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November 1, 2005

The Honorable George W. Bush
President
The White House
1600 Pennsylvania Ave, NW
Washington, DC 20500

Dear President Bush:

I am writing to you to express the National Marine Manufacturers Association's (NMMA) strong opposition to lowering the cap on the current \$1.1 million mortgage interest deduction for taxpayers. The current rule allows taxpayers to deduct the interest on loans used to purchase their homes, boats and residential vehicles that function as primary or secondary residences. These important deductions help our nation's families make quality family time and home ownership a reality. Reducing the cap 60% to 80% to the point where a taxpayer would rarely be able to deduct interest on a loan used to purchase a second residence would have a significant impact on the affordability of boating for many families and threaten the viability of the U.S. boating industry.

By way of background, NMMA is the nation's largest recreational marine industry association, representing 1,500 companies that contribute \$33 billion and 400,000 jobs annually to our nation's economy. NMMA members collectively produce more than 80 percent of all recreational marine products made in the United States, including boats, engines, and marine accessories and components for the 13 million registered boats and 69 million boaters nationwide.

As you weigh the policy considerations inherent in any change to the tax code, it is important to know the facts about boaters and boating. Boaters are distributed nationwide with the top five states for boat registrations being California, Michigan, Florida, Minnesota and Texas.¹ Both new and pre-owned boat owners are home owners (98 percent) and tend to reside in towns or rural areas. Importantly, the median household income for new boat owners falls between \$75K and \$99K, while the household income for pre-owned boat owners falls in the \$50K to 74K range.² We know that one of the most common reasons that boaters buy their boats is to spend

¹ The next top 15 states for boat registrations are **Wisconsin, New York, Ohio, South Carolina, Illinois, North Carolina, Pennsylvania, Georgia, Missouri, Louisiana, Washington, Alabama, Tennessee, Virginia and Oklahoma.** The 6.6 million boats registered in the top ten states represent slightly more than half (52 percent of all registered boats in the U.S. NMMA Market Statistics, *2004 Recreational Boating Statistical Abstract* at 2 & 33.

² *Id.* at 2.

quality time recreating with their families, which is why it is not surprising that more than half of all marine loan customers have on average two children.³

Boats that provide basic living accommodations, including a sleeping space, a toilet, and cooking facilities can qualify as a second residence under the mortgage interest deduction. This category includes even smaller trailerable boats that can be hauled by the family pickup truck or SUV. Last year alone, over 25,000 new cruiser-type boats that met this requirement were sold throughout the country. Of these boats, 13,943 were modest sized boats of 30 feet and under.⁴ Importantly, these numbers are only a portion of the cruiser-type boats sold annually, since they only represent new boat sales. We estimate that the used boat market is 7 to 9 times larger than the new boat market.

Reducing the cap on the mortgage interest deduction so that it is unavailable to the average boat owner will have an immediate and direct impact on the affordability of boating and put the jobs of hundreds of thousands who manufacture boats and boat accessories in jeopardy. For these reasons, we urge you to oppose reducing or eliminating the ability of the average boat owner to deduct the interest on their boat loan.

Do not repeat the mistake of the ill-fated luxury tax of the 1990s that in the end only succeeded in destroying the market for boats and forced boat builders to layoff over 25,000 workers in 1991 alone. NMMA and our member companies strongly urge you to oppose lowering the mortgage interest deduction cap and ensure that boat owners will continue to be able to rely on this important tax deduction.

Respectfully submitted,



Monita W. Fontaine, Esq.
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³ National Marine Bankers Association, *Annual Report 2004* at 1-14, 2-7, & 3-7.

⁴ NMMA Market Statistics, *2004 Recreational Boating Statistical Abstract* at 81.