American Association of Port Authorities

Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

AAPA Press Release
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AAPA Press Room

AAPA Industry Services Directory

AAPA Member Ports Map & Multimedia

AAPA Events

U.S. Government Relations Policy Positions

Ports Voice Concerns Over Some Provisions in Tax Reform Legislation

Tools to finance infrastructure, wind energy could suffer

ALEXANDRIA, Va. (Dec. 2, 2017) - The historic “Tax Cuts and Jobs Act” legislation approved Dec. 2 in the U.S. Senate and a somewhat different version approved on Nov. 16 in the House of Representatives each contain provisions that would reduce or curtail much-needed tax support for investments in America’s infrastructure, including seaports.

As the united voice of the nation’s ports, the **American Association of Port Authorities** (AAPA) is particularly concerned over several provisions in the House-passed bill. Provisions to (1) eliminate tax-exempt status for Private Activity Bonds (PABs) and (2) repeal the tax exemption for advanced refunding of bonds would seriously impair two important tools used to fund U.S. port infrastructure, which is a high priority for AAPA. The Senate bill also includes repealing the tax exemption for advanced refunding of bonds, affecting the ability of issuers to refinance those bonds at lower rates. Approximately 27 percent of the $451 billion in long-term, tax-exempt U.S. municipal bonds were advance refunded in 2016 to take advantage of lower rates.

The House version of the bill also includes rolling back wind energy Production Tax Credits, which would negatively impact investments in U.S. wind energy continues to gain traction in the U.S. as a supplement to coal and gas, components of the giant wind turbines used to generate electricity, including the generators, nacelles and blades, move through America's ports and help sustain port-related employment.

In a favorable turn of events, the Senate deleted a troubling provision in its bill that would have placed a new tax on foreign cruise companies that operate most cruises in the U.S. AAPA joined forces with others in the industry to voice concerns over the impact of this new tax and the jobs the cruise industry supports throughout the U.S., including at AAPA-member ports in Alaska, Hawaii, Washington, California, Texas, Louisiana, Alabama, Florida, Virginia, Maryland, New Jersey, New York, Massachusetts, Maine and the Great Lakes. The Senate provision would have imposed a stiff new tax on foreign-owned cruise lines whose ships call at U.S. ports. That tax could potentially have created an exodus of cruise lines that last year contributed nearly $50 billion to the U.S. economy and supported more than 370,000 U.S. jobs which paid more than $20 billion in wages and benefits.

"While we applaud the intentions of Congress and the Administration to simplify our complicated and oftentimes burdensome tax structure and incentivize investments into our economy, a number of tax changes in both versions of the legislation run counter to those intentions," said **Kurt Nagle**, AAPA president and CEO. "AAPA supports maintaining the historic system of tax-exempt bonds and encourages these bonds to also be permanently exempt from the Alternative Minimum Tax. AAPA also opposes any rollback and supports a permanent extension of the existing wind energy Production Tax Credit, which is set to expire in 2019. Furthermore, we thank the Senate for deleting a provision in its bill to impose a new tax on the cruise industry. That provision would have hindered American economic growth and jobs. We congratulate the Senate for taking this into account as they considered the many aspects of this important legislation."

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. 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.

Private Activity Bonds and Advance Refunding

While the American people, Congress and the Administration strongly support infrastructure investment, the tax-exempt bond proposals in the House version of the

“Tax Cuts and Jobs Act” run counter to this high priority. AAPA’s U.S. member ports and their private sector partners are in a building boom, planning to invest $155 billion into capital projects between 2016 and 2021. Many of these improvements will be financed through municipal and private activity bonds.

AAPA has deep concerns about the provisions in the House bill to eliminate the tax-deducibility of PABs, as well as the impact of a repeal of advanced refunding of municipal and certain PAB bonds in both the House and Senate bills. In one of **many examples** of the predicted impacts, the ports of Los Angeles and Long Beach – which comprise the largest port complex in the United States – have each estimated the loss of tax exemptions on PABs and advance refundings would increase the cost of financing their port infrastructure.

The **Port of Los Angeles** estimates its costs would increase $30 million over 30 years if it couldn’t use tax-exempt PABs, while the proposed changes to advanced refunding would cost $28.17 million over the same time horizon. This is funding that would otherwise be reinvested into the port complex.

The **Port of Long Beach** says it has $823 million of outstanding long-term debt, of which $394 million is in tax-exempt PABs and $395 million is eligible to be “advance refunded.” For every $100 million of borrowing that can’t be issued as PABs, the port estimates its debt service costs would increase by approximately $19 million.

AAPA advocates for maintaining the existing tax-exempt financing tools to allow America’s infrastructure to keep pace with demands and entice more public-private partnership agreements to fund and finance infrastructure improvements.

Wind Energy Production Tax Credits

The House version of the “Tax Cuts and Jobs Act” reform bill includes provision to roll back the wind energy Production Tax Credit to its 1992 level of $15 per megawatt hour, which is a substantial decrease from the current inflation-adjusted $24 per megawatt hour.

Seaports are important partners in U.S. efforts to increase wind energy projects by serving as part of the transportation supply chain for the massive components for these undertakings. As an example, over the past few years the **Port of Wilmington**, Del., has received approximately 600 wind turbine blades, destined for Pennsylvania. The arrival of these cargoes through the port supports the local economy and a range of maritime interests, from longshoremen hours, wages and benefits, to the trucking companies transporting the blades to their final destinations.

Additional U.S. ports that service the wind energy sector include the ports of New Orleans (La.), Galveston and Corpus Christi (Tex.), Baltimore (Md.), Virginia (Norfolk), New Bedford (Mass.), Duluth-Superior (Minn.), San Diego (Calif.), and Longview and Vancouver (Wash.).

AAPA advocates that the final "Tax Cuts and Jobs Act" bill exclude the House provisions that would negatively impact the wind energy industry and the logistics supply chain that supports it, including ports.

Founded in 1912, AAPA today represents 140 of the leading seaport authorities in the United States, Canada, Latin America and the Caribbean and more than 250 sustaining and associate members, firms and individuals with an interest in seaports. According to IHS Inc. - World Trade Service, combined international sea trade moving through Western Hemisphere ports in 2015 totaled 3.45 billion metric tons in volume and US$3.36 trillion in value. Of that total, ports in Central and South America handled 1.69 billion metric tons of cargo valued at US$1.15 trillion, while North American ports handled 1.76 billion metric tons of goods, valued at US$2.21 trillion. To meet the growing demand for trade, the AAPA and its members are committed to keeping seaports navigable, secure and sustainable. For more information, visit www.aapa-ports.org. On Twitter:
http://twitter.com/AAPA_Seaports

Seaports Deliver Prosperity

American Association of Port Authorities

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