

April 6, 2020

The Honorable Nancy Pelosi, Speaker  
United States House of Representatives  
1236 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Mitch McConnell, Leader  
United States Senate  
317 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Kevin McCarthy, Leader  
United States House of Representatives  
2468 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Charles Schumer, Leader  
United States Senate  
322 Hart Senate Office Building  
Washington, D.C. 20510

Dear Speaker Pelosi and Leaders McConnell, McCarthy and Schumer:

On behalf of the undersigned organizations representing the U.S. recreational boating industry, we are writing in regards to additional federal aid measures to support small and medium-sized businesses and manufacturers impacted by the coronavirus (COVID-19) pandemic. Our collective members appreciate the continued work that is being done to keep our communities and employees and request you consider the following measures to further protect employees, support small businesses, and allow the U.S. marine industry to reinvest in America as the nation endures and emerges from this crisis.

NMMA is the trade association for the U.S. recreational boating industry, representing nearly 1,300 marine businesses, including recreational boat, marine engine and accessory manufacturers. The vast majority—85 percent—of recreational boat manufacturers are small businesses, and in fact, 95 percent of the boats that are sold in the U.S. are made in the U.S. The recreational boating industry has a significant impact on our nation's economy, supporting nearly 700,000 American jobs across 35,000 U.S.-based marine businesses. However, thousands of those jobs and businesses supported by our industry are at risk as a result of the halt in economic activity brought on by the public health response to the COVID-19.

MRAA is the leading trade association of North American small businesses that sell and service new and pre-owned recreational boats, operate marinas, boat-yards, or accessory stores. Recreational boating is a significant contributor to the U.S. economy, adding over \$170 billion annually. In a March 19, 2020 survey to our membership, we found that nearly half of businesses were closed in some capacity, while nearly all are facing significant declines in new potential revenue streams and business leads.

The Association of Marina Industries (AMI) is a non-profit membership association representing marina and boatyard owners and operators. AMI has over 1,000 members who support over 26,000 employees and over 1 million boaters who access the water through AMI member facilities. The marina industry supports 105,000 jobs and is a sector of a broader, recreational boating industry representing an additional 600,000 employees.

We respectfully ask that you consider the following measures to protect small businesses and employees across the country.

### **Provide Small and Medium-Sized Businesses Financial Certainty**

#### **Provide Opportunity to Refinance Existing SBA Loans**

To allow small businesses the opportunity to take advantage of lower interest rates, the SBA should provide small businesses the opportunity to refinance all existing 7(a) loans.

#### **SBA Affiliation Rule Waiver for Recreational Boating Industry**

As marine businesses have become more profitable in the years following the Great Recession, the U.S. marine industry has seen an increased pace of mergers and acquisitions across the board. While this trend is a telling sign of a healthy industry, it has also put a myriad of companies at a significant disadvantage in accessing federal relief assistance from the impacts from COVID-19.

The current SBA 7(a) loan program regulations require applicants to aggregate all of their commonly controlled but separately organized business entities when determining the total number of employees for loan eligibility. As a result, a significant percentage of U.S. recreational boat builders are not able to access sources of economic relief from SBA's 7(a) loan program.

- Given that 85 percent of U.S. recreational boat manufacturers are small businesses, it's imperative that the fourth stimulus package waive affiliation rules for businesses in the marine industry that would otherwise qualify under the SBA's size standards for recreational boating businesses.

#### **Expansion of SBA Lending Authority to Meet Demand**

The Coronavirus Aid, Relief, Economic Security (CARES) Act made significant strides in securing \$350 billion in relief for small businesses affected by COVID-19.

- Given the magnitude of impact this pandemic will have on small businesses and the ensuing demand for federal assistance to stay afloat, our industry encourages Congress to continue to increase the Small Business Administration's loan authority to ensure small businesses have access to resources SBA can provide.

#### **Provide Flexibility for Seasonal Employers**

For many small businesses in the recreation sector, the seasonal employer window from March 1, 2019- June 30, 2019 established under the CARES Act does not allow for the full extent of spring and summer payroll costs to be accurately captured in PPP loan amount calculations. The resulting limitation on lendable funds directly impacts their ability to adequately compensate employees and maintain operations. We encourage Congress to direct SBA to provide additional flexibility for seasonal employers to ensure the small businesses that significantly contribute to the recreation economy receive adequate relief to pay their employees and keep the doors open.

#### **Extension of Payroll Cost Beyond 8 weeks**

The Paycheck Protection Plan created by the CARES Act provides total loan forgiveness for up to eight weeks of average payroll and other costs if the business retains its employees and their salary levels.

- As more states issue new or expanded orders extending mandatory closures potentially beyond the eight-week threshold, loan forgiveness for payroll costs should be extended up to an additional eight weeks—or so long as a state’s emergency order remains in place beyond the eight weeks—if employees are retained and salary levels are mostly maintained.

### **Business Interruption Insurance**

Business Interruption Insurance (BII) plans are designed to help replace lost income and pay for extra expenses when businesses face interruption of business operations. However, business interruption coverage is not required to cover public health emergencies, which prevents businesses from receiving assistance through existing BII plans. While it is not necessary to open up coverage to all diseases, businesses should be able to utilize their existing coverage to help recoup these significant losses. Our industry encourages Congress to issue a requirement that BII cover losses incurred specifically from the COVID-19 pandemic retroactive to the March 13, 2020 National Emergency Proclamation or to the date in which a Governor declared a Public Health or State of Emergency due to COVID-19.

### **Delay or Permanently Repeal Research and Development Amortization**

Prior to the Tax Cuts and Jobs Act (TCJA), businesses could fully expense the cost of research and development (R&D) by deducting the costs of R&D from their taxable income in the year that those costs occur. Expensing is the proper tax treatment of investment and other business costs, as it prevents a firm’s profits from being overstated in real terms and lowers the cost of investment. Starting in 2022, businesses will be required to amortize their R&D costs over five years under TCJA, instead of deducting them immediately each year. This requirement overstates taxable income and results in increased costs of investment, discouragement of R&D, and reduction to the level of economic output.

- Our industry urges you to permanently repeal R&D amortization and allow businesses to fully expense the cost of R&D.

### **Help Trade Recreation Associations Stay Afloat**

The recreational boating industry urges you to include financial assistance for associations, nonprofits and other tax-exempt organizations, as many have been – and potentially will be – impacted by event cancellations as a result of COVID-19.

- We urge Congress to reconsider its limitation that includes only Section 501(c)(3) within the definition of “nonprofit organization” for SBA loan eligibility. Broaden it to include 501(c)(6).
- Assist with Event and Major Meeting Cancellations. Hundreds of major meetings and events in the U.S. – dependent on in-person attendance at convention centers, hotels and other facilities – have been cancelled. These annual meetings and events contribute more than \$446 billion to the U.S. gross domestic product and directly support nearly six million jobs nationwide.

### **Establish the Manufacturing Resiliency Fund**

Congress should establish a federal Manufacturing Resiliency Fund of at least \$1.4 trillion to provide interest-free loans to manufacturers impacted by COVID-19, ensuring financial security for the nearly 13 million men and women who make products in America.

### **Remove Section 301 and 232 Tariffs**

Our membership is concerned with supply chain uncertainty as overseas and domestic manufacturing plants temporarily shutter their facilities. Disruptions in the supply chain and exorbitant tariffs on \$360 billion worth of products and aluminum and steel tariffs have prevented our small businesses from expanding capital in the U.S. Our manufacturers rely on a global supply chain and should not be subjected to steep tariffs for utilizing their long-standing relationships or wholly-owned facilities.

- We strongly urge Congress and the administration to deliver a federal aid package that eliminates Section 301 Chinese tariffs and Section 232 aluminum and steel tariffs to promote and protect American jobs.
- We also encourage other countries to follow suit and suspend their own retaliatory measures to avoid exacerbating further global economic loss.

### **Prioritize Access to Position the Outdoor Economy to Revive Local Communities**

Outdoor recreation businesses – and the communities they support – rely on access to public lands and waters to survive. Given the significance of recreation in driving local economies, reopening access to recreation will be essential to bouncing back from economic downturn.

- When done safely and under CDC guidelines, Congress should direct federal agencies to keep outdoor areas open and accessible.
- It is also important to work with local private partners before making closure decisions to solicit support and help. Congress should waive fees on public lands and waters to provide flexibility in the administration of contracts, permits, and other authorizations that have been granted to visitors of lands or waters managed by federal land and water management agencies. This will help mitigate the impacts of COVID-19 on the holders of such authorizations and visitors, to the maximum extent possible, consistent with such agencies' obligations regarding resource protection, visitor experience, and public health and safety. Such flexibility shall include, but not be limited to, fee deferrals and waivers, contract extensions, operational flexibility, and other appropriate measures to mitigate such impacts.

### **Invest in Recreation Infrastructure to Grow Jobs and Revitalize the Outdoor Economy**

#### **The Great American Outdoors Act (GAOA)**

GAOA is an important step to take to get our nation's economy back on its feet. GAOA prioritizes the \$20 billion maintenance backlog on public lands and waters and fully funds the Land and Water Conservation Fund (LWCF). It includes the Restore Our Parks Act (ROPA), which would help fund key improvements to recreation facilities such as docks, campgrounds, trails, roads and more – many of which are key drivers of rural economies and have needed repairs for years. There are deferred maintenance projects within nearly every public land and water unit. It is critical that we address this issue so that when visitors return to our parks and public lands, we can be assured these special

places will be safe, accessible, and ready to help generate tourist dollars in local communities.

LWCF funds can be a lifeline for communities in need of access to local, state and national parks, wildlife habitats, working forests, and more. This bill would achieve the decades-long goal of fully and permanently funding LWCF into the future while allowing for more recreation access projects that will support a thriving outdoor economy for years to come.

### **Safer Harbors for Our Recreation Economy (SHORE Act)**

The bipartisan Safer Harbors for Our Recreation Economy (SHORE Act) will require the U.S. Army Corps of Engineers (USACE) and the Office of Management and Budget (OMB) to account for recreation-based economic impacts in cost-benefit analysis procedures used to prioritize funding for harbor maintenance, intracoastal, and inland waterways projects. Doing so will help ensure critical water infrastructure projects that support recreation activity and play a key role in creating jobs and driving economic growth get the funding they need and deserve.

### **Invest in Resilience and Flooding Mitigation to Support Economic Revival in the Great Lakes Region**

Coastal communities in the Great Lakes region have been devastated by flooding and erosion in the most recent winter season as a result of record high water levels. The lakes are in uncharted territory and signs point to another year of extremes. At a time when the entire nation is being hammered by the effects of the coronavirus pandemic, the added obstructions to recreational access from flooding will exacerbate already struggling recreation businesses and communities. Studies have shown that resilience and mitigation spending saves taxpayers more than \$6 for every dollar invested before disasters occur. It is more important now than ever that Congress include the following measures in the next relief package to provide local communities with resources to proactively curb the impacts of rising water levels, erosion, and flooding, as well as expedite recovery efforts to rebuild in the aftermath of natural disasters.

- **The Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act** would provide crucial infrastructure support for local communities facing rising water levels, coastal erosion, flooding that has put homes and property at risk, and caused millions of dollars in damages. The STORM Act allows FEMA to help states establish revolving loan funds that can provide local governments with low-interest loans to be used to help mitigate the impact of these risks in a more cost-effective way. Unlike existing FEMA grants, these loans would more quickly provide local communities with capital necessary to invest in more resilient infrastructure.
  - Currently, FEMA programs are unable to provide assistance for projects related to sustained highwater levels and long-term shoreline erosion. Unfortunately, the Army Corps of Engineers expects the Great Lakes to hit record-high water levels in the coming months, which will intensify the

impacts of high winds and flooding. These disasters, such as was seen by the ravaging winter storms along the Great Lakes, often cause long-term economic, social, and environmental effects for communities.

- **The Preliminary Damage Assessment Improvement Act** would designate permanent disaster assessment (PDA) teams to help expedite FEMA's process for conducting damage assessments. Currently, the average time between when a disaster occurs and the submission of a corresponding disaster request is approximately twenty days longer for flood events. Given the importance of the PDA process to federal assistance request, the lack of permanent PDA teams within FEMA endangers access to relief for devastated communities.
- Create a **Great Lakes Flooding Recovery Grant Program** to provide financial assistance to property owners, businesses, nonprofit organizations, and communities affected by rising water levels across the Great Lakes region. Historically, wet spring times have resulted in significant flooding damages for businesses and homes, eroding property and disrupting or forcing businesses to close. Water dependent businesses are expecting to face record high water levels across the Great Lakes this year, and uncertain economic conditions related to the public health crisis will only compound business losses, and could increase the number of small businesses required to permanently close.

### **Reauthorize the Sportfish Restoration and Boating Trust Fund (SFRBTF)**

The Sport Fish Restoration and Boating Trust Fund serves as the backbone for fisheries conservation funding in the United States and is a critical funding pool for boating infrastructure projects through the Boating Access and Boating Infrastructure Grant (BIG) programs. Taxes on fishing tackle and equipment, motorboat fuel, imported boats and fishing equipment, and small engines are pooled together to create this fund of about \$650 million a year. In turn, the money is then allocated to federal and state programs for recreational boating safety, fisheries management, habitat conservation, vessel pump-out stations, water and boating access infrastructure programs, and aquatic resource education programs, among others.

Unless Congress acts, the SFRBTF is set to expire in 2021. Because the boating infrastructure projects play such a large role stimulating local economies, any additional federal relief measure should include the bipartisan Sport Fish Restoration and Recreational Boating Safety Act of 2019. (H.R. 4828) to extend the authorization of the SFRBTF through 2024.

### **Reallocation of Grant Matching Funds**

Many critical boating and fishing projects across the United States use federal grant dollars matched with state funds. From maintenance and operations for boat ramps and fishing piers to transient boating infrastructure programs and new boating facilities, these projects are essential to creating opportunities for access and driving the boating economy. As states across the nation are reviewing all spending in order to maintain flexibility and address future unknowns, state grant funding is largely at stake.

Combined with strained budgets, states are also anticipating decreased revenue from boat registrations and loss of fishing license sales as a result of closed access, leading agencies to consider cancellation of grants in order to redirect the matching funds for future agency expenses. To prevent countless projects that have received approval for federal and state grant funding from coming to a standstill due to lack of resources at the state level, NMMA, MRAA, and AMI encourage federal agencies to assume responsibility for the states' matching funds.

Again, we appreciate your consideration of these recommendations and look forward to working with you to protect American workers and ensure continued economic growth for U.S. small businesses.

Sincerely,



T. Nicole Vasilaros, Esq.  
Senior Vice President, Government and Legal Affairs  
National Marine Manufacturers Association



Matt Gruhn  
President  
Marine Retailers Association of the Americas



Chris Petty  
Chairman of the Board of Directors  
Association of Marina Industries

CC:

The Honorable Richard Neal, Chairman  
United States House of Representatives Committee on Ways & Means  
1102 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Kevin Brady, Ranking Member  
United States House of Representatives Committee on Ways & Means  
1102 Longworth House Office Building  
Washington, D.C. 20510

The Honorable Chuck Grassley, Chairman  
United States Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, D.C. 20515

The Honorable Ron Wyden, Ranking Member  
United States Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Nita Lowey, Chairwoman  
United States House of Representatives Committee on Appropriations  
H-307 The Capitol  
Washington, D.C. 20515

The Honorable Kay Granger, Ranking Member  
United States House of Representatives Committee on Appropriations  
H-307 The Capitol  
Washington, D.C. 20515

The Honorable Richard Shelby, Chair  
United States Senate Committee on Appropriations  
S-128 the Capitol  
Washington, D.C. 20510

The Honorable Patrick Leahy, Vice Chairman  
United States Senate Committee on Appropriations  
S-128 the Capitol  
Washington, D.C. 20510