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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 419  
(1\_133\_1568-1)  
133<sup>rd</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for H.B. 419's Bill Analysis](#)

**Version:** In House Ways and Means

**Primary Sponsor:** Rep. Swearingen

**Local Impact Statement Procedure Required:** No

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### Highlights

- The bill exempts from state and local use taxes certain watercraft purchased outside the state and seasonally stored, maintained, or repaired in Ohio.
- The exemption will reduce state and permissive county and transit authorities' use taxes by an undetermined amount. During the FY 2020-FY 2021 biennium, state sales and use tax receipts are distributed to the GRF (96.62%), while the Local Government Fund and Public Library Fund would receive 1.68% and 1.7%, respectively.

### Detailed Analysis

The bill exempts from state and local use taxes certain watercraft. The qualifying watercraft has to meet the following conditions: (1) the owner paid sales or use tax on the watercraft to another state or under R.C. section 5739.027, unless the watercraft is used and titled or registered in a jurisdiction that does not impose a sales or use tax or similar excise tax on the ownership or use of the watercraft, (2) the watercraft is in Ohio only for storage and maintenance, (3) the watercraft is not used or stored in Ohio in May through September of the year, and (4) the watercraft is not required to be registered in Ohio, and is registered in another state and used in Ohio for fewer than 60 days.

In general, use tax is imposed on items purchased outside Ohio and used and stored in the state if no Ohio sales tax was paid.<sup>1</sup> No information is available on the potential use tax avoidance by out-of-state boat owners or Ohio marinas or watercraft maintenance and repair

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<sup>1</sup> This use tax requirement applies whether or not the tangible personal property is required to be registered or titled.

shops; LBO has not been able to obtain relevant data to estimate state and permissive county and transit authority sales tax revenue losses that would result from the bill. However, LBO also believes that such revenue decreases may be relatively small, primarily because language in the bill requires that the watercraft owner would have already paid state taxes, where required, on the purchase of an exempted watercraft.

This assessment is based on the assumption that most watercraft potentially liable for Ohio use tax was purchased in a neighboring state, all of which have higher state sales and use tax rates than Ohio's rate of 5.75%, so any additional liability for out-of-state watercraft owners would likely be for use taxes for permissive local taxes.<sup>2</sup> When use tax is due on the purchase of motor vehicles or watercraft out of state, or for storage and use in Ohio, a credit allowance is given for the amount of sales and/or use tax legally required to be paid to another state. When the amount of tax paid to another state is established, it is to be deducted from the total amount of use tax due Ohio. If the credit equals or exceeds the Ohio use tax due, no additional tax payment is required; if not, the taxpayer is required to pay additional tax at the combined state and local sales tax rate on the purchase. However, compliance with use tax law is generally low, particularly for tangible property not required to be titled or registered with government agencies.

During the FY 2020-FY 2021 biennium, state sales tax receipts are distributed to the GRF (96.62%), while the Local Government Fund and Public Library Fund would receive 1.68% and 1.7%, respectively.<sup>3</sup>

## **Sales and use taxation of watercraft**

On January 1, 2000, Ohio sales tax law on personal watercraft changed. All personal watercraft sold on or after January 1, 2000, is required to be titled and sales/use tax required to be paid to the local clerk of courts, unless the purchaser is entitled to claim exception or exemption.<sup>4</sup> Prior to January 1, 2000, only dealer sales of personal watercraft were subject to Ohio sales/use tax, and the tax was required to be collected by the dealer and remitted directly to the Treasurer of State, not to the clerk of courts. Nondealer sales of personal watercraft made prior to January 1, 2000, were not subject to the sales/use tax since they were not required to be titled and they qualified for the "casual sale" sales and use tax exemption. According to the Ohio Administrative Knowledge System, in FY 2018 and FY 2019, state sales and use tax revenues from watercraft sales totaled \$21 million and \$23 million, respectively.

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<sup>2</sup> State sales and use tax rates are 7% for Indiana, and 6% for Pennsylvania, Michigan, West Virginia, and Kentucky; however, Indiana, Michigan, and Kentucky do not have local sales taxes, unlike Ohio, so the combined state and local sales and use tax rate in certain Ohio counties may be higher than the sales tax rates in those states.

<sup>3</sup> Under current law, the GRF share increases to 96.68% of the revenue gain beginning July 1, 2021, and the other two funds will each collect 1.66%.

<sup>4</sup> For example, for purchases for resale or interstate commerce, purchases by political subdivisions and certain nonprofits, and transfers with no consideration (such as gifts).

## **Titling of watercraft and outboard motors**

According to R.C. sections 1548.01 and 1548.03, the following items require an Ohio certificate of title: an outboard motor of ten horsepower or greater, a watercraft 14 feet or greater in length, and a watercraft less than 14 feet in length with a permanently affixed mechanical means of propulsion of ten horsepower or greater (e.g., personal watercraft such as Jet Ski, SeaDoo, etc.). Boats with out-of-state titles must have an Ohio title written before the boat can be registered in Ohio. A number of watercraft are exempt from the titling requirement, including canoes and kayaks, boats from other countries, motors less than ten horsepower, and vessels documented by the United States Coast Guard.

### **Synopsis of Fiscal Effect Changes**

- The substitute bill specifies that the criterion related to taxes paid for a watercraft to qualify for the exemption does not apply if it was used and titled or registered in a jurisdiction that does not impose a sales or use tax or similar excise tax on the ownership or use of the watercraft. This change is presumed to have no fiscal effect.