



STATE BOARD OF EQUALIZATION

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Controller, Sacramento

DOUGLAS D. BELL
Executive Secretary

No. 79/123

July 25, 1979

TO COUNTY ASSESSORS:

BOAT ASSESSMENTS-POSSIBLE TAX AVOIDANCE

A recent occurrence involving a boat dealer in Orange County suggests that some boat dealers may be carrying large pleasure vessels in inventory while, in fact, they are either being leased out or have been sold. While their reasons for operating in this manner may be unrelated to tax avoidance, the result could be undervaluation, i.e., dealer cost vs. selling price, and incorrect allowance of the business inventory exemption.

The problem involves boat dealer's registration numbers. Like car dealers, boat dealers can apply for and receive several boat dealer numbers which are designed to be temporarily placed on a vessel while testing or demonstrating it. The difficulty occurs when a boat dealer sells or leases a boat and allows the purchaser or lessee to use one of his dealer numbers. The vessel is never recorded as sold, so the purchaser pays no sales tax. The dealer continues to report the boat as part of his inventory and receives the business inventory exemption. Regarding the occurrence in Orange County, a \$200,000 vessel was operated for five years under a dealer number without being registered with the Department of Motor Vehicles. The incident came to light when the Orange County Sheriff's boat patrol cited the boat owner for incorrect use of a dealer number.

The Department of Motor Vehicles informs us that, upon request, they will supply the name, address, and dealer numbers issued to boat dealers in your county.

We suggest that you obtain the information from Department of Motor Vehicles and then review it for possible escaped vessels and/or incorrect business inventory exemption allowances.

Department of Motor Vehicles
2415 First Avenue
Sacramento, California 95818
Attn. Mr. Joe Walton, Manager
Boat Registration Section

Please contact Bud Florence of this division if you have any questions.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

VW:jg