

FINAL BILL REPORT

SSJM 8007

Synopsis as Enacted

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).

Senate Committee on Trade & Economic Development **House Committee on Technology & Economic Development**

Background: The Harbor Maintenance Tax (HMT) was enacted by Congress in 1986 to recover the cost of maintaining the nation's deep-draft navigation channels. The HMT is imposed on importers of ocean-going cargo based on the value of the goods being shipped through ports. The HMT does not apply to exports as exports are constitutionally protected due to their importance to the health of the nation.

According to the 2012 report by the Washington Council on International Trade and the Trade Development Alliance of Greater Seattle entitled "An International Competitiveness Strategy for Washington State," the HMT impacts Washington State's international competitiveness because (1) the tax is not charged when cargo goes to non-U.S. ports and then is shipped to the U.S. via rail or roads, this incentivizes the diversion of cargo away from U.S. ports; (2) current U.S. law does not require Harbor Maintenance Trust Fund (HMTF) revenues to be fully spent on harbor maintenance related investments and the balance of the HMTF has grown to over \$7 billion; and (3) the geography of HMT expenditures does not correlate with the states where HMT revenues are generated.

A recent report by the Federal Maritime Commission (FMC) found that Pacific Northwest ports are especially vulnerable to the impacts from the HMT because as much as 26.7 percent of west coast container volume is 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: The Washington State Legislature recognizes that cargo diversion, due to the current structure of the Harbor Maintenance Tax (HMT), is a growing risk to Washington ports.

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.

A request is made to the President and Congress to (1) pass legislation reforming HMT; and (2) provide for full use of all HMT revenues, ensure United States tax policy does not disadvantage United States ports and maritime cargo, and provide greater equity for HMT donor ports through limited expanded use of the harbor maintenance revenues.

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

Votes on Final Passage:

Senate	49	0
House	90	7