HOUSE BILL REPORT
SSJM 8007

As Reported by House Committee On:
Technology & Economic Development

Brief Description: Requesting that congress pass legislation reforming the harbor maintenance tax.

Sponsors: Senate Committee on Trade & Economic Development (originally sponsored by Senators Shin, Conway, Harper, Nelson, Kline, Becker, Hobbs, King, Eide, McAuliffe, Bailey, Hasegawa, Honeyford, Chase and Kohl-Welles).

Brief History:
Committee Activity:
Technology & Economic Development: 3/19/13, 4/2/13 [DP].

Brief Summary of Substitute Bill

- Requests that the Congress pass and the President sign legislation reforming the Harbor Maintenance Tax.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 16 members: Representatives Morris, Chair; Habib, Vice Chair; Smith, Ranking Minority Member; Crouse, Assistant Ranking Minority Member; Dahlquist, Hudgins, Kochmar, Magendanz, Maxwell, Morrell, Stonier, Tarleton, Vick, Walsh, Wylie and Zeiger.

Staff: Jennifer Thornton (786-7147).

Background:

The Harbor Maintenance Tax (HMT) is a .125 percent ad valorem federal tax paid by passenger vessel operators and shippers of imported and domestic cargo. The HMT was created in 1996, and was designed to provide 100 percent of the cost of operations and maintenance of the nation's deep draft and coastal waterways. Revenues from the HMT are deposited into the HMT Fund, which provides funding to the United States Army Corps of Engineers (Corps) to dredge federally maintained harbors to their authorized depths and widths.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

In a 2008 report to Congressional requestors, the United States Government Accountability Office reported that HMT collections far exceeded funds appropriated for harbor maintenance, resulting in a large and growing surplus in the HMT Fund. In 2011 the surplus was $6.4 billion.

Despite the surplus, the Corps report that the busiest United States harbors are not being fully maintained. Full channel dimensions are, on average, available less than about a third of the time at the 59 busiest United States harbors. In a 2010 examination of trust fund expenditures, the Congressional Research Service (CRS) found that little or no shipping is taking place at many of the harbors and waterways that shippers are paying to maintain. Given the amount of HMT collections not spent on harbors and the amount spent on harbors with little or no cargo, the CRS estimated that less than half and perhaps as little as a third of every HMT dollar collected is being spent to maintain harbors that shippers frequently use. The CRS examination cited the ports of Tacoma and Seattle as examples of ports where customers generate a substantial amount of HMT revenue that is mostly spent on the maintenance of other harbors, with the two ports receiving just over a penny for every dollar that import shippers using their port pay in HMT.

In 2012 the Federal Maritime Commission issued a S*tudy of U.S. Inland Containerized Cargo Moving Through Canadian and Mexican Seaports* (Study) in response to congressional requests to study the impacts and the extent to which the HMT and other United States policiesmay incentivize United States-bound container cargo to shift from United States seaports to those located in Canada and Mexico. Among other things, the Study found that numerous factors account for why shippers elect to use ports in Canada and Mexico including overall shipment savings, risk mitigation through port diversification, perceived transit time benefits, avoidance of the HMT, and rail rate disparities. The Study found that on average, each container requires a $109 per 40-Foot Equivalent Unit (FEU) fee to use a United States port, which places those ports at a competitive disadvantage before the container has even been offloaded.

Summary of Bill:

The Washington State Legislature recognizes that the federal Harbor Maintenance Tax (HMT) is not collected on trans-pacific cargo shipped to the United States via rail or roads, which provides an incentive to divert cargo away from United States ports. The Legislature also recognizes that up to half of United States bound containers coming into Canada's west coast ports could revert to using United States west coast ports if United States importers were relieved from paying the tax.

The Legislature further recognizes that revenues raised through the HMT do not need to be fully spent on harbor maintenance related investments, and that the location of HMT expenditures does not correlate with the states where harbor maintenance revenues are generated, and that the balance of the HMT Fund has grown to over $7 billion.

The Legislature requests that Congress pass and the President sign legislation reforming the HMT, so that federal tax policy does not disadvantage United States ports and maritime cargo.

Copies of the memorial must be sent to the President, each member of Congress from the State of Washington, the President of the United States Senate, and the Speaker of the United States House of Representatives.

Appropriation: None.

Fiscal Note: Not requested.

Staff Summary of Public Testimony:

(In support) Washington is the most trade dependent state. This memorial suggests to the President and Congress to be fair. The Harbor Maintenance Tax is a tax on cargo imported into the United States by water. It is based on the value of the cargo and used to pay for the dredging of harbors. The independent Federal Maritime Commission found that the HMT averages $109 per 40 foot container. Importers can use Canadian ports and avoid paying the tax, which puts Puget Sound ports at a disadvantage. Canada's market share has increased over 50 percent in the last five years. This is about preserving the fund and also leveling the playing field to allow Washington ports to compete on trade from Asia. The tax itself is important to a number of ports, particularly the ports of Columbia River and Grays Harbor. It is an important federal policy, but has a tendency to be applied inconsistently. The solution is in Washington DC. The fund is robust, but Congress should look at more imaginative uses, so donor ports can get additional benefits beyond the very strict interpretation of dredging.

(Opposed) None.

Persons Testifying: Senator Shin, prime sponsor; Eric Johnson, Washington Public Ports Association; Lisa Thatcher, Port of Tacoma; and Clare Gallagher, Port of Seattle.

Persons Signed In To Testify But Not Testifying: None.