



House Bill 14

Natural Resources – Vessel Excise Tax Cap – Amount and Repeal of Termination

MACo Position: **SUPPORT**

Date: March 29, 2016

To: Budget and Taxation Committee

From: Andrea E. Mansfield

The Maryland Association of Counties (MACo) **SUPPORTS** HB 14 as amended by the House. This bill would permanently keep in place the vessel excise tax cap, which is due to terminate as of June 30, 2016. The cap, currently set at \$15,000, will increase by \$100 annually beginning July 1, 2016. Data indicates that the imposition of this cap has spurred the sale of higher-end vessels and is having a positive effect on the boating industry in Maryland.

During the economic downturn, Maryland experienced a significant reduction in the number of boats registered in Maryland, negatively affecting the boating industry and funds going into the Waterway Improvement Fund (WIF). The WIF finances projects that promote, develop, and maintain Maryland's waterways and provides matching grants to counties for the construction of facilities, vessels, and equipment.

To spur the industry and increase revenue going into the WIF, the General Assembly enacted Chapter 180, Acts of 2013, which imposed a \$15,000 cap on the vessel excise tax. The cap was put in place for three years with a study required by the Department of Natural Resources to determine the effects of limiting the cap on the number and types of vessels registered in the state; and the health of the boating industry. The study found that the number of higher-end boats registered in Maryland during the two years the cap was in place increased significantly. Although the additional revenue didn't fully offset the amount of revenue that would have been generated without the cap, the study indicates that the cap has had a positive effect on the boating industry in Maryland and that it should be continued.

Accordingly, MACo urges the Committee to give HB 14 a **FAVORABLE** report to further enhance the role the boating industry plays in Maryland.