

September 25, 2015

Senator Michael J. Rodrigues  
Joint Committee on Revenue  
Room 213B  
State House  
Boston, MA 02133

Representative Jay R. Kaufman  
Joint Committee on Revenue  
Room 34  
State House  
Boston, MA 02133



RE: **Senate Bill 343**- An Act relative to the modernization of boat registration and marine vessels.

Dear Chairmen Rodrigues and Kaufman and Committee Members:

Thank you for the opportunity to comment on Senate Bill 343. On behalf of the Massachusetts Marine Trades Association (MMTA) I am writing to express the Association's **opposition** to this bill. We would be happy to work with interested stakeholders on ways to improve existing tax collections without the changes this bill proposes, which would result in a *loss* of both revenues to the Commonwealth and jobs in Massachusetts' struggling marine trades industries. The changes contemplated in this bill will have a negative impact on those marine trades jobs remaining in Massachusetts. The jobs providing services to recreational and other boaters are just too important to lose to neighboring states and our skilled and talented Massachusetts workers want and need these jobs.

Established in 1964, the Massachusetts Marine Trades Association (MMTA) is the statewide, non-profit, representative body for over 1,200 marine trades businesses in the Commonwealth. Our businesses employ over 16,000 men and women and generate an estimated \$2.08 billion in annual economic activity for Massachusetts. The mission of the Association is to further the interests of the marine trades and the boating public through the promotion of boating, participation in legislation and professional improvement programs.

The recreational marine industry contributes positively and significantly to the economic strength and quality of life enjoyed in Massachusetts. The 'business of boating' provides jobs, economic opportunity, public access to our precious waterways, improves aesthetics of inland and coastal waters and supports environmental stewardship while promoting a family-friendly form of recreation and tourism. With over 186,000 state and federally registered vessels and 1 million anglers in the Commonwealth and over 5 million residents living within 10 miles of the ocean, any negative impact on the stability of the marine trades (economic, regulatory or others) has the potential to negatively affect millions of citizens and visitors.

The Association and its 300 member firms also seek to stem the exodus of recreational boating businesses from the Commonwealth and the loss of waters-edge usage for recreational boating purposes. The Association acts as a source of information about recreational boating and boating businesses for the general public, via its website at [www.BoatMA.com](http://www.BoatMA.com); for the Massachusetts

Legislature, where the Association is a frequent participant in public hearings and in the 50-member Legislative Boating Caucus; and for executive branch agencies, the MA Federal delegation and authorities with regulatory and economic development responsibilities.

Massachusetts marine trades businesses – boat builders and repairers, marinas and shipyards – face significant competition from bordering states that have lower or no taxation on the sale and ownership of marine vessels. These favorable tax conditions encourage most boaters to leave Massachusetts for nearby states and has a lasting detrimental impact on the business of boating in the Commonwealth. The unfortunate message this bill sends is straightforward: Don't Boat in Massachusetts In July and August.

The bill before your Committee today seeks to capture annual excise tax charged to those boaters, even non-residents of the Commonwealth, who still choose to keep their boats in Massachusetts waters at a time when the marine trades industry, as a whole, is suffering. Unfortunately this bill would also require those out-of-state boater to pay excise tax on their boats should they choose to spend time in Commonwealth waters during July and August, even if the boat is registered in their home state.

In part, because of these tax burdens, and despite a strong history of recreational boating, Massachusetts is not one of the top ten states for boating (22<sup>nd</sup>, behind Tennessee and Missouri), according to the 2012 Recreational Boating Economic Study conducted by the National Marine Manufacturers Association (NMMA) based on annual boating related sales. What has been made clear by the experiences of many states, Massachusetts included; is that when excise tax is imposed on boaters, boaters relocate to tax-friendly locations. Massachusetts is surrounded by such tax-friendly boating locales.

The real-world impact of these proposed changes to excise tax collection are clear. Massachusetts taxation will drive boaters away to neighboring states, or cause boaters to stay in Florida or other boating-friendly states, rather than visiting Massachusetts. This loss costs the Commonwealth many times the revenue that would have otherwise been captured by any amount of excise tax that might have been collected. Even though this bill does not seek an increase in excise tax rate or changes to valuation methodology, it does seek to collect excise tax from a new group of out-of-state boaters. These out-of-state boaters are exceptionally valuable to both the marine trades industry and the state as a whole. These boaters often rent homes and dine in local restaurants in addition to renting a slip or mooring. Because of Massachusetts highly skilled marine trades-people out of state boats are drawn to the Commonwealth to have their boat repaired or tended to. The Commonwealth will absolutely lose out on the money these boaters would otherwise spend at Massachusetts marinas, boatyards and other dockside amenities that boaters frequent.

The 2012 NMMA Recreational Boating Economic Study shows just how significant Massachusetts' boater expenditures are. Despite concerns about the health of our economy, In 2012 Massachusetts recreational boaters spent \$870.8 million dollars on products and services in Massachusetts. The total annual economic impact of recreational boating totals over \$2 billion. The highest level of spending, according to the 2010 Massachusetts Recreational Boaters Survey

published by the Massachusetts Ocean Partnership is on fuel, docking, mooring and storage, and routine maintenance. Those expenditures directly translate to good paying and stable jobs for Massachusetts residents. In fact, these recreational boating expenditures support many thousands of fulltime-equivalent jobs in Massachusetts. When we encourage boaters to relocate or otherwise not boat in Massachusetts, we risk losing those jobs to neighboring states.

MMTA is also concerned regarding the newly proposed provision allowing the assessor of each city and town to determine fair cash value of vessels subject to excise tax (See Lines 28-31). This would be a system begging for appeals expensive to municipalities and the Commonwealth and useful in revenue terms only to marine assessors. It would certainly be prudent to ensure that expenses incurred by an assessing office through their efforts in pursuing what might be excise tax due to a municipality does not exceed any revenue gained.

Although MMTA objects to the proposed excise tax changes outlined in this bill and feels the current valuation methodology is adequate, we do support the improved collection of excise tax legitimately due. After all, at this time half of the funds are to be credited to waterways improvement and maintenance funds benefiting all boaters of the Commonwealth. It is our hope that Chairman Straus' bill pending before this Committee (HB 2689) is enacted so each municipality can elect to credit up to 100% of boat excise tax revenues to such funds.

While MMTA also supports improving communication between the Division of Law Enforcement, responsible for registering vessels, and the town assessors, it is not our place to comment on whether the proposal to require DLE to take new actions (Lines 147-149) is within the means of the Division of Law Enforcement without additional or different information resources.

The inclusion of still more new provisions of M.G.L. Chapter 60B § 5A about registration decals of certificate numbers (See Lines 109-119) are also troublesome. Where this section requires proof of payment of excise tax in order for a vessel owner to be issued a registration decal of certificate of number, MMTA is concerned that appropriate systems will not be in place to ensure an assessor's office can promptly provide evidence of payment. It is certainly problematic if boaters cannot properly register their vessels because of delayed payment processing or evidence of payment on the part of a municipality. It is equally worrisome that this bill proposes that the provisions of M.G.L. Chapter 60A § 2A, the non-renewal of a motor vehicle operator's license and notification to the registrar of motor vehicles, would be applicable to the non-payment of boat excise tax. One doesn't lose one's driver's license for failing to pay annual income tax, a tax which we suspect is vastly better noticed than the boat excise tax collection system.

MMTA has concerns regarding the concurrent federal and state registration provisions this bill proposes (See Lines 132-144). Requiring federally documented vessels to also seek registration certificates from the State will only add complexity and confusion for those federally documented vessels and we can anticipate additional costs and time to be incurred by the already over-worked staff of the Division of Law Enforcement to meet this new demand. A proposal such as this, to require federally documented vessels also register in Massachusetts, has not been

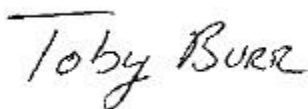
debated in recent years and absolutely merits a working group on the administrative and financial impacts to the Commonwealth before further advancement. MMTA would be happy to participate and offers our assistance to any such working group.

Section 3 (Lines 85-92) of this bill would create additional taxation on commercial fishing vessels owners who, as we are painfully aware, are particularly vulnerable during a time of exception uncertainty in their industry. Though the bill smartly raises the value of vessels and gear exempt from this excise tax, it would require commercial fishing boat owners to derive at least half of their income from commercial fishing to maintain this exemption. This is a particularly troubling change when so many commercial fishing vessels are no longer a source of income for many operators yet they hope to keep up their capacity to do so. Newly imposing a tax on those whose income has been so impacted by changes in their industry doesn't seem timely.

We would also like to take this opportunity to highlight a few potential conflicts with pending, beneficial legislation. Section 2(i) (Lines 82-84) of this bill maintains the practice of half of the revenues collected from this excise tax being credited to the municipal waterways improvement and maintenance funds established under section MGL Chapter 40 § 5G. As noted above, Chairman Straus has filed House Bill 2689, referred to this Committee, which would provide greater flexibility to municipalities, allowing them, if they so choose to credit greater percentage of excise tax revenue to the municipal waterways improvement and maintenance funds. An effort MMTA wholly supports. Additionally, Section 2(h) (Lines 74-81) of this bill would require a registration certificate to be "surrendered" when seeking abatement for vessels which have been sold. This provision perhaps creates a conflict with Senate Bill 1843 filed by Senator Keenan which would allow for certain family members to "inherit" registration certificate numbers when ownership of a boat is sold or transferred to a family member. We hope coordination between this bill and other pending legislation might be achieved and, again, MMTA would be happy to provide our assistance in those efforts.

Please help us support Massachusetts and do not report this bill out favorably. Please feel free to contact Jamy Buchanan Madeja, Esq., MMTA's Government Relations and Legal counsel at 617-227-8410 or by email at [jmadeja@buchananassociates.com](mailto:jmadeja@buchananassociates.com) with any questions you may have. MMTA would also like to reiterate our offer of support to any working group that may be formed to discuss how best to address the issue of more efficient collection of boat excise tax in Massachusetts.

Respectfully submitted,



Toby Burr  
President, Massachusetts Marine Trades Association

Cc: Senator Tarr

Representative Smola  
Representative McGonagle  
Representative Heroux  
Boating Caucus Co-Chairs Senators Hedlund and Petruccelli, Representatives Gifford and  
Straus