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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Office

H.B. 314
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 314's Bill Analysis](#)

Version: As Introduced

Primary Sponsors: Reps. Swearingen and Click

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 applies to the price of the watercraft. Sales tax would still be due on the charges for storage, maintenance, or repair of the watercraft.
- The exemption will reduce state and permissive county and transit authorities' use taxes by an undetermined amount. Under codified law, state sales and use tax receipts are distributed to the GRF (96.68%), while the Local Government Fund (LGF, Fund 7069) and Public Library Fund (PLF, Fund 7065) each receive 1.66%.

Detailed Analysis

The bill exempts from state and local use taxes certain watercraft. A 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 during May through September, and (4) the watercraft is not required to be registered in Ohio under section 1547.54 of the Revised Code.¹

¹ The registration requirement applies to all vessels operating on the waters in this state, unless otherwise provided. A watercraft is principally using the waters in this state if the owner so declares, regardless of

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.² No information is available on the potential use tax avoidance by out-of-state boat owners or Ohio marinas or watercraft maintenance and repair 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 were 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.³ 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.

Under codified law, state sales tax receipts are distributed to the GRF (96.68%), Local Government Fund (LGF, 1.66%), and Public Library Fund (PLF, 1.66%). During the FY 2020-FY 2021 biennium, the LGF and PLF receive 1.68% and 1.7%, respectively.

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.⁴ 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

the owner's state of residence, or if the watercraft is registered in another state or documented by the United States Coast Guard and is used within this state for more than 60 days.

² This use tax requirement applies whether or not the tangible personal property is required to be registered or titled.

³ State sales and use tax rates are 7% for Indiana, and 6% for Kentucky, Michigan, Pennsylvania, and West Virginia, however Kentucky, Indiana, and Michigan 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.

⁴ No tax applies, for example, to purchases for resale or interstate commerce, purchases by political subdivisions and certain nonprofits, and transfers with no consideration (such as gifts).

titled and they qualified for the “casual sale” sales and use tax exemption. State sales and use tax revenues from watercraft sales totaled \$24 million in FY 2020, and exceed \$31 million in the first 11 months of FY 2021.⁵

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, Sea-Doo, etc.). A number of watercraft are exempt from the titling requirement, including canoes, boats from other countries, motors less than ten horsepower, and vessels documented by the United States Coast Guard.

Possible indirect effects of the bill

Witness testimony indicates that some out-of-state boat owners, knowing that seasonal storage, maintenance, or repair of watercraft in Ohio may result in use tax charges for the value of the vessel, choose when possible to avoid having such services provided in this state. The bill may result in such owners instead having these services performed in Ohio. The extent of such behavioral changes and their impact on sales tax revenues are unknown.

⁵ Ohio Administrative Knowledge System.