

U.S. HARBOR MAINTENANCE TAX AND FUND

The US Harbor Maintenance Tax (HMT) was created by the [Water Resources Development Act of 1986](#). The HMT is a means for the US government to raise funds to pay for the dredging and maintenance costs of US coastal and Great Lakes ports, and specifically the dredging of harbor channels to meet required shipping standards. Other maintenance costs paid for by the HMT include repair of breakwaters, and the operation of the Soo Locks. Prior to 1986, US Treasury general funds were used to pay for this maintenance. The dredging of port berths has been, and remains the responsibility of individual port authorities or terminal operators.

The HMT is applied to the value of cargo being loaded or unloaded from a vessel, and is assessed on imported cargo, domestic cargo and the transport of passengers moving through US ports, including Maritime Transportation System (MTS) ports. The owner of the cargo, not the vessel operator nor port is responsible for paying the HMT, and export cargo is not taxed. The HMT is a tax imposed on cargo using the marine mode only: cargo moving on competing modes of transportation such as trucks and railroads does not pay HMT.

Tax revenues from the HMT are deposited into the Harbor Maintenance Trust Fund (HMTF), which was also created by the *Water Resources Development Act of 1986*. Each year, Congress appropriates the funds from the HMTF to the US Army Corps of Engineers (USACE) for harbor maintenance and dredging.

There is no direct link between the inflow of tax revenue from the HMT into the HMTF and outflow of dredging funds from the HMTF to the USACE. Congress appropriates funds for dredging, but not all of each year's tax receipts are spent. In 2018, about \$1.7 billion (USD) in revenue was received from the HMT, but only \$1.54 billion (USD) was appropriated. As a result of many years of under-spending relative to revenue, HMTF has an estimated \$9.3 (USD) billion surplus.

The US portion of the MTS currently has [a significant backlog of USACE maintenance work](#) including:

- A \$160 million (USD) backlog for dredging channels and harbors.
- A \$320 million (USD) backlog for maintenance and replacement of breakwaters and other navigation structures.
- \$75 million (USD) of upgrades for the Soo Locks. This cost of upgrades does not include the cost of construction of a new lock.

Given these unaddressed maintenance needs, and the large HMTF surplus [Section 2101 of the 2014 Water Resources Reform and Development Act](#) (WRRDA) called for full use of HMT tax receipts each year by 2025. The following 2016 [Water Infrastructure Improvements for the Nation Act](#) provided further guidance on targets for spending. For the past five years, Congress has met the spending targets established by the two acts above.

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