

**Calendar No. 830**

106th Congress }  
2d Session }

SENATE

{ REPORT  
{ 106-421

**VESSEL WORKER TAX FAIRNESS**

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R E P O R T

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND  
TRANSPORTATION

ON

S. 893



SEPTEMBER 26 (legislative day, SEPTEMBER 22), 2000.—Ordered to be  
printed

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U.S. GOVERNMENT PRINTING OFFICE

SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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### VESSEL WORKER TAX FAIRNESS

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Mr. MCCAIN, from the Committee on Commerce, Science, and Transportation, submitted the following

### REPORT

[To accompany S. 893]

The Committee on Commerce, Science, and Transportation, to which was referred the bill (S. 893) “A bill to amend title 46, United States Code, to provide equitable treatment with respect to State and local income taxes for certain individuals who perform duties on vessels”, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

#### PURPOSE OF THE BILL

The bill will amend section 11108 of title 46, United States Code, in order to prevent merchant mariners who perform duties on the navigable waters of more than one state from being taxed in multiple jurisdictions.

#### BACKGROUND AND NEEDS

The Interstate Commerce Act exempts truck drivers, airline pilots, and railroad employees from being taxed by state and local jurisdictions in which they do not reside. Merchant mariners operating vessels in more than one state argue that they should be afforded the same tax treatment due to the interstate nature of their business.

#### SUMMARY OF MAJOR PROVISIONS

The bill will prevent merchant mariners engaged in interstate commerce from being taxed in or having taxes withheld in state or local jurisdictions in which they do not reside.

## LEGISLATIVE HISTORY

Senator Gorton introduced S. 893 on April 27, 1999. A similar measure was introduced in the House during the 103rd Congress.

## ESTIMATED COSTS

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 403 of the Congressional Budget Act of 1974, the Committee provides the following cost estimate, prepared by the Congressional Budget Office:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, August 11, 2000.*

Hon. JOHN MCCAIN,  
*Chairman, Committee on Commerce, Science, and Transportation,  
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 893, a bill to amend title 46, United States Code, to provide equitable treatment with respect to state and local income taxes for certain individuals who perform duties on vessels.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Victoria Heid Hall.

Sincerely,

BARRY B. ANDERSON  
(For Dan L. Crippen, Director).

Enclosure.

*S. 893—A bill to amend title 46, United States Code, to provide equitable treatment with respect to state and local income taxes for certain individuals who perform duties on vessels*

S. 893 would prohibit state and local governments from imposing income taxes on individuals working on vessels operating on the navigable waters of more than one state unless that individual resides in the jurisdiction assessing the tax. Such a prohibition is an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the costs of this mandate would be well below the threshold established in UMRA (\$55 million in 2000, adjusted annually for inflation). S. 893 would have no impact on the federal budget and contains no new private-sector mandates as defined in UMRA.

According to the Federation of Tax Administrators (FTA), under current law the amount of state and local income taxes owed by the individuals affected by this bill is based on the jurisdiction with the highest applicable income tax rate: either the jurisdiction where the income is earned, or the jurisdiction where the worker resides. In contrast, under S. 893 state and local income taxes would be based solely on where a vessel worker resides. In that case, some individuals would pay lower income taxes than they would under current law, resulting in a net loss nationwide in state and local income tax revenues. Little data are available on the number of workers on vessels that operate on the navigable waters of more than one state and on the states in which they reside. Consequently, CBO cannot precisely estimate those losses. Based on in-

formation from FTA, the U.S. Coast Guard's National Maritime Center, and the Bureau of Labor Statistics, however, CBO estimates that the revenues forgone by state and local government would be small and would not exceed the threshold established in UMRA (\$55 million in 2000, adjusted annually for inflation).

The CBO contact is Victoria Heid Hall. This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.

#### REGULATORY IMPACT STATEMENT

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee provides the following evaluation of the regulatory impact of the legislation, as reported:

Because S. 893 does not create any new programs, the legislation will have no additional regulatory impact, and will result in no additional reporting requirements. The legislation will have no further effect on the number or types of individuals and businesses regulated, the economic impact of such regulation, the personal privacy of affected individuals, or the paperwork required from such individuals and businesses.

#### NUMBER OF PERSONS COVERED

S. 893 as reported will cover all merchant mariners employed in interstate commerce but will not impose a regulatory impact on individuals.

#### ECONOMIC IMPACT

The bill as reported does not impose new regulatory requirements on individuals and businesses and therefore should not have significant economic impact.

#### PRIVACY

The bill as reported should have no significant impact on individual privacy.

#### PAPERWORK

The bill as reported should not significantly impact paperwork requirements for individuals or businesses.

#### SECTION-BY-SECTION ANALYSIS

##### *Section 1. Amendment of chapter 111 of title 46, United States Code*

This section declares individuals engaged on a vessel to perform assigned duties in more than one state as a pilot licensed or authorized under the laws of a state, or individuals who perform regularly-assigned duties while engaged as a master, officer, or crewman on a vessel operating on the navigable waters of more than one state, shall be exempt from income taxation laws of states or political subdivisions of which that individual is not a resident.

#### CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted

is enclosed in black brackets, new material is printed in italic, existing law in which no change is proposed is shown in roman):

## TITLE 46. SHIPPING

### SUBTITLE II. VESSELS AND SEAMEN

#### PART G. MERCHANT SEAMEN PROTECTION AND RELIEF

##### CHAPTER 111. PROTECTION AND RELIEF

### § 46. TAXES.

(a) *WITHHOLDING.*—Wages due or accruing to a master or seaman on a vessel in the foreign, coastwise, intercoastal, interstate, or noncontiguous trade or an individual employed on a fishing vessel or any fish processing vessel may not be withheld under the tax laws of a State or a political subdivision of a State. However, this section does not prohibit withholding wages of a seaman on a vessel in the coastwise trade between ports in the same State if the withholding is under a voluntary agreement between the seaman and the employer of the seaman.

(b) *LIABILITY.*—

(1) *LIMITATION ON JURISDICTION TO TAX.*—*An individual to whom this subsection applies is not subject to the income tax laws of a State or political subdivision of a State, other than the State and political subdivision in which the individual resides, with respect to compensation for the performance of duties described in paragraph (2).*

(2) *APPLICATION.*—*This subsection applies to an individual—*

(A) *engaged on a vessel to perform assigned duties in more than one State as a pilot licensed under section 7101 of this title or licensed or authorized under the laws of a State; or*

(B) *who performs regularly-assigned duties while engaged as a master, officer, or crewman on a vessel operating on the navigable waters of more than one State.*