

VIRGINIA:

A meeting of the Lancaster County Board of Supervisors and the Boat Tax Committee was held in the Administrative Building Board/Commission Meeting Room of said county on Monday, September 15, 2014.

Members Present: B. Wally Beauchamp, Chair

Jason D. Bellows, Vice Chair

F. W. Jenkins, Jr., Board Member

William R. Lee, Board Member

Member Absent: Ernest W. Palin, Jr., Board Member

Boat Tax Committee Members:

William H. Pennell, Jr.

Jack Larson

Bruce Sanders

Clay Holcomb

Staff Present: Frank A. Pleva, County Administrator

George “Sonny” Thomas, Commissioner of Revenue

Marlon Savoy, Master Deputy Commissioner of Revenue

Crystal Whay, Building/Land Use Secretary

Mr. Beauchamp called the meeting to order at 6:00 p.m.

Mr. Beauchamp stated that there would be no public input at the meeting and if any member of the public had any information to share with the Boat Tax Committee, they should contact Mr. Pleva.

DISCUSSION

Mr. Sanders asked what were the ground rules of the committee. He asked if it would be a voting committee.

Mr. Pleva replied that it would be a special study committee and the governing body, by statute, appoints it. He stated that the ground rules would be determined by the Board of Supervisors and that some boards may wait until a final meeting to decide whether or not they are going to vote on a recommendation or they may take a vote “piece meal” through the process.

Mr. Beauchamp agreed and stated that it was a fact finding mission and the Board of Supervisors will have the final decision.

Mr. Holcomb asked if it would be an open forum.

Mr. Jenkins replied yes and that they wanted to get a perspective from the boating industry and share information.

Mr. Pleva stated that there were a lot of factors to consider.

Mr. Beauchamp asked Mr. Thomas to discuss the boat taxes.

Mr. Thomas stated that what his office does is guided by the Code of Virginia. He stated that Section 58.1-3503 is where the list of classifications are for personal property. He stated that each class is subject to a different rate, but not to exceed the personal property rate. He stated that boats are classified either over or under 5 tons. He stated that the code primarily deals with boats that are for pleasure only.

Mr. Thomas stated that one of the most difficult things his office deals with is the situs of boats. He stated that 58.1-3511 of the Code of Virginia defines the situs for the purpose of the two different classes of boats. He stated that most of the boats that are registered with DGIF are actually under 5 tons. He stated that most boats that are over 5 tons are based on situs, which is defined in the code as being where it is normally garaged, docked or parked. He stated that he takes it to mean that if a boat stays in Virginia waters for 183 days out of a year, its situs is in Virginia. He stated that then the questions are what locality in Virginia is the boat being kept and if it spends more than half of the 183 days in one locality, then that would be the situs. He stated that if the boat moves a lot and the situs cannot be determined, then the home of the owner is considered.

Mr. Thomas stated that his office gets lists from marina operators, coast guards, DGIF and they get personal property returns and he does field work to get information to track the boats. He stated that the County received approximately \$386,000 in taxes from boats last year and it has not increased much over the last several years. He stated that translated into just under 2 cents if that tax was shifted to the real estate tax. He stated that he had talked to other Commissioners in the Tidewater area and they said that their boat taxes had been shifted to the homeowners. He stated that he had not found any locality that could say they had gained or lost money or gained jobs because of the decrease or elimination of boat taxes.

Mr. Sanders stated that it did not seem to be that many boats on the tax rolls. He stated that, in general terms, the larger boats, over 30 feet in length brought in approximately \$85,000 and the rest, the smaller boats, made up the rest of the revenue.

Mr. Holcomb stated that his boat was not listed and if he wasn't a marina owner, he didn't know how his boat would be found to be taxed.

Mr. Thomas stated that his office could go through the personal property forms to find it or site visits.

Mr. Pennell stated that boats can be either registered or documented, so that would mean another list.

Mr. Sanders stated, in his experience, most large boats are documented.

Mr. Jenkins stated that the question is what can be done to keep the boats here full-time. He stated that if a family has a second home in a warmer climate, they are more likely to go, regardless of the tax.

Mr. Beauchamp stated that the people he has spoken to have said they will head south for the winter, no matter what the tax situation was.

Mr. Thomas stated that with the old January 1 rule, people would take their boats out of the County for a few days to avoid taxes. He stated that the situs rule, however, changed the way boat owners move their boats around.

Mr. Holcomb stated that not only does he want to stop boaters from leaving, he also wants to attract new boaters. He stated that he and his dockmaster constantly hear about boaters not wanting to pay the County boat taxes.

Mr. Sanders stated that he hears the same thing.

Mr. Larson asked about the impacts of smaller boat owners and whether or not the discussion should just be about larger vessels.

Mr. Holcomb stated that he did not think that was fair.

Mr. Jenkins stated that would not be a good idea.

Mr. Larson stated that when \$400,000 in revenue is given up, the burden has to go on somebody and that is going to be the lower income property owner. He stated that there was unfairness there as well.

Mr. Holcomb stated that most of the counties in the United States are land locked and asked how those counties survive without a boat tax. He asked what the boaters get for their taxes that are paid here.

Mr. Pennell stated that many states do not have personal property taxes and secondly, if the county is landlocked, then there is no water dependent economy. He stated that he would be interested to see the return on the investment, if boat taxes were reduced. He stated that if \$400,000 was taken out of the County's revenue, the only place to make it up would be real estate taxes.

Mr. Sanders stated that he thought, in five years, his business would double if there were no boat tax.

Mr. Lee asked about data to back up the changes in other localities.

Mr. Thomas stated that he had been talking to local marina operators for years and had asked them to bring some facts and figures about how reducing the boat tax would benefit the County, so the Board of Supervisors would be more receptive.

Mr. Sanders stated that it needed to be decided whether or not a marina industry was wanted in the County. He stated that the Board needed to drive to the marinas in the County and locally and compare the number of boats outside the area. He stated that all of the places that have no boat taxes, have much better boating economies.

Mr. Larson stated that he appreciated what Mr. Sanders was saying, but after looking at Mr. Thomas' table that shows specific boats and what the taxes are in surrounding counties, Lancaster's taxes are not that much different.

Mr. Thomas stated that localities use different ways to assess their taxes for boats.

Mr. Sanders stated that he is looking for customers because his business has not recovered from the recession and he is trying to figure out how to get more customers to Lancaster County. He stated that eliminating the boat tax would make a more vibrant marine industry in the County, even though it would take a few years to do so.

Mr. Beauchamp stated that the Hampton Roads localities, that have reduced or eliminated their boat tax, have huge annual budgets, far greater than Lancaster County. He stated that it was interesting to him that not a single study has been done about the economic impact of no boat tax.

Mr. Bellows asked why a place such as Portsmouth would lower their taxes and then not track it.

Mr. Bellows stated that if the County voted for zero boat taxes, who is to say that the surrounding counties would not do so as well.

Mr. Sanders stated that he was interested in job creation. He stated that there are no jobs for slip rentals but there are for boat repairs, rigging boats and boatyard work. He

stated that if everybody had zero boat tax and were on a level playing field, he thought that Lancaster County would do well because of its harbors.

Mr. Bellows stated that if the boat tax is reduced or eliminated, benchmarks should be in place to help keep track of what effect it is having on the boating economy.

Mr. Pennell stated that the return on investment needs to be looked at because \$400,000 in tax dollars would be lost and then real estate taxes will simply have to be increased.

Mr. Bellows stated that is where the benchmarks would come in so the County could keep track of whether it is a success or not.

There was much discussion about the table Mr. Thomas had created showing the boat taxes on specific boats in nearby localities as compared to Lancaster County.

Mr. Holcomb stated that he had lost business because of the County's boat tax and gave examples of the situation.

Mr. Thomas asked how Mr. Holcomb's slip rental fees compare to the fees in the Hampton Roads area.

Mr. Holcomb replied they are about the same.

Mr. Pennell stated that he is on the water a lot and there are fewer boats now than there were ten years ago. He stated that he suspected that gas prices and the economy has something to do with it, as well as the marina's reputation.

Mr. Holcomb agreed that there were fewer boats on the water and he stated that his business needed to adapt to the changes of the times, as would any business owner.

Mr. Pennell stated that business owners in Lancaster County do not have a business license tax to pay, which is a savings, compared to other localities.

Mr. Larson stated that it had been brought to his attention that the boating industry is moving more to individual watercraft than before, so that is a growth area.

Mr. Jenkins stated that the one place that Lancaster County has to make up for lost revenue is the real estate tax, unlike other localities, such as Hampton, which has meals taxes, cigarette taxes, etc. He stated that if the County did come up with another tax, the three incorporated towns could enact the same tax ordinance and they supersede the County in the collection of the taxes.

Mr. Lee stated that the one thing that cannot be forgotten is that if \$400,000 is taken out, it must be put back.

Mr. Jenkins stated that they needed to figure out the marketing edge, so they can know what the payback will be.

Mr. Jenkins asked if the commercial boats were taxed as machinery.

Mr. Thomas replied no.

Mr. Bellows suggested bringing the boat tax down to a competitive rate, not necessarily zero, to see how that works and if it does, they could keep stepping down.

Mr. Sanders stated that, in his opinion, if the boat tax is not taken down to zero then it should just stay where it is. He stated that if it is taken to zero, the County would get something back, but if not, he thought it would just be lost revenue.

Mr. Larson stated that it was not fair to put the tax burden on the citizen who lives off of the water and does not own a boat.

Mr. Holcomb stated that the cuts could come from other areas, such as reducing County costs and leave the real estate tax alone.

Mr. Beauchamp stated that he would like to see some data on what happens to the economy when the boat tax is zero.

Mr. Sanders stated that he thought that information was out there from Hampton. He stated that he knew Lancaster County was not Hampton, but it can be an example of how people react to taxes.

Mr. Bellows stated that what Mr. Sanders and Mr. Holcomb are saying is that they believe the boat tax should be zero. He stated that if that was the way the County went, they would have to be getting data and setting benchmarks to see if that is bringing more boats into the County.

Mr. Pennell stated that getting more boats into the County will not recover the money lost.

Mr. Thomas stated that it did not eliminate the cost of what his office does because the code requires that whether or not there is a zero boat tax, the boats still have to be tracked and taxed at a nominal percentage.

Mr. Sanders stated that the County would need to rely on marina owners to help track the progress of how the zero boat tax has affected them.

Mr. Sanders stated that he and other marina owners would like to know if they should do anything more before the next meeting.

Mr. Jenkins stated that he would like to see more recent data and he would also like to know the local marina owners' biggest competitors and where their business is going if it leaves the County.

Mr. Sanders stated that he appreciated the Board of Supervisors meeting with him and Mr. Holcomb to try to figure something out concerning the boat tax. He stated that he appreciated Mr. Thomas' efforts as well.

The consensus was to gather more information and call the next meeting as needed.

ADJOURNMENT

Mr. Lee made a motion to adjourn.

VOTE:	B. Wally Beauchamp	Aye
	Jason D. Bellows	Aye
	F. W. Jenkins, Jr.	Aye
	William R. Lee	Aye