Chairman Fonfara, Chairman Rojas and Members of the Finance, Revenue and Bonding Committee. I’m Kathleen Burns Executive Director of the Connecticut Marine Trades Association and represent nearly 350-member marine and boating related businesses and their employees.

I’m here to address specific pieces of Raised Bill 7410 and their impact on the boating business and jobs.

But before I get to that, I wish to thank you for the time you as a group and as individuals have provided to the Marine trades to understand the unique challenges we face. This industry is an anchor and we hope to strengthen that position with your help.

When we met with this committee’s Leadership in January, it was sure nice to see smiles all around.

And that ladies and gentlemen is what I wish to continue.

There is a saying that “those that cannot remember the past are condemned to repeat it”. Such is the situation with the economic incentives called out to be eliminated in this proposal.

When Rhode Island went zero tax across the board in the 90’s, the late Senator Eileen Daly and others recognized how impactful this would be on the boating industry in Connecticut. Shortly after Rhode Island’s action, the tax was removed from winter storage which boosted registrations that immediate year. Meaning boats started to stay in the state.

By 1999 the labor tax was phased out to meet the growing out of state challenge and registrations jumped again. Some of the single largest increases were recognized during this time bringing in millions of dollars in registrations, slip tax and more. (There are charts attached to my written testimony to illustrate.)

I know our own marina at the time (bordering Rhode Island) went from 65% occupancy to a waitlist by 2001 and that growth was sustained until recession. And slips are all taxable. When the marinas are at 65% occupancy, so is the related tax revenue generated for the state.

After recession, state after state surrounding us found ways to grow the maritime sector in order to attract new residents and visitors. Rhode Island 47% of slip holders are out of state residents...state after state capped or reduced sales tax on boats to the point that CT was at the highest rate on the eastern seaboard without a cap and 5th in the nation. People were buying elsewhere.....and then storing and slipping and trading in and we were hurting.

Just last year, in bi-partisan fashion, the sales tax on boats was addressed....and we haven’t even had a full year to prove it’s worth, but to date we sure have seen some incredible success....with data from our strongest closing months still to come. And it’s working as we’ve been sharing with you since January.

Our industry works in an annual circle (also attached to this testimony). Each area impacting another and ALL leading to jobs. If one is impacted, the entire circle is. With out of state competition our greatest threat.
I have appeared before you several times. And I again thank you for listening and ask you to help make and keep our industry strong and competitive. We’ll deliver. But we need that stability now.

Again, Thank you.

Sincerely,

Kathleen Burns
Executive Director

Attachments
1. Winter Storage Tax removed a year after Rhode Island goes tax free on everything boating related
2. Service Labor Tax removed to boost CT’s competitive position – registrations increase along with slip rental and work.
3. Great Recession impacts industry every aspect of the Boating Indu
Early 2019 Results

Boat Sales
- Have jumped an average of 41% per month over previous periods since July, 2018...the increase attributed to the new sales tax rate.

Slips
- Marinas reported a 13% increase in committed slip rental for the upcoming season. Raising average occupancy rate from 65% to 78%
- This is a taxable service in which we expect further growth as the season begins and more boats choose to stay in CT.

Winter Storage
- This current winter season is up 8% over previous periods. With an average 78% occupancy rate.
- There is still some considerable growth here – but it is a highly competitive entity across state lines.
- Winter storage is the driver for off-season work, labor and parts keep the workforce employed year-round, avoiding layoffs and unemployment claims

Service Labor and Parts
- Marinas, Boatyards and Service Dealers have increased their revenue 15% in both service labor and parts over previous periods.
- This is a highly competitive area, not only from the consumer side, but by attracting and employing the top talent. With the work comes the jobs, with the better talent comes more work. It is its on circle.
- Parts are a taxable service and parts sales are driven by the amount of labor provided.

Job and Payroll
- Since July 85% of all dealers hired additional fulltime personnel. Most have reported that they are cautious of any future hires until these policies are addressed.
- The average marine industry company pays over $90,000 in payroll taxes which is up approximately 14% from 2017.

Trade In Credit
- A Trade is Made, a New Boat is Sold, the Dealer then sells the Trade-In Boat. This becomes a double taxation that will not hold up. This will drive sales across to every state....which will trigger that boat staying in that state, which will trigger a drop in slips and revenue, storage and revenue, service, labor and parts and ultimate JOBS.

Boat Industry in CT
- Is a closed loop circle. What has and WILL break that circle is out of state-competition. These must be protected.