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No. 2010/076

December 30, 2010

TO COUNTY ASSESSORS:

VESSEL VALUATION FACTORS

In 2008, Board staff initiated a project to develop depreciation factors to be used by county assessors in the mass appraisal of vessels when determining a value for property taxation purposes. Upon completion of this initial study, and with additional information provided by assessors' offices, we issued vessel depreciation factors for 2010 in Letter To Assessors 2010/004.

Enclosed is a table of valuation factors that may be used beginning with the January 1, 2011 lien date. This year we are providing valuation factors as opposed to depreciation factors in order to accommodate (1) the fluctuation in valuation this year due to market corrections, and (2) to provide the vessel valuation guidance in a similar manner that the Board provides in Assessors' Handbook 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors*.

The data for lien date 2011 indicate an increase in value for the powerboats class of *less than 38' for all model years beyond most recent model year*. As indicated by the data, a 20 percent decline occurred for this vessel class for lien date 2010. The data for 2011 indicates a partial correction in market conditions as the value returns closer to the general trend for this class of vessel. Other classes of vessels have also returned closer to previous trends as the previous year had an extreme declines in value due to overall economic conditions in 2009-2010. This year's valuation factors may be applied to historic costs of new model year vessels, as well as to 2010 lien date values that were determined by application of the Board depreciation factors.

Houseboats are not included in the vessel valuation factor table since most new houseboats are custom built and the value guides do not include values for these custom built vessels. The enclosed valuation factor table includes categories for:

Powerboats

Inboard/Outboard/Stern Drive under 38'

Inboard/Outboard/Stern Drive 38' and over

Sailboats

Personal Watercraft (Jet Ski)

Based on data provided by county assessors, the powerboat valuation factors were developed using the following types/makes of vessels:

Bass	Sportsfisherman
Center Console	Ski
Cruiser	Sports Runabout
Day Cruiser	Trawler
Fish and Ski	Utility Cruiser
Racer	Utility Runabout
Runabout	Utility
Sports Cruiser	Yacht

Though information in the value guides used for our initial study¹ indicated all classes of vessels that were included in the study experienced a higher depreciation rate for the first year when purchased new from a dealer (except the category of sailboats), the data for lien date 2011 indicate only some vessel classes have experienced a greater decline for the first year. This is likely tied to the economy and the overall greater decline in value in 2009 from which the market has not completely recovered. Additionally, as dealers discounted more deeply during 2009 compared to 2010, it is likely that some of the declines that would have occurred were absorbed into the difference in discount rates between 2009 and 2010.

We greatly appreciate the assistance from those county assessors that responded to our survey on sailboats. We would also like to thank any future assistance that might be provided by completing future surveys. We hope the information presented proves useful, and that it promotes uniformity of assessments. The table is intended as a guide in the mass appraisal of vessels when determining value for property taxation purposes. However, relevant data pertinent to the assessment of specific property should always be reviewed and considered.

As this is an annual study, your input and assistance is welcomed so that we can provide you with the most representative and useful information possible. For questions or suggestions regarding the vessel study or factors, you may contact Mr. Michael Saunders at michael.saunders@boe.ca.gov or at 916-274-3365.

Sincerely,

/s/ John K. Thompson for

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:mds
Enclosure

¹ See Letter To Assessor 2008/081.

VESSEL VALUATION FACTORS

January 1, 2011

Prior years assessed value should be multiplied by valuation factor for 2011 lien date value and to reported cost of all new model year boats . See next page for examples.

<p><i>POWERBOATS*</i></p> <p>Inboard/Outboard/Stern Drive under 38' <i>First year valuation factor for most recent model year</i></p> <p>Inboard/Outboard/Stern Drive under 38' <i>Annual valuation factor for all model years beyond most recent model year</i></p> <p>Inboard/Outboard/Stern Drive 38' and over <i>Yearly valuation for all model years including most recent model year</i></p>	<p>.98</p> <p>1.05</p> <p>.97</p>
<p><i>SAILBOATS</i></p> <p><i>Annual valuation factor for all model years including most recent model year.</i></p>	<p>.95</p>
<p><i>PERSONAL WATERCRAFT (Jet Ski)</i></p> <p><i>Annual valuation factor for all model years including most recent model year.</i></p>	<p>.95</p>

*Bass
Center Console
Cruiser
Day Cruiser
Fish and Ski
Racer
Runabout
Sports Cruiser

Sportsfisherman
Ski
Sports Runabout
Trawler
Utility Cruiser
Utility Runabout
Utility
Yacht

EXAMPLE

A 36 foot powerboat had an original cost of \$200,000 and was purchased used in 2009. Trending the original cost of this vessel by the appropriate factor from each year results in the following calculations to arrive at the lien date 2011 value.

$\$200,000 \times .80$ (representing 20% decline for lien date 2010) = $\$160,000$ (2010 lien date value)²

$\$160,000$ (lien date 2010 value) $\times 1.05$ (lien date 2011 factor) = $\$168,000$ (2011 lien date value)

EXAMPLE

A 28 ft powerboat purchased new from dealer in 2010 had an original cost of \$300,000. Trending the original cost of this vessel by the appropriate factor results in the following calculation to arrive at the lien date 2011 value.

$\$300,000 \times .98$ (first year valuation factor under 38' for lien date 2011) = $\$294,000$

² See LTA 2010/004 Vessel Depreciation Factors