



## Economic Impact Analysis Virginia Department of Planning and Budget

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### **23 VAC 10-230 – Watercraft Sales and Use Tax**

#### **Department of Taxation**

September 26, 2008

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### **Summary of the Proposed Amendments to Regulation**

The Department of Taxation (Department) proposes several amendments to the Watercraft Sales and Use Tax regulations. There have been several statutory changes since this regulation was last amended. All proposed changes to the regulation are either straight from current statutes or are merely clarifying language and do not change requirements. Proposed amendments reflecting statutory change include: 1) adding a tax exemption for watercraft purchased by nonprofit sea rescue squads, 2) first establishing, and then raising the maximum tax limitation to its current level of \$2000 (this maximum tax was first imposed in 1990), 3) amending the titling requirements, 4) addressing the tax status of watercraft motors, and 5) amending the definition of watercraft to include any vessel propelled by machinery. Further, the Department proposes numerous clarifying changes such as amending definitions, moving certain language from one section to another, adding examples, and updating Code citations as well as regulatory cross-references. Also, the Department proposes to add a new section to the regulations that would clarify existing policy on dealer exclusion and modify the definition of gross receipts.

### **Result of Analysis**

The benefits likely exceed the costs for all proposed changes.

### **Estimated Economic Impact**

The current regulation is inconsistent with parts of the Code of the Virginia. When statutes and regulations conflict, the statutes prevail. Since all proposed changes are either straight from statute or are merely clarifying language, the proposed amendments do not change

any requirements for the public and thus do not produce any cost. The proposed amendments will be beneficial for the public in that there will be less confusion on the law regarding watercraft sales and use tax.

## **Businesses and Entities Affected**

These regulations potentially affect all Virginia taxpayers.

## **Localities Particularly Affected**

The proposed amendments affect all localities. Localities along the coast or that particular feature other navigable waters may be particularly affected.

## **Projected Impact on Employment**

Since the proposed amendments do not change current or future requirements, employment is not significantly affected.

## **Effects on the Use and Value of Private Property**

Since the proposed amendments do not change current or future requirements, the use and value of private property is not significantly affected.

## **Small Businesses: Costs and Other Effects**

Since the proposed amendments do not change current or future requirements, small business are not significantly affected.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

The proposed amendments do not adversely affect small businesses.

## **Real Estate Development Costs**

The proposed amendments do not directly affect real estate development costs.

## **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.04 of the Administrative Process Act and Executive Order Number 36 (06). Section 2.2-4007.04 requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or

other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.04 requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.