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## *“Tax Systems and Barriers to Great Lakes Maritime Commerce”*

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# SUMMARY

**Research issue:** This project inventories the tax impact on the Great Lakes marine transportation system imposed by federal, state, and local tax codes and regulations. This project also identifies the unique tax burdens placed on the commercial maritime regulatory process in the Great Lakes, and presents an analysis of the Great Lakes maritime tax structure focusing on its most significant tax, the Harbor Maintenance Tax (HMT). Finally this project discusses possible changes to the current tax structure to improve the efficiency of port maintenance tax collection and expenditure, and to improve intermodal transportation fuel efficiency.

**Methodology:** Tax inventory was assembled from secondary data sources, primarily the GAO and the Dept of Public Dept. Excel and Access versions of the data were queried for views of the data including stakeholders and revenue ranking of collections and expenditures.

**Findings:** HMT proves the most controversial of the significant sources of revenue for infrastructure. Three proposals are suggested for reforming this tax.

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# Great Lakes Maritime Tax Inventory

## 2.1 Tax data sources

## 2.2 Analysis of Tax Data

- 1) Federal Commercial Maritime Assessments Other than Great Lakes  
Federal Commercial Maritime Assessments Great Lakes Only
- 2) Top Collections Assessments
- 3) Tables of Assessments by Stakeholders
- 4) Kinds of Assessments Levied on Great Lakes Commerce
- 5) Harbor Maintenance Tax Tables

## 2.3 Challenges of Great Lakes Maritime Infrastructure:

Army Corps of Engineers Dredging on the Great Lakes Ports

## 2.3 Highlighting the Harbor Maintenance Tax

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# History of the Harbor Maintenance Tax



**1987** TITLE XIV WATER RESOURCES DEVELOPMENT ACT OF 1986

**1990** SECTION 11214 OMNIBUS BUDGET RECONCILIATION ACT OF 1990



**1996** WATER RESOURCES DEVELOPMENT ACT OF 1996

**1997** APPELLATE COURT RULES HMT ON EXPORTS UNCONSTITUTIONAL



**1998** SUPREME COURT FOUND HMT UNCONSTITUTIONAL

**1998** HMF REFUND STATUS

**1998** HMF REPLACEMENT PROPOSED

**1999** HMT UPDATE

**2000** CHALLENGING CUSTOMS

**2000** COURT RULES ALL EXPORT HMT SUBJECT TO REFUND

**2000** HMT INTEREST OVERTURNED

**2000** RECOVER INTEREST APPEAL

**2000** HARBOR MAINTENANCE TAX UPDATE

**2000** HMT REFUNDS

**2006** HMT INTEREST

**2006** NO INTEREST ON EXPORT HMT

**2006** HMT RULED LEGAL ON IMPORTS

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# The U.S. Harbor Maintenance Tax, a Bad Idea Whose Time has Passed?



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# Problems with the Harbor Maintenance Tax Today

1. Application to Imports but not Exports
  2. The HMT Discourages the Most Fuel Efficient Means of Transportation
  3. The HMT Violates GATT
  4. The HMT Unfairly Taxes High Value Cargo When Compared to Low Value Cargo
  5. As Currently Enacted the HMT is Difficult to Properly Enforce
  6. The HMT is a Barrier to International Trade
  7. The HMT Results in a Shift in Container-Borne Cargo to Canadian Ports
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Overview of Ports on the Great Lakes: Waterborne Commerce, Cargo Volume by Port in Tonnes, *High value/low value*



Source: Great Lakes: An Environmental Atlas and Resource Book, EPA.

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# The U.S. Harbor Maintenance Tax, a Bad Idea Whose Time has Passed?

## Problems with the Harbor Maintenance Tax Today

8. **The HMT Generates Substantially More Revenue than the U.S. Currently Needs for Harbor Maintenance**
  9. **The Income from the HMT Is Not Fairly Allocated to the Commercial Port Which Generate HMT Revenues**
  10. **The HMT Does Not Allocate Its Tax Burden to Either**
    - 1) **Ports which Require the Largest Dredging Expenditures, or**
    - 2) **Vessels which Require the Deepest Drafts**
  11. **The Income from the HMT is Used for Work at Some Ports but Not Others**
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# Attempts to Fix the HMT's Flaws

The 1992 Attempt to Reduce the HMT

The Trust Fund Excess/HMT Rate Reduction Bill

The Harbor Services Fund

The Support for Harbor Investment Program Act of 1999

The Container Port Exemption Bill of 2002

The \$100,000,000 Import Value Port Limit Bill of 2003

The Ferry Borne Trailer Cargo Exemption Bill of 2004

The Short Sea Shipping Tax Exemption Act of 2005

The Great Lakes Short Sea Shipping Enhancement Act of 2006

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# Proposed Solutions to the HMT Problem

- Proposal 1: Abolish the HMT and Fund Harbor Maintenance Using General Government Revenue
  - Proposal 2: Abolish the HMT and Fund Harbor Maintenance Using an Increase in the Diesel Fuel Excise Tax
  - Proposal 3: The Short Sea Shipping Tax Credit
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## Potential Economic Impacts of the Research Results

**Table 4. Estimated Economic Impact per \$Million Increase in Shipping**

**Table 4.1: Value Added Impact**

Industry	Direct	Indirect	Induced	Total
Water transportation	\$252,114	\$95	\$119	\$252,328
Scenic and sightseeing transportation and support	\$0	\$53,190	\$134	\$53,324
Insurance carriers	\$0	\$27,050	\$3,002	\$30,052
Owner-occupied dwellings	\$0	\$0	\$21,209	\$21,209
Wholesale trade	\$0	\$12,562	\$7,307	\$19,869
<b>Total</b>	<b>\$252,114</b>	<b>\$212,101</b>	<b>\$117,303</b>	<b>\$581,519</b>

**Table 4.2: Employment Impact**

Industry	Direct	Indirect	Induced	Total
Water transportation	2.0	0.0	0.0	2.0
Scenic and sightseeing transportation and support	0.0	0.6	0.0	0.6
Food services and drinking places	0.0	0.2	0.3	0.5
Insurance carriers	0.0	0.2	0.0	0.2
Wholesale trade	0.0	0.1	0.1	0.2
Other State and local government enterprises	0.0	0.2	0.0	0.2
Accounting and bookkeeping services	0.0	0.2	0.0	0.2
Travel arrangement and reservation services	0.0	0.2	0.0	0.2
Architectural and engineering services	0.0	0.2	0.0	0.2
<b>Total Employment</b>	<b>2.0</b>	<b>3.3</b>	<b>2.4</b>	<b>7.7</b>

## Potential Economic Impacts of the Research Results

**Table 4.3: Output Impact**

Industry	Direct	Indirect	Induced	Total
Water transportation	\$1,000,000	\$377	\$471	\$1,000,848
Scenic and sightseeing transportation and support	\$0	\$62,791	\$158	\$62,949
Insurance carriers	\$0	\$53,587	\$5,946	\$59,533
Other State and local government enterprises	\$0	\$35,983	\$3,572	\$39,554
Petroleum refineries	\$0	\$27,294	\$4,274	\$31,568
<b>Total</b>	<b>\$1,000,000</b>	<b>\$404,378</b>	<b>\$194,930</b>	<b>\$1,599,308</b>

**Table 4.4: Total Impact**

	Direct	Indirect	Induced	Total
Total Value Added Impact	\$252,114	\$212,101	\$117,303	\$581,519
Employment Impact	2.0	3.3	2.4	7.7
Output Impact	\$1,000,000	\$404,378	\$194,930	\$1,599,308

*Source:* IMPLAN. UMD BBER. Estimates are reported in 2003 dollars, the most recent year of IMPLAN data available.

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# conclusions

- We believe the best proposal is:
  - ❑ Abolish the HMT and Fund Harbor Maintenance Using an Increase in the Diesel Fuel Excise Tax
  - ❑ an increase of 1.12 cents per gallon would fund all of the Army Corps of Engineers Dredging efforts and encourage companies to use waterborne transportation