



December 3, 2007

Senate Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Attn: Comments on the *Tax Technical Corrections Act of 2007*

Dear Chairman Baucus and Ranking Member Grassley:

The National Marine Manufacturers Association is pleased to provide comment on S. 2374, the “Technical Corrections Act of 2007,” and wishes to raise serious concerns regarding Section 8 of the Act which, if enacted, would significantly increase taxes on small and closely-held American exporters.

NMMA represents over 1,700 boat builders, engine manufacturers, and marine accessory manufacturers who collectively produce more than 80 percent of all recreational marine products made in the U.S. With almost 73 million boaters nationwide, the recreational boating industry is a major consumer goods industry with expenditures on recreational marine products and services of nearly \$40 billion in 2006 alone. Spending by recreational boaters is responsible for 855,000 U.S. jobs nationwide.

Although NMMA supports efforts to clarify the tax code through technical corrections, we are concerned that Section 8 of S. 2374, which deals with interest charge-Domestic International Sales Corporations (IC-DISC), is a substantive rather than a technical change to the law. Currently, under provisions implemented in the Jobs and Growth Tax Relief and Reconciliation Act of 2003, small and medium, privately-held American exporting companies may defer a portion of their export-related income by paying a tax-free commission to an IC-DISC, reducing their overall tax liability and paying dividend taxes on shareholder income at the capital gains rate of 15 percent. Because this is a substantive change to the tax code, Congress should make a policy judgment on this tax issue through normal legislative channels, not through technical corrections legislation.

In addition, NMMA strongly urges Congress to reconsider its desire to increase taxes on small American exporters. As domestic recreational boat sales continue to decline due to various economic challenges, many American marine manufacturers have offset those declines with exports—through the third quarter of 2007, recreational boat and marine engine export volumes were up 21 percent from a year ago while dollars were up 30 percent. Domestically, U.S. powerboat sales are down 15 percent across almost all major categories.

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As you well know, American manufacturers face substantial and increasing structural costs, including the rising price of health care and energy, unfair foreign competition, unnecessary and cumbersome regulation and an overly-complex tax code. These structural costs are compounded by emerging economic challenges, such as rising oil prices, the credit crisis, and declining consumer confidence. Given a level playing field, American producers can compete with any company in the world. However, reducing the overall cost of doing business in America is crucially important at this time, particularly for small- to medium-sized marine manufacturing companies.

NMMA respectfully urges the Committee to reconsider its inclusion of Section 8 regarding the tax treatment of dividends from IC-DISCs in S. 2374, since we believe this is a substantive change in the tax code and that a technical corrections bill is not the appropriate vehicle for such a modification. Furthermore, Congress should resist raising taxes on American exporters at a time when the American economy is highly vulnerable.

Again, NMMA appreciates the opportunity to share its views with the Committee. Please do not hesitate to contact Mathew Dunn of my staff at mdunn@nmma.org or (202) 737-9760 with any questions or if you need additional information.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'T. Dammrich', with a stylized flourish at the end.

Thomas J. Dammrich
President