



Comments to Commission on Fiscal Stability and Economic Growth January 24, 2018

Good Afternoon, I'm Kathleen Burns, Executive Director of the Connecticut Marine Trades Association. And while in this capacity I represent the nearly 350 member businesses and their thousands of talented employees, I do so having come from the industry here in Connecticut.

Having managed two marinas for 15 years, I remember when wait lists for slips were the norm, especially after sales tax exemptions on labor, storage and trade in credit were made. I recall most new boat buyers were booking the slip first then buying the boat to assure they had a home.

But that was then. And all of that is gone. It's not the good old days of many years ago. This is all within the last decade.

Last year, CMTA successfully illustrated to the Finance, Bonding and Revenue Committee how, by reducing the sales tax on boat purchases, the industry here in Connecticut could begin to be competitive again while, producing more tax revenue for the state. The measure known as Senate Bill 1048 passed by an overwhelming bi-partisan vote from committee, but couldn't find a home during budget negotiations.

And so here we are another year gone. It isn't status quo, we've slipped back yet again.

The core of the problem is competition with neighboring states. Rhode Island has 0% tax on anything boat related and joins New Hampshire and Delaware in that category. In 2015 New York capped sales tax on boat purchases at \$20,000 and the next year New Jersey dropped its sales tax to 3.5% with a \$20,000 cap. This action following Maryland's tax cap at \$15,000 and Florida in 2011 at \$18,000 in an attempt to keep boats in this country, let alone the state. And success they all have found. In Florida for example, the first year the state anticipated a 1.5 million dollar tax loss, only to actualize a \$13 million dollar gain. In-state purchases for out-of-state registration dropped from 21.9% to 12.4%.

The outward migration of boat sales is happening every day to nearly every dealer and affecting most marinas and boatyards. While it once was an eastward migration to Rhode Island to avoid sales tax, it is now east and west as Fairfield County boat buyers have a much lower tax option in New York and New Jersey and they are using it. And if Massachusetts takes up this discussion as we are hearing they might, the consequences to us will be great.

As the material I leave here will show, we've lost nearly 20,000 registered boats in a decade. The industry has had some growth from the depths of recession, but continues to be beat by every state around us.

We need your help. We are a prime industry to show that if we can be provided a level playing field with other states, it WILL benefit the state and its coffers. IF boats stay in state, they rent slips, which are taxed. They need repair and maintenance which require more hires and more payroll.

Those customers buy fuel, groceries, stay in hotels, visit attractions and enjoy our restaurants. In short they spend money

This is NOT about the rich. Average boat size is 22 feet in CT, 26 feet nationally. But we are losing. And the ONLY means by which this industry can succeed is by establishing a level playing field.

I have a chart here which shows our performance in comparison to our neighboring states, as well as the rest of the country. I also have a graphical presentation that will illustrate many of my points and more in greater detail.

I thank you for this opportunity to speak and I welcome any questions or observations you may have.

Thank you

Respectfully submitted,



Kathleen M. Burns
Executive Director

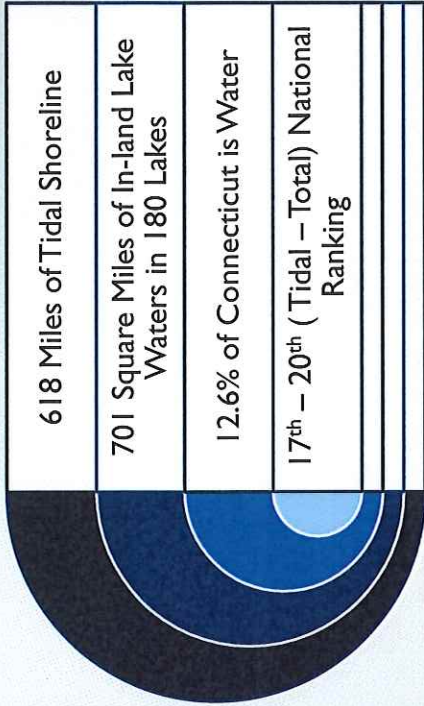
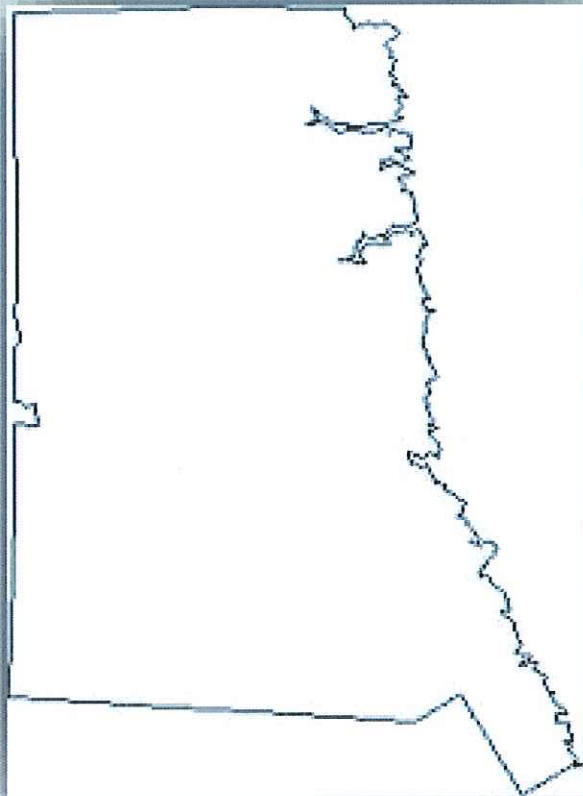
STATUS OF RECREATIONAL BOATING INDUSTRY IN CONNECTICUT

PREPARED BY THE CONNECTICUT MARINE
TRADES ASSOCIATION, INC.

JANUARY 2018



CONNECTICUT: A WATER STATE



CONNECTICUT RECREATIONAL BOATING INDUSTRY



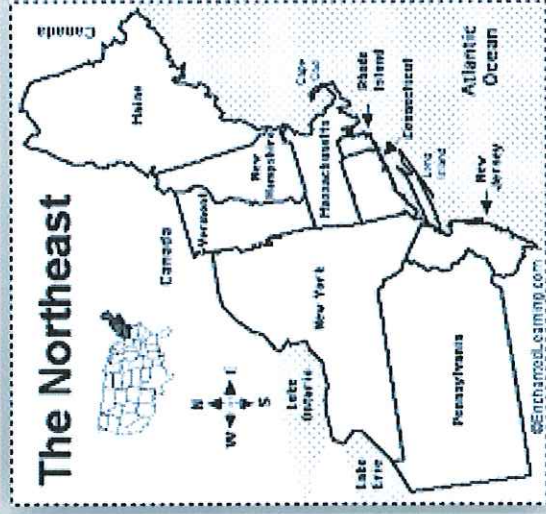
Source NMMA 2016 Boat Statistical Abstract

RECREATIONAL BOATING AND VESSEL TAXATION

The Competitive Disadvantage

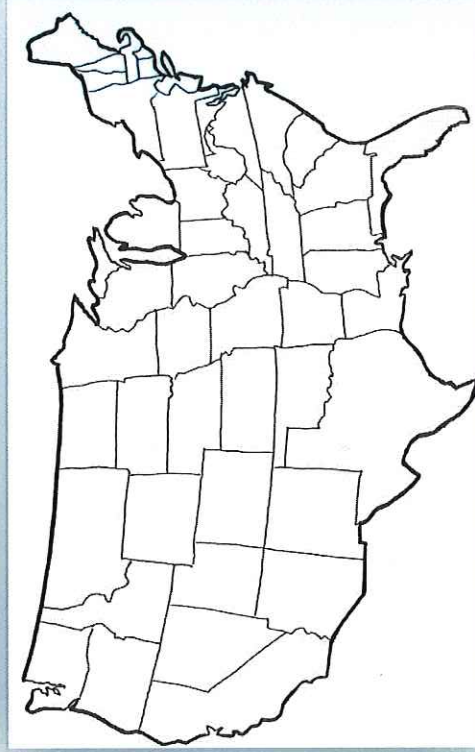


BOAT TAX RATES CONNECTICUT VS. THE NORTHEAST



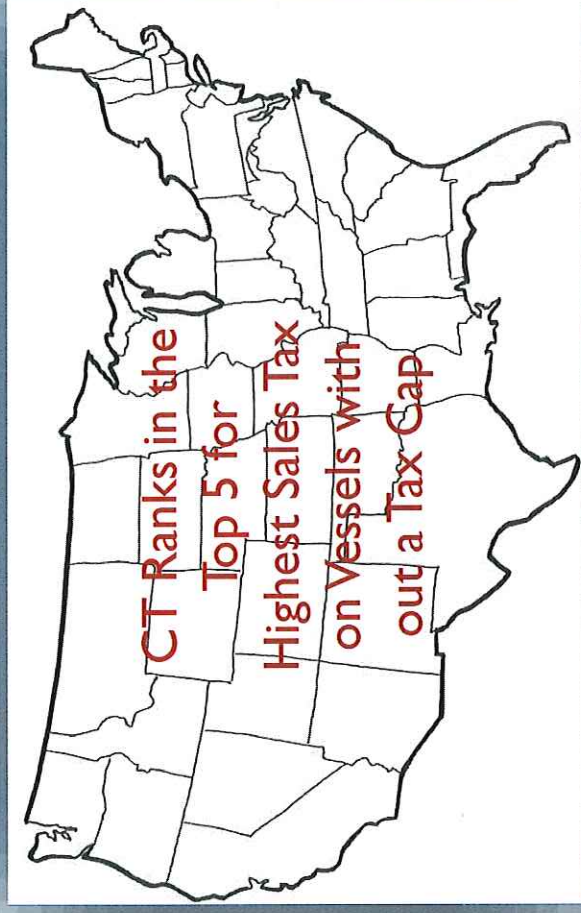
- Connecticut 6.35%
- Rhode Island 0%
- New Hampshire 0%
- New York \$18,000 Sales Tax Cap
- New Jersey 3.5% Sales Tax with \$20,000 Cap
- Maine 5.5%
- Vermont 6%
- Massachusetts 6.25%

BOAT TAXES CONNECTICUT VS. THE EAST COAST



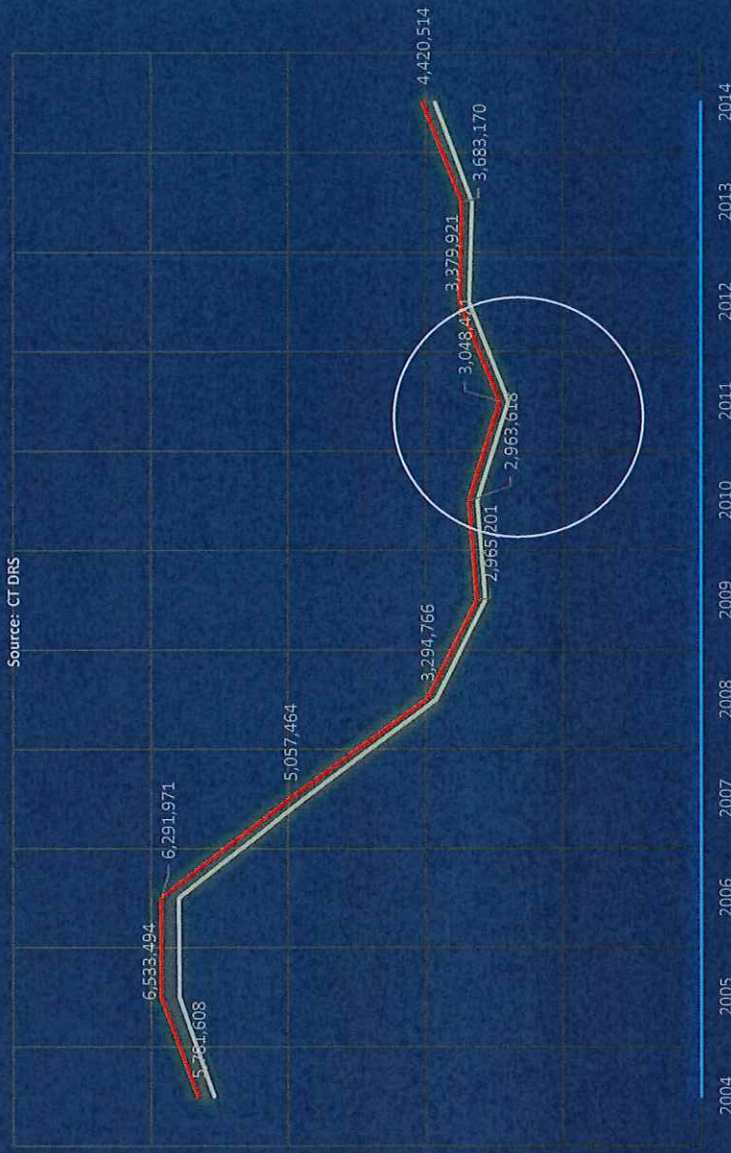
State	Percent	Cap
CT	6.35%	
RI	0%	
NH	0%	
ME	5%	
MA	6.25%	
NY	6 – 8.25%	\$18,000 Cap \$20,000 Cap
NJ	3.5%	
DE	0%	
MD	5%	\$15,000 Cap
DC	6%	
VA	2%	\$ 2,000 Cap
NC	3%	\$ 1,500 Cap
SC	5%	\$ 300 Cap
GA	4%	
FL	6%	\$18,000 Cap

BOAT TAXES CONNECTICUT VS. THE COUNTRY



Sales Tax Generated from Boat Sales

Source: CT DRS



TAX REVENUE FROM BOAT SALES 2005-2014

- 2005: \$6.5 Million in Sales Tax Revenue
- 2015 \$4.4 Million
- Circle indicates Luxury Tax Impact

- Today, DRS collects at just about a 4% effective tax rate due to out of state migration.

Source CT
Department of
Revenue Services

TAXATION REVERSAL REVENUE GENERATION

- Initial Results from Florida's \$18,000 Tax Cap
- 2015 Results from Maryland's \$15,000 Tax Cap

Drop in out-of-state registrations from in-state sales from 21.9% to 12.4% in the first year alone.

While a \$1.5 million dollar tax loss was expected, Florida enjoyed a \$13 million dollar increase in taxes resulting from boat sales remaining in the state.

Florida's Boat Growth Exceeded Expectations by 17% in a five year period significantly outpacing their GDP

New registrations presented a slight increase over the previous year's levels

VET revenue was 12% higher than the previous fiscal year and the largest collection since FY08

New registrations valued in excess of \$300,000 paid roughly \$2.1 million in tax a 12% increase

WHAT THE CONNECTICUT BOAT DEALER SAYS

Dealer Response to State Registrations

- 32% of Dealers say that a minimum of 25% of all boats are sold and delivered out of state
- 26% of Dealers say that more than 50% of their boat sales are registered out of state

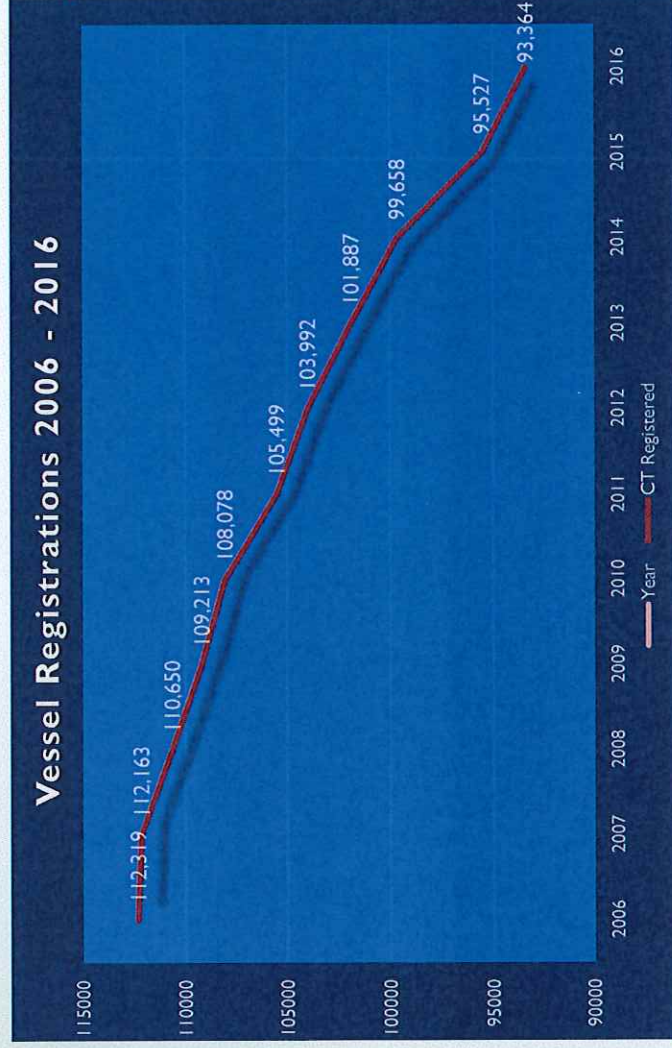
What if that Reversed?

- Increase in In-State Owned Boats Stay In-State
- Increase in Out-of-State Owned Boats staying In-State
- Increase Revenue

BOAT REGISTRATION TREND

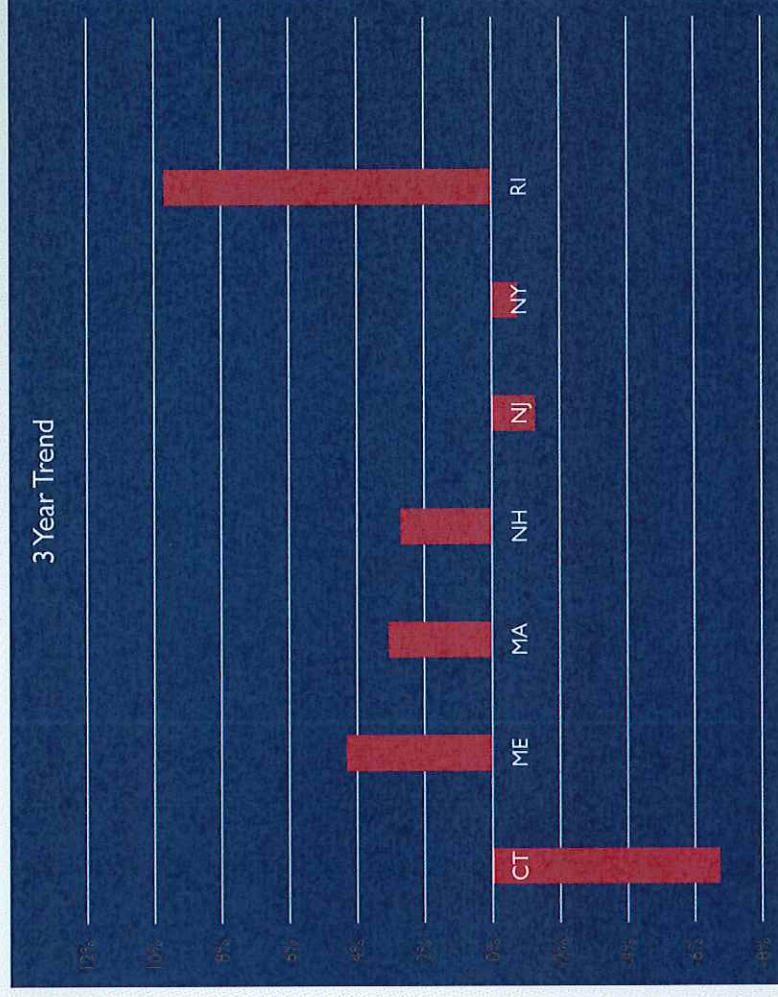


CONNECTICUT'S VESSEL REGISTRATION HISTORY 2006-2016



- Vessel Registration Drop
- 18,955 in ten years
- 10% in last three years
- Lowest registration levels since 1987

VESSEL REGISTRATION TREND NORTHEAST STATES



BRINGING IT CLOSE TO HOME RHODE ISLAND

Rhode Island
instituted 0% tax
on boats in 1993

- By 2011, nearly 30% of all registered boats in RI came from out-of-state residents (Washington State Study of Boat Taxes)
- In 2016 it's 46%
- Nearly double the Per Capita Boat Registration rate of all neighboring states
- That "surplus" of registrations has equated to the number of "surplus" jobs increasing from 1,200 to 1,800

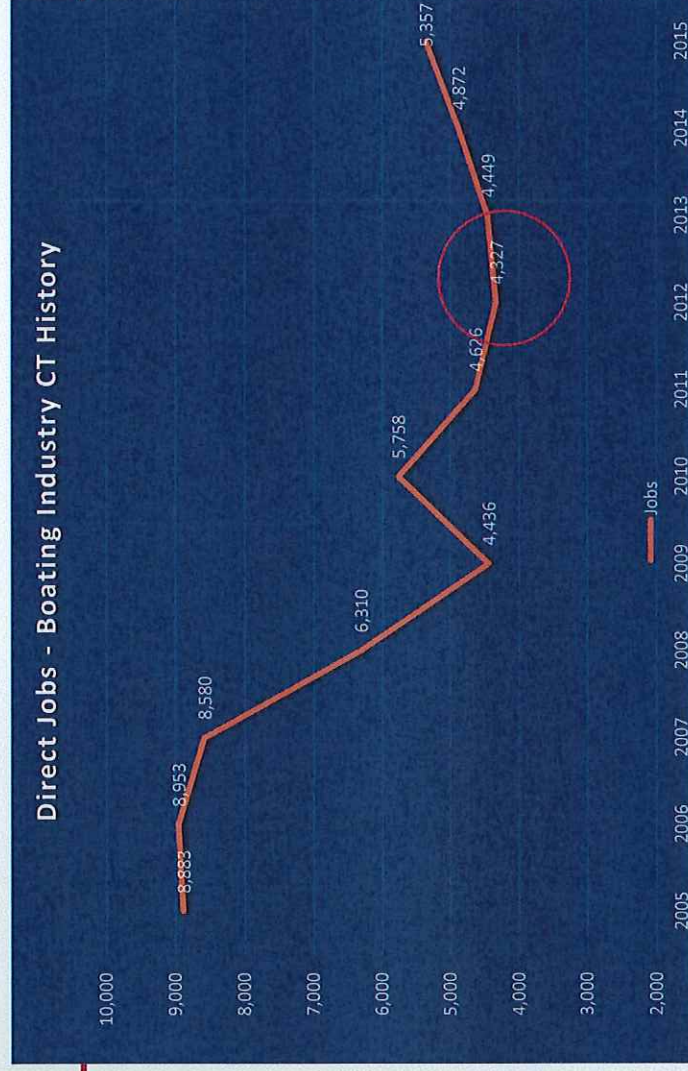
VESSEL REGISTRATION VALUE

•Jobs

- Every 17 Registrations Equates to one year-round job in CT
- Year-Round Employment
- Living Wages
- Skilled & Non-Skilled
- Management, Service, Professional Services, Tourism
- 90% of business under 50 employees



EMPLOYMENT



Pre Recession

- 12 Registrations equaled one job

Post Recession

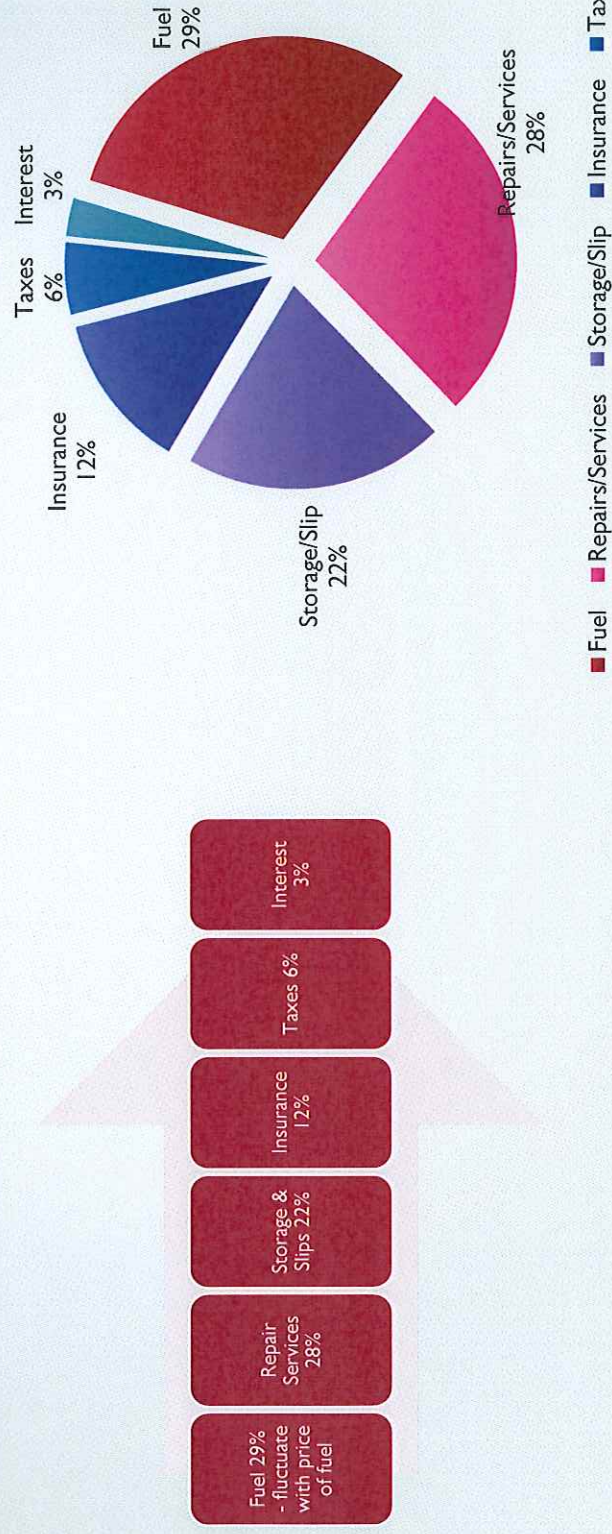
- Slow growth
- Loss of qualified help to more attractive states
- Luxury tax era dip due to (circled) business losses

IN-STATE REGISTRATION EQUATES TO INCREASE DIRECT SPENDING & TAX REVENUE

When the Boat remains In-State, the spending levels Increase on all associated activity.



DIRECT OTHER SERVICES REVENUE



Source NMMA 2014 Abstract

EXAMPLE CONNECTICUT PROJECTIONS

Sales Tax Reduction to
3.175%

- Costs less than 1 million dollars in First FY
- Exceeds current tax collection by the second FY
- Erases any dip in collections by FY 3 while steadily growing sector and indirect gains

Fiscal Year	Boat Sales (in millions)	Boat Sales Tax (in millions)	Other Services (in millions)	Other Ser Tax (in millions)	Tax Total (in millions)
FY2013-14	82.9	3.6	41.4	1.9	5.5
FY2014-15	96.5	4.4	39.7	1.8	6.2
After Tax Change					
1st FY	115.9	3.2	50.8	2.6	5.8
2ndFY	127.9	3.6	57.0	2.8	6.4
3RDFY	145.7	4.2	64.1	3.0	7.2
4thFY	167.6	4.9	68.7	3.2	8.1

#KEEPCTCOMPETITIVE

VESSEL REGISTRATION

States with Most Recent Tax Changes

New York	New Jersey	Maryland
Added 1,889 Vessel Registrations The first increase in 8 years	Evens Vessel Registrations ending a multi-year decline	12% tax revenue increase due to increase in larger boats and out-of-state spending



#KEEPCTCOMPETITIVE

OUR INDUSTRY'S FUTURE DEPENDS UPON IT

CT Marine Trades Association, Inc | 20 Plains Road Essex, CT 06475 | 860.767.2645 | ctmarinetrades.org



Vessel Sales Tax Caps, Revenue and Registration by State

STATE	Tax Rate	Tax Cap	Total Boating Expenditures	Percentage Change 2015 v 2016	Registrations
New England to Mid-Atlantic States					
Connecticut	6.35%		157.7	5%	93,364
Rhode Island	No Tax		59.9	13%	40,178
New Hampshire	No Tax		175.4	14%	94,806
Maine	5.50%		193.2	17%	111,116
Massachusetts	6.25%		317.8	12%	140,008
Vermont	6.00%		35.3	0%	29,353
New York	Varies	\$20,125	687.8	15%	448,480
New Jersey	3.50%	\$20,000	346.2	18%	150,968
Delaware	No Tax		224.9	-9%	61,901
Maryland	5.00%	\$15,000	286.0	12%	176,207
Virginia	2.00%	\$2,000	363.0	8%	233,236
District of Columbia	6.00%		6.6	-2%	2,115
Pennsylvania	6.00%		360.8	12%	315,503
West Virginia	5.00%		56.8	0%	57,305
Southeast States					
Georgia	0% Used - 4% New		550.5	10.50%	335,723
North Carolina	3.00%	\$1,500	\$689	11%	367,225
South Carolina	5.00%	\$300	\$544	10.40%	518,269
Florida	6.00%	\$18,000	2,483.7	4.70%	905,298
Southern States					
Alabama	2.00%		512.6	5%	261,741
Louisiana	4.00%		525.5	-1%	306,689
Mississippi	7.00%		209.7	7%	132,441
Tennessee	7.00%		421.9	9.30%	254,091
Arkansas	6.50%	\$2,500	\$104	11%	189,514
Midwest, Lakes and South					
Michigan	6.00%		867.6	8.80%	794,137
Ohio	varies		373.5	11%	505,082
Illinois	6.25%		435.4	14.10%	242,275
Indiana	7.00%	varies	274.3	2%	209,622
Iowa	6.00%	varies	193.9	2%	205,145
Minnesota	6.88%		709.6	8.8%	817,560
Wisconsin	5.00%		621.5	9.20%	611,240
Missouri	4.23%		392.6	8.70%	293,185
Kentucky	6.00%		209.7	7%	173,881
Kansas	varies		81.4	2%	81,243
Nebraska	5.50%		100.9	6%	87,596
Oklahoma	3.25%		248.4	8%	202,388
Texas	6.25%		1,443.7	4.50%	573,425
Western States					
Colorado	2.90%		140.7	12%	84,676
South Dakota	3.00%		104.9	3%	59,485
Utah	4.70%		113.6	8%	65,873
New Mexico	5.00%		29.2	6%	33,780
North Dakota	5.00%		150.8	-6%	67,022

Vessel Sales Tax Caps, Revenue and Registration by State

STATE	Tax Rate	Tax Cap	Total Boating Expenditures	Percentage Change 2015 v 2016	Registrations
Idaho	6.00%		116.7	3%	87,211
California	7.50%		614.5	12%	697,412
Arizona	7.80%		168.4	7%	123,263
Wyoming	4-6%		32.3	-18%	27,288
Alaska	none		103.7	5%	51,144
Montana	none		118.9	5%	68,229
Nevada	none		59.2	13%	42,426
Oregon	none		189.7	12%	156,168
Hawaii	varies		26.1	11%	11,238
Washington	varies		475.5	4.10%	234,035

Make RI Your Boating Home

NO SALES TAX ON BOATS

For nearly twenty years, Rhode Island hasn't charged a sales tax on boats that are delivered and registered in the State. While many neighboring states have increased their Sales Tax rates and expanded that levy on more and more products, Rhode Island – the Ocean State – has left in place its exemption of NO SALES TAX ON BOATS...for residents and non-residents alike. Boating is so important to the economic life of Rhode Island, the State Legislature recognizes the value of attracting more and more boaters to our shores.

If you stay in another State for a too-long visit, you might be liable for a sales tax from them. That's up to the other States. But, as long as you enjoy the beautiful boating of Narragansett Bay and Rhode Island Sound, you won't have to pay a sales tax here if you take delivery on your boat in Rhode Island and register it here!

NO SALES TAX ON SERVICES

The Rhode Island Sales Tax exemption for boats also applies to services you have done to your boat in RI or the mooring and storage you enjoy in RI. There's NO SALES TAX ON BOATING SERVICES! Repair it, refit it, store it for the Winter or keep it at a mooring or slip at a Rhode Island marina or boat yard and you won't pay a Sales Tax on anything but parts and products used. And, you don't even have to have your boat registered here. We want you to see how great it is to do your boating in Rhode Island and you don't have to pay the State for the privilege!

For people in Massachusetts, Rhode Island can be the most convenient places to moor, store or service their boats. In Connecticut, RI is the closest place to enjoy both bay and ocean boating. And, with our convenient airports, highway and train connections – with marinas, slips and services facilities just a short cab ride away -- the Ocean State is often the first choice for a weekend or a season of boating from anywhere in the world!

NO PROPERTY TAX

According to the Rhode Island Sales Tax law, the State does not impose a Sales or Use Tax on boats or boating services AND does not allow any city or town to charge a property tax on boats...so you won't get hit with a tax year-after-year on top of the sales tax, both of which are charged in many other States. It's wonderful to live along Rhode Island's coast -- and your house and car will get taxed like most other locations -- but, live here or even in another State and your boat in RI won't get taxed like it may be if you left it at home.

With beautiful Rhode Island waters, convenient marinas and service facilities, skilled workers and craftsmen available to take care of your boat, and no taxes if you keep your boat here or just have it stored or serviced, it makes sense to "Make RI Your Boating Home". Join the people from out-of-State who account for 46% of the tenants at slips and moorings in Rhode Island already. Go to www.RIMTA.org and click on the Member tab to get a list of places where -- like them -- you and your boat can find a great Rhode Island Home.



RIEDC

Rhode Island
Economic Development Corporation