Harbor Maintenance Tax

Position

The ports of Seattle and Tacoma support reforming the Harbor Maintenance Tax (HMT) to ensure U.S. tax policy does not disadvantage U.S. ports and maritime cargo, and to provide greater equity for HMT donor ports through expanded uses of harbor maintenance tax revenue.

Background

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of harbors and waterways through the HMT Trust Fund. It is not, however, assessed on importers who route cargo through non-US ports and afterwards move the cargo into US markets by land. In a trade dependent state like Washington, our economy depends on keeping our region's gateways competitive.

A failure to meet existing needs

As a result of federal under-investment, federal navigation channels now have available on average less than 35 percent of the authorized and required channel dimensions. Users have paid sufficient annual revenue into the fund to cover the need, but Congress has repeatedly diverted funds from the Harbor Maintenance Trust Fund. Funding for annual dredging requirements falls short of needs and hampers our state's competitiveness. Congress needs to ensure full use of the Harbor Maintenance Trust Fund for harbor maintenance.

A poor return on investment for some ports

Dredging needs vary from port to port. While one-fifth of HMT Trust Fund dollars are spent in just one state—Louisiana—natural deep water ports like Seattle, Tacoma and Everett require little if any maintenance dredging. In fact, the ports of Seattle and Tacoma get just over a penny for every dollar that shippers who use those ports pay in HMT taxes. Congress needs to provide limited expanded use of the Harbor Maintenance Trust Fund to provide some degree of donor port equity.

A competitive disadvantage

Northwest ports are ready to compete on a level-playing field to efficiently move goods to market. Unfortunately, the HMT creates an unintended incentive for international importers to divert cargo through non-US ports. For Northwest ports and others near our nation's borders, this represents a growing competitive disadvantage and threat to our economy.

The Federal Maritime Commission (FMC) validated that the HMT's cost is a factor in cargo diversion, finding that HMT is responsible for approximately half of the U.S.-bound cargo that passes through Canadian ports. Furthermore, the US government is projected to lose several hundred million dollars over the next10 years because of cargo diversion to both Canada and Mexico.

Contacts:

Sean Eagan
Government Affairs Director
seagan@portoftacoma.com
(253) 428-8663

Beth Osborne
Federal Government Affairs Manager
Osborne.b@portseattle.org
(206) 787-7965

(Printed April 2015)