

November 3, 2017

The Honorable Kevin P. Brady
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington DC 20515

The Honorable Richard E. Neal
Ranking Member
House Committee on Ways and Means
1139E Longworth House Office Building
Washington DC 20515

Dear Chairman Brady and Ranking Member Neal,

I am writing regarding the draft *Tax Cuts and Jobs Act* released this week to urge your Committee's consideration of provisions that benefit ports and our national economy. The American Association of Port Authorities (AAPA) is the united voice of America's ports. The nation's seaports serve a vital role in U.S. job creation, economic prosperity, international competitiveness and Americans' standard of living. Seaport cargo activity accounts for 26 percent of U.S. GDP, over 23 million American jobs, and generates over \$320 billion annually in federal, state and local tax revenues. Ports serve as economic engines and vital freight gateways to the global marketplace for American farmers, manufacturers and consumers, and serve as critical infrastructure for the U.S. military in any deployment overseas.

This historic tax bill is an opportunity to resolve current tax inequities and provide support for our nation's infrastructure including seaports. Our letter today outlines areas that AAPA urges you to address, as the bill proceeds through Congress. These areas relate to tax-exempt bonds that fund infrastructure, Harbor Maintenance Tax (HMT) reform, permanently extending the wind energy production tax credit, and funding the multimodal freight network.

Maintain Tax-Exempt Bonds Status – Ports rely on a variety of financing tools to build public port infrastructure, such as federal grants and tax-exempt bonds, including private activity bonds. Placing limitations on federal tax exemption would result in an increase in cost for these critical projects and may place more emphasis on grants, which are limited. AAPA supports maintaining the historic system of tax-exempt bonds and encourages all tax-exempt bonds to also be exempt from the alternative minimum tax (AMT), should the AMT repeal in the bill be changed.

The Tax Cuts and Jobs Act has several provisions that would negatively impact tax-exempt bonds and refinancing. AAPA is very concerned about the elimination of tax-exempt status for private activity bonds. While some ports also use municipal bonds, when bonding caps are reached, they often use private activity bonds. By eliminating the tax exemption for private activities bonds, ports will need to offer higher yields, which will result in additional costs.

Seaports are in a building boom. The amount of freight moved in the United States is projected to grow 15 percent by 2045, and America's trade volume is expected to quadruple after 2030. A recent AAPA survey shows that AAPA members and their private sector partners plan to invest nearly \$155 billion in port infrastructure by 2021. Tax-exempt private activity bonds are an important part of their ability to finance these projects. AAPA strongly urges you to reconsider the draft bill's proposal to eliminate private activity bonds, and carefully evaluate the other bond requirements and their impact on public infrastructure such as seaports.

HMT Reform – Tax reform is an opportunity to address the long-standing inequities of the HMT and make spending mandatory, while addressing donor equity concerns. The HMT, unfortunately, is a perfect example of an existing tax structure that lacks fairness, equity, and hinders rather than promotes, American economic growth, jobs, and our international competitiveness.

The users of federal navigation channels pay the HMT, ostensibly as a user fee, to fund 100 percent of the required maintenance of these critical water highways into and out of America's ports. But over the years, a significant amount of these taxes paid have not been put back into maintaining navigation channels, leading to channels that are not being maintained at their authorized depths and widths. This situation limits the size of vessel and amount of cargo that can be loaded, making U.S. agricultural, mineral, and other export products more expensive and less competitive. This hurts our economy and employment, in addition to being unfair to the users paying the tax.

As you know, highways and airport fees already have more of a guaranteed spending structure for their fees, and tax reform can find the necessary offset to support making the HMT spending mandatory. HMT should be used to pay for harbor maintenance, rather than used to offset other federal spending. Currently, there is a balance in the Harbor Maintenance Trust Fund (HMTF) of over \$9 billion, and tax reform could help free those funds for desperately needed port maintenance. You can help resolve the HMT inequities that have evolved, since the establishment of the tax in 1986, over 30 years ago.

AAPA is working to develop an industry consensus spending formula to accompany permanent HMT funding legislation such as H.R. 1908, *Investing in America: Unlocking the Harbor Maintenance Trust Fund Act*, which was introduced earlier this year by Representative Mike Kelly (R-PA) and House Committee on Transportation and Infrastructure Ranking Member Peter DeFazio (D-OR). One of the key stumbling blocks to this legislation, however, is finding the necessary offset. Tax reform can be that vehicle to solve this 30-year-old problem.

Permanently Extend the Wind Energy Production Tax Credit (PTC) – Seaports are important partners in U.S. efforts to increase wind energy by serving as part of the transportation supply chain for wind energy components that are imported or installed offshore. AAPA supports a permanent extension of the wind energy PTC, which is set to expire in 2019 and is limited in its coverage.

Fund the Multimodal Freight Network – While this bill currently does not address taxes related to broader infrastructure issues, it could be an opportunity to address infrastructure investment needs. AAPA has called for [\\$66 billion in port investments](#) comprised of both landside and waterside needs. Ports are multimodal transportation hubs for our nation’s trade, and the current federal funding system needs to evolve to make sure it addresses the multimodal freight needs of the future. We urge the Committee to look at the nation’s tax system and consider how it should support a strong Multimodal Freight Network of the 21st century.

Thank you for taking the time to consider AAPA’s recommendations on how to address current tax inequities and improve seaport infrastructure investment. This bill is a great opportunity to help finance the anticipated infrastructure package, and it should be complementary to the goal of building America’s 21st century infrastructure. As the unified voice of the seaport industry in the United States., we stand ready to help our nation meet the trade needs both now and in the future.

Sincerely,



Kurt J. Nagle
President and CEO

cc: Speaker Paul Ryan
Minority Leader Nancy Pelosi
House Committee on Ways and Means Members