

SHIPS for America Act

**Senator Mark Kelly / Senator Todd Young
Congressman John Garamendi / Congressman Trent Kelly**

12/19/2024

Summary:

The U.S. Maritime industry needs support. Roughly 80 oceangoing ships fly the American flag in international commerce. The U.S. shipbuilding industrial base lacks the capacity to produce oceangoing vessels at scale. And the need for qualified mariners is growing. The U.S. Merchant Marine will be relied upon to transport critical goods and military cargo during a time of war, and a strong U.S. Merchant Marine will strengthen American supply chains during peacetime.

This legislative proposal represents a comprehensive approach to revitalizing the U.S. Merchant Marine by establishing national oversight and consistent funding for U.S. maritime policy, making U.S.-flagged vessels commercially competitive in international commerce by cutting red tape, rebuilding the U.S. shipyard industrial base, and expanding and strengthening mariner and shipyard worker recruitment, training, and retention.

Section-by-Section:

Front matter:

- **Section 1:** Short Title & Table of Contents
- **Section 2:** Findings
- **Section 3:** Sense of Congress
- **Section 4:** Definitions

Title 1: Oversight and Accountability

Section 101: Maritime Security Advisor; Maritime Security Board

This section requires the President to appoint a Special Advisor, known as the Maritime Security Advisor, to coordinate national maritime affairs and policy, including maintaining and updating the National Maritime Strategy. The bill establishes the Office of the Maritime Security Advisor in the Executive Office of the President. The Maritime Security Advisor is authorized to appoint such officers and employees as the Maritime Security Advisor may deem necessary.

This section also establishes a Maritime Security Board, which is based within the White House, led by the Maritime Security Advisor, and consists of representatives from all federal agencies with responsibilities for the maritime industry. The Board, which has voting and nonvoting members, shall be responsible for the coordination of all efforts related to the National Maritime Strategy and marine transportation system of the United

States, including establishing target numbers for the size of the maritime security fleets, conducting independent oversight of cargo preference requirements, coordinating national efforts to develop a robust maritime workforce, establishing national priorities for research and development of next-generation technologies in the shipbuilding and maritime industries, coordinating interagency efforts to privilege U.S. vessels operating in international commerce while maintaining U.S. international obligations, protecting vessels of the United States from physical or cyber threats, and conducting oversight of the Maritime Security Trust Fund.

This section eliminates the U.S. Committee on Marine Transportation System.

Section 102. Maritime Transportation System National Advisory Committee

This section requires the Maritime Transportation System National Advisory Committee, an existing advisory group made up of industry experts, to report to the Maritime Security Board (as opposed to the Secretary of Transportation) and makes technical updates to how members are appointed to serve on the committee.

Section 103. Direct Hire Authority

This section provides the Maritime Administration and offices under the U.S. Coast Guard's Assistant Commandant for Prevention Policy with Direct Hire Authority.

Section 104. Implementation Plan

This section requires the Maritime Administration and U.S. Coast Guard to develop implementation plans for carrying out the programs and policies of this Act. Agencies must report on progress implementing this Act every two years.

This section also requires the Government Accountability Office (GAO) to conduct independent reviews of the implementation of this Act every two years.

Section 105. Federal Maritime Commission Report on Vessels of the United States

This section requires the Federal Maritime Commission to submit an annual report to the Maritime Security Board and appropriate Congressional committees evaluating the competitiveness of U.S. vessels in foreign commerce, which the Board will use to inform the National Maritime Strategy.

Title 2: Maritime Security Trust Fund

Section 201: Apportionment of the Maritime Security Trust Fund

Other modes of transportation are supported by dedicated trust funds, financed by user fees. These trust funds, like the Highway Trust Fund and Aviation Trust Fund, allow for sustained federal support for national transportation priorities, independent of the annual

appropriations process. This section (alongside Section 701) establishes a **Maritime Security Trust Fund** to create a dedicated source of funding for critical maritime security programs.

This section provides the Maritime Administration, the U.S. Coast Guard, and the Federal Maritime Commission with direct funding from the Maritime Security Trust Fund for administrative expenses necessary to carry out this legislation.

This section also clarifies that obligations made from the Maritime Security Trust Fund may support the following programs, which protects these programs from relying on annual appropriations:

- a. The U.S. Merchant Marine Academy
- b. State Maritime Academies and the National Security Multi-Mission Vessel Program
- c. Strategic Commercial Fleet (as established in this legislation)
- d. Title XI Loan Guarantees
- e. Shipbuilding Financial Incentives Program (as established in this legislation)
- f. Small Shipyard Grant Program
- g. Port Infrastructure Development Program
- h. Transportation Cost Reimbursement program
- i. The United States Center for Maritime Innovation
- j. The Merchant Marine Career Retention Program
- k. Maritime and shipbuilding recruiting campaigns
- l. Centers of Excellence for Domestic Maritime Workforce Training and Education
- m. Merchant Mariner Credentialing and Modernization
- n. Other Maritime Administration workforce development initiatives

Note: Specific funding allocated out of the trust fund is specified elsewhere in the legislation.

Section 202: Regular Tonnage Taxes; Presidential Suspension of Tonnage Taxes and Light Money

This section prevents the Presidential suspension of tonnage taxes and light money for vessels that are owned or operated by a foreign entity of concern or registered to a foreign country of concern (defined as Russia, China, Iran, and North Korea). In effect, this will impose a new duty on goods imported on Chinese-owned or Chinese-flagged vessels.

Title 3: Sealift Capability

Section 301: Sealift Capability

This section establishes that it is the policy of the United States to have a United States-flagged strategic fleet capable of meeting American national and economic security objectives. The Secretary of Transportation and Secretary of Defense are required to acquire and maintain sufficient civil, commercial, and military sealift capability. In carrying out these provisions, the United States may enter into agreements with treaty

allies to meet sealift requirements. The Secretary of Defense and Secretary of Transportation are required to provide reports, briefings, and assessments to Congress related to these objectives.

Section 302: National Freight Strategic Plan

This section requires the National Freight Strategic Plan to include maritime trade and strategic sealift considerations.

Section 303: Foreign Shipping Practices; Controlled Carriers

This section amends the Foreign Shipping Practices Act and the Controlled Carrier Act to enhance the Federal Maritime Commission's authority to prevent foreign countries and foreign flag operators from carrying out unfair trade practices for both cargo and cruise vessels.

Title 4: Vessels of the United States in International Commerce

Subtitle A – Strategic Sealift Programs

Section 401: Strategic Commercial Fleet

This section establishes a new program – the **Strategic Commercial Fleet Program** – to support the development of U.S.-built, U.S.-flagged vessels in international commerce.

Under this program, the Maritime Administration shall solicit bids for commercially viable, militarily useful, privately owned vessels to meet national security requirements and maintain a U.S. presence in international commercial shipping. The program will have a goal for establishing a fleet of 250 U.S.-flagged vessels in international commerce.

To participate in the program, an eligible carrier (or a team representing a carrier and a shipyard) shall submit a proposal to bring a vessel into the program, including a proposed support payment which shall cover the capital costs and operational costs associated with bringing a new, U.S.-built, U.S.-flagged, U.S.-crewed vessel into the fleet. The Maritime Administration shall select proposals which are the best value to the taxpayer. Vessels shall be included within the fleet for 7 years, and this operating agreement can be renewed twice (for a total of 21 years—the lifetime of a vessel). If an agreement is not renewed, the carrier shall receive a payment based on the remaining useful life of the vessel.

In order to increase the fleet rapidly, carriers may also submit a bid to bring a foreign-built vessel into the fleet and reflag it. This vessel may serve as an “interim vessel,” meaning it remains in the fleet only until it can be replaced by a U.S.-built vessel, or it may serve in the fleet under a full-term operating agreement. However, foreign-built vessels other than “interim vessels” shall not be allowed to enter the fleet after fiscal year 2029.

Recognizing that U.S. Transportation Command (TRANSCOM) has identified an imminent need for additional tanker vessels, the program includes specific language specifying that MARAD should prioritize adding tanker vessels through the Strategic Commercial Fleet program if TRANSCOM determines more tankers are needed than are available through the Tanker Security Fleet.

Section 402: Maritime Security Program

This section increases the annual stipend for the Maritime Security Fleet to \$7.23m by 2034. This section requires USTRANSCOM to perform an annual test (tabletop exercise) of the Maritime Security Fleet.

Section 403: Cable Security Fleet

This section increases the annual stipend for the Cable Security Fleet to \$12m by 2034. This section shall require the Secretary of Defense to conduct an assessment of the ability of the USNS Zeus and the Cable Security Fleet to address a situation where undersea cables are damaged by adversaries.

Section 404: Tanker Security Fleet

This section increases the annual stipend for the Tanker Security Fleet to \$9m.

Section 405: Modification to Duties Relating to Equipment and Repair of Vessels

Currently, any U.S.-flagged vessel must pay a duty of 50% for any repairs made on the vessel in a foreign shipyard of an allied country. This section increases the duty to 200% for any repairs made in shipyards in foreign countries of concern (*i.e.*, China) and creates a short-term authority for the Maritime Administrator to waive the duty for vessels enrolled in the Maritime Security Fleet, Cable Security Fleet, Tanker Security Fleet, Strategic Commercial Fleet, or with a Voluntary Intermodal Sealift Agreement (VISA) or Voluntary Tanker Agreement (VTA), if a vessel first makes a good faith effort to carry out repairs in the United States.

Subtitle B: Cargo Preference

Section 411: United States Government Cargo

This section raises the percentage of U.S. government cargo that must sail on U.S.-flagged vessels from 50 percent to 100 percent. It also includes a sense of Congress affirming the Maritime Administrator is responsible for determining the non-availability of qualified vessels of the United States.

Section 412: Cargo Preference Implementation Regulations

This section requires that the Maritime Administrator issue regulations and agency guidance related to the new cargo preference requirements. This section also authorizes the Maritime Administrator to consult with the Food Aid Consultative Group established by the Food for Peace Act.

Section 413: Cargo Preference Oversight and Audit

This section updates oversight and audit requirements for cargo preference laws and requires Congressional notification if an agency is found to be out of compliance with cargo preference requirements.

Section 414: Financing the Transportation of Agricultural Commodities

This section requires that the U.S. Agency for International Development, the Secretary of Agriculture, and the Commodity Credit Corporation be reimbursed out of the Maritime Security Trust Fund for transportation costs on U.S.-flagged vessels that exceeded market rates. This section includes provisions to ensure a transparent and timely reimbursement process.

Section 415: Importation from China on American ships

This section establishes a commercial cargo preference, requiring that within 15 years, 10 percent of all cargo imported into the United States from the People's Republic of China be imported on U.S.-flagged vessels.

Section 416: Priority for Vessels of the United States

This section establishes that a U.S.-flagged vessel shall be given priority at any port of the United States ahead of a waiting vessel of a foreign country.

Section 417: Moving Cargo on Vessels of the United States

This section requires the President, in consultation with the Maritime Security Advisor, the Secretary of Transportation, the Secretary of Commerce, the Federal Maritime Commission, and the U.S. Trade Representative, to identify existing authorities to provide tax benefits, modified import duties, and other maritime privileges to companies that chose to move commercial cargo aboard vessels of the United States. The President shall also make recommendations for Congress for additional legal authorities needed to incentivize movement of commercial cargo aboard U.S.-flag vessels.

Section 418: Transportation requirements for certain exports sponsored by the Secretary of Agriculture

This section clarifies that current U.S.-flagged vessel requirements for USDA's international food aid apply to all agricultural products (not only commodity crops).

Section 419: Clarifying amendments

This section clarifies that the authority to waive Cargo Preference requirements rests with the Maritime Administrator.

Section 420: Energizing American Shipbuilding

This section is the Energizing American Shipbuilding Act ([S. 3467](#) / [H.R. 6724](#)), which requires that vessels built in the U.S. transport 15 percent of total seaborne LNG exports by 2043 and 10 percent of total seaborne crude oil exports by 2035.

Section 421: Ship America Office

This section establishes a Ship America Office within the Maritime Administration, to assist in facilitating the movement of commercial goods and government cargo on U.S.-flagged vessels, provide information to importers and carriers about cargo preference incentives, and aid in compliance efforts related to cargo preference requirements.

Subtitle C: Regulatory Reform

Section 431: Alternate Standards

The Maritime Security Program has a provision which allows a U.S.-flag vessel to obtain a U.S. Coast Guard Certificate of Inspection (COI) by complying with the standards of an authorized classification society. This section requires that this Alternate Compliance Program be made available to all U.S.-flagged vessels.

Section 432: Rulemaking Committee on Commercial Maritime Regulations and Standards

This section requires the U.S. Coast Guard to establish a rulemaking committee on commercial maritime regulations and standards to evaluate opportunities to better align U.S. Coast Guard regulations with the International Maritime Organization's (IMO) regulations. The committee shall be made up of representatives of federal maritime agencies, classification societies, carriers, shipbuilders, mariners, maritime labor, and outside experts. The Commandant of the Coast Guard shall initiate a rulemaking process to update regulations based on the committee's recommendations.

Section 433: Amendments to Shipowners' Limitation of Liability Act of 1851

Currently, all vessels in the United States have limited liability (no more than 1x the value of the vessel and freight) for accidents caused, even if major infrastructure is damaged. This section establishes that the liability of a foreign vessel for any claim, debt, or liability shall be 10x the value of the vessel and pending freight, whereas the value of a U.S.-flag vessel shall be 1x the value of the vessel and pending freight. This excludes liability for personal injury, wrongful death, or a claim for wages.

Title 5: Shipbuilding

Subtitle A: Shipbuilding Financial Incentives

Section 501: Shipbuilding Financial Incentives

This section establishes a shipbuilding financial incentive program which allows the Maritime Administration to aid in the construction of an eligible oceangoing vessel (but not a part of the Strategic Commercial Fleet) or to make qualified investments in U.S.

shipyards and facilities which produce critical components or subcomponents for shipyards. This section provides \$250m for each of the fiscal years 2025 through 2034 out of the Maritime Security Trust Fund.

Section 502: Assistance for Small Shipyards

This section provides \$100m per year in funding for the Assistance for Small Shipyards program from the Maritime Security Trust Fund for fiscal years 2025 through 2034. The program's eligibility is also expanded to cover industrial base investments.

Section 503: Federal Ship Financing (Title XI) Program

This section transforms the Title XI program into a revolving loan fund, with proceeds generated by loans and loan guarantees reinvested into the program. To capitalize the initial loan fund, \$100m is provided from the Maritime Security Trust Fund in fiscal year 2025. The program's eligible uses are expanded to include costs associated with re-flagging a vessel or converting a vessel to a more useful military configuration.

Section 504: Construction Reserve Fund

A Construction Reserve Fund (CRF) allows U.S.-flag operators to defer the gain attributable to the sale or loss of a vessel if the funds will be used to expand or modernize the U.S. merchant fleet. This section allows deposited funds to be held longer, placed into investment vehicles other than a bank account, and used for additional purposes.

Section 505: Capital Construction Fund

This section allows funds deposited in a Capital Construction Fund (CCF) to be held longer, expands the profits eligible to be deposited, expands how funds can be used, and allows any company, even one which does not currently own U.S.-flagged vessels, to create a CCF.

This section also expands the CCF program to allow marine terminal operators to create CCFs and use deposited funds to replace cargo handling equipment at marine terminals of the United States, unless such equipment is made by a Chinese-owned or controlled entity.

Section 506: Anticipated Commercial Vessel Construction Survey

This section requires the Maritime Administrator to conduct an annual survey of owners, agents, or operators of commercial maritime vessels and may distribute results to the maritime industrial base. Participation in the survey is voluntary, and proprietary information is protected from disclosure.

Section 507: Streamlined Environmental Review

This section streamlines environmental review requirements for shipyards, ship repair facilities, port terminals and other port facilities, and other facilities which support the

Navy or Merchant Marine of the United States. Under this provision, a lead federal agency will coordinate all reviews, and all reviews must be completed within two years.

Section 508: Eligibility for Loan Guarantees

This section allows Department of Energy loan guarantee programs to support investments in U.S.-flag vessels, shipyards, marine terminals, and port facilities.

Section 509: Reports

This section requires the Maritime Administrator, USTRANSCOM, and the Secretary of the Navy to submit reports to Congress indicating how the shipbuilding financial incentives program will be used to rebuild the Ready Reserve Fleet and derisk the maritime sector. It also requires a report on a plan to restrict capital flow to the Chinese maritime industry.

Section 510: Export Control Report

This section requires the Secretary of State to conduct a study on methods to reduce export controls and ITAR restrictions on foreign-owned maritime companies who wish to invest in the U.S. shipbuilding industry.

Subtitle B: Department of Defense Programs

Section 511: Assessment of the Use of Commercial Best Practices for Navy Shipbuilding

To help private shipbuilders serve both a military and commercial customers, this section would require the Navy and Coast Guard to assess and, where possible, integrate commercial best practices into the design, building, and repair of Navy and Coast Guard vessels.

Section 512: Plan of Action for Use of Defense Production Act Authorities

This section requires a plan of action to be developed to use Defense Production Act authorities to enhance shipyard infrastructure, the defense shipyard industrial base, and maritime port infrastructure in the United States.

Section 513: Strategy on Development of Naval Re-Arm at Sea Capability

This section requires the Secretary of the Navy to develop a strategy for delivering a rearm-at-sea capability to the surface fleet of the United States Navy.

Section 514: Military Sealift Command

This section provides additional authorities to the Secretary of the Navy to support recruitment and retention efforts for mariners employed by Military Sealift Command. It also requires the Navy and Military Sealift Command to report on recruitment and

retention efforts, and the Navy to assess the merits of extending charter durations of for Military Sealift Command.

Subtitle C: Shipbuilding Innovation and Infrastructure

Section 521: United States Center for Maritime Innovation

This section establishes a national maritime innovation incubator program within the Maritime Administration to advance and accelerate R&D for technologies and manufacturing processes which will support the maritime industrial base. The program expands the existing United States Center for Maritime Innovation Program by requiring the establishment of incubators to be located in different regions of the country, establish multi-stakeholder partnerships, and specialize in shipbuilding, alternative fuels, shoreside infrastructure, vessel design and naval architecture, and other areas identified as a priority by the Maritime Security Board. \$50m is provided from the Maritime Security Trust Fund for each of fiscal years 2025 through 2034.

Section 522: National Shipbuilding Research Program

This section authorizes the activities of the [National Shipbuilding Research Program](#) (NRSP) and requires increased coordination between NSRP and the Maritime Administration.

Section 523: Assessment on Marine Infrastructure Readiness

This section requires the Maritime Administrator to conduct an assessment on the infrastructure needs of United States shipbuilding, shipping, port, and shipyard infrastructure, including an evaluation of threats posed by the logistics platform LOGINK, which is affiliated with the Chinese government.

Title 6: Workforce Development

Subtitle A: Workforce Incentives

Section 601: Public Service Loan Forgiveness for Mariners

This section would allow merchant mariners with a USCG Merchant Mariner Credential or employees of a shipyard of the United States to qualify for public service loan forgiveness, recognizing their critical role to U.S. economic and national security. To qualify, workers must be employed on a U.S. vessel or by a U.S. shipyard for 10 years (with at least 150 days at sea in a calendar year for mariners).

Section 602: Eligibility for Educational Assistance

This section allows merchant mariners who have served full-time for at least 10 years as a credentialed merchant mariner and have received the Merchant Marine Expeditionary Medal or other [mariner medals](#) for service in a designated combat zone (after the date of enactment) to receive educational assistance under the GI bill, if they are not eligible under other VA benefits.

Section 603: Eligibility of Mariners to attend Naval Postgraduate School

This section establishes that the Secretary of the Navy may permit officers and unlicensed mariners of the U.S. Merchant Marine to attend the Naval Postgraduate School.

Section 604: Reimbursement of Qualifying Spouse Relicensing Costs and Business Costs

This section allows spouses of members of the Strategic Sealift Officer Program or Coast Guard Reserve to be reimbursed for costs, up to a certain amount, associated with relicensing or re-establishing a business as a result of service in the reserve programs. Funds for this program will come from the Maritime Security Trust Fund.

Section 605: Noncompetitive Eligibility for Federal Employment

This section allows individuals who 1) have graduated from the USMMA and met all of their cadet commitment agreement requirements, or 2) are a credentialed U.S. Merchant Mariner with an officer or rating endorsement who has served at least 7 years at sea on a vessel of the United States, to be eligible for noncompetitive federal employment. This is similar to the hiring preference afforded to veterans or Peace Corps volunteers.

Section 606: United States Merchant Marine Career Retention Program

Recognizing that in times of war, a reserve of mariners will be needed for strategic sealift opportunities, this section establishes a U.S. Merchant Marine Career Retention Program with two tracks.

- Track 1: Reserve members may work a shore-side job, with USERRA protections, and receive short-term deployments on merchant vessels to maintain mariner credentials.
- Track 2: After completing their service obligations, graduates of Merchant Marine Academies may serve on foreign flagged vessels while keeping their USCG certifications and retaining a reserve status to surge US sealift capacity.

Subtitle B: Workforce Pipeline

Sec. 611: Maritime and Shipbuilding Recruiting Campaign

This section requires the Maritime Administration to conduct targeted public recruiting campaigns, by entering into a contract with a national marketing firm, to promote the opportunities for and benefits of a career in the maritime industry. Funding is provided from the Maritime Security Trust Fund for each of fiscal years 2025 through 2034.

Section 612: Centers of Excellence for Domestic Maritime Workforce Training and Education

This section provides dedicated appropriations to the [Centers of Excellence for Domestic Maritime Workforce Training and Education](#) out of the Maritime Security Trust Fund.

Section 613: Maritime Career and Technical Education Advisory Committee

This section creates a federal advisory committee at the Maritime Administration to bring maritime industrial base employers and education providers together to identify joint opportunities to train needed workers for maritime careers.

Section 614: Military Candidates to Mariner Careers Recruitment Exchange

This section requires the Department of Defense to encourage military recruiters to recommend careers in the maritime industry to recruits who do not qualify for U.S. military service but wish to serve at-sea or work in a shipyard of the United States. It requires DoD to establish a mechanism to introduce these recruits to the Maritime Administration, who are then required to provide these recruits with appropriate maritime industry career resources and hand-offs.

Section 615: Maritime Worker Data Collection

This section requires the Maritime Administrator to publish a biennial report on the state of the U.S. Merchant Marine, to include the number of mariners actively sailing, and forecasts for needed mariners in the future and in a potential conflict.

Section 616: Military to Maritime Transition

This section requires DoD, Coast Guard, DoL, VA, and the Maritime Security Board to jointly submit a report detailing opportunities to reduce barriers for retiring military service members with military sea service credentials or skills transferable to the maritime industry to transition to jobs in the merchant marine, shipyards, or other maritime industries.

Section 617: Early Maritime Education and Youth Involvement

This section requires the Secretary of the Navy to specify funding for the Naval Sea Cadet Corps in the annual budget request and encourages the Maritime Administration (MARAD) Centers of Excellence to develop programs to work with K-12 educational programs to raise awareness of careers in the maritime industry.

Section 618: International Scholarship for Mariner and Naval Architecture Exchanges

This section establishes a new international exchange program between the United States and allied countries for post-graduate studies related to maritime architecture.

Subtitle C: U.S. Merchant Marine Academy and State Maritime Academies

Section 621: Authorization of Appropriations for United States Merchant Marine Academy Infrastructure and Facilities Modernization

This section requires the Maritime Administration to develop a 10-year campus modernization plan to make the campus capable of meeting the modern needs of the midshipmen and the maritime industry.

Section 622: United States Merchant Marine Academy

This section establishes a sense of Congress that the U.S. Merchant Marine Academy shall be considered a co-equal school to the other four military service academies and requires MARAD to conduct a study on increasing enrollment at the Academy.

This section also authorizes funding for the operations of the U.S. Merchant Marine Academy.

Section 623: Retirement Service Credit for Service as a Midshipman at the United States Merchant Marine Academy

This section clarifies that attendance at the U.S. Merchant Marine Academy, just like other federal service academies, is a qualifying time for federal retirement benefits.

Section 624: State Maritime Academies

This section requires the Maritime Administrator to evaluate whether additional resources are needed to allow State Maritime Academies to increase their enrollment. It also requires the Administrator to study if additional State Maritime Academies should be established.

This section also provides dedicated funding to State Maritime Academies out of the Maritime Security Trust Fund.

Section 625: Military to Mariner Enrollment at a State Maritime Academy

This section requires State Maritime Academies to establish a program to allow honorably discharged veterans to receive merchant marine officer credentials without requiring the veteran to receive a four-year degree. Such expedited programs shall last less than three years.

Section 626: Enforcement of Service Obligation Requirements

This section requires the Maritime Administration to develop an updated system to ensure all mariners meet their service obligation and inform those who have not met their obligation of their duty to do so, or else repay the cost of their education.

Section 627: Fuel Funding for Training Ships operated by State Maritime Academies

This section establishes that all fuel costs for training ships operated by State Maritime Academies shall be provided out of the Maritime Security Trust Fund. It also prohibits State Maritime Academies who receive this funding from making a profit on students who use training vessels at sea.

The section also establishes that State Maritime Academies should make use of mariners enrolled in the Career Retention Program to crew training vessels and allows the Maritime Administration to cover all such expenses associated with crew costs for individuals enrolled in the Career Retention Program on training ships, with funding provided out of the Maritime Security Trust Fund.

Section 628: State Maritime Academy Sea Term Scholarship Programs

This section requires the Maritime Administrator to partner with industry partners who would hire licensed mariners who complete summer sea term training on scholarships to offset the costs of a summer sea term program. The Maritime Administration can match contributed funds by industry partners for such programs with funding from the Maritime Security Trust Fund.

Section 629: Naval Joint Exercise Involvement for Training Ships Operated by State Maritime Academies

This section requires the Secretary of the Navy to find opportunities to include at least one training ship operated by a State Maritime Academy in annual joint-naval exercises and make space on the vessel available to students from USMMA, the SMAs, or other credentialed mariners.

Subtitle D: Maritime Licensing Modernization

Section 631: Merchant Mariner Credentialing Modernization

This section requires the U.S. Coast Guard to upgrade the merchant mariner credentialing program to allow for electronic submission of mariner applications and allow certain data to be shared between government agencies.

Section 632: Revising Merchant Mariner Deck Training Requirements

This section updates the sea-time and training requirements for unlicensed members of deck departments.

Section 633. Inspections for Transportation Security

This section requires the Coast Guard to verify that offshore vessels are following the manning requirements under 43 U.S.C. 1356 or has a valid exemption.

Section 634: Technical Amendments Relating to References to Seamen

This section replaces the word “seaman” with the term “seafarer” where it appears in statute.

Section 635: Renewal of Merchant Mariner Licenses and Documents

This section clarifies that renewals to existing merchant mariner credentials begin the day after the expiration of the existing credential.

Section 636: Merchant Seamen Licenses, Certificates, and Documents; Manning of Vessels

This section enables American Samoans who meet the definition of a United States National to be eligible for merchant mariner credentials.

Section 637: Reactivation of Expired License

This section grants authority to reactivate a merchant mariner's documents, expired license, and/or certificate of registry in response to a declared national emergency, if determined necessary by the Secretary.

Title 7: Tax Provisions

Section 701: Establishment of the Maritime Security Trust Fund

Other modes of transportation are supported by dedicated trust funds, financed by user fees. These trust funds, like the Highway Trust Fund and Aviation Trust Fund, allow for sustained federal support for national transportation priorities, independent of the annual appropriations process. This section (alongside Section 201) creates a **Maritime Security Trust Fund** to create a dedicated source of funding for critical maritime security programs.

The Maritime Security Trust Fund would be financed by funds collected from Customs and Border Protection through duties, fees, and penalties imposed on vessels in international commerce, the proceeds from regular tonnage taxes (as amended by section 202), special tonnage taxes, light money, and tariffs and duties imposed on foreign nations, to include Section 301 tariffs.

Section 702: United States Vessel Investment Credit

This section would establish a 33% investment tax credit for any investment made by a taxpayer to construct, repower, or reconstruct an eligible oceangoing vessel in the United States. To claim the credit, the vessel owner would have to enter into an agreement with the Maritime Administrator to document the ship under the laws of the United States for not less than 10 years and institutes a claw back mechanism if necessary. A bonus credit of 5% would be added on if the vessel owner enters into an agreement with the Maritime Administrator to receive protection and indemnity (P&I) insurance from a company headquartered in the United States. A bonus credit of 2.5% would be added on if the vessel is classified by and designed in accordance with the rules of a classification society headquartered in the United States.

Section 703: Certain Payments for Maritime Security Excluded from Gross Income

This section clarifies that funding received under the following programs is not considered taxable income:

- The Maritime Security Program
- The Shipbuilding Financial Incentives Program
- The Cable Security Program
- The Tanker Security Program
- The Strategic Commercial Fleet Program
- The Small Shipyards Grant Program
- The Port Infrastructure Development Program

Section 704: Elimination of 30-day Limitation on Domestic Operations

This section eliminates the statutory 30-day limitation under the domestic tonnage tax.

Section 705: Qualifying Shipping Activities

This section requires the IRS to update regulations to specify that “core” activities are any transportation services that a carrier is obligated to provide under a bill of lading covering the transportation of goods by ocean to or from U.S. ports in foreign trade as set forth in the Carriage of Goods by Sea Act (COGSA), which is the industry standard for “core” activities.

Section 706: Qualifying Vessel

This section allows owners of vessels of the United States, whose vessels have a VISA or VTA, to qualify for the tonnage tax regime for their entire fleet of vessels.

Section 707: Credit for Construction of Shipyard Facilities

This section establishes a 25% investment tax credit for any investment made by a taxpayer into a qualified shipyard facility in the United States, which includes shipyards for civil and military oceangoing vessels, and manufacturers that make critical components or equipment for such vessels.

Section 708: Tax Incentives Relating to Merchant Marine Capital Construction Funds

This section makes corresponding technical updates to the Internal Revenue Code related to the changes made to the Capital Construction Fund under Sec. 505. It also clarifies that fund withdrawals may not be used for fully automated cargo handling equipment or cranes manufactured in the PRC.

Section 709: Exemption of Student Incentive Payment Agreements from Gross Income

The Student Incentive Payment (SIP) Program provides financial support to eligible students enrolled at a State Maritime Academy to become licensed officers in the U.S. Merchant Marine. Students benefitting from SIP have a service obligation upon graduation. This section clarifies the payments received under the SIP Program are not considered a part of a student's taxable income.

Sec. 710 Maritime Fuel Tax Parity Act

This section is the Maritime Fuel Tax Parity Act ([S. 3001](#) / [H.R. 1044](#)), which extends the exemption from the excise tax on alternative motor boat or motor vehicle fuels sold or used as supplies for certain vessels or aircraft engaged in trade between U.S. Atlantic or Pacific ports.