

Vessels



Mr. Alan J. Dutra

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John H. Knowles

American President Lines
(San Francisco Sample Item 368)

The subject taxpayer owns ships of 50 tons burden engaging in the transportation of freight or passengers that qualify for property tax exemption under Article XIII, section 3(1) of the California Constitution. They also maintain inventories of spare parts for these ships. You ask whether the spare parts are entitled to exemption under this constitutional provision.

According to Benedict, Admiralty, 6th Edition (1940), Volume 1, section 59, pg. 119, a vessel includes the sailship, her tackle apparel and furniture or the steamer, her engine, boiler, tackle, etc. Only items aboard the ship and used in connection with the ship are considered to be part of the vessel. Articles that are part of the vessel when on shipboard lose this status when they are removed from the ship. (Callaway Ice & Fuel Co. v. The Rutheline (1955) 131 F.Supp. 116.) That spare parts were not part of the ships in question also is evident from the contracts by which these ships were sold. The shore-based spare parts were not transferred with the sale of one of a series of a certain class or type of ship, but did transfer pursuant to a specific provision in the contract with the last vessel of this type. Accordingly, the inventory of spare parts should not be considered part of the ship and is not entitled to the exemption mentioned above.

JHK:el

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