

**THE HARBOR MAINTENANCE TAX & CONGESTION RELIEF**  
**IN BRIEF** (v.9.1.05)

The potential for moving intermodal cargo along coastal and inland waters is attracting the industry and government attention. Such coastwise and “short sea” shipping can be especially appealing as a way to add capacity to regions where highway and rail corridors are capacity constrained and promise to become more congested. When asked how Federal policy might be adjusted to foster coastwise shipping stakeholders say the first priority is to exempt certain domestic cargo from the Harbor Maintenance Tax (HMT).

***It is estimated that a small fraction of the HMT collection on domestic shipments comes from the intermodal cargo that this paper proposes to be exempted from the HMT.***

- The HMT is 0.125 percent of cargo value. Its main purpose is to offset the cost of Federal channel maintenance in coastal and non-inland system ports.
- Spending offsets have not kept up with revenues. The Harbor Maintenance Trust Fund has accumulated a year-end balance that is projected to be \$3.072B in FY 2006. FY 2002 receipts are from the following sources: Imports - \$544.7M; Foreign trade zones - \$69.1M; Domestic - \$27.8M; and Cruise pax - \$9.6M.
- The majority of HMT receipts collected on cargo in domestic moves is thought to be sourced in bulk cargo. A very small portion is from intermodal cargo.

***Waiving the HMT on certain cargo traveling in the domestic trade would be a cost-effective way to stimulate the use of vessels in domestic freight movement.***

- Major interstates are increasingly congested, especially in metropolitan areas and in many regions around the country. Even sections of the US rail freight system hauling truck trailers are experiencing congestion.
- Waterborne transportation is capable of providing extensive system capacity at comparatively little infrastructure cost. USDOT estimates building a lane mile of interstate is \$32 million.
- Congress and Federal agencies should consider how the national transportation system capacity could be improved by encouraging coastwise shipping and providing trucking with water routes for their service.
- The American maritime sector would benefit by an increase in domestic shipping.

***Waiving the HMT would be a low cost way to encourage the expansion of the transportation system's usable capacity and would eliminate the double taxation of certain cargo.***

- Waiving HMT on certain cargo would cost as little as \$2 million in lost revenue. It would also end the double taxation of international cargo.

***Coastwise shipping is hardly new but new intermodal service can be difficult to start in untested markets. Entrepreneurs find HMT is a discouragement.***

- A few vessel operators maintain a recently started service hauling containers of import and domestic cargo between certain ports in the Northeast, the Southeast and the Gulf.
- The NY/NJ Port Inland Distribution Network is an example of a start-up effort intended to ease landside and interstate highway congestion.
- High-speed vessels could meet long haul trucking needs.