Joint Committee on Taxation
July 26, 1994
JCX-10-94

H.R. 4003--THE MARITIME ADMINISTRATION AND PROMOTIONAL REFORM ACT OF 1994

Scheduled for Mark-up by the Committee on Ways and Means on July 27, 1994

I. Legislative Background

H.R. 4003, the Maritime Administration and Promotional Reform Act of 1994, has been sequentially referred to the Committee on Ways and Means ("Ways and Means") through July 28, 1994. The bill was previously reported by the Committee on Merchant Marine and Fisheries ("Merchant Marine") on June 13, 1994 (H. Rept. 103-544, Part 1). The bill was referred to Ways and Means because it includes an increase in the rate of current tonnage fees imposed on certain commercial vessels entering United States ports from foreign ports. Increasing these tonnage fees constitutes a revenue measure within the jurisdiction of Ways and Means.

Under the bill as reported by Merchant Marine, revenues derived from the increased tonnage fees would be credited as offsetting receipts to the Coast Guard account in the General Fund. Under the "pay-as-you-go" scoring rules of the Budget Enforcement Act of 1990, these increased revenues would permit the creation of two new direct spending programs: a Maritime Security and Competitiveness program and a Series Transition Payment program.

II. Present Law, Administration Proposal, and H.R. 4003, as Reported by Merchant Marine

Present Law

Tonnage fees on ships entering U.S. ports have been imposed by the United States since 1790. Subject to limited exceptions, these fees currently are imposed on all commercial vessels entering the United States from foreign ports. The rates of these fees vary depending on whether a vessel's last port of call was in the Western Hemisphere or was located in another region of the world. Vessels from Western Hemisphere ports are assessed a fee of nine cents per net registered ton and other vessels are assessed a fee of 27 cents per ton. Only the first five arrivals per vessel per year are subject to the fees.

The tonnage fee rates were increased to their current levels in 1990, effective on January 1, 1991. These increases currently are scheduled to expire after September 30, 1998, at which time the rates are scheduled to revert to their pre-1991 levels of two cents per ton for Western Hemisphere arrivals and six cents per ton for arrivals from other ports.

Administration Proposal

Tonnage fees

In March 1994, the Administration proposed increasing tonnage fee rates for the period through September 30, 2004. The Administration-proposed rates would be 24 cents per ton for arrivals from Western Hemisphere ports and 71 cents per ton for arrivals from other foreign ports through September 30, 1998; and 17 cents per ton for arrivals from Western Hemisphere ports and 50 cents per ton for arrivals from other foreign ports from October 1, 1998 through September 30, 2004. (The drop in the rates after September 30, 1998, is attributable to the scheduled expiration of the increase that was enacted in 1990.) The Administration proposal would retain the current limit of five visits per year on which the fees are imposed.

The Administration estimated that its proposal would raise approximately $1 billion during the period October 1, 1994 through September 30, 2004. These revenues would be retained in the General Fund, but credited as offsetting receipts to the Coast Guard account.

Related provisions

The Administration proposal would use the revenues raised from the tonnage fee increase under the "pay-as-you-go" scoring rules of the Budget Act to permit new direct spending for a Maritime Security Program. Under this program, owners of up to 52 vessels would enter into contracts with the United States for annual payments in exchange for allowing the United States to use their vessels and crews for transportation in times of national or humanitarian emergencies. (These annual payments would be in addition to actual compensation for use of the vessels and crews.)

H.R. 4003, as Reported by Merchant Marine

Tonnage fees

H.R. 4003 (Title II), as reported by Merchant Marine, would make three principal modifications to the current tonnage fees:

(1) Fee rates would be increased to 53 cents per net registered ton, without regard to the last port of call of the vessel;

(2) The limit of five visits per year on which fees are imposed would be increased to 12 visits per year (for a maximum of $6.36 per ton during any year); and

(3) The date on which the fee increase that was enacted in 1990 would expire would be delayed until October 1, 2004; thus, the rates would remain at 53 cents from October 1, 1994 through September 30, 2004.

The increased fees would be effective on October 1, 1994. As under the Administration proposal, revenues from the increased amount of tonnage fees would be deposited in the General Fund of the Treasury as offsetting receipts to the Coast Guard account. The Congressional Budget Office has estimated that revenues from the increased fees would total $1.74 billion for fiscal years 1995 through 2004.

Related provisions

Title III of H.R. 4003, as reported by Merchant Marine, would provide contract authority (new direct spending) of up to $1.7 billion over the period October 1, 1994-September 30, 2004, for a Maritime Security Program and a Series Transition Payment program to be created by another bill--H.R. 2151, the "Maritime Security and Competitiveness Act of 1993". (H.R. 2151 passed the House on November 4, 1993; Merchant Marine intends to join the provisions of H.R. 2151 with H.R. 4003 when H.R. 4003 is considered by the House.) Under the Series Transition Payment program, U.S. shipyards would compete to receive funding for transition from military to commercial shipbuilding.

H.R. 4003, as reported by Merchant Marine, also would require expenditure of certain previously appropriated (but not yet obligated as of October 1, 1994) amounts for acquisition of vessels for the Ready Reserve Force. In addition, Title I of H.R. 4003, as reported by Merchant Marine, would authorize appropriations for the programs of the Maritime Administration (in the Department of Transportation) for fiscal year 1995, and would make certain other changes to Merchant Marine statutes (including reemployment rights for certain merchant mariners and a program of financial assistance to qualified ship repair yards for their modernization).

III. Possible Option

Revenues

Adopt a three-part proposal designed to increase revenues by approximately $1.0 billion over the ten-year period, October 1, 1994 through September 30, 2004.

(1) Increase ship passenger departure tax

The current $3 per passenger excise tax on certain ship departures would be increased to $5 per passenger for transportation for which total charges of $150 or more were made. This increase would be effective on January 1, 1995.

(2) Impose tax on international shipping fuels

A 1-cent-per-gallon excise tax would be imposed on diesel fuel and residual fuel oil sold for use in commercial vessels departing the United States for foreign ports. The tax would not apply to fuel sold for use in ships when operating exclusively within the Great Lakes. (Similarly, fuel used in fishing vessels that leave the United States, fish in international waters, and return to the United States with their catches would not be subject to the tax.) The tax would be collected at the retail level, and in the case of diesel fuel, would not affect the diesel dyeing provisions adopted in 1993 (i.e., these ships would continue to use dyed diesel fuel). The tax would be effective on January 1, 1995.

(3) Increase tonnage fees

Current tonnage fee rates would be changed to 22 cents per net registered ton for all vessels, regardless of the location of their last port of call. The annual per-visit cap on which fees are imposed would be increased from 5 to 12. The new rates would be effective from October 1, 1994 through September 30, 2004.

As provided in H.R. 4003, revenues from the increased tonnage fees would be retained in the General Fund and credited to the Coast Guard account as offsetting receipts.

Related provisions

The contract authority provided in H.R. 4003 would be limited to the approximately $1 billion raised by this three-part funding proposal, and provisions would be included to ensure compliance with "pay-as-you-go" budget scoring rules. The committee would strongly encourage that revenues from the provisions described above be used to fund only the maritime security program.

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VERY PRELIMINARY
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- Ways and Means Committee -

POSSIBLE AMENDMENTS TO H.R. 4003

Fiscal Years 1995-2004

[Millions of Dollars]

Provision	Effective	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	1995-04
I. Increase the ship passenger tax from $3.00 to $5.00 for voyages over $150.00	1/1/95	6	9	9	10	10	11	12	12	13	13	105
II. Impose a $0.01 per gallon retail excise tax on diesel and residual fuel oil used in commercial ships leaving U.S. ports for foreign ports	1/1/95	26	37	37	38	38	39	39	39	40	40	374
III. Tonnage fees at uniform rate of $0.22 per ton; 12 visit per year cap [1]	10/1/94	24	24	24	24	73	73	73	73	73	73	532
NET TOTALS		**56**	**70**	**70**	**72**	**121**	**123**	**124**	**124**	**126**	**126**	**1,011**

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

[1] Estimates provided by the Congressional Budget Office (CBO).