFYING UNDER SECTION 227, SUBDIVISION (a)

To qualify for the 4 percent preferential assessment, the vessel itself need not be highly mobile. It need only be a watercraft used or capable of being used as a means of transportation on water and *exclusively engaged or employed* in the taking and possession of living resources of the sea for commercial purposes.

This section of the statute does not require the "living resource of the sea" be a "natural resource"; therefore, artificially-planted oysters may be considered a living resource of the sea. It does not matter that the oysters are "planted" and cultured in cages hung from barges anchored at sea; therefore, vessels that are engaged in seeding the oyster beds and in harvesting artificially planted oysters qualify for the 4 percent preferential assessment. Examples of other vessels exempt under this provision include tow vessels used in hauling the vessels that seed and harvest the oysters as well as power driven barges used to lift oyster cages for cleaning and harvesting. Vessels used to facilitate the pumping of sea water to inland oyster beds or vessels anchored inland to facilitate the pumps which draw in sea water, both for the purpose of supplying "food" to the oysters, also qualify for the preferential assessment. The sea water brought inland is considered food for the oysters; sea water is a living resource of the sea and it is taken for commercial purposes. On the other hand, inland vessels used to carry oyster cages would not qualify because the element of "taking from the sea" is absent.

QUALIFYING UNDER SECTION 227, SUBDIVISION (b)

In qualifying for the preferential assessment under section 227, subdivision (b), the oceanographic instructional or research vessel is not required to have a non-profit purpose. The exemption is not a charitable exemption; thus the profit potential of the research would not affect the vessel's eligibility for the exemption. The only requirement is that the vessel must be used exclusively for this purpose.

VESSELS UNDER CONSTRUCTION

Vessels under construction on the lien date by private owners are not eligible for preferential assessment, notwithstanding their intended use. This is the case even if a vessel is documented prior to completion, or documented when completed, and thereafter used in the manner prescribed by section 227. According to an opinion of the Attorney General, a vessel cannot be said to be engaged in commercial fishing while it is being built. Section 227 clearly provides two requirements for exemption: a vessel must be documented and it must be engaged in the exempt activity. Enrollment and licensing (e.g., the documentation) are not enough. To qualify for the exemption, a vessel would, at the very least, have to be in the water, outfitted, and ready to actually engage in the qualifying activity (i.e., commercial fishing operations).³¹ Vessels under construction by a shipbuilder, however, would be exempt as business inventory, as such vessels are held for sale in the ordinary course of business.

EQUIPMENT AND FURNISHINGS

Not only does the 4 percent preferential assessment apply to the vessel, but it also applies to equipment and furnishings normally required on board.³² Equipment includes navigational, radio, radar, and sonar equipment, winches, anchors, lifeboats, generators, and other such operational equipment, as well as necessary fishing or scientific equipment. Such equipment necessary for the accomplishment of the vessel's functions is subject to the special assessment even though it is stored ashore during off-season periods.

Furnishings qualifying for the special assessment include stoves, dishes, chairs, fire extinguishers, athletic or recreational equipment, and other property necessary for the comfort and convenience of the persons on board.³³ If any such equipment or furnishings are leased, the lessor should apply for the preferential assessment of the equipment, if leased on the lien date, provided that this occurs in the ordinary course of business.

The 4 percent assessment is *not available* for property necessary to maintain or service a vessel or the equipment and furnishings not normally required on board. Such items include cranes affixed to the dock and used to load and unload the vessel's cargo, shore radio equipment used in communicating with the vessel, and scientific equipment used ashore in processing data compiled by a research vessel.

DISASTER RELIEF

The provisions of section 170, regarding assessment relief due to property damage caused by a major misfortune or calamity, do not provide any authority for considering a salmon or other fishing drought a disaster entitling owners of commercial fishing vessels to assessment relief. If the owner of a fishing vessel discontinues his commercial fishing operations due to a decline in the availability of fish and the vessel is used for activities other than those enumerated

³¹ 54 Ops.Cal.Atty.Gen. 98, 102; see also *Favalora v. County of Humboldt* (1976) 55 Cal.App.3d 969.

³² Rule 151 of Title 18 of the California Code of Regulations. (All rule references in this section of the handbook refer to the Property Tax Rules in Title 18 of the California Code of Regulations.)

³³ *Ibid.*

in section 227, the preferential assessment cannot be extended to the non-qualifying use under the terms of the disaster relief provisions. On the other hand, if a vessel is temporarily laid up or out of service due to the fishing drought and does not engage in activities other than those allowed in section 227, a vessel may continue to qualify for the preferential assessment.

AFFIDAVIT FOR 4 PERCENT ASSESSMENT OF CERTAIN VESSELS (BOE-576-E)

Anyone claiming the classification of a vessel as a documented vessel eligible for the preferential assessment shall submit to the assessor an *Affidavit for 4 Percent Assessment of Certain Vessels*,³⁴ Form BOE-576-E. The filing date for this form is between the lien date, January 1, and February 15, 5 p.m.³⁵

The affidavit requires that certain documentation be attached for its approval. Affidavits for vessels qualifying under section 227, subdivision (b) (research vessels) shall have the contract, statement, or agreement from the respective organization outlining the nature of the research and the time duration attached to the affidavit. In addition to the research documents, a copy of the Certificate of Documentation shall be attached to the affidavit. The Certificate will indicate the vessel's official classification as an oceanographic research vessel. If the vessel was used in the manner prescribed by the statute, physically met the classification requirements on the lien date, and the taxpayer has timely filed the affidavit, delay in obtaining the supporting formal classification should not disqualify the vessel for the 4 percent preferential assessment. The assessor should accept the supplementary documents even when supplied after the filing period deadline.

Affidavits for vessels qualifying under section 227, subdivision (c) should have a copy of either the Certificate of Inspection, Form CG3753, or Temporary Certificate of Inspection, Form CG854, attached. The assessor should review the Coast Guard certificate to ensure the January 1 lien date falls within the inspection date and the 4 percent assessment should only be approved if it does. The Certificate of Inspection for most passenger vessels is valid for a 5-year period, except for vessels carrying more than 12 passengers on international voyages, which require annual inspections. When a re-inspection on a five-year certificate is due just prior to the lien date, but has not been completed by the lien date, the assessor should remind the claimant of the Coast Guard's 90-day limit for re-inspection after the due date. A suspension of the certificate will otherwise occur and the claimant should be informed that the affidavit will not be processed unless the owner provides proof of re-inspection by submitting a copy of the Certificate of Inspection to the assessor within the 90-day allowance period.

Late Filing Assessment Reduction

If a claimant fails to file the affidavit by 5 p.m. on February 15, but files it on or before August 1, the assessment shall be reduced in a sum equal to 80 percent of the reduction that would have

³⁴ Section 254.

³⁵ Section 255.

been allowed had the affidavit been timely filed.³⁶ The following example illustrates this assessment calculation:

EXAMPLE 4.1	
ASSESSMENT FOR AFFIDAVIT LATE FILING	
Assume a vessel has a market value of \$100,000 on the lien date of January 1 and is used for commercial fishing purposes. The owner fails to file the 4 percent assessment affidavit by February 15 of the same calendar year. The assessor enrolls a \$100,000 market value, and a tax bill is sent. The owner then files the affidavit by August 1. The assessment reduction would be calculated as follows:	
Assessed value on January 1 roll	\$100,000
Assessed value (4% of market value) if affidavit was filed by February 15	<u>< 4,000 ></u>
Assessed value reduction had the affidavit been filed by February 15	\$ <u>96,000</u>
Assessed value reduction due to the affidavit being filed after February 15, but by August 1 (80% of \$96,000)	\$ <u>76,800</u>
Assessment on the roll	\$100,000
Reduction, as calculated above	<u>< 76,800 ></u>
Revised Assessed Value	\$ <u>23,200</u>
Another method of calculating the revised assessed value:	
Assessed value if affidavit were filed by February 15	\$ 4,000
Add 20% of difference between \$100,000 and \$4,000 (\$96,000 x 20%)	<u>19,200</u>
Revised Assessed Value	\$ <u>23,200</u>

The following table illustrates the assessment and tax liability for the three scenarios of filing the affidavit on time, filing late, or not filing at all. Note that the assessment and consequent tax bill is nearly six times higher for the late filer than it would be had the claim been filed by February 15.

	Affidavit Filed by February 15	Affidavit Filed by August 1	No Affidavit Filed
Market Value	\$100,000	\$100,000	\$100,000
Taxable Value	\$4,000	\$23,200	\$100,000
Taxes @ 1%	\$40	\$232	\$1,000

³⁶ Section 275.5.

An assessor has no authority to overrule the due dates of an affidavit. The law does not allow the assessor to accept late filings of the affidavit to qualify for either the 4 percent assessment or the reduced assessment. Section 260 provides that if any person claiming any exemption fails to comply with the procedural requirements, the person waives the exemption. A claimant/taxpayer is responsible for the filing of the affidavit and this responsibility is not negated simply because the taxpayer does not receive the form from the assessor. It is not the assessor's responsibility to notify all vessel owners who might qualify for the 4 percent assessment.

NONDOCUMENTED VESSELS

As with the term "documented vessel," the term "nondocumented vessel" has a dual meaning. For purposes of the Coast Guard and the DMV, a nondocumented or undocumented vessel is one that is not required to have a marine document issued by the Coast Guard. For California property tax purposes, a nondocumented vessel is one that is neither documented by the Coast Guard nor registered or licensed by the DMV. However, unless exempt by a county's low value ordinance, such vessels are subject to assessment. Nondocumented vessels include vessels propelled solely by oars or paddles or vessels eight feet or less propelled solely by sail.³⁷

A nondocumented vessel, except a vessel not subject to California property tax due to its status under subdivision (b) or (c) of Vehicle Code section 9873, is a vessel that would not typically require the filing of a property statement. A person owning a vessel that does not require the filing of a property statement shall, however, upon request of the assessor, file a property statement, Form BOE-576-D. See Chapter 2 for the discussion of forms.

³⁷ Vehicle Code section 9873.

CHAPTER 5: SITUS

Situs, the place where property is legally situated, is one of the essential factors of a valid assessment. Section 404 governs the assessment jurisdiction for property and states that: "All taxable property, except State assessed property, shall be assessed by the assessing agency of the taxing agency where the property is situated."

Since vessels are personal property and mobile, they have no fixed situs. The situs of a vessel may be the same or different from day to day, month to month, or year to year. One of the most important duties of the marine appraiser is to determine a vessel's taxable situs. For property tax purposes, a vessel's taxable situs is established on the January 1 lien date. On the lien date, vessels with a taxable situs located in California are assessable by the taxing agency of the jurisdiction in which they are located. Vessels with a taxable situs located outside of California, almost without exception, are not assessable within the state.

SITUS OF SEAGOING VESSELS / HOME PORT DOCTRINE

Vessels plying the high seas may constantly move between ports throughout the year. Such vessels are generally bound by the "home port" doctrine that permits only the taxing authority of a home port to impose a tax. No other jurisdiction, including those ports visited by the vessel during its voyages, has the power to tax it.³⁸

The "home port" doctrine, established under common law, is a doctrine which permits vessels engaged in foreign or interstate commerce to be taxed at the domicile of the owner or at the port of registration regardless of where the vessel actually happens to be located on the lien date. This doctrine has limited application in modern times, as both the United States Supreme Court, in *Japan Line, Ltd. v. County of Los Angeles*,³⁹ and the California Supreme Court, in *Sea-Land Service, Inc. v. County of Alameda*,⁴⁰ have described the home port doctrine as anachronistic;⁴¹ however, the home port doctrine may be applied to seagoing vessels when no permanent situs has otherwise been established for a vessel. Prior to 1995, owners typically documented these vessels at the port nearest to their place of domicile, which was considered the vessel's taxable situs.

Annual renewal of a Certificate of Documentation for vessels documented prior to 1995 will continue to show the original port of documentation on the certificate. Since 1995, a "hailing port," as opposed to a "home port," is now used on the Certificate of Documentation (see Chapter 4). As a result, the taxable situs for seagoing vessels put into service since 1995 is the domicile of the owner.

³⁸ *Hays v. Pacific Mail S.S. Co.* (1855) 17 How (58 U.S.) 596.

³⁹ 441 U.S. 434, 443 (1979).

⁴⁰ 12 Cal.3d 772, 786-787 (1974).

⁴¹ Both the *Japan Line, Ltd.* and *Sea-Land Service, Inc.* cases addressed the taxability of cargo containers.

The home port doctrine was developed for and applied to the taxation of vessels, as distinguished from the apportionment rule that has been applied to railroad rolling stock and aircraft. In *Hays v. Pacific Mail S.S. Co.*, the United States Supreme Court granted the domiciliary state the power to tax in full and denied the power to tax to all other jurisdictions, regardless of where the vessel happened to be actually located on the lien date. This ruling has been consistently applied to vessels by California courts.

Despite the home port designated by an owner, a vessel's home port should be determined by a ship's actual operations and not by the fictitious home port created solely by registry. A home port is to be distinguished from a "port of convenience". A port of convenience has no taxing authority as it is a port where a vessel primarily at sea enters temporarily between ocean voyages to deliver goods, obtain provisions, and make repairs.⁴² If a seagoing vessel is inactive and not engaged in any kind of commerce for a period of time that cannot be considered temporary, however, it acquires a taxable situs where it is anchored or moored, irrespective of any so-called home port.⁴³

Due to the nature of interstate or foreign commerce and travel, the physical presence of a vessel may not establish permanent situs. A vessel may establish a habitual or significant presence at one or more locations. However, unlike some other types of personal property, vessels (other than intercounty ferries) are not subject to apportionment. When sites are temporary, even when a habitual or significant presence is established, taxable situs is not acquired for property tax purposes. The taxable situs of a vessel is not determined by an owner's designation of a home port but depends upon the existence of sufficient contacts, such as the use and employment of a vessel within the jurisdiction and the opportunities, benefits, or protection afforded a vessel by the jurisdiction, to satisfy due process.⁴⁴

A sea-going vessel, therefore, regardless of whether the vessel has a "home port" or a "hailing port" designation, can acquire a new taxable situs, if the vessel becomes habitually moored at a new location.

PERMANENT VS. TEMPORARY SITUS

Permanent versus temporary situs must be considered when determining taxable situs for property tax purposes. Article XIII, section 14, provides that "[a]ll property taxed by local government shall be assessed in the county, city, and district in which it is situated." "Situated" connotes a more or less permanent location or situs. Thus, the taxation of a vessel must be based on the fact that it is to some extent kept or maintained in California rather than here casually or in transit. This constitutional provision does not refer to the temporary location of property, but to its permanent situs.

⁴² *Martinac v. County of San Diego* (1967) 255 Cal.App.2d 175.

⁴³ *Continental Dredging Co. v. County of Los Angeles* (1973) 366 F.Supp. 1133.

⁴⁴ *County of San Diego v. Lafayette Steel Company* (1985) 164 Cal.App.3d 690.

Vessels that are temporarily situated in California on the lien date but have permanent taxable situs outside of California are not assessable in California.⁴⁵ On the other hand, vessels documented or registered in California, that are employed in foreign or interstate commerce on the lien date, are assessable in the California jurisdiction where they are habitually moored or where the owners are domiciled. This applies to such vessels even if they have never been within California waters. An exception to this would be if a vessel had, by the manner of its use, acquired an actual situs elsewhere.⁴⁶

Although moved periodically, vessels are taxable in the jurisdiction where they are normally located. An assessee may have moved his vessel just prior to the lien date, and then immediately moved it back. Although gone on the lien date, the vessel has not established permanent situs elsewhere; therefore, its taxable situs remains at the original location. Simply moving a vessel from one county to another for short periods of time will not preclude an assessment or render an assessment invalid. A vessel may avoid the imposition of taxes at its original location only if it has been permanently removed and has acquired a taxable situs elsewhere.

If by the manner of the use of a vessel, the vessel acquires an actual situs other than where it had been previously documented, located, and/or taxed, the situs created by the owner's use of the vessel should be honored. If another California county presents a tax bill to a vessel's owner, the original county where the vessel was previously taxed should defer to the new county claiming situs jurisdiction.

It is an owner's burden to provide documentation to an assessor that situs has been established elsewhere, either in another county, state, or country. Such documentation would include a tax bill for the vessel in question by another jurisdiction or other supporting documents. If a tax bill from another jurisdiction is offered as evidence, an assessor should request the bill be marked paid, as an unpaid bill may be canceled after offering it as proof that a vessel has gained a different situs. Mooring rental slips or agreements may also provide evidence of a vessel's situs change; however, many assessors will issue escape assessments if a relocated vessel is sited back at the original location at any time within a period of one year and covering two lien dates. If a vessel has been permanently moved, the vessel is no longer taxable at its original designation, whether or not it is still documented there and whether or not its owners reside within the original taxing jurisdiction.

For taxation purposes, a vessel that is completely inoperative is taxed like other tangible property at its permanent location.⁴⁷ An inoperative vessel, not documented in California or anywhere else, may be taxed here if it has been moored here for a period of time that is not considered temporary, even though the owners do not reside here. Although the owners intend for the vessel to be operated as a seagoing vessel in the future, or to be located elsewhere, such a vessel would be considered permanently located here.

⁴⁵ *Sayles v. County of Los Angeles* (1943) 59 Cal.App.2d 295.

⁴⁶ *Olson v. San Francisco* (1905) 148 Cal. 80; *California Shipping Company v. City and County of San Francisco* (1907) 150 Cal. 145.

⁴⁷ *Ships and Power Equipment Corp. v. County of San Diego* (1949) 93 Cal.App.2d 522.

ROLE OF THE DEPARTMENT OF MOTOR VEHICLES

Owners of most vessels are required to register their boats with the DMV if not documented by the Coast Guard (see Chapter 4 for details on registration requirements). As stated earlier, vessels registered by the DMV are also considered to be documented vessels for property tax purposes. The DMV maintains a computer information file with an owner's name, address, location of the boat, boat type, cost class, and other pertinent information. When a boat owner sells or moves a boat to a new situs, the owner should notify the DMV, which then subsequently updates its computer file. The DMV is required to transmit information from each initial transfer or renewal application to the assessor in the county where the vessel owner resides and to the assessor in the county where the vessel is principally kept, if not in the same county where the owner resides.⁴⁸ The DMV also transmits information regarding the destruction or abandonment of a vessel to the county assessor concerned.

The DMV typically sends the lists of all boat additions and deletions to the county assessors' offices on a monthly basis. To facilitate the tracking of boat owners and boat location, the DMV also permits assessors' offices to establish an on-line communication link to access its database. The information, however, is not always up-to-date. It is the responsibility of the assessee to keep the county assessor and the DMV informed of any changes of ownership or address, the location of a vessel, or its destruction. Many times owners will not do so, or only after a long delay; but when faced with having to pay a property tax, the information regarding the vessel is generally promptly corrected.

The county where the DMV registers a vessel is the place of documentation and is typically the county where the vessel is located and assessed. The address indicated on the registration certificate is the mailing address of the registered owner but it does not indicate where the vessel is habitually moored, which may be different from the owner's mailing address. The DMV stores the situs information in its computer system and passes this information on to the assessor in the reports. If an owner's mailing address is the same as the "habitually moored" location of the vessel, then the vessel's situs is the same as the domicile county of the vessel owner. However, if the "habitually moored" address is located in a county different from that of the owner's mailing address, then the vessel is assessed where the vessel is habitually moored. The situs information recorded by the DMV is considered the notice of the vessel's habitual place of mooring when not in service. This DMV report provides evidence to the assessor of the county where the owner is domiciled that the vessel is assessed elsewhere, as required by section 1139.

SITUS OF COAST GUARD DOCUMENTED VESSELS

The situs of Coast Guard documented vessels depends upon the vessel's federal registration. Prior to 1995, owners typically documented these vessels at the port nearest to their place of domicile, which was considered the vessel's taxable situs. Since 1995, a "hailing port" as

⁴⁸ Vehicle Code section 9869.

opposed to a "home port" is now used on the Certificate of Documentation of vessels. As a result, the taxable situs for vessels put into service since 1995 is the domicile of the owner, unless the taxable situs of a vessel can be determined elsewhere.

The taxable situs of a vessel is not determined by the owner's designation of a home port, but depends upon the existence of sufficient contacts between the situs and the vessel to satisfy due process. These contacts include the use and employment of the vessel within the jurisdiction and the opportunities, benefits, or protection afforded the vessel by the jurisdiction.⁴⁹

SITUS OF NONDOCUMENTED VESSELS

Nondocumented (or undocumented) vessels, those that do not require registration by the DMV or by the Coast Guard, establish situs in the county where they are habitually moored when not in service.⁵⁰ Smaller boats that are not habitually kept at a mooring but are lifted from the water and kept in a boathouse or transported by trailers to the owner's residence or another location are taxed at the location where the boat is habitually kept.

SITUS OF INTERCOUNTY FERRYBOATS

The taxable situs of intercounty ferryboats is regulated by statute. When a ferry connects ports in more than one county, it is assessed in equal proportions in each of the counties. The wharves, storehouses, and stationary property ancillary to the ferryboat operation are assessed in the county or counties where they are located.⁵¹

RESIDENCE AND DOMICILE

With consideration to vessel situs, both the terms "domicile" and "residence" are used with frequency. Generally, "domicile" and "residence" are distinguished so that "domicile" is the one location where a person is considered to have the most settled and permanent connection. It is the place where an individual intends to remain and the place he or she has the intention of returning whenever absent, but which the law may also assign to the owner constructively. "Residence," on the other hand, connotes any factual place of abode of some permanency, more than a mere temporary stay. "Domicile" normally is the more comprehensive term, in that it includes both the acts of residency and an intention to remain. A person may have only one domicile at a given time, but may have more than one physical residence separate from their domicile. Statutes, however, do not always make this distinction in the employment of these terms. Thus, for the purposes of tax situs, in virtually every case, "residence" and "domicile" will be interchangeable.

⁴⁹ *County of San Diego v. Lafayette Steel Co.*, *supra* at page 690.

⁵⁰ Section 1141.

⁵¹ Section 1137.

For vessels documented since 1995, ordinarily the domicile of an owner is the situs of a vessel for the purpose of taxation. This is subject, however, to the exception where a vessel has acquired an actual situs other than the place of the domicile of the owner.⁵² For example, a vessel documented through the National Documentation Center, moored in San Diego County, but whose owner is domiciled in Sacramento County would be taxable in San Diego County, the location of its habitual mooring. If an owner purchases and documents a vessel with the DMV in San Diego County and subsequently moves to Sacramento County and stores the vessel at his new domicile, Sacramento County becomes the vessel's situs on the following lien date and upon notification to the assessor in San Diego County. There is no proration of the taxes upon moving.

DOCUMENTS THAT AID IN DETERMINING SITUS

To assist an assessor in determining situs, the assessor may request certain documents from an owner based on applicability. Documents that may be useful include, but are not limited to, the following items:

- Slip rental agreements
- Tax bill, preferably paid, from another county, state, or country
- Ship's log
- Port of entry permits
- Slip rental receipts from foreign country
- Customs clearance papers
- Passport or visa
- United States entry permit or inter-country travel permits

SUMMARY OF SITUS DETERMINATION

From the discussion above, the situs of a vessel can be determined in a variety of manners: (1) by where a vessel is documented, located, or taxed; (2) by where a vessel is habitually moored; (3) by the manner of a vessel's use; and (4) by the domicile of the owner. Depending on the facts and circumstances associated with a given vessel, the appropriate taxable situs of a vessel can be determined as one of these locations.

Additional considerations when determining the situs of a vessel include: (1) vessels documented outside of California, but which are partly or wholly in use in the waters of the state, the owners of which reside in the state, shall be assessed in the state;⁵³ and, (2) when an owner or master of a taxable vessel gives written notice of the vessel's habitual place of mooring when not in service

⁵² *Star-Kist Foods, Inc., v. Byram* (1966) 241 Cal.App.2d 313.

⁵³ Section 1138.

to the assessor of the county where the vessel is documented, the vessel becomes assessable in the county where habitually moored.⁵⁴

Essentially, the situs of a vessel can be determined by whether a vessel is registered by the DMV or documented by the Coast Guard or by whether a vessel is a seagoing vessel. The discussions below indicate the appropriate situs for each of these classifications.

VESSELS REGISTERED BY THE DMV

For vessels registered with the DMV, the DMV records situs information of a vessel's habitually moored address. Such location will determine the county that has taxing authority over the vessel. If the DMV records do not include a habitually moored address, the vessel will be taxable in the domicile county of the vessel's owner. Of course, if the taxable situs of a vessel can be determined elsewhere, the vessel should be taxed at that location.

VESSELS DOCUMENTED BY THE COAST GUARD

Vessels registered before 1995 have a "home port" designation. This location is considered to be the taxable situs for such vessels. Vessels registered since 1995 have a "hailing port" designation. The domicile of the owner is considered the taxable situs for such vessels. If a federally registered vessel is habitually moored elsewhere, however, the taxable situs of such a vessel should be established at that location.

SEAGOING VESSELS

In general, seagoing vessels (i.e., vessels engaged in foreign and interstate commerce) should be taxed at the domicile of the owner or at the port of registration, regardless of where the vessel happens to be actually located on the lien date. Seagoing vessels are generally federally registered and such registration will determine the taxable situs of these vessels. Vessels registered before 1995 have a "home port" designation. This location is considered to be the taxable situs for such vessels. Vessels registered since 1995 have a "hailing port" designation. If a sea-going vessel becomes habitually moored elsewhere, the taxable situs of such a vessel should be established at that location.

CHANGE IN SITUS

The domicile of an owner, the state of registration, or the designation of a home or hailing port may determine a vessel's taxable situs, except when it can be shown that the vessel is habitually moored elsewhere. The following are occurrences in which a vessel's original situs may yield its taxing authority to another jurisdiction:

- A vessel may, by being indefinitely and exclusively employed within the waters of another state, acquire an actual situs there that will permit the vessel to be taxed in that state, even though the vessel is documented here or that the vessel's owner is domiciled in California.

⁵⁴ Section 1139.

- If the vessel is documented outside of the state, but travels regularly in California's waters and the owners reside in this state,⁵⁵ the vessel is assessable in California.
- If a vessel owner has permanently moved the vessel from its original designated situs to another location where the vessel has become habitually moored and the owner has so informed the proper assessor in writing.⁵⁶
- If an assessor can show, despite the place of documentation, original situs designation, or a notice that a vessel has been removed, that the vessel is permanently located in his/her county,⁵⁷ provided the original county indicated that the vessel is not assessed there.

⁵⁵ Section 1138.

⁵⁶ Section 1139.

⁵⁷ Article XIII, section 14 of the California Constitution ("...in the county ... in which it is situated") takes precedence over sections 1139 and 1140 of the Revenue and Taxation Code.

APPLICATION OF SITUS DETERMINATION

The following is an example of making a determination of taxable situs for a vessel using the sections and rules described above. The conclusion regarding situs is specific to the information given.

EXAMPLE 5.1 SITUS OF VESSEL

An assessee/vessel owner purchased a boat on December 1, 2000, and registered it with the Department of Motor Vehicles (DMV) using a mailing address in XYZ County. On February 1, 2001, the assessee filed a vessel property statement with XYZ County using the same address for purposes of registration as the assessee's mailing address and habitual place of mooring. However, on the back of the form, he noted that the boat was now moored in Mexico.

To determine situs and taxability, the assessor contacted the assessee and gathered the following information:

- The boat was purchased in San Jose, California on December 1, 2000.
- The boat was registered January 1, 2001, and the registration address (in XYZ County) shown was the domicile of the owner's son.
- The assessee claims (without documentation) that the boat is now habitually moored in Baja, Mexico, but is unable or unwilling to verify the date or permanent address (situs) of the new habitual mooring location. The situs address on the DMV registration certificate in XYZ County remains unchanged.
- Assessee claims permanent domicile in the State of Washington.
- The state of Washington will not register vessels without a physical inspection.

BASED ON THE FACTS PROVIDED, THE TAXABLE SITUS OF THIS VESSEL ON LIEN DATE JANUARY 1, 2001 IS XYZ COUNTY FOR THE FOLLOWING REASONS (IN ORDER OF IMPORTANCE):

- Application for a CF number and registration with the DMV establishes situs for vessels; thus, the taxable situs is XYZ County, since the assessee indicated an XYZ County address as both his mailing address and the place of habitual mooring on the registration for his vessel (section 1139). Under California law: "Every undocumented vessel using the waters or on the waters of this state shall be currently numbered." (Vehicle Code section 9850). The assessee's intention was to use the boat in the waters of this state.
- The assessee stated on the property statement that the boat was located in XYZ County. This statement was signed under penalty of perjury. (The remarks on the back of the form are not sufficient documentation verifying a different situs for the vessel.)
- If a vessel is (permanently) moved from the registered situs, an owner is required to notify the DMV by changing the address on the registration certificate or by filing another property statement or other documentation notifying the assessor pursuant to section 1139. Since this did not occur, the situs of the vessel for property tax purposes is **XYZ County**.

CHAPTER 6: EXEMPTIONS

Certain provisions of the California Constitution allow for vessel exemptions, either on a partial or full basis. Article XIII, section 2 of the California Constitution provides that the Legislature may, with two-thirds of each house concurring, classify any personal property for differential taxation or for exemption. Personal property may be exempt from taxation by reason of its ownership, use, and/or type. Full exemptions include vessels having a low value, vessels considered business inventory (including those under construction), vessels of more than 50 tons burden engaged in the transportation of freight or passengers, and certain vessels with a historical value. In addition to these property tax exemptions, certain documented vessels, per the provisions of section 227, are granted the right to be assessed at 4 percent of their full cash value. This preferential treatment, a form of exemption, is discussed in Chapter 4.

It is important for the appraiser to be aware of these exemptions to determine the assessability of the vessel being appraised. It is also important to note that not all exemptions are automatic. Similar to other exemptions, a taxpayer has the burden of demonstrating that a vessel qualifies for the exemption. Some exemptions are allowed only if appropriate forms are filed on a timely basis. In such cases, a vessel remains assessable unless an exemption claim is filed by the taxpayer and approved by the county assessor.

VESSELS WITH MARKET VALUE OF \$400 OR LESS

Pursuant to section 228, a vessel with a market value of four hundred dollars (\$400) or less shall be free from taxation. This exemption only applies to vessels used or held for non-commercial purposes and shall not apply to lifeboats or other vessels used in conjunction with the operation of vessels with a market value of more than \$400. In determining the market value of a vessel, a vessel's value should include all equipment such as mode of power and furnishings that are normally required aboard the vessel to accomplish the functions for which the vessel is being utilized. This exemption can only be applied to one vessel owned, claimed, possessed, or controlled by an assessee on the lien date.

COUNTY LOW-VALUE ORDINANCE

As described above, vessels with a market value of four hundred dollars or less are exempt from taxation. Each county's board of supervisors, however, may set its own low value exemption, pursuant to section 155.20. This section states that a county board of supervisors may choose to exempt property with a full value so low that, if not exempt, the taxes would amount to less than the cost of assessing and collecting them. In any case, a county board of supervisors shall have no authority to exempt personal property with a full value of more than five thousand dollars (\$5,000).

VESSELS WITH HISTORIC VALUE

As of January 1, 2001, wooden vessels of historical significance, and all other personal property thereon used in their operation, are exempt from taxation if all of the following conditions are satisfied:⁵⁸

- The owner and operator is a nonprofit organization that has qualified for exemption under either section 23701(d) of the Revenue and Taxation Code or under section 501(c)(3) of the Internal Revenue Code.
- No part of the net earnings of the owner inures to the benefit of any private shareholder or individual.
- The vessel is used primarily as, or as a part of, a maritime museum that is regularly open to the public.
- Income from fundraising use and use for charter activities does not exceed 40 percent of operating revenues of the vessel, and all net earnings are used to further the exempt activity of the museum.
- To qualify for the exemption, the claimant is required to annually file, by February 15, an affidavit furnished by the assessor.

For the purposes of this statute, "wooden vessels of historical significance" is defined as any wooden vessel that is a refurbished original, wooden inland waters vessel of 47 feet or larger, built in California during or prior to 1910, that continuously thereafter has remained in California waters, and that has been designated a California State Historical Landmark.

BUSINESS INVENTORIES

Business inventories, as described in section 129 and Property Tax Rule 133, are eligible for exemption from taxation.⁵⁹ Vessels intended for sale or lease in the ordinary course of business are considered to be business inventories. Vessels under construction, even those under a contract of sale, and the raw materials on hand not yet incorporated into a vessel are also included as business inventories.

PROPERTY HELD FOR LEASE OR CONSIGNMENT

Business inventory includes property held for lease or consignment by lessors, sublessors, and consignors. Exemptions allowed, however, are not based solely upon the status of a vessel on the lien date and the assessor should not judge the validity of the business inventory exemption based on that fact alone, but instead look to the true intent of the owner. Individual facts such as a vessel's actual use before and after the lien date, the length of a consignment or lease, and the location of the vessel tend to indicate the owner's intent, but are not singularly controlling.

⁵⁸ Section 230.

⁵⁹ Section 219.

For example, a vessel that is put up for consignment just prior to the lien date, then removed from consignment shortly thereafter, in an attempt to escape assessment, is ineligible for exemption.

To qualify for the business inventory exemption, the owner or lessor must have the intent to actually have the property available for lease or under consignment in accordance with the regular and usual practice and method of the business of the lessor or consignor. The vessel owners are not required to be in the business of selling or leasing vessels, only that the property is so held. The business inventory exemption is available to owners who have validly put their vessel up for consignment to a consignor. On the other hand, a vessel held and advertised for sale by an owner would be ineligible for exemption, unless the owner's normal course of business is selling vessels. The key to qualifying for the business inventory exemption is that the vessel must be held for sale, lease, or consignment in the *ordinary course* of business of the seller, lessor, or consignor.

Marinas in the business of leasing out houseboats may claim the business inventory exemption on repair/replacement parts that are typically rented with the houseboats. Tools and supplies used by the owner for maintenance, however, are assessable.

TEMPORARY WITHDRAWAL

An enforced idleness or temporary withdrawal from leasing due to conditions such as seasonal weather or maintenance work does not interfere with a vessel's otherwise exempt status. Although a business may be closed for the season and boat rental activity is suspended on the lien date, the business inventory exemption may continue to apply. For instance, if a marina rents out houseboats within its normal course of business but closes this portion of their operations for several months during the winter season that includes the lien date, the vessels normally available for lease continue to qualify for the business inventory exemption. The seasonal closing is an enforced withdrawal, temporary in character, and to disallow the business inventory exemption due to this, would defeat the purpose of the exemption.

PROPERTY USED BY OWNER

Business inventory does not include property being used by its owner for any purpose not directly associated with the prospective sale or lease of that property. A vessel held for sale or lease is not allowed the exemption if it has been, or is intended to be, used by the seller or lessor prior to or subsequent to its sale or lease. As such, a boat dealer that enters a racing boat into an occasional race to show its competitiveness is consistent with and an acceptable norm as demonstration and display of the vessel for sale or lease. To enter the boat into numerous racing events, however, would result in use by the owner as other than demonstration and display and would therefore disqualify the vessel for the business inventory exemption. This is in contrast to instances in which a boat held for sale or lease might be raced many times, but all or part of the crew consists of prospective purchasers or lessees; such instances could be construed to be demonstration and display of the vessel.

Another example of a vessel that is ineligible for the business inventory exemption is one that is used as a demonstration to display marine accessory equipment for sale. Property Tax Rule 133, subsection (b)(2) specifically excludes from exemption property being used by its owner for any purpose not directly associated with the prospective sale or lease of that property. The vessel is being used to display accessory equipment, which is not directly associated with the sale or lease of the boat. Subsection (a)(3) of the rule states in part that to be eligible for exemption, the property must be held and openly offered for sale or lease and must be displayed, advertised, or otherwise brought to the attention of potential purchasers or lessees by means normally employed. Although the vessel may be offered for sale at a later date, it is not offered for sale during the display of marine accessory equipment; therefore, it does not qualify for the business inventory exemption. In such an instance, the vessel becomes eligible for the business inventory exemption only at the time it is offered for sale.

EXEMPTION FOR VESSELS OF MORE THAN 50 TONS BURDEN

Article XIII, section 3, subdivision (I) of the California Constitution provides that vessels of more than 50 tons burden and engaged in the transportation of freight or passengers are exempt from property taxation.

With respect to this provision, "50 tons burden" shall mean "50 tons *net* burden" as registered in the United States Customs Office. In *Kiessig v. County of San Diego*,⁶⁰ the court determined that it would rely on case law and upon the provision of the federal shipping act which defines "tonnage," being that "tons burden" meant "net tons," or "net register tonnage." In allowing the exemption, an appraiser should verify the net tonnage on a specific vessel. Certificates of Documentation state the gross and net tonnage of a vessel. An appraiser may also locate a specific Coast Guard documented vessel from the Coast Guard's Internet web site⁶¹ by entering the vessel's name or ID number. In addition to its net tonnage, information such as the owner's name, the vessel's age, length, horsepower, etc. is also available.

To qualify for the exemption, a vessel must be exclusively engaged in the transportation of freight or passengers or at least primarily so engaged. This constitutional provision does not allow a proration of the exemption. Therefore, if a vessel qualifies, the exemption is allowed in its entirety. This applies even if the vessel is used 80% of the time in the exempt activity and 20% of the time in other activities, such as towing operations;⁶² incidental use for other purposes does not affect qualification for the exemption.⁶³

⁶⁰ 51 Cal.App.2d 47 (1942).

⁶¹ www.st.nmfs.gov/commercial/index.html.

⁶² *Star and Crescent Boat Company v. County of San Diego* (1958) 163 Cal.App. 2d 534.

⁶³ This differs from exempt activities outlined under section 227, where a vessel must be engaged *exclusively* in such activities.

FREIGHT

For the purposes of article XIII, section 3(l) of the California Constitution, "freight" generally denotes property transported by a carrier from a consignor to a consignee. Such a relationship requires that the transportation of freight or passengers must be "for hire."⁶⁴ A commercial fishing vessel transporting its catch to its home port is not considered freight; however, such a vessel may qualify for the 4 percent preferential assessment (see Chapter 4 on documented vessels). Thus, one's own catch is not freight, but hauling another's catch for a fee is considered freight. Freight has a narrower meaning than just "any property," so that presumably not just any object carried on the deck of a vessel amounts to "freight" to justify the tax exemption.

When a parent company's subsidiaries utilize vessels for transportation of their own freight, such vessels generally do not qualify for exemption. The freight must be for hire by a separate entity (from a consignor to a consignee who are independent and separate from each other).

A vessel more than 50 tons burden under contract to transport offshore work crews, supplies, equipment, and products to and from given points (such as shore to offshore drilling rigs) may also qualify for exemption under this article. Although the vessel is not available to haul other passengers or freight on a public carrier basis, its purpose remains under contract and is commercially engaged in hauling passengers and freight, which are not part of their own company.

Tugboats of more than 50 tons burden primarily engaged in towing barges that carry freight are exempt under this article.⁶⁵ Tugboats are an integral part of the transportation mechanism; barges are unable to move unless they receive a tow from a tugboat, and it is immaterial that they furnish part or all of the motive power. On the other hand, harbor tugs (of more than 50 tons burden) primarily engaged in assisting cargo or passenger vessels in navigating the waters and channels of the harbor are not exempt. "Freight" is not to be construed to be synonymous with "property"; thus, the exemption does not apply to a tugboat that transports property by assisting ships, which carry freight or passengers, in docking and in harbor navigation activities, as the tugboat itself does not carry any freight or passengers. The relationship of such a tugboat to freight or passengers stems only from its assistance to a vessel engaged in the actual transporting of property or persons.⁶⁶ Additionally, barges with cranes used to move freight from exempt vessels do not qualify for exemption. Such barges do not constitute the "transportation of freight."⁶⁷

INOPERATIVE VESSELS OVER 50 TONS NET BURDEN

Inoperative vessels over 50 tons net burden that have never been engaged in carrying freight or passengers do not qualify for the exemption, even if the owners intend to operate the vessel as such in the future.⁶⁸ If such a vessel is moored here and not registered in any port in this state

⁶⁴ *Dragich v. County of Los Angeles* (1939) 30 Cal.App.2d 397.

⁶⁵ *Star and Crescent Boat Company, supra*.

⁶⁶ *Crowley Launch & Tugboat Co. v. County of Los Angeles* (1971) 16 Cal.App.3d 437.

⁶⁷ *Smith-Rice Heavy Lifts, Inc. v. Los Angeles County* (1967) 256 Cal.App.2d 190.

⁶⁸ *Ships and Power Equipment Corp. v. County of San Diego* (1949) 93 Cal.App.2d 522.

or elsewhere, the vessel is treated as ordinary personal property, taxable at the jurisdiction it is located. The special situs rules that have been developed with respect to the taxation of vessels engaged in foreign or interstate commerce do not apply to such vessels. This contrasts with vessels that were previously engaged in carrying freight or passengers but have temporarily withdrawn from such activities for various reasons. In those instances, the vessels may still qualify for the exemption, provided they have not been primarily used for other activities during the withdrawal period.

VESSELS UNDER CONSTRUCTION

Vessels of more than 50 tons burden or 100 tons displacement are exempt from property taxation while under construction within California. The materials and parts that are held by the builder of the vessel at the site of construction for the specific purpose of incorporating them into the vessel are also exempt from property taxation.⁶⁹

4 PERCENT ASSESSMENT FOR QUALIFYING DOCUMENTED VESSELS

Vessels that may qualify for a 4 percent preferential assessment, a form of exemption, are discussed in Chapter 4. Such vessels must be documented with the Coast Guard and employed or engaged exclusively in the activities detailed in section 227 to qualify for this preferential treatment.

HOMEOWNERS' EXEMPTION

An owner may apply the \$7,000 homeowners' exemption to personal property, as authorized by section 218, if a vessel is the owner's place of abode.

If a vessel also qualifies for the documented vessel exemption contained in section 227, the vessel owner must elect and properly claim only one of the exemptions. The nature of many fishing boats is such that they are commonly equipped with living quarters so the vessels may make extended cruises in search of their catch. A crew will live on the vessel while on the high seas, and there is nothing in the exemption statutes to imply that the owner or crew must leave the vessel while in port. The vessel, however, must be used as a full-time commercial fishing vessel to qualify for the documented vessel exemption. If the use of the vessel as a residence interferes with the fishing activities, or if the vessel is primarily a residence and commercial fishing is only incidental, then the vessel is not "engaged or employed exclusively" for any of the specified activities. Thus, a vessel owner must elect and properly claim only one of these exemptions.

⁶⁹ Section 209.5.

DISABLED VETERANS' EXEMPTION

Section 205.5 provides that the first \$100,000 or \$150,000 of a vessel's full value may be exempted from property taxation if the vessel is owned by a blind or disabled veteran, or the veteran's unmarried surviving spouse, with the exempt amount depending on the annual income of the veteran. To be eligible for the exemption, the veteran, or the veteran's unmarried surviving spouse, must occupy the vessel as his or her principal place of residence.

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT OF 1940

The Soldiers' and Sailors' Civil Relief Act of 1940, 50 App. U.S.C.A. §574, provides that a person on active duty in military service may declare the situs of his or her personal property to be his or her home state. This declaration renders the personal property immune from taxation in the state where the individual is stationed on active duty. This act does not provide for an exemption from personal property taxation. Instead, it establishes tax situs of the property and thus establishes an exception to the general rule that personal property has its tax situs at the place it is located. The taxing agency with jurisdiction as the military person's domicile may tax the property if the laws so provide. This rule of tax situs is applicable whether the military person's domicile is another county of California or elsewhere within the United States.

If a military person on active duty in California who claims residency in another state has a vessel, the vessel is immune from property taxation in California. A military person who declares situs of his or her personal property to be located elsewhere must complete form BOE-261-D, *Soldiers' and Sailors' Civil Relief Act Declaration*. The assessor should have a signed declaration on file for each military person who claims the exemption. The declaration may be filed at any time without penalty or interest. If the military person is a resident of another county in California, a copy of the signed declaration should be sent to the assessor of the county of legal residence for appropriate assessment processing. If the military person claims residency in another state, a copy of the signed declaration should be sent to the county clerk or county assessor of the other state.

CHAPTER 7: SPECIFIC TYPES OF VESSELS AND THEIR USE

Listed below are specific types of vessels together with a brief description and explanation of the criteria by which to determine taxability and documentation. Use Chapter 4 for documentation criteria and Chapter 5 for the determination of situs. Exemptions on vessels are discussed in Chapter 6 of this handbook section.

The following chart categorizes various types of vessels as to their typical assessability and qualification for exemption or special assessment. Additionally, any vessel may qualify for the business inventory exemption if it is held for sale or lease in the normal course of business.

Type of Vessel	Ad Valorem	4 Percent Assessment	Article XIII Section 3(l) Exemption*	Section 228, Low value Exemption**
Amphibious Craft	X			
Barge	X	X	X	
Bulk Carriers			X	
Cabin Cruiser	X	X	X	
Canoe	X			X
Catamaran	X			
Dredge	X			
Ferry	X		X	
Fishing Vessel		X	X	
Houseboat	X			
Kayak	X			X
Lifeboat	Not assessable by itself; valued with vessel carrying it			
Life Raft	X	May be assessable with a larger vessel		
Livery Boat				X
Oceanographic Research	X	X		
Personal Watercraft	X			
Racing Boat	X			
Refrigerator Ship and Ro/Ro			X	
Rowboat	X			
Runabout	X			
Sailboat	X	X	X	
Skiff	X	May be assessable with a larger vessel		
Sport Fishing	X	X	X	
Tankers			X	
Tender	X	May be assessable with a larger vessel		
Thrill Watercraft	X			
Tugboat			X	
Yacht	X		X	

* Exemption applies only if the vessel is over 50 net tons burden and primarily engaged in the transportation of freight or passengers.

** Any vessel with a value of \$400 or less is exempt from taxation by section 228.

AMPHIBIOUS CRAFT

1. Amphibious craft is a device that may be propelled, moved, or drawn both upon water and upon land.
2. This type of craft is subjected to ad valorem taxation unless it is licensed to operate on the public highway under the provisions of section 10751 and following of the Revenue and Taxation Code or unless it has been reported as an off-highway vehicle subject to identification under section 38010 of the Vehicle Code.

See also cabin cruiser and houseboat, if applicable.

BARGE (LIGHTER, SCOW)

1. A barge means any non-self-propelled vessel (California Administrative Code, Title 14, Division 4, section 6552). A work barge, often called a scow, is usually a large flat-bottomed vessel with broad, square ends. It may contain equipment on its decks. It may be used as a lighter to assist in unloading or loading vessels not lying at wharves, or in transporting freight about a harbor.
2. Barges may be documented for use in the coastwise trade if built in the United States, or if purchased from the Maritime Administration or War Shipping Administration by a citizen or under certain other conditions as listed in subpart 67.01-5 of Title 46 of the Code of Federal Regulations.
3. Barges may be exempt from documentation because of their use in certain internal or inland waters of the state. These barges may not carry passengers and may not engage in trade with a contiguous foreign territory. Barges of less than five (net) tons are not documented. All barges not otherwise exempt must be documented when engaged in trade between ports in the United States or when engaged in the fisheries.
4. A barge may qualify for assessment at 4 percent of full cash value under the provisions of section 227 (see Chapter 4 and Form BOE-576-E in Appendix A).
5. Work barges, regardless of tonnage, that are not used for carrying freight or passengers are taxable. Barges of 50 net tons (burden) and larger carrying freight or passengers for hire are exempt from property taxation under article XIII, section 3(I) of the California Constitution.

BULK CARRIERS⁷⁰

A bulk carrier is a ship with one or more large holds in which cargo in bulk is carried. Ordinarily, a "bulker" or "bulk carrier" will carry a certain type or types of cargo for most of its life. There are special designs for various cargoes.

Bulk cargo ships that are "geared" may have very specialized equipment with which to off-load their cargo. A ship designed to carry cement in bulk may have a very highly specialized bore type device that allows the cargo to be conveyed from the cargo hold to a shore side loading system, where cement trucks are loaded directly from the ship. Also, many ports maintain facilities that, by the use of conveyors and cranes, directly load scrap steel, wheat, grain, or any bulk commodity directly into the ship.

Most bulk carriers are over 50 (net) tons burden and carry freight, and are therefore exempt from property taxation under section 3(l), article XIII of the California Constitution.

CARGO SHIPS⁷¹

Cargo ships are generally one of the following types:

1. Bulk cargo such as coal, wheat, cement, grain, or any item moved in bulk quantities.
2. Break bulk cargo is cargo that may be affixed to a pallet. Palletized cargo is organized in such a way as to facilitate the loading into the ship by crane or derrick. The ship may carry some bulk cargo, some break bulk, and some containers. Smaller, inter-island ships generally carry a variety of cargo sizes, types, and containers.
3. Containerized cargo is cargo enclosed into a standardized shipping container.
4. Liquid cargo such as oil, molasses, and chemicals are carried in bulk in large tank ships.
5. Roll on / Roll Off specialized ships.

Cargo ships are described by the manner in which they manage their cargoes. Cargo ships originally had cranes or derricks built onto the ship to facilitate the on loading and off loading of cargo. Today many ships were re-built without any ability to load or unload cargo and depend upon the port facility at which they dock. Such a ship is referred to as a "gearless" ship, whereas a ship with the capacity to handle its own cargo is referred to as a "geared" ship.

CONTAINER SHIPS⁷²

The "containerized" cargo unit was introduced in the mid-1950s and revolutionized the cargo industry. An enterprising trucking company owner seized upon the idea of loading the entire truck trailer unit (minus the wheels) onto a ship to be off-loaded and placed back on the truck trailer at the port of destination. A vast portion of all cargo is transported in container

⁷⁰ www.shipinformationcenter.com.

⁷¹ *Ibid.*

⁷² *Ibid.*

ships. These are ships designed with special deck hardware and cranes to load containers directly into the holds of the ship and to stack them on deck. Massive container ship companies operate around the world -- Sea-Land, Ever Green, and NKY to name just a few.

Most ports around the world maintain container cranes at the dockside. The container ship berths are adjacent to the crane area, have specialized equipment, handle the containers, and load and unload the ship. Containers come in two basic sizes. A 20-foot container, referred to as a TEU (Twenty-foot Equivalent Unit), is the basic measurement of a container ship. However, basic containers also come in a 40-foot size, or FEU for Forty-foot Equivalent Unit.

When referring to the size of a container ship, it will be described as "geared" or "gearless" and the number of TEU's that it can carry. Consequently a "gearless, 500 TEU" containership tells you everything you need to know about the size of the ship. Some modern container ships will carry upwards of 4,000 TEU's. Usually a container port is equipped with several container cranes, each of which costs millions of dollars, and will simultaneously unload a large container ship.

CABIN CRUISER

1. A cabin cruiser is a powerboat equipped with a cabin, which usually contains plumbing and all arrangements for living aboard the vessel.
2. With few exceptions, a cabin cruiser must either display a "CF" number or be documented by the Coast Guard. The five-ton minimum limitation for documentation usually applies to a cabin cruiser that is in excess of 25 feet in length.
3. A cabin cruiser may be entitled to the 4 percent assessment under the provisions of section 227. A cabin cruiser of more than 50 tons burden is not exempt from taxation under article XIII, section 3(1) of the State Constitution unless it is engaged in the transportation of freight or passengers.

See "fishing vessels" and "tugboats" for vessels similar in type to cabin cruisers.

CANOE

1. A canoe is a form of small boat, long and narrow and sharp at both ends, usually propelled by paddle, with no rudder or sail.
2. A canoe is exempt from numbering (i.e., a "CF" number under the provisions of section 9873 of the Vehicle Code), unless it is of the type powered with a motor.

A canoe may be exempt from taxation pursuant to section 228, by having a value of \$400 or less.

CATAMARAN

A catamaran is a twin-hulled boat, with hulls side by side.

DREDGE

1. A dredge is a vessel with the capability of dredging; it may be self-propelled.
2. A dredge is not exempt from taxation under the provisions of article XIII, section 3(*l*) of the State Constitution when over 50 tons burden, as it does not carry passengers or freight.

See the comments under "barges" above.

FERRY

1. A ferry includes a vessel having provisions only for deck passengers and/or vehicles, operating on a short run on a frequent schedule between two points over the most direct water route, and offering a public service of a type normally attributed to a bridge or tunnel. A ferry does not include a vessel navigating the water of the ocean. (California Administrative Code, Title 14, Division 4, section 6552.)
2. A ferry not owned by a governmental agency is subject to taxation unless it is more than 50 tons burden and exempt under article XIII, section 3(*l*) of the State Constitution.

Under the provisions of section 1137, where a ferry connects points in more than one county, the ferryboat shall be assessed in equal proportion in the counties it connects.

FISHING VESSEL

1. Any type of vessel may be used for fishing, such as trawlers, fishing tugs, cabin cruisers, etc.
2. Fishing vessels may be eligible for the 4 percent assessment under the provisions of section 227. Refer to the qualifying criteria discussed in Chapter 4, *Documented Vessels*.

FLOATING DRY DOCK

Floating dry docks are used for the repair of below-the-waterline fittings and suffixes of ships. The dry docks are usually moored in dredged berths by anchors and vertical pilings. They are connected to electrical, water, and sewage disposal lines ashore. As such, they should be classified as improvements. There may be instances where floating dry docks are designed to operate and do operate as self-contained units independently of all utility and other lines ashore. In such instances the dry docks may qualify as personal property.

There will be an assessment of a possessory interest if a mooring area is publicly owned and if the floating dry dock is classified as an improvement. Some publicly owned floating dry docks are leased to private parties. A possessory interest assessment would then apply to the dry dock and the mooring area if both are publicly owned.

FLOATING HOME⁷³

A floating home is assessed in the same manner as real property. For property tax purposes, floating homes are not categorized as vessels. "Floating home" means a floating structure that is all of the following:

1. It is designed and built to be used, or is modified to be used, as a stationary waterborne residential dwelling.
2. It has no mode of power of its own.
3. It is dependent for utilities upon a continuous utility linkage to a source originating on shore.
4. It has a permanent continuous hookup to a shoreside sewage system.

HOUSEBOAT

1. A houseboat is a covered boat, sometimes used as a dwelling.
2. It is usually a large, flat-bottomed boat with a superstructure much like a house.
3. A houseboat is subject to taxation except when it is an amphibious type vessel licensed by the Department of Motor Vehicles as a motor vehicle.

See the comments for "amphibious craft" and "cabin cruiser," if applicable.

KAYAK

A kayak is a vessel similar to a canoe; it is completely decked, the covering being laced about the paddler. See the comments under "canoe."

LIFEBOAT

1. A lifeboat is a boat carried by a vessel for use in an emergency. A ship's lifeboat is a lifeboat used solely for lifesaving purposes and does not include dinghies, tenders, speedboats, or other types of craft carried aboard a vessel and used for other than lifesaving purposes. (California Administrative Code, Title 14, division 4, section 6552.)

⁷³ Section 229.

2. A ship's lifeboat may not be documented nor is it not required to be numbered (i.e., a "CF" number).
3. The value of the lifeboat should be included in the total value of the vessel. A lifeboat would be exempt from taxation if the vessel carrying it is exempt and it would be eligible for the 4 percent assessment if the vessel carrying it is so eligible.

LIFE RAFT

1. A life raft is a buoyant raft used in life saving. Rafts come in various sizes, such as 1-man, 2-man, 4-man, 6-man, and larger.
2. A life raft may not be documented. A life raft propelled by oars or paddles is not required to be numbered (i.e., a "CF" number) under section 9873, subdivision (e) of the Vehicle Code.
3. A life raft is subject to taxation if the larger vessel carrying the raft is and should be included in the value of the larger vessel. The exemption provided in section 228 (vessels with a value of \$400 or less) may apply to a life raft when used exclusively as recreational equipment, and not used as a "life raft" for a larger vessel.

LIVERY BOAT

A livery boat is any vessel that is held for renting, leasing, or chartering. A livery boat may qualify for the business inventory exemption.⁷⁴

OCEANOGRAPHIC RESEARCH VESSEL

An oceanographic research vessel is a vessel that the secretary of the department in which the United States Coast Guard is operating, or its successor, finds is an oceanographic research vessel under the laws of the United States.

1. Oceanography is defined as the study of the environment in the oceans and its phenomena. Any type of vessel could be used in this type of research; however, Title 46, section 3.05-3 of the Code of Federal Regulations provides that the term "oceanographic research vessel" is a vessel which the U.S. Coast Guard finds is employed exclusively in one or more of the following: (a) oceanographic instruction; (b) limnologic instruction; (c) oceanographic research; or, (d) limnologic research." Limnology is defined as the science that deals with the physical, chemical, and biological properties and features of fresh waters.
2. A vessel so used is subject to taxation, but it may qualify for the 4 percent assessment.

⁷⁴ Sections 129 and 219; Property Tax Rule 133 and Chapter 6 of this handbook section.

Form BOE-576-E must be completed and filed with the assessor by February 15 in order to qualify for the 4 percent assessment provision. Specific facts and documents must be presented to the assessor in support of the claim that the vessel is used exclusively for oceanographic research.⁷⁵

PERSONAL WATERCRAFT

1. A personal watercraft is a form of a small craft powered by an engine and jet-water pump. These vessels are usually between 7.5 and 13 feet in length and carry no more than two passengers. They are designed to be operated by a person sitting, standing, or kneeling on the vessel, rather than in the conventional manner of sitting or standing inside of a vessel. These vessels are frequently referred to as Jet-Skis.
2. These vessels must be numbered (i.e., a CF number).
3. These vessels are subject to taxation but may be exempt pursuant to section 228, by having a value of \$400 or less.

RACING BOAT

1. Any type of vessel may be used in racing; however, motorboats and sailboats are the usual types.
2. These vessels must be documented or numbered, (i.e., a "CF" number); see Chapter 4 of this handbook section.

REFRIGERATOR SHIP⁷⁶

A refrigerator ship is equipped with compressor and generators designed to keep cargo cold at a specific temperature for the time of the voyage. Many container ships will have what are called "reefer plugs" where refrigerated cargo inside of a refrigerated container may be plugged into a ship's generating system and kept in operation during the voyage. Refrigerator ships are routinely used in the transportation of perishable cargo such as fish, fruits, and vegetables. Refrigerator ships may be in bulk, break bulk, or containers.

Ro/Ro⁷⁷

A ro/ro is a ship with loading ramps so that the cargo may roll on and roll off. Typically, a car carrier, ferry, or any vessel so equipped may be referred to as a ro/ro.

⁷⁵ Rule 151.

⁷⁶ www.shipinformationcenter.com

⁷⁷ *Ibid.*

ROWBOAT

1. A rowboat is a boat (other than a lifeboat) designed to be rowed. See comments for "canoe."
2. A rowboat is usually numbered if it is to be used with a motor. It may, however not be numbered if it is exempt under section 9873, subdivision (e) of the Vehicle Code.
3. A rowboat is subject to taxation but may be exempt pursuant to section 228, by having a value of \$400 or less.

RUNABOUT

1. A runabout is a small, lightweight, freshwater pleasure motorboat intended for day use.
2. A runabout is subject to taxation but may be exempt pursuant to section 228, by having a value of \$400 or less.

SAILBOAT

1. A sailboat is a boat propelled primarily or exclusively by a sail or sails. Sailboats are often equipped with motors for emergency purposes and to assist with docking. Sailing-type vessels, depending on their size and rigging, are also referred to as a brig, hermaphrodite brig, ketch, lateen sail, lugsail, schooner, sharpie, sloop, catamaran, trimaran, or yawl.
2. A large sailboat with two or more masts where the foremast is shorter than the aft mainmast is called a schooner. A ketch and a yawl are small, two-masted sailing vessels.
3. This type of vessel may be documented by the Coast Guard if it is over five tons burden. If not documented by the Coast Guard, it must be numbered when it exceeds eight feet in length. An undocumented vessel eight feet or less in length, propelled solely by sail, is exempt from numbering under the provisions of section 9873, subdivision (e) of the Vehicle Code.
4. A sailboat may be subject to the 4 percent assessment under section 227.
5. A sailing vessel may be exempt from taxation under the provisions of article XIII, section 3(I), State Constitution, if it meets the qualifications (see Chapter 6). It may also be exempt from taxation pursuant to section 228.

SKIFF

1. A skiff is a small, simple, shallow-draft boat. Many times a skiff is referred to as a boat used solely for the purpose of aiding a larger vessel accomplish its designed purpose.
2. A skiff should be included in the value of the larger vessel carrying the skiff. A skiff is eligible for the 4 percent assessment if the vessel carrying the skiff is so eligible.

SPORT FISHING

See comments on "fishing vessel."

TANKERS⁷⁸

Tankers are exactly what the name implies. They are a series of tanks welded together to hold some liquid product. The most common is the oil tanker. Tankers will range in size from less than 100 feet to over 1,000 feet in length. These larger ships are generally referred to as "super-tankers" and displace over 400,000 tons.

Although oil tankers are most familiar, tankers also serve other purposes in transporting coconut oil, molasses, water, and other liquid products. The smaller tankers may work along coastal communities and supply gas, fuels, or drinking water for some islands. "Lighters" or harbor tankers may refuel ships or move smaller amount of products.

TENDER

1. A tender, also known as a dinghy, is a boat carried by a vessel for use to ferry passengers, crew, or supplies between the vessel and shore when the vessel is moored or anchored off shore.
2. A tender should be included in the value of the larger vessel carrying the tender.

THRILL WATERCRAFT

1. A thrill watercraft is a form of a small craft powered by one or two engines and jet-water pumps. These vessels are usually between 11 and 18 feet in length and carry no more than 5 passengers.
2. These vessels must be numbered (i.e., CF number).
3. These vessels may be exempt from taxation pursuant to section 228.

⁷⁸ www.shipinformationcenter.com.

TRIMARAN

A trimaran is a fast sailboat with three parallel hulls.

TUGBOAT

1. A tugboat is a strongly built steam or motor powered vessel used for towing.
2. A tugboat may be numbered by the DMV, but it is usually documented by the Coast Guard.
3. A tugboat is subject to taxation unless it is over 50 tons burden and meets the requirements of article XIII, section 3(*l*), of the State Constitution or qualifies for the preferential assessment under section 227.

YACHT

1. A yacht is any one of various types of vessels, characterized with sharp prow and graceful lines, and ordinarily used for pleasure or racing.
2. A yacht may have sails or it may be motor powered. A yacht is usually documented by the Coast Guard when it is used to race or cruise to foreign ports.
3. A yacht is subject to taxation unless it qualifies for exemption under article XIII, section 3(*l*) of the State Constitution.

See comments for either "cabin cruiser" or "sailboat," depending on the type of yacht.

APPENDIX A: STANDARD VESSEL FORMS

FORM	DESCRIPTION	CALENDER / TIME LINE
BOE-576-A REV. 1 (8-98)	This postcard form is an advance notice of proposed assessment to be sent to each vessel owner of record. It should be kept in numerical order up to the date of mailing to provide for late changes. The form is also used for aircraft.	Usually mailed in January.
BOE-576-BAH REV. 1 (8-98)	This double postcard size form is folded and mailed to known or probable vessel owners. The vessel owner should then detach the half with his name and address and return the pre-addressed remaining half of the form after completing the information requested. The form requests ownership, situs, and other data.	Anytime when assessors are made aware of a new owner or tax situs.
BOE-576-B1 REV. 1 (6-98)	This "Vessel Owner's Report" form may be used as an alternate to BOE-576-BAH by those counties preferring the "letter size" form to the postcard size one.	Anytime when assessors are made aware of a new owner or tax situs.
BOE-576-C REV. 1 (6-98)	This "List of Vessels" form requests vessels kept at any boating facility in the county, whether in the water or in dry storage. Forms should be supplied to each harbor master, owner, operator, or lessee of private and public boating facilities prior to the lien date, completed as of the lien date and returned to the assessor. The form is then checked against records and other data to complete the assessments.	Supply forms prior to lien date; form should be completed as of lien date and request that it is returned as soon as possible, perhaps early March.
BOE-576-D REV. 5 (8-01)	The "Vessel Property Statement," in conformance with section 441, is mailed to owners of vessels with aggregate costs over \$100,000. It is used to establish or update the assessor's records of a specific vessel. The use of this BOE form is recommended, rather than a county's own property statement form, due to the fact that a 10% late filing fee may not legally be assessed if a form other than the board-prescribed BOE-576-D is used.	Owner to file between January 1 and 5 p.m. on April 1. To avoid a 10% penalty assessment, the owner must file before May 7.
BOE-576-E REV. 2 (6-99)	"Affidavit for 4 Percent Assessment of Certain Vessels." This form is completed by the assessee to support his request for the preferential assessment.	Must be filed by February 15 to receive full benefit of the reduced assessment.

The revision dates of the forms are current as of the publication date of this handbook section; however, there may be subsequent revisions to these forms. Sample vessel forms are included for reference on the following pages.

VESSEL OR AIRCRAFT FORM BOE-576-A

Front

<p>JOHN R. DOE, COUNTY ASSESSOR Bayfair County 2212 Fourth St. Bayfair, CA 90016 Phone 445-2314 Ext. 349</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr><td style="text-align: center;">IDENTIFICATION NO.</td></tr> <tr><td style="height: 15px;"> </td></tr> <tr><td style="text-align: center;">TAXABLE VALUE</td></tr> <tr><td style="height: 15px;"> </td></tr> </table> <p style="text-align: center; margin-top: 10px;">IMPORTANT ASSESSMENT NOTICE</p> <p>All property is assessed at 100 percent of full cash value, except for certain vessels (see below).</p> <p><i>Please read reverse side of this notice. Complete appropriate section and return this card in 10 days.</i></p> <p style="text-align: center; margin-top: 10px;">OVER</p>	IDENTIFICATION NO.		TAXABLE VALUE		<div style="border: 1px solid black; width: 80px; height: 60px; margin: 20px auto; text-align: center; line-height: 60px;">STAMP</div> <p style="text-align: center; margin-top: 40px;">MR. RICHARD TAXPAYER 6130 TENTH STREET BAYFAIR, CA 90016</p>
IDENTIFICATION NO.					
TAXABLE VALUE					

Back

IMPORTANT – PLEASE READ	
<p>The purpose of this notice is to inform you of the assessor’s estimate of the value of a vessel or aircraft which our records indicate is owned by you.</p> <p>WHAT TO DO WITH THIS NOTICE</p> <ol style="list-style-type: none"> 1. If still owned – Sign and return this card, giving location of vessel or aircraft, and explain any modification of motor, hull, or frame. 2. If sold – Complete appropriate section; sign and return this card. 3. If removed from this county – Complete appropriate section; sign and return this card. <p style="text-align: center;">THIS CARD MUST BE RETURNED WITHIN 10 DAYS</p> <p>Veterans claiming exemption must file a “Claim for Veteran’s Exemption” by February 15. Vessels that are engaged or employed exclusively for taking and possession of fish or other living resources of the sea for commercial purposes, instruction or research studies as an oceanographic research vessel, or carrying or transporting seven or more people for hire for commercial passenger fishing purposes may be eligible for 4 percent vessel assessment. Please contact your assessor for additional information.</p>	
SOLD	PERMANENTLY REMOVED FROM THIS COUNTY
Bill of Sale Date	Date of Removal
Name of New Owner	Present Address
Address	City
City	State
Exact Location of Vessel or Aircraft	
Explanation or Remarks	

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, is true, correct and complete to the best of my knowledge and belief.

SIGNATURE _____ DATE _____

VESSEL FORM BOE-576-BAH

Front

Vessel No. _____ Vessel Name _____ Name of Owner _____ Date Purchased _____ Address _____ Purchase Price (Excluding Trailer) \$ _____ City _____ ZIP _____ Phone _____ Hull No. _____ Class No. _____ Type _____ Model _____ Extreme Length _____ Ft. _____ In. Breadth _____ Ft. _____ In. Hull Material _____ Built By _____ Year Built _____ Make of Engine _____ No. of Cyls. _____ Horsepower _____ Year _____ Model _____ Location where vessel is principally kept _____ <hr/> Intended use of boat: Pleasure <input type="checkbox"/> Commercial Fishing <input type="checkbox"/> Other <input type="checkbox"/> (describe in remarks) Oceanographic Research <input type="checkbox"/> Passenger Sport Fishing <input type="checkbox"/> If Sport Fishing show maximum number of passengers allowed _____ Remarks _____ <hr/> If vessel has been sold, give date of bill of sale and new owner's name and address below Name _____ Bill of Sale Date _____ Address _____ Sale Price _____ <i>I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, is true, correct and complete to the best of my knowledge and belief.</i> Signature _____ Date _____ Address _____ BOE-576-BAH (FRONT) REV. 1 (8-98)	
JOHN R. DOE COUNTY ASSESSOR Bayfair County 2212 Fourth St. Bayfair, CA 90016 IMPORTANT TAX NOTICE FROM THE ASSESSOR PLEASE READ VESSEL	<div style="border: 1px solid black; width: 80px; height: 60px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> STAMP </div> <div style="text-align: center;"> MR. RICHARD TAXPAYER 6130 TENTH STREET BAYFAIR, CA 90016 </div>

VESSEL FORM BOE-576-BAH

Back

<p data-bbox="316 982 402 1010">VESSEL</p> <div data-bbox="1096 537 1242 682" style="border: 1px solid black; width: 80px; height: 60px; margin-left: auto; margin-right: auto; text-align: center; padding: 5px;">STAMP</div> <p data-bbox="808 850 1068 1014" style="text-align: center;">JOHN R. DOE COUNTY ASSESSOR Bayfair County 2212 Fourth St. Bayfair, CA 90016</p>
<p data-bbox="443 1192 545 1220">Dear Sir:</p> <p data-bbox="443 1257 1140 1318">Kindly fill in all spaces concerning the vessel indicated on the attached card and return to this office within 10 days.</p> <p data-bbox="443 1344 1179 1404">Your immediate attention to this matter will facilitate our efforts to identify your vessel and to arrive at a fair and equitable value.</p> <p data-bbox="443 1430 1166 1524">In the event you prefer to call at this office personally, please be prepared to furnish the information requested on the attached card.</p> <p data-bbox="824 1543 950 1570" style="text-align: center;">Thank you,</p> <p data-bbox="824 1654 1003 1738" style="text-align: center;">John R. Doe Assessor Marine Division</p> <p data-bbox="316 1745 625 1766">BOE-576-BAH (BACK) REV. 1 (8-98)</p>

BOE-576-B1 REV. 1 (6-98)

VESSEL OWNER'S REPORT

INFORMATION CONTAINED HEREIN SHALL BE HELD SECRET BY THE ASSESSOR (SECTION 451 REVENUE AND TAXATION CODE).

Records in the Assessor's Office indicate that you are the current registered owner of the boat identified below. These records are compiled from information received from the State of California, Department of Motor Vehicles (Vessel Registration Section), Department of Navigation and Ocean Development; U.S. Coast Guard, Department of Transportation; Marina Operators and other sources.

FILE _____

DATE _____

FILL IN COMPLETELY AND RETURN WITHIN 15 DAYS FROM THE ABOVE DATE.
Failure to comply will result in assessment by estimate (section 501, Revenue & Taxation Code).

<p>OWNER'S NAME AND ADDRESS (PLEASE MAKE CORRECTIONS)</p> <p>STATE REGISTRATION NUMBER _____ OR DOCUMENTATION NUMBER _____</p> <p>CF _____ NAME OF VESSEL _____</p> <p>YEAR _____ LENGTH _____ WIDTH _____ BUILDER _____</p>	<p style="text-align: center;">SUBJECT TO PHYSICAL INSPECTION</p> <hr/> <p>PRINCIPAL LOCATION OF VESSEL</p> <p><input type="checkbox"/> Owner's Residence <input type="checkbox"/> Other (Detail Below)</p> <hr/> <p>ADDRESS OR MARINA NAME _____ CITY _____</p> <hr/> <p style="text-align: center;">DATE ENTERED THIS COUNTY</p> <p>MONTH: _____ DAY: _____ YEAR: _____</p> <hr/> <p>MODEL _____</p>
--	---

<p>BOAT TYPE <input type="checkbox"/> Cruiser <input type="checkbox"/> Runabout <input type="checkbox"/> Ski Boat <input type="checkbox"/> Sailboat <input type="checkbox"/> Houseboat <input type="checkbox"/> Other _____</p> <p><input type="checkbox"/> Flying Bridge <input type="checkbox"/> Hard Top <input type="checkbox"/> Soft Top <input type="checkbox"/> Custom <input type="checkbox"/> Hydro <input type="checkbox"/> Keel <input type="checkbox"/> Centerboard</p> <p>HULL MATERIAL <input type="checkbox"/> Fiberglass <input type="checkbox"/> Aluminum <input type="checkbox"/> Steel <input type="checkbox"/> Wood <input type="checkbox"/> Other _____</p>	<p>HULL TYPE <input type="checkbox"/> V-Hull <input type="checkbox"/> Tri-Hull <input type="checkbox"/> SK (Ski-Hull)</p> <p><input type="checkbox"/> Semi-V <input type="checkbox"/> Round <input type="checkbox"/> Other _____</p>
<p>POWER:</p> <p><input type="checkbox"/> Prop <input type="checkbox"/> Sail <input type="checkbox"/> Inboard <input type="checkbox"/> Outboard <input type="checkbox"/> Jet <input type="checkbox"/> Other</p> <p><input type="checkbox"/> Inboard/Outboard <input type="checkbox"/> Aux.</p>	<p>ENGINE DATA: PURCHASE PRICE \$ _____</p> <p><input type="checkbox"/> Single <input type="checkbox"/> Gas <input type="checkbox"/> HP _____ <input type="checkbox"/> Year _____ <input type="checkbox"/> Make _____</p> <p><input type="checkbox"/> Twin <input type="checkbox"/> Diesel <input type="checkbox"/> HP _____ <input type="checkbox"/> Year _____ <input type="checkbox"/> Model _____</p>

DATE OF PURCHASE _____

Purchase Price \$ _____
(Including trade-in, sales tax, etc.)

New With Motor With Trailer

Used Without Motor Without Trailer

NOTE: Only Boat and Motor are subject to Personal Property Tax

CONDITION OF VESSEL:

Excellent Good Fair* Poor*

*Detailed in Remarks on Reverse Side.

INTENDED USE:

Pleasure

Comm. Fishing

Oceanographic Research

Passenger Sport Fishing

Show maximum number of passengers allowed _____

ADDITIONAL EQUIPMENT SINCE PURCHASE. LIST ITEM, PRICE AND PURCHASE DATE IN REMARKS ON REVERSE SIDE

IF VESSEL HAS BEEN SOLD:

Bill of sale date _____

New owner's name _____

Address _____

City _____ Sale Price \$ _____

The Registered Owner on Lien Date, 12:01 a.m. January 1, is liable for the Personal Property Tax (sections 405 and 2192, Revenue and Taxation Code). Please report any change in ownership or location to avoid assessment to incorrect owner and assure proper allocation of taxes.

IMPORTANT: SEE REVERSE SIDE FOR CALIFORNIA VEHICLE CODE

This information requested in accordance with section 441 Revenue and Taxation Code of the State of California which vests in the Assessor the authority to obtain information required for assessment purposes.

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct and complete to the best of my knowledge and belief.

Signed _____

Date _____ Home Telephone () _____

ASSESSOR'S USE ONLY

PLEASE READ THE FOLLOWING SECTIONS FROM THE CALIFORNIA VEHICLE CODE

- 9901. Application by Transferee for Certificates of Ownership and Numbering Fee.** Whenever any person has received as transferee a properly endorsed certificate of ownership and the certificate of number of the vessel described in the certificates, he shall within 10 days thereafter file the certificates accompanied by a fee of five dollars (\$5) with the department, (DMV), and thereby make application for a certificate of ownership and certificate of number.
- 9864. Wrecked, Junked, Destroyed, or Abandoned Undocumented Vessels.** The owner shall furnish the department notice of the wrecking and junking, or the destruction or abandonment of such undocumented vessel within 15 days thereof. Such wrecking, junking, destruction, or abandonment shall terminate the certificate of ownership and certificate of number of such undocumented vessel which if in existence shall be surrendered to the department.
- 9865. Change of Address.** Any holder of a certificate shall notify the department within **15 days**, if his address no longer conforms to the address appearing on the certificate and shall, . . . furnish the department with his new address. . .

REMARKS:

BOE-576-D (FRONT) REV. 5 (8-01)

**VESSEL PROPERTY
STATEMENT FOR 2002**

*(Declaration of costs and other related
property information as of 12:01 A.M., January 1, 2002)*

Assessor's Office records show that you currently own, claim, possess or control the boat identified below.

NAME AND MAILING ADDRESS *(Make necessary corrections to the printed name and mailing address.)*

OWNER
NAME
DBA
STREET
CITY

FILE RETURN BY APRIL 1, 2002

No change from previous year; *items **must** be completed annually. *(See reverse side for instructions and exemption information.)*

<p>*1. DAYTIME PHONE NUMBER: () E-MAIL ADDRESS <i>(optional)</i> _____</p> <p>2. VESSEL REGISTRATION NUMBER: _____</p> <p>*3. VESSEL NAME: _____</p> <p>*4. NORMAL LOCATION OF BOAT: _____ *Slip number _____</p> <p>5. BUILDER: _____ Year built: _____ MODEL/CLASS-NAME & / HIN: _____ LENGTH: _____ BEAM: _____ DRAFT: _____ WEIGHT/Displacement: _____ GROSS TONS: _____ NET TONS: _____ <i>(Coast Guard Documented)</i></p> <p>6. POWER BOAT TYPE: <input type="checkbox"/> Sedan Cruiser <input type="checkbox"/> F/B Convertible <input type="checkbox"/> F/B Sportfisher <input type="checkbox"/> Houseboat <input type="checkbox"/> Motor Yacht <input type="checkbox"/> Trawler <input type="checkbox"/> Runabout <input type="checkbox"/> Bow Rider <input type="checkbox"/> Cuddy <input type="checkbox"/> Ski Boat <input type="checkbox"/> Jet Ski <input type="checkbox"/> Bass Boat <input type="checkbox"/> Center Console <input type="checkbox"/> Inflatable or Hard Bottom <input type="checkbox"/> Other: _____</p> <p>7. HULL TYPE: <input type="checkbox"/> Cathedral <input type="checkbox"/> Deep Vee <input type="checkbox"/> Displacement <input type="checkbox"/> Flat Bottom <input type="checkbox"/> Round Bottom <input type="checkbox"/> Semi Vee <input type="checkbox"/> Tunnel Hull <input type="checkbox"/> Other: _____</p> <p>8. SAILBOAT TYPE/RIG: <input type="checkbox"/> Catamaran <input type="checkbox"/> Catboat <input type="checkbox"/> Cutter <input type="checkbox"/> Ketch <input type="checkbox"/> Schooner <input type="checkbox"/> Sloop <input type="checkbox"/> Trimaran <input type="checkbox"/> Yawl</p> <p>9. HULL MATERIAL: <input type="checkbox"/> Aluminum <input type="checkbox"/> Cement <input type="checkbox"/> Fiberglass <input type="checkbox"/> Fiberglass Composite <input type="checkbox"/> Fiberglass/Wood <input type="checkbox"/> Plywood <input type="checkbox"/> Planked Wood <input type="checkbox"/> Steel <input type="checkbox"/> Other: _____</p> <p>10. ENGINE TYPE and DRIVE: _____ Number _____ HP each _____ MANUFACTURER: _____ Year _____ <input type="checkbox"/> Diesel <input type="checkbox"/> Gas <input type="checkbox"/> Inboard <input type="checkbox"/> Inboard/Outdrive <input type="checkbox"/> Outboard <input type="checkbox"/> Vee drive <input type="checkbox"/> Jet <input type="checkbox"/> Other: Auxiliary Generator: <input type="checkbox"/> Yes <input type="checkbox"/> No Manufacturer _____ KW _____</p> <p>11. PURCHASE INFORMATION <i>(see instructions on back - also, please complete information requested on lines 18 & 19):</i> Purchase price: _____ Purchase date: _____ <input type="checkbox"/> With motor <input type="checkbox"/> Without motor Motor cost: _____ <input type="checkbox"/> With trailer <input type="checkbox"/> Without trailer Trailer cost: _____</p>	<p>12. CONDITION WHEN PURCHASED: <input type="checkbox"/> New/Bristol <input type="checkbox"/> Above average <input type="checkbox"/> Average <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor <i>(explain, see instructions on back)</i></p> <p>*13. CURRENT CONDITION: <input type="checkbox"/> New/Bristol <input type="checkbox"/> Above average <input type="checkbox"/> Average <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor <i>(explain, see instructions on back)</i></p> <p>14. DATE BOAT FIRST MOVED TO COUNTY: _____</p> <p>15. LAST COUNTY ASSESSED AND TAXES PAID: _____</p> <p>16. INTENDED USE: <input type="checkbox"/> Pleasure <input type="checkbox"/> Commercial fishing <input type="checkbox"/> Research <input type="checkbox"/> Commercial passenger fishing <i>(see back)</i> <input type="checkbox"/> Principal place of residence <i>(see instructions on back - Exemptions)</i></p> <p>17. OTHER USAGE: <i>(see instructions on back)</i></p> <p>18. SALE, PURCHASE, LOSS or REMOVAL <i>(see instructions on back):</i> Sold to: _____ Purchased from: _____ Address: _____ City: _____ State: _____ County: _____ Total selling price: _____ Sale date: _____ Nature of loss: _____ Date of loss: _____ If boat permanently removed from the county: Removal date: _____ Address moved to: _____ City: _____ State: _____ County: _____</p> <p>19. VESSEL EQUIPMENT, LEASED, ADDITIONS OR RETIREMENTS <i>(see instructions on back)</i></p>
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DECLARATION BY ASSESSEE

<p>OWNERSHIP TYPE (✓)</p> <p>Proprietorship <input type="checkbox"/></p> <p>Partnership <input type="checkbox"/></p> <p>Corporation <input type="checkbox"/></p> <p>Other _____ <input type="checkbox"/></p>	<p>Note: The following declaration must be completed and signed. If you do not do so, it may result in penalties.</p> <p><i>I declare under penalty of perjury under the laws of the State of California that I have examined this property statement, including accompanying schedules, statements or other attachments, and to the best of my knowledge and belief it is true, correct, and complete and includes all property required to be reported which is owned, claimed, possessed, controlled, or managed by the person named as the assessee in this statement at 12:01 a.m. on January 1, 2002; and, I further declare that I am authorized to sign this statement as the assessee or on behalf of the assessee and all co-owners and or partners.</i></p>		
	SIGNATURE OF ASSESSEE OR AUTHORIZED AGENT*	DATE	
	NAME OF ASSESSEE OR AUTHORIZED AGENT* <i>(typed or printed)</i>	TITLE	
<p>ATTACHMENTS (✓)</p> <p>Supplemental Schedules. <input type="checkbox"/></p> <p>Computer Printouts <input type="checkbox"/></p> <p>Other _____ <input type="checkbox"/></p>	NAME OF LEGAL ENTITY (other than DBA) <i>(typed or printed)</i>	FEDERAL EMPLOYER ID NUMBER	
	PREPARER'S NAME AND ADDRESS <i>(typed or printed)</i>	TITLE	
	SIGNATURE OF PREPARER	TELEPHONE NUMBER	DATE
		()	

*Agent: See back for Declaration by Assessee instructions.

OFFICIAL REQUEST

A report on Form BOE-576-D is required of you by section 441(d) of the Revenue and Taxation Code (Code). The statement must be completed according to the instructions and filed with the Assessor on or before April 1. Failure to file it on time will compel the Assessor to estimate the value of your property from other information in his or her possession and add a penalty of 10 percent as required by Code section 463.

This statement is not a public document. The information contained herein will be held secret by the Assessor (Code section 451); it can be disclosed only to the district attorney, grand jury, and other agencies specified in Code section 408. Attached schedules are considered to be part of the statement.

NOTE: This statement is subject to audit.

GENERAL INSTRUCTIONS

ADDRESS BLOCK THROUGH LINE 10. Make necessary changes to assessee, mailing address and enter all information that is applicable to your particular boat. Check "No change" box **only** if you have previously filed this form in its entirety. However, you must complete all items indicated by an asterisk (*).

11. PURCHASE INFORMATION: Enter the total original cost of the vessel as purchased. Include sales tax and all other relevant costs. If the boat exceeds 27 feet in length a copy of your purchase agreement or invoice is required to be submitted with this statement.

12-13. STATEMENT OF CONDITION: Using the information below, check the line that truly reflects the condition of your boat:

(A) NEW/BRISTOL: is a vessel that is new or is maintained in mint or a fashion usually better than factory new - loaded with extras. Turn key no commissioning necessary.

(B) ABOVE AVERAGE CONDITION: Has had above average care and is equipped with extra electrical and electronic gear. A well-found boat ready to go.

(C) AVERAGE CONDITION: Clean, ready for sale. Attractive inside and out, normally equipped. Mechanically sound, mid-time on mechanicals and little or no additional work.

(D) GOOD CONDITION: Mechanically sound, requiring some interior and exterior cosmetic work. Some mechanicals on the down side of life expectancy.

(E) FAIR CONDITION: Cosmetics still show noticeable areas of wear and fading after cleanup. Mechanically sound but definitely on the down side of life. May require substantial yard work.

(F) POOR CONDITION: Boat needs significant amount of structural yard repair. Most mechanicals, electronics, need overhaul or replacement. Cosmetics almost not restorable. Cost of repairs and restoration may exceed market value of the vessel.

16. INTENDED USE (other than "pleasure"):

COMMERCIAL FISHING, OCEANOGRAPHIC RESEARCH OR COMMERCIAL PASSENGER FISHING: A boat may be eligible for a special 4 percent assessment under the provisions of section 227 of the Revenue and Taxation Code if the boat is engaged exclusively:

(A) In the taking and possession of fish or other living resource of the sea for commercial purposes.

(B) In instruction or research studies as an oceanographic research vessel.

(C) In carrying or transporting seven (7) or more people for commercial passenger fishing purposes and holds a current certificate of inspection issued by the United States Coast Guard.

If, in your opinion, the vessel meets the above criteria, obtain an Affidavit for 4 percent Assessment of Certain Vessels (Form BOE-576-E) from the Assessor. Complete the Vessel Property Statement and Affidavit. File both forms with the Assessor on or before February 15.

17. OTHER USAGE: If you file a Business Property Statement, or if this vessel is used in connection with any business, trade or profession located within this County, enter the name and address of the business.

18. SALE, PURCHASE, LOSS or REMOVAL:

SOLD: Enter on the lines provided the name and address of the purchaser, the total selling price, and the date sold.

LOSS: Explain exact nature of loss and include all supporting documentation, i.e., Accident report, Police report, Coast Guard report and insurance reports. NOTE: If repossessed, include a copy of the original repossession notification from the lending institution.

PERMANENT REMOVAL: Enter in the space provided the exact date the boat was permanently removed from the county and its current location; city, state and county.

19. EQUIPMENT LEASED, ADDITIONS or RETIREMENTS: If you lease equipment in connection with this vessel's operation, attach a schedule listing the name and address of the owner and description of the leased property cost if purchased, and annual rent. If you have added or retired equipment from date of acquisition of vessel to last day in December, last year, attach a schedule listing the description of equipment, the date added or retired, and the added or retired equipment's cost. Explain any major overhaul of the vessel, its engine, or other equipment.

DECLARATION BY ASSESSEE

The law requires that this property statement, regardless of where it is executed, shall be declared to be true under penalty of perjury under the laws of the State of California. The declaration must be signed by the assessee, a duly appointed fiduciary, or a person authorized to sign on behalf of the assessee. In the case of a **corporation**, the declaration must be signed by an officer or by an employee or agent who has been designated in writing by the board of directors, by name or by title, to sign the declaration on behalf of the corporation. In the case of a **partnership**, the declaration must be signed by a partner or an authorized employee or agent. In the case of a **Limited Liability Company (LLC)**, the declaration must be signed by an LLC manager, or by a member where there is no manager, or by an employee or agent designated by the LLC manager or by the members to sign on behalf of the LLC.

When signed by an employee or agent, other than a member of the bar, a certified public accountant, a public accountant, an enrolled agent or a duly appointed fiduciary, the assessee's written authorization of the employee or agent to sign the declaration on behalf of the assessee must be filed with the Assessor. The Assessor may at any time require a person who signs a property statement and who is required to have written authorization to provide proof of authorization.

A property statement that is not signed and executed in accordance with the foregoing instructions is not validly filed. The penalty imposed by section 463 of the Revenue and Taxation Code for failure to file is applicable to unsigned property statements.

EXEMPTIONS

VETERANS': To file a Claim for Veterans' Exemption on the declared vessel, obtain Form BOE-261 from the Assessor. The exemption claim must be filed on or before February 15.

HOMEOWNERS': If the declared vessel is your principal place of residence, and you have not previously filed a Claim for Homeowners' Property Tax Exemption stating this fact, obtain Form BOE-266 from the Assessor. The exemption claim must be filed on or before February 15.

ARMED FORCES MEMBERS: If you are not a resident of the State of California, but are in this state solely by the reason of compliance with military orders, you may declare tax situs elsewhere by filing Form BOE-261-D, Soldier's and Sailor's Civil Relief Act Declaration. Obtain the declaration form from the Assessor or from your unit Legal Officer.

OVER 50 NET TONS: If your vessel is over 50 net tons burden, certified and engaged in the transportation of freight or passengers, complete the form and send with a copy of the vessel document and the U.S. Coast Guard or SOLAS certificate.

20 _____

AFFIDAVIT FOR 4 PERCENT ASSESSMENT OF CERTAIN VESSELS

AFFIDAVIT FOR 4 PERCENT ASSESSMENT OF DOCUMENTED VESSELS AND CERTAIN VESSELS REGISTERED WITH THE DEPARTMENT OF MOTOR VEHICLES UNDER SECTION 2 OF ARTICLE XIII OF THE CONSTITUTION OF THE STATE OF CALIFORNIA AND SECTIONS 227 AND 254 OF THE REVENUE AND TAXATION CODE

(See also sections 130, 255, 260, and 275.5 of the Revenue and Taxation Code.)

To receive the full benefit of the reduced assessment, file this affidavit with the Assessor by February 15. 80 percent of the reduced assessment is available if this affidavit is filed between February 16–August 1.



STATE OF CALIFORNIA, COUNTY OF _____

_____ states:
(name of affiant)

1. That as _____
(title)

2. of the _____,
(corporation, partnership, or DBA)

3. the address of which is _____;
(give complete address including zip code)


4. that I/the organization is the owner of a vessel that is either documented by the Bureau of Customs and named _____ or is registered by the California Department of Motor Vehicles, whose document number or CF number is _____ and, if applicable, whose port of documentation is _____.

5. That the vessel is engaged or employed **exclusively** in one or more of the following activities:
- a. Taking and possession of fish or other living resource of the sea for commercial purposes
 - b. Instruction or research studies as an oceanographic research vessel (attach evidence of official classification by United States Department of Transportation, or Coast Guard). *(Attach contract, statement, or agreement from recognized college, university, governmental agency, private foundation, or organization outlining nature of research and time duration.)*
 - c. Carrying or transporting seven or more people for hire for commercial passenger fishing purposes and holds a current certificate of inspection issued by the United States Coast Guard *(attach copy)*. A vessel shall not be deemed to be engaged or employed in activities other than the carrying or transporting of seven or more persons for hire for commercial passenger fishing purposes by reason of that vessel being used occasionally for dive, tour, or whale-watching purposes. For purposes of this subdivision, *occasionally* means 15 percent or less of the total operating time logged for the immediately preceding assessment year.

If (a) or (c) above is checked, provide the Fish and Game Boat Number _____.

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct and complete to the best of my knowledge and belief.

SIGNATURE OF PERSON MAKING CLAIM 	DATE
---	------

Whom should we contact during normal business hours for additional information?

NAME _____

ADDRESS <i>(street, city, state, zip code)</i>	DAYTIME PHONE NUMBER
--	----------------------

THIS DOCUMENT IS A PUBLIC RECORD AND IS SUBJECT TO PUBLIC INSPECTION.

GENERAL INFORMATION

Revenue and Taxation Code, section 227 states in part: "A documented vessel, as defined in section 130, shall be assessed at 4 percent of its full cash value only if the vessel is engaged or employed exclusively: (a) in the taking and possession of fish or other living resource of the sea for commercial purposes; (b) in instruction or research studies as an oceanographic research vessel; or (c) in carrying or transporting seven or more people for hire for commercial passenger fishing purposes. A vessel shall not be deemed to be engaged or employed in activities other than the carrying or transporting of seven or more persons for hire for commercial passenger fishing purposes by reason of that vessel being used occasionally for dive, tour, or whale-watching purposes. For purposes of this subdivision, "occasionally" means 15 percent or less of the total operating time logged for the immediately preceding assessment year."

Section 255, Revenue and Taxation Code, provides this affidavit must be filed with the Assessor by February 15 each year to receive the full benefit of the reduced assessment. Section 275.5, Revenue and Taxation Code, provides that if the affidavit is filed between February 16–August 1, the assessment shall be reduced in a sum equal to 80 percent of the reduction that would have been allowed had the affidavit been filed by February 15.

APPENDIX B: STATUTORY PROVISIONS⁷⁹

There are relatively few property tax laws within the Revenue and Taxation Code specifically related to vessels; therefore, for convenience, the statutes are restated on the following pages. Guidance and interpretation of these laws are provided in the text of this handbook section.

CALIFORNIA CONSTITUTIONAL PROVISIONS

ARTICLE XIII, SECTION 3(L). EXEMPT PROPERTY.

The following are exempt from property taxation: Vessels of more than 50 tons burden in this State and engaged in the transportation of freight or passengers.

ARTICLE XIII, SECTION 14. PROPERTY TO BE ASSESSED WHERE SITUATED.

All property taxed by local government shall be assessed in the county, city, and district in which it is situated.

REVENUE AND TAXATION CODE

SECTION 130. "DOCUMENTED VESSEL."

- (a) "Vessel" includes every description of watercraft used or capable of being used as a means of transportation on water, but does not include aircraft.
- (b) "Documented vessel" means any vessel which is required to have and does have a valid marine document issued by the Bureau of Customs of the United States or any federal agency successor thereto, except documented yachts of the United States, or is registered with, or licensed by, the Department of Motor Vehicles. "Documented vessel" does not include any vessel exempt from taxation under subdivision (l) of Section 3 of Article XIII of the Constitution of the State of California.
- (c) "Vessel of the United States" means a documented vessel, that is, a vessel registered, enrolled and licensed, or licensed under the laws of the United States, except documented yachts of the United States.
- (d) "Port of documentation" means the home port of a vessel as shown in the marine document in force and issued to the owner of such vessel by the Bureau of Customs of the United States or any federal agency successor thereto.
- (e) "Marine document" includes registry, enrollment and license, and license.

⁷⁹ This appendix contains the statutes directly relevant to taxation of vessels as of the date of publication of this handbook section. It is not possible to reissue or correct the handbook every time a statutory provision changes, so the reader is cautioned to review current statutes.

- (f) "In this state" means within the exterior limits of the State of California, and includes all territory within these limits owned by, or ceded to, the United States of America.
- (g) "Natural resources" consist of both the living resources of the sea and the mineral and other nonliving resources of the seabed and subsoil together with living organisms belonging to sedentary species, which are organisms which, at the harvestable stage, either are immobile on or under the seabed or are unable to move except in constant physical contact with the seabed or the subsoil.
- (h) "Oceanographic research vessel" means a vessel which the secretary of the department in which the United States Coast Guard is operating, or his successor, finds is an oceanographic research vessel under the laws of the United States.

SECTION 209. VESSELS.

The exemption of certain vessels from taxation except for state purposes is as specified in subdivision (*l*) of Section 3 of Article XIII of the Constitution.

SECTION 209.5. VESSELS UNDER CONSTRUCTION.

All right, title or interest in or to any vessel of more than 50 tons burden or 100 tons displacement, and the materials and parts held by the builder of the vessel at the site of construction for the specific purpose of incorporation therein, shall be exempt from taxation except for state purposes, while the vessel is under construction within this state.

SECTION 227. DOCUMENTED VESSEL.

A documented vessel, as defined in Section 130, shall be assessed at 4 percent of its full cash value only if the vessel is engaged or employed exclusively in any of the following:

- (a) In the taking and possession of fish or other living resource of the sea for commercial purposes.
- (b) In instruction or research studies as an oceanographic vessel.
- (c) In carrying or transporting seven or more people for hire for commercial passenger fishing purposes and holds a current certificate of inspection issued by the United States Coast Guard. A vessel shall not be deemed to be engaged or employed in activities other than the carrying or transporting of seven or more persons for hire for commercial passenger fishing purposes by reason of that vessel being used occasionally for dive, tour, or whale watching purposes. For purposes of this subdivision, "occasionally" means 15 percent or less of the total operating time logged for the immediately preceding assessment year.

SECTION 228. VESSELS WITH MARKET VALUE OF \$400 OR LESS.

- (a) A vessel with a market value of four hundred dollars (\$400) or less shall be free from taxation. This section shall only apply to vessels used or held for noncommercial purposes and shall not apply to lifeboats or other vessels used in conjunction with operations of

vessels with a market value of more than four hundred dollars (\$400). This section shall not apply to more than one vessel owned, claimed, possessed, or controlled by an assessee on the lien date.

- (b) For purposes of this section, "vessel" includes every description of watercraft used or capable of being used as a means of transportation on water, except vessels described in paragraphs (1) and (2) of subdivision (c) of Section 651 of the Harbors and Navigation Code.
- (c) For purposes of this section, "vessel" includes all equipment, including mode of power, and furnishings that are normally required aboard the vessel during the accomplishment of the functions for which the vessel is being utilized.

SECTION 230. HISTORIC WOODEN VESSELS.

- (a) With regard to taxes that attach as a lien on or after January 1, 2001, wooden vessels of historical significance, and all personal property thereon used in their operation, are exempt from taxation. This exemption applies if all of the following conditions are satisfied:
 - (1) The owner and operator is a nonprofit organization that has qualified for exemption under either Section 23701d of this code or under Section 501(c)(3) of the Internal Revenue Code.
 - (2) No part of the net earnings of the owner inures to the benefit of any private shareholder or individual.
 - (3) The vessel is used primarily as, or as a part of, a maritime museum that is regularly open to the public.
 - (4) Income from fundraising use and use for charter activities does not exceed 40 percent of operating revenues of the vessel, and all net earnings are used to further the exempt activity of the museum.
- (b) When claiming an exemption pursuant to this section, a claiming organization shall give all information required and answer all questions in an affidavit, to be furnished by the assessor, that is signed by the claimant under penalty of perjury. The assessor may require other proof of the facts stated in the affidavit before allowing the exemption. A claimant for an exemption pursuant to this section is subject to Sections 255 and 260.
- (c) For purposes of this section, the following definitions apply:
 - (1) "Wooden vessel of historical significance" means any wooden vessel that is a refurbished original, wooden inland waters vessel of 47 feet or larger, built in California during or prior to 1910, that continuously thereafter has remained in California waters, and that has been designated a California State Historical Landmark.

- (2) "Regularly open to the public" means that the museum was open to the public not less than 20 hours per week for not less than 35 weeks of the 12-month period immediately preceding the lien date for the year for which the exemption is claimed.

SECTION 275.5. DOCUMENTED VESSEL; PARTIAL CANCELLATION OF TAX.

If a person claiming classification of a vessel as a documented vessel eligible for assessment under section 227 fails to file the affidavit required by section 254 by 5 p.m. on February 15 of the calendar year in which the fiscal year begins, but files that affidavit on or before the following August 1, the assessment shall be reduced in a sum equal to 80 percent of the reduction that would have been allowed had the affidavit been timely filed.

SECTION 1136. "FERRY."

A ferry is a place where passengers and freight are regularly transported by water between two fixed termini under authority of law so to do.

SECTION 1137. INTERCOUNTY FERRIES.

Where a ferry connects points in more than one county, the wharves, storehouses, and stationary property connected with it shall be assessed in the county where located, and the ferryboats shall be assessed in equal proportions in the counties it connects.

SECTION 1138. DOCUMENTED VESSELS.

Vessels documented outside of this State and plying in whole or in part in its waters, the owners of which reside in this State, shall be assessed in this State.

SECTION 1139. COUNTY WHERE HABITUALLY MOORED.

Except as otherwise provided in this article, when the owner or master of a taxable vessel gives written notice of its habitual place of mooring when not in service to the assessor of the county where the vessel is documented, the vessel shall be assessed only in the county where habitually moored.

SECTION 1140. COUNTY WHERE DOCUMENTED.

Vessels, except ferryboats, regularly engaged in transporting passengers or cargo between two or more ports and vessels concerning which notice of habitual place of mooring has not been given shall be assessed only in the county where documented.

SECTION 1141. NONDOCUMENTED VESSELS.

Vessels not required to be documented shall be assessed in the county where habitually moored when not in service.

PROPERTY TAX RULES

RULE 133. BUSINESS INVENTORY EXEMPTION.

(a) SCOPE OF EXEMPTION.

- (1) "Business inventories" that are eligible for exemption from taxation under Section 129 of the Revenue and Taxation Code include all tangible personal property, whether raw materials, work in process or finished goods, which will become a part of or are themselves items of personalty held for sale or lease in the ordinary course of business....
- (2) The phrase "ordinary course of business" does not constitute a limitation on the type of property which may be held for sale or lease, but it does require that the property be intended for sale or lease in accordance with the regular and usual practice and method of the business of the vendor or lessor.
- (3) The phrase "goods intended for sale or lease" means property acquired, manufactured, produced, processed, raised or grown which is already the subject of a contract of sale or which is held and openly offered for sale or lease or will be so held and offered for sale or lease at the time it becomes a marketable product. Property that is ready for sale or lease must be displayed, advertised or otherwise brought to the attention of the potential purchasers or lessees by means normally employed by vendors or lessors of the product.

(b) EXCLUSIONS. Property eligible for the "business inventories" exemption does not include:

- (1) Property of any description in the hands of a vendee, lessee or other recipient on the lien date which has been purchased, leased, rented, or borrowed primarily for use by the vendee, lessee or other recipient of the property rather than for sale or lease or for physical incorporation into a product which is to be sold or leased. Examples of property excluded from business inventories are office supplies, furniture, machines and equipment and manufacturing machinery, equipment and supplies such as dies, patterns, jigs, tooling or chemicals used to produce a chemical or physical reaction, and contractors' supplies, tools, concrete forms, and other items that will not be incorporated into and become a part of the property. Also ineligible are materials that a contractor is holding to incorporate into real property that will be retained for his own use.
- (2) Property being used by its owner for any purpose not directly associated with the prospective sale or lease of that property.
- (3) Property actually leased or rented on the lien date.
- (4) Property that has been used by the holder prior to the lien date, even though held for lease on the lien date.

- (5) Property intended to be used by the lessor after being leased or during intervals between leases even though held for lease on the lien date.
- (6) Property in the hands of a lessor who, with intent to enjoy the benefits of the inventory exemption, had leased the property for a period that expired shortly before the lien date but who renewed, extended or renegotiated the lease shortly thereafter.

RULE 151. VESSELS SUBJECT TO THE FOUR PERCENT ASSESSMENT.

- (a) A vessel which meets the requirements of section 130 of the Revenue and Taxation Code shall be assessed at four percent of full cash value under the provisions of section 227 of said code if it is engaged or employed exclusively in one or more of the following activities:
 - (1) The taking and possession of fish or other living resource of the sea for commercial purposes.
 - (2) Instruction or research studies as an oceanographic research vessel.
 - (3) Carrying or transporting seven or more people for hire for commercial passenger fishing purposes and holds a current certificate of inspection issued by the United States Coast Guard. A vessel shall not be deemed to be engaged or employed in activities other than the carrying or transporting of seven or more persons for hire for commercial passenger fishing purposes by reason of that vessel being used occasionally for dive, tour, or whale watching purposes. For purposes of this subdivision, "occasionally" means 15 percent or less of the total operating time logged for the immediately preceding assessment year.
- (b) In determining whether a vessel is engaged or employed exclusively for "commercial purposes" in paragraph (a)(1) above or "commercial passenger fishing purposes" in paragraph (a)(3) the assessor shall consider the design of the vessel and the business engaged in by, or occupation of, the owner and any other person leasing or chartering the vessel. In considering the design of the vessel, the assessor shall determine whether the vessel has adequate carrying capacity, gear, and mechanical equipment sufficient to enable the owner to accomplish his intended commercial purpose. Any pleasure-boat use of the vessel is disqualifying irrespective of whether the vessel is or is not licensed as a commercial vessel.
- (c) Prior to approving the claim of a vessel purporting to be engaged or employed exclusively as an oceanographic research vessel in paragraph (a)(2) the assessor shall require supporting documentation. Such documentation shall include one or more of the following:
 - (1) A statement of the course of study with a recognized college or university.
 - (2) The contract pursuant to which the vessel engages in research for a governmental agency, private foundation, or other organization.

- (3) A statement of the study being made, the procedure being used, and the estimated completion date.
- (d) Vessels that may qualify under this rule include those registered with or licensed by the Department of Motor Vehicles as well as those required to have and having a valid marine document issued by the Department of Transportation, Vessel Documentation Branch, U.S. Coast Guard or any federal agency subsequently granted licensing authority. This rule does not apply to vessels exempt from taxation under article XIII, sec. 3(1) of the Constitution of the State of California.
- (e) Tangible personal property subject to the four percent assessment shall include the vessel and all equipment and furnishings that are normally required aboard the vessel during the accomplishment of the functions for which the vessel is being utilized.

VEHICLE CODE

DIVISION 3.5, REGISTRATION AND TRANSFER OF VESSELS

Relevant sections of the Vehicle Code are included below.

Section 9840. Definitions.

As used in this division, unless the context clearly requires a different meaning:

- (a) "Vessel" includes every description of watercraft used or capable of being used as a means of transportation on water, except the following:
 - (1) A seaplane on the water.
 - (2) A watercraft specifically designed to operate on a permanently fixed course, the movement of which is restricted to or guided on such permanently fixed course by means of a mechanical device on a fixed track or arm to which the watercraft is attached or by which the watercraft is controlled, or by means of a mechanical device attached to the watercraft itself.
 - (3) A floating structure which is designed and built to be used as a stationary waterborne residential dwelling, which (A) does not have and is not designed to have a mode of power of its own, (B) is dependent for utilities upon a continuous utility linkage to a source originating on shore, and (C) has a permanent, continuous hookup to a shoreside sewage system.
- (b) "Owner" is a person having all the incidents of ownership, including the legal title, of a vessel whether or not such person lends, rents, or pledges such vessel; the person entitled to the possession of a vessel as the purchaser under a conditional sale contract; or the mortgagor of a vessel. "Owner" does not include a person holding legal title to a vessel under a conditional sales contract, the mortgagee of a vessel, or the renter or lessor of a vessel to the state or to any county, city, district, or political subdivision of the state

under a lease, lease-sale, or rental-purchase agreement which grants possession of the vessel to the lessee for a period of 30 consecutive days or more.

- (c) "Legal owner" is a person holding the legal title to a vessel under a conditional sale contract, the mortgagee of a vessel, or the renter or lessor of a vessel to the state, or to any county, city, district or political subdivision of the state, under a lease, lease-sale, or rental-purchase agreement which grants possession of the vessel to the lessee for a period of 30 consecutive days or more.
- (d) "Registered owner" is the person registered by the department as the owner of the vessel.
- (e) "Waters of this state" means any waters within the territorial limits of this state.
- (f) "State of principal use" means the state on which waters a vessel is used or intended to be used most during a calendar year.
- (g) "Undocumented vessel" means any vessel which is not required to have and does not have a valid marine document issued by the Bureau of Customs of the United States or any federal agency successor thereto.
- (h) "Use" means operate, navigate, or employ.

Section 9850. Numbering of Undocumented Vessels

Every undocumented vessel using the waters or on the waters of this state shall be currently numbered. No person shall operate nor shall any county, city, or political subdivision give permission for the operation of any undocumented vessel on those waters unless the undocumented vessel is numbered in accordance with this chapter, or in accordance with applicable federal law, or in accordance with a federally approved numbering system of another state, and unless: (1) the certificate of number issued to such undocumented vessel is in full force and effect, and (2) the identifying number set forth in the certificate of number is displayed on each side of the bow of the undocumented vessel for which the identifying number was issued.

Section 9854. Federal or Out-of-State Registration

The owner of any vessel already covered by a number in full force and effect which has been issued to it pursuant to then operative federal law or a federally approved numbering system of another state shall make application within 30 days after the 90-day reciprocity period provided for in Section 9873. Such application shall be in a manner and pursuant to the procedure required for the issuance of a number under Section 9853.

Section 9869. Information to Be Transmitted to County Assessor

The department shall transmit information from each initial application and each transfer application or renewal application to the county assessor in the county of residence of the owner of the vessel and to the county assessor in the county in which the vessel is principally kept if other than the county of residence of the owner, if such other county is known to the department. If an application shows that the owner of the vessel has changed his residence from

one county to another county or shows that there has been a change in the county in which the vessel is principally kept, the department shall transmit information of the change to the assessor of the county in which the owner of the vessel formerly resided or to the assessor of the county in which the vessel formerly was principally kept. After the department receives a notice pursuant to Section 9864, the department shall transmit information of the destruction or abandonment to the assessor of the county in which the owner of the vessel resides and to the assessor of the county in which the vessel is or was principally kept, if other than the county of residence of the owner, if such other county was known to the department.

Section 9873. Undocumented Vessels Not Required to Be Numbered

An undocumented vessel shall not be required to be numbered under this chapter if it is:

- (a) Already covered by a number in full force and effect which has been issued to it pursuant to federal law or a federally approved numbering system of another state; provided, that such undocumented vessel shall be subject to the numbering requirements of this chapter if it has changed its state of principal use and has been within this state for a period in excess of 90 consecutive days.
- (b) A vessel from a country other than the United States temporarily using the waters of this state.
- (c) A public vessel of the United States, another state or subdivision thereof or municipality of such other state.
- (d) A ship's lifeboat.
- (e) Any vessel belonging to a class of boats which has been exempted from numbering by the department after the department has found that the numbering of vessels of such class will not materially aid in their identification; and, if any agency of the federal government has a numbering system applicable to the class of vessels to which the vessel in question belongs, after the department has further found that the vessel would also be exempt from numbering if it were subject to the federal law. An undocumented vessel propelled solely by oars or paddles and an undocumented vessel eight feet or less propelled solely by sail are exempt from the provisions of this chapter.

APPENDIX C: SUMMARY OF COURT CASES

California Shipping Company v. City and County of San Francisco (1907) 150 Cal. 145. Vessels employed in foreign or interstate commerce which have not by the manner of their use acquired an actual situs elsewhere are properly assessed for taxation at the port of domicile of the sole owner where they are registered under the laws of the United States, regardless of the fact that they were outside the waters of that state from a date preceding the lien date and may have never been within the waters of that state.

Continental Dredging Co. v. County of Los Angeles (1973) 366 F.Supp. 1133. If a sea-going vessel is inactive and not engaged in any kind of commerce for a period of time that cannot be considered temporary, the vessel acquires a taxable situs where it is anchored or moored, irrespective of any so-called home port. Thus, a Liberian vessel in a California port for nine years from the date of lay-up with an apparent refusal to engage in foreign commerce was held to have lost its status as engaging in foreign commerce and became subject to the imposition of county property taxes.

County of San Diego v. Lafayette Steel Company (1985) 164 Cal.App.3d 690. The taxable situs of a vessel is not determined by the owner's designation of a home port but depends on the existence of sufficient contacts, such as the use and employment of the vessel within the jurisdiction and the opportunities, benefits, or protection afforded the vessel by the jurisdiction, between the situs and the vessel, to satisfy due process. Thus, a vessel registered in Alaska but moored in a California port for an entire year, except for a one-month voyage, and sold through escrow in California the next year became subject to property taxation in the county.

Crowley Launch & Tugboat Co. v. County of Los Angeles (1971) 16 Cal.App.3d 437. "Freight" is not construed to be synonymous with "property"; thus, article XIII, section 3(l) of the California Constitution does not apply to a harbor tugboat that transports property in the form of vessels propelled by the tugboat in docking and in harbor navigation activities, where the tugboat itself does not carry any freight.

De Luz Homes Inc. v. County of San Diego (1955) 45 Cal.2d 546. The absence of an actual market for a particular type of property does not mean that it has no value or that it may escape from the mandate of the California Constitution, article XIII, section 1, that all property shall be taxed in proportion to its value, but only that the assessor must then use such pertinent factors as replacement costs and analyses for determining valuation. In valuing a leasehold interest in exempt lands and improvements by the capitalization of income method it is improper, in computing the anticipated net income to be capitalized, to deduct from anticipated gross income the lessee's charges for rent, amortization of his investment, or payments of principal and interest on his mortgage debt. The proper method of valuing a possessory interest in a housing project at a permanent military installation is to deduct from annual anticipated gross income the operating and maintenance expenses and the amount required by the leased to be deposited to a replacement reserve, and to capitalize the difference for the remaining years of the lease at a rate which will allow for risk, interest, and taxes.

Dragich v. County of Los Angeles (1939) 30 Cal.App.2d 397. The exemption for vessels of more than 50 tons net burden was not intended to exempt all vessels of the specified tonnage, but only those engaged in the transportation of property or persons for hire, and fishing boats of the type known as "purse seiners," which are engaged in fishing and no other business and are not used for the transportation of property or persons for hire, are not exempted from taxation by this constitutional provision. The word "freight" has more than one meaning but it generally denotes property transported by a carrier from a consignor to a consignee. In one accepted sense, it means "the hire or compensation paid by anyone for the transport of goods," and when used to denote the property transported, it carries the definite implication that the transportation is for hire.

Favalora v. County of Humboldt (1976) 55 Cal.App.3d 969. A vessel not yet completed as of the lien date, and thus neither documented nor engaged in commercial fishing, is not eligible for the 4 percent preferential assessment. A vessel may not be documented until it is completed; it cannot be said to be engaged in commercial fishing while it is being built.

Haman v. County of Humboldt (1973) 8 Cal.3d 922. To qualify for the preferential assessment specified in section 227, a vessel is not required to be documented within California. Such a requirement would be invalid as an unjustified discrimination between residents owning fishing vessels documented in California and residents owning vessels documented in other states

Hays v. Pacific Mail S.S. Co. (1855) 17 How (58 U.S.) 596. Vessels plying the high seas are generally bound by the "home port" doctrine that permits only the taxing authority of a home port to impose a tax. No other jurisdiction, including those ports visited by the vessel, has the power to tax it. California could not tax an oceangoing vessel owned and registered in New York and operated between that port and San Francisco.

Japan Line, Ltd. v. County of Los Angeles (1979) 441 U.S. 434. The assessment of property tax on cargo containers owned by a Japanese shipping company, whose vessels and containers had a home port in Japan and were subject to property tax there, was in violation of the Commerce Clause of the United States Constitution, as the tax resulted in the multiple taxation of instrumentalities used in foreign commerce.

Kiessig v. County of San Diego (1942) 51 Cal.App.2d 47. Under article XIII, section 3(l) of the California Constitution, vessels of "more than fifty (50) tons burden" shall mean "50 tons *net* burden." The quoted words are of a technical nature and connote a measurement peculiar to ships and shipping.

Martinac v. County of San Diego (1967) 255 Cal.App.2d 175. A documented vessel, primarily located at sea, but in California waters on the lien date or entering specific California ports through the course of the year transiently to take in and discharge cargo, refuel, pick up crew members, perform minor repairs, etc. is not taxable in California when the vessel's home port designation is in another state and personal property tax is collected by that state. A California port is only a "port of convenience."

Olson v. San Francisco (1905) 148 Cal. 80. A vessel may, by being indefinitely and exclusively employed within the waters of another state, acquire actual situs in that state. By actual use, the vessel has acquired a permanent actual situs in the other state and is no longer engaged in any activity except within the limits of that state.

Sayles v. County of Los Angeles (1943) 59 Cal.2d 295. Vessels which are temporarily situated in California on the lien date, but which have permanent taxable situs outside of the state, are not assessable in California. Thus, a tugboat owned by persons residing in Alaska and registered at a port there had a situs there even though the tugboat was leased to a California firm for a definite period of time for use along the shores of California. The owner still retained control of the vessel and the vessel returned to the home port upon the termination of the lease.

Sea-Land Service, Inc. v. County of Alameda (1974) 12 Cal.3d 772. Cargo containers used exclusively in interstate and foreign commerce are subject to tax on an apportioned basis by the various states, as mandated by the Commerce Clause of the United States Constitution, which have sufficient contacts with the taxpayer. The home port doctrine does not act to shield a taxpayer from taxation by a nondomiciliary jurisdiction when a taxpayer has sufficient contacts with that jurisdiction, even if the taxpayer is engaged in interstate or foreign commerce via international waters.

Ships and Power Equipment Corp. v. County of San Diego (1949) 93 Cal.App.2d 522. Inoperative vessels over 50 tons net burden that have never been engaged in carrying freight or passengers do not qualify for the exemption, even if the owners intend to operate the vessel as such in the future. If a vessel is moored in California but not registered in any port of this state or elsewhere, the vessel is treated as ordinary personal property and taxable at the jurisdiction it is located. Thus, a decommissioned, undocumented, and inoperative naval landing craft owned by a foreign corporation, none of whose owners reside in this state, intended for use and moored in a harbor in this state acquired a tax situs here.

Smith-Rice Heavy Lifts, Inc. v. Los Angeles County (1967) 256 Cal.App.2d 190. Barges that act as stationary, though floating, piers for the cranes located on them and the movement of various items of property for hire by means of the cranes do not constitute the "transportation of freight" within the meaning of the constitutional exemption when such "transportation" occurs in connection with dredging, laying pipe, or construction work. When derricks or cranes are operating upon their stationary barges, they are not engaged as "a carrier" transporting "freight." Although personal property lifted and deposited by cranes during their "cargo (non-carry)" operations may properly be characterized as "freight," such characterization stems from their past or future relationship to the vessel being serviced rather than their relationship to the barges.

Star and Crescent Boat Company v. County of San Diego (1958) 163 Cal.App. 2d 534. Tugboats of more than 50 tons burden engaged in towing barges loaded with freight from point to point, work in which the tugs spent more than 80 percent of their time, were engaged in the transportation of freight within the meaning of article XIII, section 3(l) of the

California Constitution and were thus exempt from property taxation. Such vessels are primarily engaged in the exempt business and are allowed the exemption in its entirety; there is no proration of the exemption based on the percentage of time spent on the exempt activity and the time spent on the non-exempt activity. A tugboat employed as the means of locomotion of barges that carry freight is engaged in the transportation of freight.

Star-Kist Foods, Inc. v. H. L. Byram (1966) 241 Cal.App.2d 313. Unless an ocean-going vessel has established actual situs elsewhere, the domicile of the vessel's owner is the situs of the vessel.

Xerox Corporation v. County of Orange (1977) 66 Cal.App.3d 746. Under the market value concept, where price is the basis of value, the sales tax and freight charges are elements of value.

APPENDIX D: USEFUL INTERNET SITES

There are a number of Internet sites that may be useful to the marine appraiser. Once connected to a web site, the user may be required to search through the main menu for specific information being sought.

www.access.gpo.gov/ecfr

Code of Federal Regulations. This web site has Coast Guard regulations with regard to the shipping industry, including general vessel information (e.g., definitions and the Coast Guard national documentation process, vessel inspection process, types of vessel endorsements, etc.)

Select "Title 46 – Shipping" in the selection box.

Find and click the desired *part* within the range of parts given under the *Browse Parts* column. Then click the part desired. (i.e., to find *Definitions* under the *Documented Vessels* Part, click "41-69" under the "Browse Parts" column to view Title 46, Chapter 1, Coast Guard, Department of Transportation, Part 67. Then scroll down to part 67, Documentation of Vessels and click. 67.3 for Definitions).

The following Internet sites provide comprehensive information on vessels, such as descriptions on all types of vessels, marine terminology, registration, numbering requirements, etc.:

www.boats.com

This web site will provide a listing of specific boats with the specifications entered and has an extensive glossary of boating terms from A to Z. Also, from this site, N.A.D.A. value guide information is accessible or directly from the web site listed below.

www.boats.com/nada/nada.jsp

This N.A.D.A. Appraisal site provides an online price guidebook on the average values of pre-owned boats from 1965-1999 (1999 is the most recent update as of the publication date of this handbook section).

www.boatsafe.com/nauticalknowhow/boating

This web site provides general and specific boating information such as boating terminology and glossary, instructions on how to measure a boat, boat safety instructions, etc.

www.kbb.com

This Kelley Blue Book interactive web site is a good source for pricing personal watercraft, such as jet skis. Personal watercrafts are found in the motorcycle category of this web site, which provides both a trade-in value and a retail value.

www.marcon.com

This web site is an online newsletter with recent news and press releases concerning the shipping industry, vessel market reports, vessels sold (sale prices not available from the web site), vessel listings (listing prices are included), etc. The information provided is from throughout the world.

www.shipinformationcenter.com/toc.htm

This web site provides general description on many types of vessels, marine service references, a list of vessel brokers, and an international listing of vessels for sale, among other information.

www.st.nmfs.gov/commercial/index.html

This site provides information on a specific documented vessel, searched by either the vessel's name or documentation number. Information such as an owner's name and address, gross and net tonnage, and type of endorsement is available. If an assessor finds a new vessel located in his or her county there during a field canvass, the assessor may determine if the vessel's taxable situs via this web site.

www.uscg.mil/hq/g-m/vdoc/nvdc.htm

Information and forms concerning the vessel documentation process are provided at this web site. A link from this web site is another Coast Guard web site that has information on how to measure "tonnage" of a vessel (www.uscg.mil/hq/msc/t3.htm).

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