



Industry growth through Collaboration, Communication and Education

April 10, 2017

Chairman Michael Brady
Joint Committee on Revenue
State House Room 109E
Boston, MA 02133

Chairman Jay Kaufman
Joint Committee on Revenue
State House Room 34
Boston, MA 02133

Re: HB 2592 An Act relative to the fairness of marine vessel reporting and fishermen exemptions

Dear Chairmen Brady and Kaufman and Joint Committee Members:

Thank you for the opportunity to comment on HB 2592, An Act relative to the fairness of marine vessel reporting and fishermen exemptions (Chairman Ferrante, sponsor).

Established in 1964, the Massachusetts Marine Trades Association (“MMTA”) is the statewide, non-profit, representative body for over 1,200 marine trades businesses in the Commonwealth. Our businesses employ over 27,000 men and women and generate over \$2.0 billion in direct and indirect annual economic activity for Massachusetts inland and on the coast. MMTA’s priorities include improving workforce training for the marine trades, enhancing public access to the waterways, stemming the loss of revenues to neighboring states with more favorable boating tax policies, relieving the dredging and permitting timelines and expenses, as well as providing greater boating opportunities for the public.

MMTA **opposes** the text of HB 2592, as originally filed, but would **support** a redraft of HB 2592 which shared the language of the SB 1634 redraft (Senator Tarr, sponsor), as attached hereto (with one questionable sentence in Section 5A). In case Chairman Ferrante does submit a redraft of HB 2592, with the language of SB 1634’s redraft as filed on April 6, 2017, MMTA shares the following comments.

MMTA recognizes that some assessors’ have advocated for seeking a simple method of learning what vessels are truly in their city or town long enough that they are here habitually and should pay boat excise tax. However, the bill as originally filed, will have serious, negative implications on the Commonwealth’s economy and the business of boating industry by

discouraging out of state boaters from utilizing the Commonwealth's waterways, thereby losing a major revenue source for the Commonwealth.

The originally filed text is problematic because it discourages out of state boaters from choosing Massachusetts as a destination spot for their summer time boating excursions. The tax would apply regardless of whether the vessel was in Massachusetts for pleasure boating, servicing, or both, risking even winter refurbishing and repair jobs. Entire local economies and boatyards statewide rely on these temporary visitors to employ staff, sustain tourist economies, and occupy rental housing for themselves or relatives and keep boatyards busy. A highly reputable study done by Dr. Edward Mahoney from the Michigan State University, about Massachusetts in particular, concluded that for every one dollar spent on a slip or mooring, vessel owners spent four dollars in local businesses. The potential loss of these visiting vessels will have major implications on revenue in the Commonwealth, which was not considered due to the limited focus on trying to tax these vessels when the owners can choose to go to neighboring states and not have to pay such tax.

In addition, the bill as originally drafted imposes a new Massachusetts registration and registration fee and vessel decal requirement on federally documented vessels, which further discourages all such vessels from coming here or staying here, as outlined above. A new fee and a new requirement is exactly what our "unfriendly to boating" tax structure does not need. MMTA has concerns regarding the concurrent federal and state registration provisions this bill proposes. Requiring federally documented vessels to also seek registration certificates from the state will only add complexity and confusion for those federally documented vessels and we can anticipate additional costs and time to be incurred by the already over-worked staff of the Division of Law Enforcement to meet this new demand.

MMTA generally very much supports the redraft of SB 1634 as attached hereto. It addresses all the concerns noted above. MMTA does request further consultation on the last sentence of proposed, redrafted Section 5A which states, "*Non-payment of boat excise tax billed and unpaid and not appealed regarding a federally documented vessel may result in notice to the Massachusetts Environmental Police that said vessel is not registered in accordance with the law.*" It is unclear to MMTA whether the change regarding the possibility of reporting federally documented vessels as not properly registered is appropriate, where federally documented vessels are not meant to be "registered". MMTA would be happy to assist and discuss this sentence and any other provision of the redrafted SB 1634 to help assessors with the ease of administration without worsening the already negative impression of Massachusetts as an unfriendly tax environment towards boating.

MMTA would support a redraft of HB 2592 with the language of SB 1634's redraft (with modification to the last sentence of proposed Section 5A) because it will promote recreational boating in the Commonwealth, which is beneficial, not only to the business of boating industry, but also to the economy of the Commonwealth. The redraft of proposed Section 4 of SB 1634, exempting from boat excise tax collection, vessels which are "in the Commonwealth for less than *six* consecutive months, two of which shall include July and August" is beneficial for the Commonwealth and the business of boating. Excise taxes due if in Massachusetts for six consecutive months, including July and August, will avoid discouraging out of state vessels from coming to Massachusetts and spending \$4 in the local businesses for every \$1 they spend at a slip or mooring. It will also encourage out of state boaters to use Massachusetts boatyards for

repair work. Ideally, the out of state boater would come to Massachusetts during the winter to have their vessel worked on, and perhaps we can entice them to keep the boat here for the summer months.

The redraft of the proposed Sections 5A and 6 would require the Director to obtain annually, from the National Vessel Documentation Center, a list of federally documented vessels with a hailing port of Massachusetts and owned by a Massachusetts resident or entity and to send this list to all assessors, along with a list of Massachusetts registered vessels (those not federally documented).

The proposed Section 6 will use the same vessel valuation methodology, as currently imposed by M.G.L c. 60B, section 2(c), which values boats objectively, looking at length and age of vessel, instead of the subjective “as determined by the Director” in the original bill. Utilizing the current valuation system will avoid thousands of appeals causing more expense than revenue for the localities.

Thank you for the opportunity to comment on HB 2592. We are grateful to the Committee for its service and readiness to reexamine the revenue implications for the Commonwealth from missteps in what are not merely administrative matters. MMTA’s Government Relations and Legal Counsel, Jamy Buchanan Madeja is always available to discuss this and any other matter related to the business of boating. Please feel free to contact her at 617-227-8410 or jmadeja@buchananassociates.com.

Sincerely,

Paul Nowak

Paul Nowak, President
Massachusetts Marine Trades Association

Enclosures