

HOUSE BILL REPORT

EHJM 4012

As Passed House:
February 14, 2018

Brief Description: Requesting Congress to reform the harbor maintenance tax.

Sponsors: Representatives Dent, Dye, Morris, Buys, Shea, Pettigrew, Lovick, Ryu, Smith, Tarleton, Young and Walsh.

Brief History:

Committee Activity:

Technology & Economic Development: 1/17/18, 1/25/18 [DP].

Floor Activity:

Passed House: 2/14/18, 98-0.

Brief Summary of Engrossed Bill

- Requests Congress to reform the Harbor Maintenance Tax (HMT) to: (1) ensure that federal tax policy does not disadvantage United States ports and maritime cargo; and (2) provide greater equity to HMT donor ports through expanded uses of the HMT revenues.

HOUSE COMMITTEE ON TECHNOLOGY & ECONOMIC DEVELOPMENT

Majority Report: Do pass. Signed by 17 members: Representatives Morris, Chair; Kloba, Vice Chair; Tarleton, Vice Chair; Smith, Ranking Minority Member; DeBolt, Assistant Ranking Minority Member; Doglio, Fey, Harmsworth, Hudgins, Manweller, McDonald, Nealey, Santos, Slatter, Steele, Wylie and Young.

Staff: Lily Smith (786-7175).

Background:

The Harbor Maintenance Tax (HMT) was created by Congress to support the cost of harbor maintenance activities at maritime ports. The HMT is imposed at a rate of 0.125 percent of the value of cargo shipped or cruise tickets sold. Revenues from the HMT are deposited into the Harbor Maintenance Trust Fund, which provides funding to the United States (U.S.) Army Corps of Engineers for harbor maintenance activities such as dredging.

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.

United States bound goods shipped through a Canadian or Mexican port that arrive in the U.S. via truck or rail are not subject to the HMT. A 2012 report by the Federal Maritime Commission (FMC) studied the movement of containerized cargo through Canadian and Mexican seaports to investigate the possible diversion of cargo away from U.S. west coast ports due to the HMT. The report estimated that up to 26.7 percent of container volume for the U.S. west coast ports of Oakland, Seattle, Tacoma, and Portland was at risk of being diverted to Canadian ports. The FMC report further found that up to half of the U.S. bound containers coming into Canada's west coast ports could revert to using U.S. west coast ports if U.S. importers were relieved from paying the HMT.

Summary of Engrossed Bill:

The Joint Memorial contains a series of findings, including:

- the ability to avoid paying the HMT by shipping cargo to the U.S. via rails or roads from Canadian ports provides an incentive to divert cargo away from U.S. ports;
- up to half of U.S. bound containers traveling to Canada's west coast ports could revert to using U.S. west coast ports if U.S. importers were relieved from paying the HMT;
- HMT revenue supports dredging at east coast and Gulf ports;
- deep water ports on the west coast require little or no dredging;
- current law does not require revenues to be spent on harbor maintenance and there is a collections surplus;
- the Columbia River channel is critical to global trade and the Port of Vancouver is the nation's largest wheat export gateway;
- U.S. west coast ports face increasing competition for maritime goods bound for the U.S.; and
- Washington ports are ready to compete on a level playing field to efficiently move goods to market.

The Legislature requests that Congress pass and the President sign legislation reforming the HMT. The reforms should ensure U.S. tax policy does not disadvantage U.S. ports and maritime cargo, ensure full use of funds for intended purposes, and provide greater equity for HMT donor ports through expanded use of HMT revenues, to meet all Northwest port needs.

Appropriation: None.

Fiscal Note: Not requested.

Staff Summary of Public Testimony:

(In support) Congress routinely diverts up to half of the HMT revenues to support our competitor ports. Port customers do not appreciate this diversion of revenues. The HMT supports moving cargo by land from non-U.S. ports, which will result in a projected loss of several hundred million dollars. Northwest ports are particularly vulnerable because they are also border ports. The northwest ports operate cost-efficiently. Trade and port competitiveness is important to the state economy, and the HMT harms our competitiveness.

(Opposed) None.

Persons Testifying: Ryan Calkins, The Northwest Seaport Alliance; Mark Johnson, Washington Retail Association; and Gordon Baxter, International Longshore and Warehouse Union, Puget Sound Maritime Trade Council, Inlandboatmen's Union, and International Organization of Masters, Mates and Pilots.

Persons Signed In To Testify But Not Testifying: None.