

HOUSE BILL REPORT

ESJM 8008

As Reported by House Committee On:
Technology & Economic Development

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

Sponsors: Senator Chase.

Brief History:

Committee Activity:

Technology & Economic Development: 2/22/18 [DP].

Brief Summary of Engrossed Bill

- Requests Congress to reform the Harbor Maintenance Tax (HMT) to: (1) ensure that United States (U.S.) tax policy does not disadvantage U.S. ports and maritime cargo; (2) strive to have all navigation channels fully maintained; and (3) 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 12 members: Representatives Kloba, Vice Chair; Tarleton, Vice Chair; Doglio, Fey, Harmsworth, Hudgins, Manweller, 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.

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

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.

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 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;
- Harbor Maintenance Tax revenue supports dredging at east coast, Gulf, and Columbia River ports;
- deep water ports on the west coast require little or no dredging;
- United States 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, strive to have all navigation channels be fully maintained, and provide greater equity for HMT donor ports through expanded use of HMT revenues.

Appropriation: None.

Fiscal Note: Not requested.

Staff Summary of Public Testimony:

(In support) Canada has a competitive advantage for passing cargo from its ports through the U.S., while the HMT makes our ports noncompetitive. While this is a federal issue over which the state does not have control, it is an important issue and the federal government should be reminded that we are still waiting for justice and fairness. Hundreds of millions of dollars of retail products are imported through the ports of Tacoma and Seattle. A nationwide agreement has been negotiated between all of the U.S. ports for reform of the tax.

(Opposed) None.

Persons Testifying: Senator Chase, prime sponsor; Mark Johnson, Washington Retail Association; Sean Eagan, The Northwest Seaport Alliance; 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.