

June 19, 2013

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

MASSACHUSETTS
MARINE TRADES
ASSOCIATION



Re: **Senate Bill 1341, House Bills 2518, 2766** - An Act Repealing the Sales Tax on Boats Built or Rebuilt in the Commonwealth

Dear Chairmen Rodrigues and Kaufman and Committee Members

On behalf of the members of the Massachusetts Marine Trades Association (MMTA), I write to you regarding Senate Bill 1341 and House Bills 2518 and 2766; Acts Repealing the Sales Tax on Boats Built or Rebuilt in the Commonwealth. Local marine businesses receive strong competition from neighboring states, particularly Rhode Island, which repealed its boat sales tax in 1993. Within two years of doing so, employment in the state's marine industry rose 20% and within five years of repeal, gross revenues in the Rhode Island marine industry grew by 52%. Additionally, the number of individuals involved in the state's marine industry increased by 140%.¹

The exodus of boat building firms from the Commonwealth is very real. In a single year, for example, both Maritime Skiff of Pembroke and Hunt Yachts of Dartmouth relocated from Massachusetts to the more boating friendly states of Maine and Rhode Island. These are just two important examples of iconic Massachusetts boat builders leaving the state. MMTA estimates that this trend accounts for XX jobs having gone elsewhere are a result of the existing tax imbalance between New England and other states. In order to allow Massachusetts marine businesses and boat builders to compete on a level playing field and ensure that the recreational boating industry remains a cornerstone of the Commonwealth's economy, opportunities for business growth such as these three bills must be adopted.

When Rhode Island's advertising campaign proclaimed: "Rhode Island: Where Boaters Come First," it spoke directly to potential boat buying consumers throughout New England, urging them to "*[m]ake Rhode Island your home port and enjoy the very best in boating, and where there is no sales or use tax. That's right. No sales or use tax on any boat bought or built in Rhode Island. Plus no tax on the other gear you buy at the time of your boat purchase. And, there's no personal property tax on boats.*"² Rhode Island's efforts have been forward looking and successful. Semi-annual reports from the East Bay Economic Initiative and Rhode Island Marine Trades Association show that between 1992 and 2005, repealing the sales tax added \$130 billion to the state's economy over those 13 years.

¹ Lachner and Schwenk, LLC, *Maryland Vessel Excise Taxes*.

² Id.

Similar efforts have been equally successful in other states. In 2011 Florida's legislature created a sales and use tax cap which, in short, generated in excess of \$13.46 million in direct tax revenue to the state³. Pass-along effects of the cap include a notable increase in the number of sales remaining in state as well as a near doubling of the average value of those sales. This too means that those boaters, having chosen to remain in the state, continue to spend money on fuel, food, supplies and services in the state. Take for example the spending habits of Massachusetts boaters; for every \$1 a boater spends on a slip or mooring, they spend \$4 on those aforementioned additional items⁴. The real, significant revenue for the Commonwealth is found in attracting boaters to Massachusetts' waters, not chasing them to bordering states with a sales tax.

These bills represent a revenue generating opportunity for the Commonwealth as well as an opportunity to foster well paying, desirable jobs in manufacturing. These are the types of high-tech manufacturing jobs the Commonwealth needs to stay competitive in any number of industries.

On behalf of the entire membership of the Massachusetts Marine Trades Association, I thank you for your time and consideration of our **strong support of Senate Bill 1341 and House Bills 2518, 2766**. The Massachusetts Marine Trades is threatened everyday by the competitive pressures of selling boats while being geographically situated between tax free, boating friendly states to both the North and South. Enacting these bills would be a welcomed approach to leveling the playing field such that Massachusetts can regain its share of sales, job expansion and economic activity from boat building and the marine trades.

Established in 1964, the Massachusetts Marine Trades Association is the statewide, representative body for over 1,200 marine trades businesses in the Commonwealth, including boat builders, retailers and repairers. Our businesses employ over 16,000 men and women and generate \$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, and 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 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

³ A Review Of Brokered Boat Sales In Florida Under The Sales & Use Tax Cap, Thomas J. Murray & Associates, Inc., 2012

⁴ The Economic Impacts of Spending By the Owners of Boats Kept at Constitution Marina, Boston Massachusetts, Recreation Marine Research Center, Michigan State University, 2006

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; 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 Massachusetts Federal delegation and authorities with regulatory and economic development responsibilities.

Please do not hesitate to call on us should the committee wish to request additional information on the boat building industry in the Commonwealth. MMTA is always available to discuss any of these bills, please contact either Tim Moll, President of MMTA or Jamy Buchanan Madeja, MMTA's Legal and Government Relations Counsel at 612-227-8410 or jmadeja@buchananassociates.com.

Respectfully Submitted,

Tim Moll
President, Massachusetts Marine Trades Association

Cc: Senator Robert Hedlund
Representative Daniel Winslow
Representative James Cantwell