

860.0000 VESSELS

860.0001 Documented. A documented vessel used to transport scuba divers does not qualify for preferential assessment under Revenue and Taxation Code section 227. C 1/31/1980.

860.0002 Documented. A documented vessel used for oceanographic research must be so classified by the United States Coast Guard. If the vessel is so used and physically qualified on the lien date, delay in obtaining the formal classification does not disqualify the vessel for preferential assessment under Revenue and Taxation Code section 227(b). C 3/29/1995.

860.0010 Filing For Preferential Assessment. The dates specified in Revenue and Taxation Code sections 255(c) and 275.5 for filing for preferential assessment of a vessel cannot be waived by the assessor even if the taxpayer's failure to timely file resulted from erroneous information provided by the assessor's staff. Further, the assessment cannot be changed since it is not a clerical error. Relief, if available, must be obtained from the board of supervisors or a court of law. C 9/23/1996.

860.0020 Exemption. Vessels, over 50 tons burden, under contract to ferry drilling crews to and from offshore drilling facilities or hauling supplies and equipment to offshore drilling sites qualify for exemption under section 3(1) of article XIII of the California Constitution. C 1/31/1980.

860.0021 Exemption. Exemption requires that an appropriately sized vessel be the carrying of freight (property transported by a carrier from a consignor to a consignee) or passengers (travelers by some established conveyance) for hire (*Dragich v. Los Angeles County* (1939) 30 Cal.App.2d 397. When the vessel is used by a subsidiary corporation to transport for hire the property of a parent corporation, the relationship between the subsidiary corporation and the parent must be examined to determine whether the subsidiary corporation is a mere instrumentality, conduit, or agent for the parent corporation. If the corporate entity of the subsidiary corporation can be disregarded, the parent and subsidiary can be treated as one unit, thus defeating any claim that the vessels are transporting freight for hire. C 10/22/1986.

860.0022 Exemption. The phrase "engaged in the transportation of freight or passengers" has been interpreted by the courts to mean "engaged in the transportation of property or persons for hire." While the California Constitution does not expressly require that exempt vessels be used "exclusively" for transportation purposes, the cases speak in terms of "primary," "principal," or "predominant" use. Thus, when an appropriately-sized vessel engages only partially in qualifying transportation activities, it will qualify for the exemption provided by section 3(1) of article XIII thereof only if the vessel is *primarily* engaged in such activities. In order for the vessel to be found to be "primarily engaged" in qualifying transportation, it must spend more than 50 percent of its time in such activity. C 2/8/2000.

860.0023 Floating Structure. A floating structure that uses a pump-out boat to remove waste from the floating structure to the city sewer system does not meet the conditions of Revenue and Taxation Code section 229(c)(4), which requires a permanent continuous hookup to a shoreside sewage system. A floating structure that does not meet the definition of a floating home under section 229 is treated as personal property, not necessarily as a vessel, and subject to annual assessment. C 2/4/2010.

860.0025 Homeowners' Exemption. While Revenue and Taxation Code section 218 permits the application of the homeowners' exemption to personal property, there is nothing in its language to indicate that a vessel qualified for the documented vessel exemption contained

in Revenue and Taxation Code section 227 may qualify for both exemptions at the same time. The vessel owner must elect and properly claim one of the exemptions. C 4/18/1977.

860.0040 Preferential Assessment. A vessel exclusively engaged or employed in the taking and possessing of a living resource of the sea, such as oysters, is eligible for preferential assessment, even if not owned by the person doing the taking. A vessel at sea used to facilitate pumping of sea water inland to supply inland oyster beds would also qualify because food (a living resource of the sea) is being brought to the oysters for a commercial purpose. C 8/27/1979.

860.0043 Situs. When a vessel is registered with the Coast Guard and the vessel owner is domiciled in California, the vessel has tax situs in California. If the vessel is relocated to a foreign country, the vessel will continue to be taxable in California until the vessel becomes habitually moored at some other location such that it acquires situs at that location and the owner establishes to the assessor that the vessel has acquired situs elsewhere. C 3/27/1998; C 7/15/2003.

860.0045 Spare Parts. Spare parts, for vessels that qualify for exemption under section 3(l) of article XIII of the California Constitution are considered part of the vessel when on board and thus, qualify for exemption. Spare parts ashore do not qualify for the exemption. C 5/22/1975.

860.0060 Valuation. The current fair market value of a vessel is measured by what it would cost to place the vessel in the hands of a consumer as of the lien date. Thus, charges such as sales and use taxes or freight charges should be included in the fair market value of a vessel, regardless of whether they were actually paid. C 11/24/2003.