

Cite as 2 WTD 193 (1986)

BEFORE THE INTERPRETATION AND APPEALS SECTION
DEPARTMENT OF REVENUE
STATE OF WASHINGTON

In the Matter of the Petition) D E T E R M I N A T I O N
For Correction of Personal)
Property Tax Valuation of) No. 87-40
)
 . . .) Re: Watercraft Valuation
) . . .
) . . .
)

[1] **BOAT TAX:** RCW 84.36.080 and RCW 84.40.020, .030, and .220 -- WAC 458-12-300 -- MARKET VALUE -- WATERCRAFT VALUATION SCHEDULE. To arrive at the market value of a vessel, the Department applies the Watercraft depreciation schedule to the total cost of the vessel.

[2] **BOAT TAX:** RCW 84.40.220 -- ESTIMATED VALUE -- FAILURE TO LIST. Where a vessel owner fails to list the vessel with the Department, the Department estimates the value of the vessel for property tax purposes according to the length of the vessel. Adjustment permitted after owner listed vessel and provided information regarding the year of purchase and total cost of the vessel.

[3] **BOAT TAX:** TAXABLE VALUE -- ACCESSORIES -- NET -- LICENSE. The taxable value of commercial fishing vessels includes the cost of accessories and nets, but does not include the cost of the license.

RCW 84.40.130(1) -- PENALTY -- FAILURE TO LIST -- EXEMPTION --REASONABLE CAUSE (AUTOMAT CO., INC. V. YAKIMA COUNTY CITED). RCW 84.40.130(1) provides a penalty for failure to list taxable personal property, unless the failure was due to reasonable cause. No reasonable cause shown where the Department had mailed the taxpayer a notice of value and property listing statement which the taxpayer had not returned.

TAXPAYER REPRESENTED BY: . . .

DATE OF HEARING: October 16, 1986

NATURE OF ACTION:

The taxpayer protests the assessment of tax and delinquent penalties assessed on a fishing boat.

FACTS AND ISSUES:

Frankel, A.L.J.--The taxpayer purchased the fishing boat (. . .) in 1978. He did not list the vessel as personal property in the 1983 assessment year.

In 1984, the Department sent the taxpayer a notice of value and personal property listing statement for the boat. The taxpayer did not return the statement. An estimated value of the boat was made for personal property taxes for the years 1983 and 1984. The value was estimated at \$130,800 based on vessel length. Tax statements for those years were issued to the taxpayer in January of 1985. The statement for 1983 taxes shows omitted taxes of \$433.93 plus a 25% late filing penalty of \$108.48 for a total of \$542.41. The statement for 1984 shows a tax owing of \$433.93 and a 25% late filing penalty of \$115.78 for a total of \$578.91.

In March of 1985, the Department sent the taxpayer another personal property listing statement. The taxpayer returned the statement on May 1, 1985, indicating the watercraft was purchased in 1978 for \$48,000. He paid an additional \$29,799 for accessories, permit, and net for a total of \$77,799. On the listing statement, he indicated the vessel had an assessed value of \$29,799. The taxpayer stated that the "total cost" of \$77,799 included \$10,200 for a permit and one net. Of that amount the taxpayer stated \$5,000 was for the license and \$200 for a renewal fee.

In 1986, the taxpayer was sent a tax statement for 1985 taxes which reflects a depreciated value of the vessel based on the cost of \$77,799. The depreciated taxable value is \$52,592 and taxes on that amount are \$194.53.

The taxpayer paid the assessments for 1983 and 1984 taxes under protest. He appealed, alleging the taxable value should be reduced. At most, he contends the taxable value should be the depreciated value of the vessel based on the cost of the vessel, excluding the \$10,200 he paid for a license and net. He stated he has been trying to sell the vessel for \$50,000 but has been unable to do so.

DISCUSSION:

Vessels used exclusively for commercial fishing are exempt from the watercraft excise tax, but are subject to ad valorem property taxes. RCW 82.49.020 and RCW 84.36.080. RCW 84.08.200 provides that every individual shall list with the Department of Revenue all vessels which they own, possess, or control and which are subject to ad valorem taxation. All personal property in this state subject to taxation is to be listed and assessed every year,

according to its value and ownership on the first day of January of the assessment year. RCW 84.40.020. All property is to be valued at 100% of its true and fair value. RCW 84.40.030.

1] WAC 458-12-300 defines "true and fair value" as the market value. To arrive at the market value of a vessel, the Department prepared a depreciation schedule. The Department reviewed all available blue book sources on the value of vessels, and considered comparable sales and market conditions of the fishing industry in preparing the schedule. The schedule is applied to the total cost of the vessel when the owner has provided that information to the Department. (A copy of the watercraft valuation schedule is attached.)

2] Because the taxpayer had not listed the vessel with the Department in 1983 or 1984, the Department estimated the value of the vessel for property tax purposes as required by RCW 84.40.220. The estimated value was based on the length of the vessel. As the taxpayer has now provided information regarding the cost of the vessel, the assessments for 1983 and 1984 which were based on estimated values of the vessel shall be reduced.

3] The taxable value of commercial fishing vessels includes the cost of accessories. The Department also includes the costs of gillnets in the taxable value as fishing nets are also subject to property tax. The cost of a commercial gillnetter license, however, is not included in the taxable value. Accordingly, the taxable value of the vessel at issue shall be its total cost, \$77,799, minus the cost of the license, \$5,000 and \$200 renewal fee, times the applicable percentage as reflected on the watercraft valuation schedule. (\$72,599.)

4] Because the taxpayer had not listed the vessel with the Department a 25% penalty was added to the taxes owing when the assessments were issued in 1985. RCW 84.40.130(1) provides a penalty for failure to list taxable personal property, unless it is shown that the failure was due to reasonable cause. The penalty is five percent of the amount of the tax for each month the property was not listed up to a maximum of 25%. As the Department had mailed the taxpayer a notice of value and a property listing statement in 1984 which the taxpayer had not returned, we do not find the failure to list the vessel was due to "reasonable cause." See Automat Co., Inc. v. Yakima County, 6 Wn.App. 991 (1972). If the listing had been returned in 1984, no penalty for either the 1983 or the 1984 assessment would have been added. The amount of the penalties shall be reduced, however, as the penalties are based on the tax owing.

DECISION AND DISPOSITION:

The taxpayer's petition is granted in part. This matter is referred back to the Property Tax Division which shall apply the

Watercraft Valuation Schedule as provided herein (to 1978 total cost of \$72,599), to obtain reduced taxable values for the assessments at issue and any further assessments. [The] County will then issue the taxpayer a refund (or credit) for the amount the taxpayer overpaid on the assessments at issue.

DATED this 6th day of February 1987.