

SUBJECT: Exempting and limiting the sales tax on certain boats and motors

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — D. Bonnen, Bohac, Button, Darby, Murphy, Springer, Wray

3 nays — Y. Davis, Martinez Fischer, C. Turner

1 absent — Parker

WITNESSES: For — Greg Allison, Bay Area Houston Economic Partnership; Peter Davidson, City of Corpus Christi, the Marina Association of Texas; John Preston, Gulf Coast Yacht Brokers Association; Simon Urbanic;
(*Registered, but did not testify*: Dan Seal, Bay Area Houston Economic Partnership; John Kuhl, Boating Trades Association of Metropolitan Houston; Brittney Booth, Boating Trades Association of Texas; Tom Tagliabue, City of Corpus Christi; Scott Friedson and Gary Timmons, Tapia)

Against — None

On — Brad Reynolds, Texas Comptroller of Public Accounts

BACKGROUND: Tax Code, sec. 160.021 imposes a 6.25 percent tax on every retail sale of a taxable boat or motor in the state.

DIGEST: HB 619 would exempt certain boats and boat motors from the sales tax and would cap at \$15,625 the amount of sales tax that could be imposed on the sale of a taxable boat or motor.

Exemptions. The bill would exempt from the sales tax a boat or boat motor sold in Texas for use outside the state as long as it was removed from the state within 10 days after purchase.

An exemption also would apply if the boat or motor was sold in Texas for use outside the state and was docked or placed at a boat repair facility for

repairs or modifications within 10 days after purchase. The item could not be used while being repaired, except to test repairs and modifications, and the boat or motor would have to be removed from the state no more than 20 days after the repairs were completed.

The comptroller would be required to adopt rules to administer these exemptions.

The bill would take effect September 1, 2015, and would not affect tax liability accruing before that date.

**SUPPORTERS
SAY:**

HB 619 would substantially increase the state's competitiveness in the market for boat sales and service. Tax law changes similar to those proposed in this bill recently were enacted in many coastal states to create a boater-friendly environment, leaving Texas at a competitive disadvantage and jeopardizing Texas' marine industry jobs and the jobs of ancillary businesses.

Many marinas in Texas are losing millions of dollars in potential revenue as their boat slips go unfilled. Boat owners who otherwise would locate in Texas choose to purchase and dock their boats in other states to avoid paying the higher sales tax. It is only a matter of time before marine industries relocate from Texas, resulting in permanent job losses to the state.

This bill actually might not result in a loss in revenue. Similar changes in other states reportedly have resulted in a net gain in tax revenue thanks to the increase in economic activity. Recreational boats spark any number of related service industries, boosting jobs and sales tax collections as visitors fuel, stock, and maintain their boats.

**OPPONENTS
SAY:**

HB 619 would result in a significant loss of revenue from a highly progressive tax. The state should not grant a tax break on private yachts to the rich at a time when the state needs to better fund its most basic obligations, such as health care and education.

Although the individual cost of this exemption might not seem large in comparison to the state budget, the Legislature must consider the aggregate cost of all of the new exemptions and tax cuts. Major tax relief bills already are likely to result in billions of dollars of lost future revenue, and this tax relief combined with the many individual tax exemptions likely to be added this year would make that cost unsustainable.

NOTES:

The Legislative Budget Board's fiscal note indicates that this bill would result in a negative net impact of about \$3.6 million in general revenue related funds through fiscal 2016-17.