

**Testimony on Senate Bill 1341, House Bills 2518, 2766**  
**Repealing Sales Tax on MA-built Boats**  
**June 20, 2013**

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150 years ago, Boston was a major shipbuilding center creating the fastest, most beautiful & functional boats of their day - like Donald McKay's famous clipper ship FLYING CLOUD. With our licensed builder, Boston BoatWorks we're restoring that heritage. BBW is the first yard in 90 years to be building boats again on the Harbor. Yes, they are also fast, beautiful and more fuel-efficient... getting twice the nautical miles per gallon of competing brands.

From a start-up in 2003, we've now built **156 high-tech boats** of epoxy and Kevlar with retail **value over \$90 million, creating \$24 million in MA direct/ indirect/service wages**. This could have been more. But, we are not as competitive as we could be selling to boaters in our own state of MA, as we must compete with tax-free havens in NH and RI. On average, MJM has generated about \$60,000/year in MA Sales tax revenues at 6.25%. 16 of 41 boats sold over 10 years in New England are registered in MA.

It's partially my fault. As Chairman of the RI Sailing Industry Association in the early 80's, we initiated the repeal of a sales tax on all boats in RI to recoup economic activity after Newport lost the America's Cup. Early on there was a lot of resistance from up-state lawmakers who saw this as a tax break for rich yachtsmen in Newport. Eventually, they too understood it was a way to leverage assets of the wealthy to create RI JOBS.

It's a subtle *Robin Hood* strategy of "robbing the rich to feed the poor". **The well-to-do are given an incentive to pull dormant money out of stocks, bonds and bank accounts and put those dollars to work building boats having high labor content**. What's more, much of that money is transferred into MA from out of state accounts.

Boats aren't real estate. Higher taxes don't generate more revenue. The asset gets moved elsewhere. Our target customer very often has two residences, Florida in winter and MA in summer. They have a choice where to buy and register their boats. People love avoiding taxes. Then, there's a snowball effect. People who buy a MA tax-free boat are more likely to store and refit them in MA so they aren't assessed Use Tax in other states. The average spent in this aftermarket is 10% of boat value per year.

This is a smart, low risk move compared to RI's repeal of sales tax on ALL boats (no matter where built), because **(1) MA only loses sales tax revenue on boats built in MA which are offset by taxes generated through increased jobs and business activity. (2) MA encourages the purchase of MA built boats, rather than boats built out of state or in the Far East...that in turn attracts marine businesses to MA**. This is an important distinction. I urge your approval of this creative plan to motivate the wealthy to provide *stimulus funds* for creating MA jobs and a to promote a better climate that will restore the State's historic marine boatbuilding business.

If MJM builds just 4 additional boats (we wouldn't have sold otherwise) with a retail value of \$3.56 million: 24 additional \$40,000 jobs are created in direct, indirect and service work, or an additional \$947,000 in wages (\$676K + \$203K + \$68K) in exchange for the \$89,000 in sales tax revenue lost on the 1.6 average boats we'd otherwise sell.

This also creates a more level playing field with lawmakers in NH and RI who have pirated work from MA, New England's largest maritime populace, with their tax-free havens for boats.

Creative tax strategies to attract such mobile assets as boats can have a huge positive impact on State tax revenues. In July 2010, Florida put a \$300,000 cap on boat sales for their 6% sales tax (e.g. Max tax of \$18,000). In the first year, they generated \$13,460,000\* in increased tax revenues. That's at least 747 more boats paying tax than the previous year.

\*Thomas J. Murray & Associates study.

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