



April 4, 2011

Finance Revenue and Bonding Committee
Room 3700 – Legislative Office Building
Hartford, CT 06106

Dear Committee Members,

As I am sure you are aware, the marine industry has been working quite tirelessly in doing our best to make the decision makers aware of the impact Governor Malloy's current budget proposal (SB 1007) will have on all of our businesses. I think we have remained professional, courteous, and tried to stay on point in regards to the jobs that will be lost, eminent business closings, and the effect our industry will have on other businesses in the shoreline communities if this bill comes even close to being passed as proposed.

In attending the SE CT Chamber of Commerce meeting and two (2) town hall meetings, Governor Malloy on each all occasion said this budget was about jobs, and remaining competitive with neighboring states. By now I am sure you are aware, Rhode Island will be the benefactor of SB 1007 if passed as proposed as our industry is not even close to being competitive with Rhode Island's marine industry. Do Connecticut state residents actually leave to go to Rhode Island? The Rhode Island Marine Trades just released a press release informing their legislature that 46% of all boats docked or moored in their state are owned by out of state residents! I have attached a copy of that release for your review. As you can see they are quite fond of the amount of customers we are sending across the border with the current tax structure. Imagine the exodus if the current proposal is passed.

Yes it is about jobs, however this past weekend I sat down and did a quick scenario of what the tax picture would look like if a customer wanted to purchase a \$200,000 boat today and if he/she were to purchase one based on the proposed budget.

If the customer were to buy the boat today, he would pay \$7,500 to the state in sales tax. If he were to buy the same boat under the new proposal, the tax would be \$15,700! This is an increase of 109%! No one is going to make a purchase with that kind of increase. The luxury tax in the early 90's proved that and was quickly rescinded.

Needless to say, the customer will not make that purchase and not only do we not collect the \$15,700, we even lose on collecting \$7,500 we would have collected under the current tax laws.



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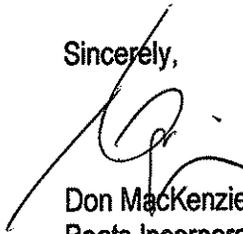
What is so critically important is the marine industry needs to at least have the opportunity to collect taxes. Should SB 1007 continue to follow the course it is on now, that will not be possible as those who have put themselves in the position to make such purchases, will simply postpone any and all decisions to buy. Basically, \$7,500 is better than \$0 and with that, we will remain open along with keeping people employed, and surrounding businesses dependent on us bringing boaters to the area will survive as well.

	<u>BEFORE PROPOSAL</u>	<u>IF PASSED</u>
GROSS SALES PRICE	\$200,000	\$200,000
TRADE-IN	-\$75,000	-\$75,000
TAXABLE AMOUNT	\$125,000	\$200,000
TAX	\$7,500 (6%)	\$12,700 (6.35% on \$200,000)
3% LUXURY TAX	\$0	\$3,000
TAX PAID	\$7,500	\$15,700
% TAX INCREASE	0%	109%

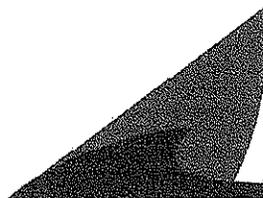
Sales tax is generated when consumers make a conscious decision to buy. As you can see from the above table, the decision to buy or not to buy will be a very easy decision to make.

Thank you all for your time and should you have any questions or ideas, please feel free to contact me at anytime.

Sincerely,



Don MacKenzie
Boats Incorporated, VP



RHODE ISLAND

MARINE TRADES ASSOCIATION

Facts:

- Since the tax on boat sales in RI was removed, more than 3,500 new, full-time, well-paying jobs have been created in our marine industry. Marine related businesses now number 2,300 and supply over 6,600 jobs in Rhode Island.
- Prior to sales tax relief, annual tax revenue from the marine industry averaged only \$350,000 per year. Given current sales levels, it is unlikely that new tax revenues would be anywhere near that level for several years.
- A recent survey indicated that 46% of boats moored in RI are owned by non-residents. These owners bring significant revenue to RI from out of state; revenue that would be lost if our state's sales tax advantage were to disappear.
- Out of state boat owners cannot take their boats back to their own states without paying that state's sales tax. Thus, these boaters much prefer to stay in RI, and we are all happy to have the money they spend in our communities.
- Any revenue from out of state boaters does not cost our taxpayers a thing – they bring no children to our schools, they require no health benefits and no government services.
- The infrastructure is in place to keep these marine jobs through these difficult times, as long as we can count on the support of the state government to help. The stable aspects of the marine industry (storage, berthing and maintenance, for example) have shown themselves to be far less volatile as the economy as a whole. Even now, there are approximately 450 marine-related employment vacancies to be filled in RI.
- The marine industry in Rhode Island has worked proactively with the state to further sustainable economic development. Members of the Rhode Island Marine Trades Association have: created partnerships with schools at all levels to train young adults to take an active role in the industry's advancement; partnered with the Governor's Workforce Board to explore the skills and needs of the industry; held compliance seminars for industry practitioners to ensure compliance with existing regulations and assist in development of new ones; and renewed alliances with OSHA and the RI Department of Health.

Immediate Result of Reinstating RI Sales Tax on Boat Sales:

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- It is likely that many of the 3,500 jobs that have come to RI as a result of the no-sales-tax policy will disappear as non-residents no longer have incentive to store, cruise and service their boats here.
 - Reinstating the sales tax on boats would likely do little in the short term to close the state's revenue gap, as boat sales in general are down tremendously in the last 12 months and won't likely recover until the economy strengthens again. The re-institution of a sales tax on boat sales in RI would only prolong the boat sales drought in RI.