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**Special Report**

**Taxing Matters**
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Courtesy U.S. Senate

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# Taxing Matters

## US MARAD CCF Program Extended to Container and Ro/ro Vessels

Signed into law yesterday by President Bush, H.R. 6, the Energy Independence and Security Act of 2007, achieved a highly important U.S. maritime community objective.

A highly important and long-sought objective of the U.S. maritime community became law yesterday, with President Bush's extension of the **Maritime Administration Capital Construction Fund** ("CCF") program to vessels engaged in container and roll-on/roll-off ("ro/ro") services in projects nationwide.

Contained in the Energy Independence and Security Act of 2007, subtitle on "Green Jobs, Marine Transportation, Short Sea Transportation," the CCF extension is expected to attract financing for a new generation of U.S. flag vessels that will "move motor vehicles from the highways to the waterways" - to reduce national diesel and gasoline consumption, help attack ever-worsening Interstate highway congestion problems, and improve air quality.

Connecticut, the New York City metropolitan area and other East Coast locations along Interstate 95 (I-95) are potential primary beneficiaries.

The lead attorney in the CCF legislative effort has been **Clayton Cook**, at **Seward & Kissel LLP**, a former MARAD General Counsel, who is considered the program's leading expert. Speaking about the importance of the legislation from Seward's DC offices today, Mr. Cook today said:

*"The CCF program has long been the most important program available to our U.S. domestic shipowners. The program has been employed in financing virtually al of the existing U.S. flag container and ro/ro fleets. It is critical to the financing of the Coastwise Short Sea vessels that can help to solve our "I-95" congestion and air quality problems.*

*It is important to understand that the program is not just for shipping company owner-operators, but that it is available to vessel leasing companies and to shipyards as well.*

*For vessel owners and operators - the CCF program allows deferral of tax on income from vessel operations - enabling the owner or operator to accumulate equity for vessel purchases, and to pay down vessel debt with before-tax dollars.*

*"For vessel leasing company owner-lessors - the CCF program allows deferral of tax on investment income - enabling the leasing company to create tax sheltered investment portfolios - to materially enhance its leasing transaction returns.*

*"For shipyards - the CCF program allows the deferral of tax on profits from vessel sales - enabling the shipyard to accumulate working capital on a before-tax basis to finance its own future vessel construction and/or to provide construction period financing for customer projects.*

*"It is difficult to overstate the importance of this legislative victory."*

MARINE MONEY's October issue carried Mr. Cook's "Financing with the Maritime Administration's Capital Construction Fund" article, which recounted the CCF program's impressive history - as the most important part of the 1970 Merchant Marine Act - and which was employed in the financing of virtually all of the existing U.S. flag domestic container and ro/ro fleet. The Cook article then explained the CCF program's methodology, and illustrated the program's use by "Alpha," a hypothetical U.S. flag owner-operator, as Alpha financed a five vessel fleet expansion. MARINE MONEY expects to publish an article by Mr. Cook on CCF program vessel lease financing in 2008.