SENATE BILL REPORT
ESJM 8008

As Passed Senate, February 7, 2018

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

Sponsors: Senator Chase.

Brief History:

Committee Activity: Agriculture, Water, Trade & Economic Development: 2/14/17, 2/14/17 [DP, DNP].

Floor Activity:

Passed Senate: 2/07/18, 47-1.

Brief Summary of Engrossed Joint Memorial

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

SENATE COMMITTEE ON AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Warnick, Chair; Hawkins, Vice Chair; Chase, Ranking Minority Member; Wellman, Assistant Ranking Minority Member; Brown, Honeyford, McCoy, Pearson, Short and Takko.

Minority Report: Do not pass.

Signed by Senator Van De Wege.

Staff: Greg Vogel (786-7413)

Background: The HMT was created by Congress in the Water Resource Act of 1986 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

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primarily to the U.S. Army Corps of Engineers for dredging channels, maintaining jetties, operating locks, and other harbor maintenance activities.

U.S. 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 U.S. west coast ports 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 Joint Memorial: The Joint Memorial contains a series of findings, including:

- the HMT is not collected on trans-pacific cargo shipped to the U.S. via rails or roads, which provides an incentive to divert cargo away from U.S. ports;
- the ability to move cargo through Canada and avoid paying the HMT is 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;
- current law does not require the revenues raised through the HMT to be fully spent on harbor maintenance related investments, collections have far exceeded fund appropriation, and surplus collection will grow to over $9 billion this year;
- the Northwest Seaport Alliance has received just over a penny on every dollar of HMT paid by shippers who use their ports;
- the Columbia River channel is critical to maintaining global trade and the port of Vancouver serves as the largest wheat export gateway in the nation;
- Washington ports face increasing competition for maritime goods with the recent widening of the Panama Canal and potential addition of a canal in Nicaragua; and
- Washington ports are ready to compete on a level playing field.

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 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.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Staff Summary of Public Testimony: *Testimony from 2017 Regular Session.* PRO: This recommendation to Congress is trying to level the playing field for west coast ports. If cargo is diverted to Canada or Mexico, the cargo from those freights can come into the U.S. by truck or rail without paying the tax. The Federal Maritime Commission has reported that the tax cost is a factor in cargo diversion. The tax is responsible for half of U.S. bound cargo that passes through Canadian ports, and the U.S. is projected to lose several hundred million dollars in revenue from cargo diversion.

Persons Testifying: PRO: Senator Maralyn Chase, Prime Sponsor; Dan McKisson, International Longshore and Warehouse Union; Connie Bacon, Port of Tacoma Commissioner.

Persons Signed In To Testify But Not Testifying: No one.