

THE NORTHEAST-MIDWEST CONGRESSIONAL COALITION

GREAT LAKES TASK FORCE

December 13, 2007

The Honorable Max Baucus
Chairman
Senate Finance Committee
219 Dirksen Building
Washington, D.C. 20510

The Honorable Chuck Grassley
Ranking Member
Senate Finance Committee
219 Dirksen Building
Washington, D.C. 20510

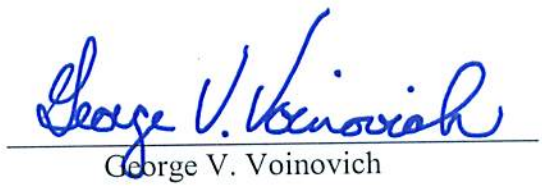
Dear Chairman Baucus and Ranking Member Grassley:

In 2004, Congress established the maritime tonnage tax. The tonnage tax was enacted to improve the competitiveness of the U.S. shipping industry by working to level the playing field. The Joint Committee on Taxation explained that the change was necessary because "Congress believed operators of U.S.-flag vessels in international trade were subject to higher taxes than their foreign competitors. [The maritime tonnage tax] provides operators of U.S.-flag vessels in international trade the opportunity to be competitive with their tax-advantaged foreign competitors."

In the course of the implementation, however, it became known that only American C corporations were eligible to take advantage of the tonnage tax. That means that today American vessels owned by C corporations can receive the benefits of the tonnage tax while American vessels owned by S corporations cannot. This places one segment of the American shipping industry at a competitive disadvantage against another. The disadvantaged S corporations also remain uncompetitive against foreign operators. It was not the intent of Congress to pick winners and losers among American shipping companies or to help level the playing for only one class of American ship operators, and the tax code should not discriminate among different business forms.

We urge you to add language to the next appropriate tax bill to ensure that both American S corporations and C corporations engaged in international shipping both receive the benefit of the tonnage tax. Thank you for your interest in this important matter.

Sincerely,



George V. Voinovich



Carl Levin



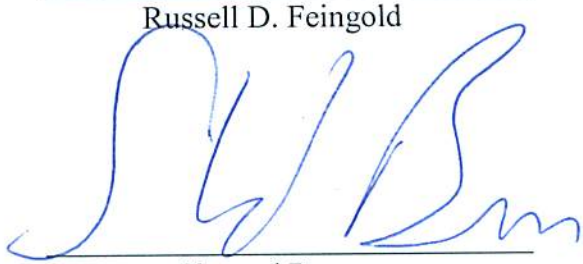
Arlen Specter



Russell D. Feingold



Robert P. Casey, Jr.



Sherrod Brown



Debbie Stabenow



Evan Bayh



Amy Klobuchar



Herb Kohl



Barack Obama



Norm Coleman

December 2007 Letter to Senate Finance Committee regarding maritime tonnage tax