

PROTECT THE INTEREST DEDUCTION FOR BOATS QUALIFYING AS SECOND HOME

BACKGROUND

On May 3, 2011, Reps. Mike Quigley (D-IL), Gary Peters (D-MI), and Timothy Walz (D-MN) introduced HR 1702, which they named the “Ending Taxpayer Subsidies for Yachts Act.” The bill was referred to the House Ways and Means Committee. If enacted into law, this bill would have the effect of ending deductibility for interest on loans for boats that currently qualify as second homes.

THE SECOND HOME INTEREST DEDUCTION MAKES BOATING MORE AFFORDABLE FOR MIDDLE CLASS FAMILIES

A taxpayer can currently deduct qualified interest on his/her mortgage for a principal or secondary residence up to a total value of \$1.1 million.¹

- Boats that provide basic living accommodations including a sleeping space, a toilet, and cooking facilities are eligible as second homes and qualify for the deduction.² If the boat is chartered out, the taxpayer must use the boat for personal purposes for either more than 14 days or 10% of the number of days during the year the boat was actually rented.³

There are 12 million registered boats and 75 million boaters nationwide with Florida, California, Minnesota, Michigan, and Texas (in order) ranking as the top boating states in the country.

- The median household income for boat owners falls between \$50K and \$75K.
- 75% of all boat owners have a household income of less than \$100,000
- According to NMMA statistics, 5600 new cruiser-type boats meeting the IRS requirement were sold last year and less than 5% of all boats in use qualify for this deduction.

CUTS WOULD RESULT IN UNPRECEDENTED MANUFACTURING JOB LOSS

Eliminating the interest deduction for boats that currently qualify for such will have an immediate and direct impact on the boating industry and put the jobs of hundreds of thousands who manufacture boats, engines and boat accessories in jeopardy. The loss of this deduction may be the difference between staying in boating or leaving boating for thousands of middle class American families. This legislation is apparently based on the premise that “yachts” are owned by rich people and that the American taxpayer is subsidizing their extravagant lifestyle. This is a great misunderstanding. A “yacht,” by definition, is any vessel that is 26 feet or longer and the deduction on interest expense is only applicable if the boat has a head, galley, and sleeping berth. We know that a 26-footer is hardly what we think of when we hear the word “yacht.” Many a boat that can function as a second home on a lake or river fits the definition of “yacht.” If land-sited dwellings and RVs can qualify for a mortgage deduction as a second home—and they can—why should a live-aboard boat be excluded simply because it floats on the water instead of being placed on land or driven down the highway? The logic is simply not there.

ACTION NEEDED

Urge your member of Congress to oppose the provisions of H.R. 1702 and any other bill that would reduce or eliminate the interest deduction for boats that currently qualify as second homes. For more information, contact NMMA Legislative Director Jim Currie at jcurrie@nmma.org.

¹ IRC section 163 (h)(2)

² IRC section 163(h)(4),

³ IRC section 280A (d) (1).