Rockefeller Excise Tax on Cruise Income
To Fund Infrastructure Used by the Cruise Industry

Purpose: Most modes of transportation pay fees, excise taxes or, at a minimum, corporate income taxes that help offset the costs associated with the infrastructure they use to transport goods and provide services. While the cruise industry pays local port fees and taxes, it remains unique in that it pays very little or no corporate income tax in the United States, and thus contributes comparatively little to the building and maintenance of our national infrastructure. The majority of cruise companies are organized as foreign corporations, even though many of their headquarters and executives are located in the United States. By incorporating in foreign countries, the cruise industry enjoys a special exemption under Section 883 of the Internal Revenue Code, which provides that certain foreign corporations are not subject to U.S. taxes on income derived from the international operation of ships, even if the source of the income is in the United States.

Proposed Excise Tax: The Rockefeller bill would impose a 5 percent excise tax on gross income from cruises where passengers embark or disembark in the United States. For voyages where a majority of the passengers embark or disembark in the United States, 100 percent of the gross income from the voyage would be subject to the excise tax. For voyages that stop at a U.S. port but do not embark or disembark a majority of passengers in the United States, 50 percent of the gross income from the voyage would be subject to the excise tax. Funds generated from the excise tax will help fund a national program to make infrastructure improvements vital to the efficient transportation of goods and services.