



STATE OF TENNESSEE
DEPARTMENT OF REVENUE
ANDREW JACKSON STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37242

PHIL BREDESEN
Governor

LOREN L. CHUMLEY
Commissioner

MEMORANDUM

TO: All County Clerks
FROM: Department of Revenue
DATE: May 2005
SUBJECT: New Transfers of Boats

You play an integral role in working with the Tennessee Department of Revenue to ensure all taxes due the state are collected. This notice is being issued to clarify an issue that many of you deal with on a frequent basis – the taxability of boats when a boat is transferred to Tennessee and has been previously registered in another state.

Each time a boat, motor vehicle, all-terrain vehicle, or airplane is sold to a Tennessee resident, it is a taxable transaction. In addition, tax is due when these items are brought into Tennessee after being used in another state, unless specifically exempt.

When an individual moves here from another state, Tenn. Code Ann. Section 67-6-210(b) provides an exemption with respect to "... the personal automobile, the personal manufactured home as defined in §68-126-202(4), the personal effects, or the household furnishings to be used in the residence of a person who, having been a bona fide resident of another state, has moved to and become a resident of Tennessee..." **This exemption does not apply to boats or airplanes. Therefore, tax is due based on the fair market value of the item at the time it enters the state.** To determine the fair market value, you may research the N.A.D.A. Marine Appraisal Guide or visit the Web site at www.nada.com.

Currently, the Department of Revenue is examining all applications of "Report of Casual and Isolated Sale of a Vessel or Boat." A tax assessment is issued on new boat transfers unless evidence is provided that the taxpayer has paid sufficient tax to cover the fair market value of the boat. Credit for tax paid in another state is given if the individual supplies proof of the tax payment. Tax is due on the total purchase price for the boat, motor and trailer.

Example 1

A new boat was purchased in another state from a dealer in March 2000 for \$25,000. Tax was paid at a 5% rate equaling \$1,250. The boat comes to Tennessee in March 2005 and has a fair market value of \$12,000. Tennessee tax due would include the state tax of \$840 (\$12,000 x 7%) plus the applicable local and state single article tax; therefore, the taxpayer would not owe any additional tax.

Example 2

The facts in this example are the same as in Example 1, except the fair market value of the boat was \$20,000 at the time the boat came into Tennessee. Tennessee tax due would include the state tax of \$1,400 (\$20,000 x 7%) plus the applicable local and state single article tax. After giving credit for the \$1,250 tax paid to another state, the taxpayer would owe an additional \$150 state tax, plus local and state single article tax.

Tennessee Code Ann. Section 67-4-406 states in part that “it is unlawful for any official of this state or any political subdivision thereof to accept ... a certificate of registration for a vessel as provided for in title 69, chapter 10, unless the applicant presents **evidence** that a sales or use tax, as provided for in this chapter, has been paid on the sales price of the vehicle or vessel by such applicant...” Please be aware that a boat registration is not acceptable proof that tax has been paid.

If you have any questions, you may call any of our regional office customer service centers:

Chattanooga	(423) 634-6266
Jackson	(731) 423-5747
Johnson City	(423) 854-5321
Knoxville	(865) 594-6100
Memphis	(901) 213-1400
Nashville	(615) 253-0600
Nashville/Murfreesboro Road	(615) 360-0380

Tennessee residents may also call our statewide toll-free number at (800) 342-1003. Out-of-state callers may dial (615) 253-0600.

For questions on taxability of boats, you may also call the Audit Division – Discovery Unit at (615) 532-6409.

We appreciate your time and attention to ensuring that the appropriate amount of tax is assessed and collected from all of your customers.