



RESPONSIBLE CRUISING IN ALASKA

TO: House Ways and Means Committee – Income and Tax Distribution Working Group

FR: Chip Thoma, Responsible Cruising in Alaska, Juneau AK

RE: Tax Code Changes for Foreign-Flagged Cruise Ships

DATE: March 12, 2013

As a stakeholder for cruise line tax issues in Alaska, thank you for the opportunity to comment on tax code changes for foreign-flagged cruise ships. The parent companies of these luxury ships pay virtually no US corporate taxes on their substantial US profits.

According to David Leonhardt's analysis in his NY Times article of February 1, 2011, "The Paradox of Corporate Taxes," Carnival Corporation paid 1.1% in total federal, state, local and foreign corporate taxes on its cumulative \$11.3 billion in profits from 2006-2010.

In addition to Carnival Corporation (Panama), Royal Caribbean Cruises Limited (Liberia), Norwegian Cruise Line Limited (Bahamas), and Disney Cruise Lines (Bahamas) all pay virtually no US corporate taxes to any entity. They fall under an obscure US tax code provision that exempts these foreign-flagged cruise ships from US business profit taxes, which cumulatively total about \$5 billion per year.

Although cruise lines claim to pay \$400 million in US taxes and fees each year, this figure is primarily individual head-taxes and payments for fuel, docks, water, power, garbage and other port services, which are ALL paid by ship passengers under their ticket price category of Taxes and Fees. It is a false claim that cruise lines pay local head-taxes and fees; the passenger ticket pays for them well in advance of the cruise.

Thank you for your attention to tax reform of the luxury cruise and shipping industry.

Chip Thoma

Chip Thoma, President, Responsible Cruising in Alaska



