

April 24, 2023

**RE: LD 1177 – An Act to Assess a Slip Fee on Mega Yachts Registered in Overseas Tax Havens**

Greetings members of the Committee on Transportation,

My name is Luke DiMillo, the Marina Manager for DiMillo's Old Port Marina. My family has owned and operated this property, as a marina, for over 40 years. The berthing of mega yachts is essential to our success, and ability to offer services to every day boaters. Without the income from these mega yachts, we may not be able to offer the services we do to the lobstermen and women, the island commuters, and the everyday family of recreational boaters. We are very fortunate to be a *yachting destination* here in Portland, hosting transient vessels of all sizes and flags during the short summer season. Therefore, we see firsthand, how these mega yachts as described in LD1177 are an economic driver for Portland and the state of Maine.

I will first explain a few reasons why yachts are flagged in foreign countries, then explain why I think this bill would be bad for Maine businesses and economic growth.

In years past, one of the benefits of registering a yacht under a foreign flag, was to dodge sales tax. That is no longer the case. Most of these yachts are based out of South Florida, and Florida has capped the sales tax on yachts at \$18,000 for 10+ years now. Previously, a \$20,000,000 purchase would have created a \$1,200,000 tax liability, hence, no one registered in the US. Since the establishment of the tax cap, the max liability is \$18,000, which is inconsequential to these owners and the project. The decision to flag off shore has nothing to do with avoiding sales tax.

The following lists the reasons that owners will currently flag in another country:

1. Wider flexibility in crew. If a vessel is flagged in the US, the commanding officer has to be a US Citizen. A foreign flag gives the owner the flexibility to choose a crew person from anywhere in the world and given the consistent thin supply of qualified captains, this is helpful.
2. Many yacht owners want privacy and anonymity. A foreign entity is much more difficult to pierce than a US Corporation in terms of finding and identifying a beneficial owner. To me, a right to privacy is fair.
3. The requirements for charter in the US are archaic and date back literally a hundred years. Until they are updated, there is no practical way for bigger yachts to qualify to charter in the US, and most of the yachts charter regulars.

These are top the reasons, but there is a longer list. What is not on the list are any tax avoidance schemes. Yachts are an expense, even if they are put in charter, they rarely produce a profit that would be taxable. It is not like basing an income producing entity in the Caymans to avoid federal tax.

In addition to the tax haven argument no longer being relevant, many of these yachts already pay a pilotage fee to enter and berth in Portland Harbor, not to mention the taxes incurred on things like fuel,

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entertainment and provisioning. Between increasing dockage and fuel prices, the pilots fee, and now a berthing tax, these yachts will simply find friendlier waters to spend their time, and money. A tax on berthing such as this will do nothing but hurt the local marine related industries.

These yachts provide jobs to many US citizens, young and old, and provide economic impact in every port they visit. They spend thousands of dollars at retailers, restaurants, marine services, fueling companies, florists, specialty food purveyors, salons, hotels during their brief stop in Portland. This would really be counterproductive to economic growth in the state.

Thank you for your time and consideration.

Respectfully,

Luciano DiMillo



Marina Manager

DiMillo's Marina

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