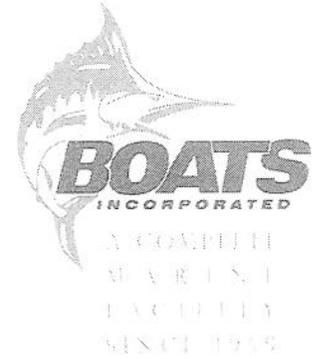


Statement of Don MacKenzie, Pres.
Boats Incorporated Niantic, CT
TO: The State Tax Panel



Members of the State Tax Panel:

My Name is Don MacKenzie, President of Boats Incorporated of Niantic, CT. Our company is 56 years old and current ownership has been there for the past 28 years. We sell new and used boats from our 3 acre facility, we have almost 200 in water slips, and 30 full time employees and are open 7 days a week.

Unfortunately dealers that are close to either the RI border or NY border are at a very unfair advantage as we can't simply compete. The time and money we spend advertising creates interest however, we have found our customers once they see the disadvantage either postpone the purchase or take advantage of our neighboring states very significant tax savings. When we can't compete, nothing happens, including the submittal of sales tax from boat sales and slip rentals along with state income tax revenue from all of our employees.

My points are not hypothetical, they are real and our efforts to remove the Luxury Tax on boats proved that while helping our state generate sales tax revenue. If you recall, when implemented the luxury tax generated only \$69,000 in total revenue. It was literally killing our business as the people that are in a position to make such a purchase simply chose not to because of the tax. So the state in trying to garner another .65% in sales tax lost the 6.35%. The consumer felt he/she were being penalized for being in a position to make such a purchase so they chose not to make it. It did not hurt them as they simply went without. Their decision did however hurt my business, my laid of employees, and the State of Connecticut. As I shared with Senator Stillman in a previous testimony to the Finance Committee, "You may say the Luxury Tax was mandatory but it wasn't. It was an optional tax, as the consumers simply opted not to pay it....by not making a purchase." The solution to fix the problem was so easy and when the Luxury Tax was lifted, our sales returned. When the Luxury Tax was removed, we almost tripled sales form the same period in the prior generating an additional \$26,985 in sales tax for the same period in 2012. The \$26,985 increase in one month was 39% of the entire Luxury Tax collected during its duration. These are real numbers. We removed the Luxury Tax and we all benefitted. The math is very real and there is no subjectivity as to what took place.



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So my plea is to remind you that when we are not competitive, we get nothing and we can't blame the consumer. We already know they will drive 25 miles to save \$.20/gallon on gas, why wouldn't they drive to either NY or RI to save thousands of dollars in sales tax? A \$1M sale is a very big sale so let's do the math on a sale that is not so big in our industry, \$500,000. In Connecticut the sales tax on \$500,000 is \$31,750, in New York, the tax would be \$18,975 which is a savings of \$12,775 or 40%. It gets worse, if he/she makes the purchase in Rhode Island, the sales tax is zero. Being close to the Rhode Island border, the amount of sales we have lost due to sales tax is not something I care to calculate as it is simply painful. Two of my key manufacturers had no choice but to open distribution points in Rhode Island as they knew they would gain sales from customers jumping the border. I fought so hard for them not to open those stores and the response was, "Don't if we don't we will have to lay off workers here."

Florida has placed a cap on sales tax on boat purchases as they were losing so many sales to the Bahamas and it appears as though New Jersey will soon be following suit so they can compete with New York. Does capping the sales tax work? Florida took in nearly 10 times as much sales tax revenue on sales of tax-capped boats as the state projected in the first year of implementation. (*Soundings Trade Only Magazine – March 2012*)

Our state is blessed with an industry that allows immediate access to some of the best boating and recreation in the world. Nebraska, Iowa, Kansas, etc. don't have this source of revenue. Connecticut does and it is "found" money as every state is not created equal so why not keep it instead of giving it away? It costs us nothing to keep it. Other states have certainly recognized something is better than nothing.

In closing, if we can become competitive in keeping the customer here, not only do we collect a very substantial amount of sales tax but the "Trickle Down" list is endless as the consumer now rents a slip, shops locally, buys fuel, buys accessories, visit local attractions, restaurants, introduces other friends and family to boating, and most importantly keeps Connecticut employees off of the unemployment list. If you are asking, "Will people really leave our state to make a purchase elsewhere? Obviously yes, as they have done so. All is not lost however as the real untapped resource is those who simply have opted to postpone the purchases. We have already proven how much additional revenue we can create when we removed the Luxury Tax. We can help you reduce the state's deficit, as we do it 7 days a week just give us the tools to do what we do best, create jobs and revenue and you will be rewarded.