

BEFORE THE APPEALS DIVISION
DEPARTMENT OF REVENUE
STATE OF WASHINGTON

In the Matter of the Petition For Correction of)	<u>D E T E R M I N A T I O N</u>
Assessment of)	
)	No. 97-181
)	
...)	Commercial Vessel Tax
)	
)	
)	

RCW 84.36.005, RCW 84.40.065, AND RCW 84.56.440: PERSONAL PROPERTY/COMMERCIAL VESSEL TAX -- PRORATION. There is no statutory provision or court decision providing for the prorating of personal property taxes. As an administrative agency, the Department does not have the discretion to carve out such a provision.

Headnotes are provided as a convenience for the reader and are not in any way a part of the decision or in any way to be used in construing or interpreting this Determination.

NATURE OF ACTION:

A business owning a commercial vessel contests liability for a full year of commercial vessel tax contending it sold the vessel prior to the end of the assessment year.¹

FACTS:

Breen, A.L.J. -- The taxpayer disputes its liability for commercial vessel tax assessed in relation to its ownership of a commercial vessel. Specifically, the taxpayer contends that it should not be liable for the full amount of property tax assessed for 1997 because it sold the vessel in February, 1997. Thus, the taxpayer maintains that holding it liable for the full amount of tax “represents an obvious inequity and unfair Tax (sic) burden being placed upon [our] small business.”

On March 17, 1997, the taxpayer’s representative had a phone conversation with a representative of the Department of Revenue (Department) in which the possibility of prorating the taxpayer’s liability was discussed. The Department’s representative informed the taxpayer that there is no

¹ Identifying details regarding the taxpayer and the assessment have been redacted pursuant to RCW 82.32.410.

statutory provision to prorate the tax and, thus, the taxpayer was liable for the full assessment due next year.

ISSUES:

Whether a taxpayer's commercial vessel tax liability should be prorated when the taxpayer sold the vessel prior to the end of the assessment year.

DISCUSSION:

RCW 84.36.005 states:

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law.

In the case of commercial vessels, there is a partial exemption from ad valorem property taxes in that the vessels are exempt from all ad valorem taxes except taxes levied for any state purpose. RCW 84.36.080. Stated differently, commercial vessels are only subject to state property taxes and not taxes levied for county and other taxing district purposes. The taxes assessed on January 1 of the assessment year are payable the following year. RCW 84.40.065; 84.56.440.

In this case, the taxpayer owned the [vessel] on January 1, 1997. Thus, the vessel is subject to assessment and taxation for 1997 payable in 1998. The fact that the taxpayer sold the vessel approximately one month later is not relevant under the commercial vessel tax statutes. There is no statutory provision or court decision providing for the prorating of personal property taxes. As an administrative agency, the Department does not have the discretion to carve out such a provision. The Department may only administer the law as enacted by the Legislature. The sole inquiry the Department is permitted to make, in a case such as the taxpayer's, is whether the taxpayer owned the vessel on January 1 of the assessment year. If so, the taxpayer is liable for the assessed taxes due the following year. As to whether or not this is inequitable or unfair is not for the Department to decide. Accordingly, the taxpayer's petition is denied.

DECISION AND DISPOSITION:

The taxpayer's petition is denied. This matter is remanded to the Miscellaneous Tax Division for collection of any amounts outstanding.

Dated this 12th day of September 1997.