

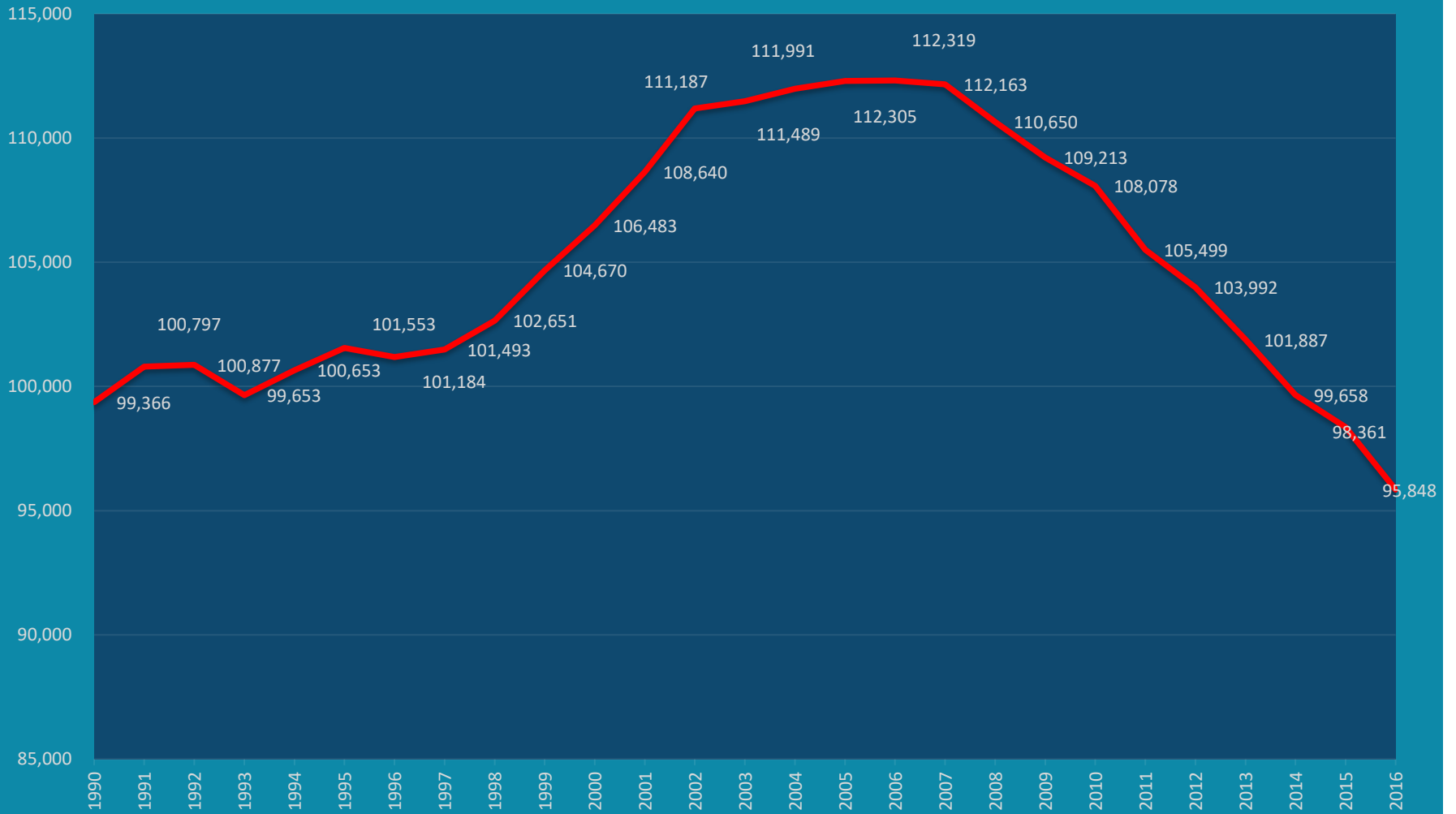


SUPPORT

1048

**Let CT Compete**

# Vessel Registrations Connecticut



## BACKGROUND DATA

### Marine Industry Economic Impact

- 1.3 Billion dollar economic impact – ranking 35<sup>th</sup> in the nation - 2015
  - A 35% Decrease since 2007
- \$149.9 Million dollars in Annual Retail Sales of New Boats, Engines and Marine Accessories and other direct expenditures - 2015
  - \$68 Million dollar drop since 2007
- 537 Businesses
- 5,357 Direct Industry Jobs - 2015
  - Nearly 3,000 jobs lost in the last 10 years
- 98,361 Registered Boats - 2015
  - Lowest since 1983 and a 13,802 loss in registrations in 10 years
  - 4.1% alone last year
  - Over \$750,000 has been lost in registration fees in the 10 year period

### Out-of-State Competition Has Never Been More Fierce...

- Rhode Island – See Attached Letter
  - 0% Tax Rate
  - Actively markets to out of state boaters
  - 46% of registered in boats from Out-of-State boaters
  - Up 30% since 2011
- New Jersey
  - 3.5% Tax Rate change instituted in 2016 with \$20,000 Cap
- Tax Caps have been instituted in the following states
  - New York- \$18,000 Tax Cap instituted in 2015
  - Maryland -\$15,000 Tax Cap instituted in 2013
  - Florida - \$18,000 Tax Cap instituted in 2011
    - First Year: Out of State Registrations for In-State sales dropped from 21.9% to 12.4%
    - First Year: Estimated tax loss of \$1.5 Million - \$13,000 Million dollar increase in taxes resulted

Note: Tax Caps have been very successful in attracting the larger boat buyer in these states where the average size boat is larger than CT. Based on the average sizes in CT, it is important for all price points are addressed.

- CT has the highest tax rate, without a cap on the entire east coast and nationwide only 3 states have a higher percentage.
  - 32% of Dealers polled say 25% of boats sold are delivered and registered out of state
  - 26% of Dealers polled say 50% of boats sold are delivered and registered out of state

## Industry Impacts

According to Boat US, the largest association of boat owners, 10% of the boat's value is spent annually on maintenance, repair, slips and storage.

### Direct Taxable Services

- |                           |                               |
|---------------------------|-------------------------------|
| ○ Slips                   | 6.35%                         |
| ○ Summer Storage          | 6.35%                         |
| ○ Parts & Supplies        | 6.35%                         |
| ○ Fuel                    | Sales Tax, Gross Receipts Tax |
| ○ Sundries & Provisioning | 6.35%                         |
- Prior to 2008 on average 3,100 new boats were sold annually in CT equating to nearly \$15 million dollars on direct spending on taxable services per year on just these new boats. The attrition rate, or boats coming off the registration roles were either equal to or less than the new boat product entering the market for net gains year over year in registrations.
  - In the last 8 years on average 1,476 new boats were sold annually in CT equating to 9.6 million dollars in direct spending on taxable services per year on just these new boats. The attrition rate has exceeded new boat registrations every year since 2009 resulting in the continue decline of boat registrations.
  - For every new boat registered out of state it is an average net annual loss of \$6,500 per boat per year in taxable services directly impacting the marine industry.
  - Conversely, for every new boat registered IN STATE it is an average net annual gain of \$6,500 per boat per year in taxable services and for every 17 new boats registered is another job.
  - Imagine if we not only kept in-state residents here, but attracted out-of-state boaters to slip, store, repair, fuel and stay in our waters?

### Employment

- Every 17 registrations equals one job

### Key Points

- CT Boat Sales needs to out-pace attrition or marinas and boatyard can't stay in business
- We need to become more competitive to keep boat sales here
- Growing boat sales will actually grow the tax base on all other taxable services
- We need to protect CT Marine Businesses and Revenue streams in order to grow the economy and grow the tax base.

## Methodology

OFA's fiscal analysis of SB 1048 left critical analysis out of the cost equation.

1. There was no data showing the increase of boats remaining registered in-state due to the competitive changes in tax policy.
2. No calculation of the resulting tax gain on associated taxable services when a boat remains in the state.

We show a more complete picture here.

## Findings

- **On average ONLY 65% of Boat Sales Revenue resulted in tax collection in the past**
  - Tax collection for qualified sales was at an effected rate of 4%
  - In a 7-year look back over \$13 million dollars in potential tax revenue left the state as boats were purchased from In-State Dealers, but were registered, stored and moored out of state.
- For the associated potential taxable services that follow a Boat Sale the rate is 6.35% on taxable services.
- For the Boats that left the state, there was NO tax collected on associated services as they did no business in the State. at the time of sale because they left the State.

## Conclusions

- 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

## Methodology

- Used the DRS Boat Dealer's Data
- Examined total Boat Sales under NAICS Code "Boat Dealers" and Tax Collected as provided by CT Department of Revenue Services<sup>1</sup>
- For additional expenditures, determined utilized NMMA collected Data<sup>2</sup>
- For new boat sales utilized NMMA collected data<sup>3</sup>

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<sup>1</sup> DRS NAICS Boat Dealer Sales and Use Tax Statistics

<sup>2</sup> NMMA Statistical Abstract 2015

<sup>3</sup> NMMA Statistical Abstract of New Powerboat Sales

## **Tax Reduction & Cost**

Other states including Florida and Maryland have proven results that revenue AND tax revenue have increased as the tax percentage decreased because in the first year alone, in-state purchases remaining in-state (vs. being registered, stored and moored elsewhere) increased by 11%.

## **Tax Rate of 3.175%**

- Suggesting a modest increase equal to the rate of change from the average of the two-previous fiscal-year periods + an increase of 11% of in-state purchase remaining in-state for registration:

**Fig. 1 – Tax Collections at 3.175%**

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

### **1<sup>st</sup> FY Year Changes**

- 300 Additional New boats are sold, registered and maintained in-state
- \$25,000 in New boat registration fees generated
- 25 new quality, living-wage jobs are created
- \$75,000 in new payroll taxes and fees resulted
- 2.6 persons per boat, or 780 new people utilizing restaurants, hotels, attractions, grocery stores, etc.

### **Turning Point**

- 2<sup>nd</sup> FY exceeds current tax collection bringing in more revenue than historical
- 3<sup>rd</sup> FY continues to achieve tax generation
- 4<sup>th</sup> FY any losses are completely erased

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<sup>4</sup> Other services include slips, storage, mooring, repairs, service, accessories, fuel and sundries

# 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](http://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

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April 22, 2017

Heather B Somers  
Legislative Office Building  
Room 3400  
Hartford, CT 06106

**Re: SB 1048 An Act Reducing The Rate Of Sales And Use Taxes On Vessels**

Dear Senator Somers,

I am writing this letter in support of SB 1048 as a non-resident boater who has kept a boat in Connecticut waters since 2010, having paid sales/use tax on three boats in the state during this time. With the recent purchase of our most recent fourth boat we have chosen to keep it moored in Rhode Island due to the prohibitive expense of use taxes in Connecticut.

Living in Western Massachusetts we have enjoyed boating in Connecticut waters since we acquired our first boat, a 23' bow rider that we kept in South Glastonbury the summer of 2010. With the CT registration, we had to document our sales tax paid in Massachusetts and paid the small difference between the tax rates in the two states. The following year we sold our first boat and purchased the next, a 34' express cruiser that we kept in Old Saybrook, paying the CT sales tax of \$4127 on that boat. We used that boat for three seasons then sold it and purchased a 43' trawler with the required use tax of \$12,382. This past winter our boat was again sold and we purchased our current boat. Because of the sales/use tax that would need to be paid if we continued to moor in CT of \$32,956 we opted to keep the boat in Rhode Island, allowing us to be able to apply those funds towards the improvement of the condition of the vessel.

When I look back at the taxes paid, then take into consideration that each of these vessels were subsequently sold within a 3-4-year time frame with another similar tax paid on the resale, and that prior to my purchase each of these boats had been sold at least once previously in Connecticut, I marvel at the magnitude of dollars spent simply in taxes. I find it hard to justify continuing my boating in Connecticut waters. For the boats I have owned and sold since 2010, the state of CT has collected \$36,130 in sales/use taxes in addition to the annual registration fees totaling \$1627.50. Had I decided to keep our new boat in CT that number would have nearly doubled, far exceeding the cost of a modest family boat. Compared to many other states on the East Coast, boating in CT is prohibitively expensive, primarily due to the sales/use taxes imposed on any vessel kept in the state for 90 days or more. Without lowering this sales and use tax, many boaters will continue to leave the state creating a significant impact on the state's economy because of not only the loss of tax revenue but also the loss of associated business revenue.

It is unfortunate for the state that I will not be keeping my business in CT any longer. The dockage fees, fuel and maintenance expenses that we have gladly paid with their associated tax rates will also be leaving the state.

I do encourage the state to strongly consider Bill #1048 to try to retain the business boaters like me in the state of Connecticut.

Regards,



Peter A. Vieira