

Issue Paper Number 01-050



BOARD OF EQUALIZATION
KEY AGENCY ISSUE

- Board Meeting
- Business Taxes Committee
- Customer Services and Administrative Efficiency Committee
- Legislative Committee
- Property Tax Committee
- Other

ASSESSORS' HANDBOOK SECTION 576 *ASSESSMENT OF VESSELS*

I. Issue

Should the Board authorize publication of the attached, revised Assessors' Handbook Section 576, *Assessment of Vessels*?

II. Staff Recommendation

Staff recommends that the revised Assessors' Handbook Section 576, *Assessment of Vessels*, be authorized for publication. (Attachment 1)

III. Other Alternative(s) Considered

None

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IV. Background

Under Government Code sections 15606 et seq., the Board is charged with the duty of administratively enforcing and interpreting the statutes governing the local assessment function. Specifically, the Board is required to prepare and issue instructions designed to promote property tax assessment uniformity throughout the state. The Assessors' Handbook is published by the Board as one means of fulfilling this requirement of providing instructions.

Staff was directed to revise the Assessors' Handbook section related to the assessment of vessels. The last publication of Assessors' Handbook Section 576, *Assessment of Vessels*, was written in 1976. Although there has only been one new statute adopted since 1976 regarding the assessment of vessels (Revenue and Taxation Code section 230, Historic Wooden Vessels), the attached new version provides a more thorough discussion on all topics than its predecessor. Whereas the previous handbook merely cited the statutory provisions affecting vessels, the new version provides more information and interpretation of the statutes based on published court cases and SBE legal and technical opinions. Noteworthy changes to the previous 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 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 has 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).

To ensure that the revision process was comprehensive, staff worked with assessors, industry representatives, and other interested parties to solicit input for the handbook section. The attached draft represents concurrence among interested parties who participated in the project.

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V. Staff Recommendation

A. Description of the Staff Recommendation

The attached Assessors' Handbook Section 576, *Assessment of Vessels*, was drafted by Board staff for use by county assessors' staffs to ensure uniformity throughout the California assessment community with respect to the appraisal and assessment of vessels. The drafted language includes the most recent statutory amendments, regulatory changes, judicial decisions, and adopted Board policies on the various topics within the handbook. The attached draft represents concurrence among interested parties who participated in the project.

B. Pros of the Staff Recommendation

Publication of this section of the Assessors' Handbook will provide more detailed information and discussion regarding the appraisal and assessment of vessels than that provided in the previous handbook.

C. Cons of the Staff Recommendation

None

D. Statutory or Regulatory Change

None

E. Administrative Impact

None

F. Fiscal Impact

1. Cost Impact

No additional administrative cost.

2. Revenue Impact

None

G. Taxpayer/Customer Impact

None

H. Critical Time Frames

Distribution of the revised handbook section is scheduled for March 2002. In order to meet this deadline, the draft of Assessors' Handbook Section 576 must be approved for publication by the Board at its February 2002 meeting.

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VI. Alternative 1

A. Description of the Alternative

Not Applicable

Prepared by: Property Taxes Department; Policy, Planning, and Standards Division; and
Legal Division, Property Taxes Section

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