

106TH CONGRESS  
1ST SESSION

# H. R. 3392

To provide tax incentives for the construction of seagoing cruise ships in United States shipyards, and to facilitate the development of a United States-flag, United States-built cruise industry, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 16, 1999

Mr. HUNTER introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Armed Services, and Transportation and Infrastructure, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To provide tax incentives for the construction of seagoing cruise ships in United States shipyards, and to facilitate the development of a United States-flag, United States-built cruise industry, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “All American Cruise  
5       Act of 1999”.

1 **TITLE I—TAX INCENTIVES FOR**  
2 **CRUISE SHIP CONSTRUCTION**  
3 **AND OPERATION**

4 **SEC. 101. TAX TREATMENT OF UNITED STATES-BUILT**  
5 **CRUISE SHIPS DURING CONSTRUCTION PE-**  
6 **RIOD.**

7 (a) AMENDMENT.—Section 460(e) of the Internal  
8 Revenue Code of 1986 (relating to special rules for long-  
9 term contracts) is amended by adding at the end the fol-  
10 lowing new paragraph:

11 “(7) SPECIAL RULE FOR CRUISE SHIP CON-  
12 STRUCTION CONTRACTS.—In the case of any con-  
13 tract for the construction or overhaul of an ocean-  
14 going cruise ship of at least 20,000 gross tons, a  
15 contractor may, at the contractor’s election, use the  
16 completed contract method of accounting for each  
17 ship that is constructed or overhauled, provided  
18 that—

19 “(A) the construction or overhaul of the  
20 ship will take more than 12 months to complete  
21 from the contract commencement date to the  
22 date that the ship is delivered or returned to  
23 the owner,

24 “(B) the reporting of revenue and costs for  
25 each ship may not be deferred beyond the date

1 of delivery or return of the ship to the owner,  
 2 and

3 “(C) when a contract provides for the con-  
 4 struction or overhaul of more than 1 ship, each  
 5 ship covered by the contract will be treated as  
 6 an individual ship contract for the purpose of  
 7 applying the completed contract method of ac-  
 8 counting, and the reporting of revenue and  
 9 costs for each ship may not be deferred beyond  
 10 the date on which the ship is delivered or re-  
 11 turned to the owner.”.

12 (b) EFFECTIVE DATE.—The amendment made by  
 13 this section shall apply to taxable years beginning after  
 14 December 31, 1999.

15 **SEC. 102. GROSS INCOME EXCLUSION FOR CRUISE SHIP OP-**  
 16 **ERATIONS.**

17 (a) AMENDMENTS.—Part III of subchapter B of  
 18 chapter 1 of the Internal Revenue Code of 1986 (relating  
 19 to amounts specifically excluded from gross income) is  
 20 amended by redesignating section 139 as section 140 and  
 21 by inserting after section 138 the following new section:

22 **“SEC. 139. AMOUNTS DERIVED FROM CRUISE SHIP OPER-**  
 23 **ATIONS.**

24 “(a) GENERAL RULE.—Gross income of a corpora-  
 25 tion organized in the United States shall not include

1 amounts derived by the corporation from the operation of  
 2 a cruise ship which was built in the United States and  
 3 has a certificate of documentation issued under chapter  
 4 121 of title 46, United States Code.

5 “(b) DEFINITION.—For purposes of subsection (a),  
 6 the term ‘cruise ship’ means a seagoing passenger vessel  
 7 of at least 20,000 gross tons that provides a full range  
 8 of overnight accommodations, entertainment, dining, and  
 9 other services for its passengers.”.

10 (b) EFFECTIVE DATE.—The amendments made by  
 11 this section shall apply to taxable years beginning after  
 12 December 31, 1999.

13 **SEC. 103. CREDIT FOR INCOME FROM CRUISE SHIP CON-**  
 14 **STRUCTION CONTRACTS.**

15 (a) AMENDMENT.—Subpart D of part IV of sub-  
 16 chapter A of chapter 1 of the Internal Revenue Code of  
 17 1986 (relating to credits against tax) is amended by add-  
 18 ing at the end the following new section:

19 **“SEC. 45D. CRUISE SHIP CONSTRUCTION CREDIT.**

20 “(a) GENERAL RULE.—In the case of a taxpayer de-  
 21 scribed in subsection (b), there shall be allowed a credit  
 22 against the taxes imposed by this chapter for the taxable  
 23 year an amount equal to the amount of any income taxes  
 24 that would be paid or accrued during the taxable year (but  
 25 for this section) to the United States on the income real-

1 ized from any construction contract described in sub-  
2 section (c).

3 “(b) TAXPAYER DESCRIBED.—The taxpayer referred  
4 to in subsection (a) is a resident of the United States,  
5 or a corporation organized in the United States, whose  
6 average annual gross receipts for the 3 taxable years pre-  
7 ceding the taxable year in which such construction con-  
8 tract is entered into are not less than \$30,000,000.

9 “(c) CONSTRUCTION CONTRACT.—The construction  
10 contract referred to in subsection (a) is any contract for  
11 the construction of a cruise ship entered into by the tax-  
12 payer, in a case where the taxpayer estimates (at the time  
13 such contract is entered into) that the ship construction  
14 under the contract will be completed within the 2-year pe-  
15 riod beginning on the contract commencement date.

16 “(d) DEFINITION.—The term ‘cruise ship’ means a  
17 seagoing passenger vessel of at least 20,000 gross tons  
18 that provides a full range of overnight accommodations,  
19 entertainment, dining, and other services for its pas-  
20 sengers.”.

21 (b) EFFECTIVE DATE.—The amendment made by  
22 this section shall apply to taxable years beginning after  
23 December 31, 1999.

1 **SEC. 104. ACCELERATED DEPRECIATION.**

2 (a) AMENDMENTS.—Section 168(e)(3)(C) of the In-  
3 ternal Revenue Code of 1986 (relating to accelerated cost  
4 recovery) is amended—

5 (1) by striking “and” at the end of clause (i),

6 (2) by redesignating clause (ii) as clause (iii),

7 and

8 (3) by inserting after clause (i) the following  
9 new clause:

10 “(ii) a seagoing passenger vessel of at  
11 least 20,000 gross tons that provides a full  
12 range of overnight accommodations, enter-  
13 tainment, dining, and other services for its  
14 passengers, and”.

15 (b) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 1999.

18 **SEC. 105. DEDUCTION FOR CERTAIN BUSINESS EXPENSES**  
19 **ON CRUISE SHIPS.**

20 (a) IN GENERAL.—Section 274(h) of the Internal  
21 Revenue Code of 1986 (relating to certain entertainment  
22 expenses) is amended—

23 (1) in paragraph (2)—

24 (A) by striking “meets the requirements of  
25 paragraph (5) and”, and

1 (B) by striking all after “trade or busi-  
 2 ness” and inserting “and that the cruise ship is  
 3 a United States-built vessel registered in the  
 4 United States, or a foreign-built vessel reg-  
 5 istered in the United States under section 8109  
 6 of Public Law 105–56 or title III of the All  
 7 American Cruise Act of 1999.”,

8 (2) by striking paragraph (5) of subsection (h),  
 9 and

10 (3) by striking paragraph (1) of subsection (m).

11 (b) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to taxable years beginning after  
 13 December 31, 1999.

14 **SEC. 106. CREDIT FOR USE OF CLEAN-BURNING GAS EN-**  
 15 **GINES.**

16 (a) AMENDMENT.—Subpart B of part IV of sub-  
 17 chapter A of chapter 1 of the Internal Revenue Code of  
 18 1986 (relating to foreign tax credit, etc.) is amended by  
 19 adding at the end the following new section:

20 **“SEC. 30B. CREDIT FOR USE OF CLEAN-BURNING ENGINES.**

21 **“(a) ALLOWANCE OF CREDIT.—**There shall be al-  
 22 lowed as a credit against the tax imposed by this chapter  
 23 for the taxable year an amount equal to 20 percent of the  
 24 annual cost of fuel consumed by clean-burning engines on

1 a cruise ship that was built in the United States and is  
 2 documented under the laws of the United States.

3 “(b) ADJUSTMENTS.—The credit allowed by sub-  
 4 section (a) of this section for any taxable year shall not  
 5 exceed the excess (if any) of—

6 “(1) the regular tax for the taxable year re-  
 7 duced by the sum of the credits allowable under sub-  
 8 part A and section 27, over

9 “(2) the tentative minimum tax for the taxable  
 10 year.

11 “(c) DEFINITIONS.—For purposes of this section:

12 “(1) CLEAN-BURNING ENGINE.—The term  
 13 ‘clean-burning engine’ means a gas turbine engine,  
 14 manufactured in the United States or a possession  
 15 of the United States, that burns 100 percent dis-  
 16 tillate fuel with less than 1.5 percent sulfur.

17 “(2) CRUISE SHIP.—The term ‘cruise ship’  
 18 means a seagoing passenger vessel of at least 20,000  
 19 gross tons that provides a full range of overnight ac-  
 20 commodated, entertainment, dining, and other  
 21 services for its passengers.”.

22 (b) CLERICAL AMENDMENT.—The table of sections  
 23 for subpart B of part IV of subchapter A of chapter 1  
 24 of such Code is amended by adding at the end the fol-  
 25 lowing new item:

“Sec. 30B. Credit for use of clean-burning engines.”.



1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1999.

4 **TITLE II—CAPITAL CONSTRU-**  
5 **CTION FUNDS FOR PASSENGER**  
6 **VESSEL CONSTRUCTION**

7 **SEC. 201. AMENDMENTS TO MERCHANT MARINE ACT, 1936.**

8 (a) CHANGES IN VESSELS TO WHICH CAPITAL CON-  
9 STRUCTION FUNDS APPLY.—

10 (1) The second sentence of subsection (a) of  
11 section 607 of the Merchant Marine Act, 1936 (46  
12 U.S.C. App. 1177) is amended by striking “for oper-  
13 ation in the United States foreign, Great Lakes, or  
14 noncontiguous domestic trade or in the fisheries of  
15 the United States” and inserting “for operation in  
16 the fisheries of the United States, or in the United  
17 States foreign, Great Lakes, or noncontiguous do-  
18 mestic trade, or for operation as a passenger vessel  
19 in the oceangoing domestic trade,”.

20 (2) Paragraph (1) of section 607(k) of such Act  
21 (defining eligible vessel) is amended to read as fol-  
22 lows:

23 “(1) The term ‘eligible vessel’ means any  
24 vessel—

1           “(A) constructed in the United States, and  
2           if reconstructed, reconstructed in the United  
3           States;

4           “(B) documented under the laws of the  
5           United States; and

6           “(C) operated in the foreign or domestic  
7           commerce of the United States or in the fish-  
8           eries of the United States.

9           A foreign-built passenger vessel temporarily docu-  
10          mented with a coastwise trade endorsement under  
11          section 8109 of Public Law 105–56 or title III of  
12          the All American Cruise Act of 1999 shall be treated  
13          as satisfying the requirements of subparagraph (A)  
14          of this paragraph.”.

15          (3) Paragraph (2)(C) of section 607(k) of such  
16          Act is amended to read as follows:

17               “(C) which the person maintaining the  
18               fund agrees with the Secretary will be operated  
19               in the fisheries of the United States, in the  
20               United States foreign, Great Lakes, or non-  
21               contiguous domestic trade, or (only in the case  
22               of a passenger vessel) in the oceangoing domes-  
23               tic trade.”.

1           (4) Subsection (f) of section 607 of such Act is  
2       amended by adding at the end thereof the following  
3       new paragraph:

4           “(3) In the case of amounts in any fund as of  
5       the date of the enactment of this paragraph, and  
6       any earnings thereon, for purposes of this sub-  
7       section, the term ‘qualified withdrawal’ has the  
8       meaning given such term by applying subsection  
9       (k)(2) as of the date of enactment of the All Amer-  
10      ican Cruise Act of 1999.”.

11          (5) Subsection (k) of section 607 of such Act  
12      is amended by adding at the end thereof the fol-  
13      lowing new paragraphs:

14          “(10) The terms ‘foreign commerce’ and ‘for-  
15      eign trade’ have the meanings given such terms in  
16      section 905 of this Act, except that in the case of  
17      passenger vessels, these terms shall include com-  
18      merce or trade between foreign ports.

19          “(11) The term ‘passenger vessel’ means a sea-  
20      going passenger vessel of at least 20,000 gross tons  
21      that provides a full range of overnight accommoda-  
22      tions, entertainment, dining, and other services for  
23      its passengers.

24          “(12) The term ‘oceangoing domestic trade’  
25      means—

1           “(A) the operation of a passenger vessel on  
2           a coastwise voyage between points in the United  
3           States; or

4           “(B) the operation of a passenger vessel on  
5           a voyage to transport passengers to the high  
6           seas beginning at a point in the United States  
7           and returning to the same point without stop-  
8           ping at any other point.”.

9           (b) TREATMENT OF CERTAIN LEASE PAYMENTS.—

10           (1) Paragraph (1) of section 607(f) of such Act  
11           is amended by striking “or” at the end of subpara-  
12           graph (B), by striking the period at the end of sub-  
13           paragraph (C) and inserting “, or”, and by inserting  
14           after subparagraph (C) the following new subpara-  
15           graph:

16           “(D) the payment of amounts which re-  
17           duce the principal amount (as determined under  
18           regulations promulgated by the Secretary) of a  
19           qualified lease of a qualified vessel or container  
20           which is part of the complement of an eligible  
21           vessel.”.

22           (2) Paragraph (4) of section 607(g) of such Act  
23           is amended by inserting “or to reduce the principal  
24           amount of any qualified lease” after “indebtedness”.

1           (3) Subsection (k) of section 607 of such Act  
2           is further amended by adding at the end thereof the  
3           following new paragraph:

4           “(13) the term ‘qualified lease’ means any lease  
5           with a term of at least 5 years.”.

6           (c) AUTHORITY TO MAKE DEPOSITS FOR PRIOR  
7           YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (b)  
8           of section 607 of such Act is amended by adding at the  
9           end the following new paragraph:

10           “(4) To the extent permitted by joint regula-  
11           tions, deposits may be made in excess of the limita-  
12           tion described in paragraph (1) (and any limitation  
13           specified in the agreement) for the taxable year if,  
14           by reason of a change in taxable income for a prior  
15           taxable year that has become final pursuant to a  
16           closing agreement or other similar agreement en-  
17           tered into during the taxable year, the amount of the  
18           deposit could have been made for such prior taxable  
19           year.”.

20           (d) TREATMENT OF CAPITAL GAINS AND LOSSES.—

21           (1) Paragraph (3) of section 607(e) of such Act  
22           is amended to read as follows:

23           “(3) The capital gain account shall consist of—

24           “(A) amounts representing long-term cap-  
25           ital gains (as defined in section 1222 of such

1 Code) on assets referred to in subsection  
2 (b)(1)(C), reduced by

3 “(B) amounts representing long-term cap-  
4 ital losses (as defined in such section) on assets  
5 held in the fund.”.

6 (2) Subparagraph (B) of section 607(e)(4) of  
7 such Act is amended to read as follows:

8 “(B)(i) amounts representing short-term capital  
9 gains (as defined in section 1222 of such Code) on  
10 assets referred to in subsection (b)(1)(C), reduced  
11 by

12 “(ii) amounts representing short-term capital  
13 losses (as defined in such section) on assets held in  
14 the fund,”.

15 (3) Subparagraph (B) of section 607(h)(3) of  
16 such Act is amended by striking “gain” and all that  
17 follows and inserting “long-term capital gain (as de-  
18 fined in section 1222 of such Code), and”.

19 (4) The last sentence of subparagraph (A) of  
20 section 607(h)(6) of such Act is amended by striking  
21 “20 percent (34 percent in the case of a corpora-  
22 tion)” and inserting “the rate applicable to net cap-  
23 ital gain under section 1(h) or 1201(a) of such  
24 Code, as the case may be”.

1       (e) COMPUTATION OF INTEREST WITH RESPECT TO  
2 NONQUALIFIED WITHDRAWALS.—

3           (1) Subparagraph (C) of section 607(h)(3) of  
4 such Act is amended—

5               (A) by striking clause (i) and inserting the  
6 following new clause:

7                   “(i) no addition to the tax shall be  
8 payable under section 6651 of such  
9 Code,” and

10               (B) by striking “paid at the applicable rate  
11 (as defined in paragraph (4))” in clause (ii) and  
12 inserting “paid in accordance with section 6601  
13 of such Code”.

14           (2) Subsection (h) of section 607 of such Act  
15 is amended by striking paragraph (4) and by redesi-  
16 gnating paragraphs (5) and (6) as paragraphs (4)  
17 and (5), respectively.

18           (3) Subparagraph (A) of section 607(h)(5) of  
19 such Act, as redesignated by paragraph (2) of this  
20 subsection, is amended by striking “paragraph (5)”  
21 and inserting “paragraph (4)”.

22       (f) OTHER CHANGES.—

23           (1) Section 607 of such Act is amended by  
24 striking “the Internal Revenue Code of 1954” each

1 place it appears and inserting “the Internal Revenue  
2 Code of 1986”.

3 (2) Subsection (c) of section 607 of such Act is  
4 amended by striking “interest-bearing securities ap-  
5 proved by the Secretary” and inserting “interest-  
6 bearing securities and other income-producing assets  
7 (including accounts receivable) approved by the Sec-  
8 retary”.

9 **SEC. 202. AMENDMENTS OF INTERNAL REVENUE CODE OF**  
10 **1986.**

11 (a) TREATMENT OF CERTAIN LEASE PAYMENTS.—

12 (1) Paragraph (1) of section 7518(e) of the In-  
13 ternal Revenue Code of 1986 (relating to purposes  
14 of qualified withdrawals) is amended by striking  
15 “or” at the end of subparagraph (B), by striking the  
16 period at the end of subparagraph (C) and inserting  
17 “, or”, and by inserting after subparagraph (C) the  
18 following new subparagraph:

19 “(D) the payments of amounts which re-  
20 duce the principal amount (as determined under  
21 regulations) of a qualified lease of a qualified  
22 vessel.”.

23 (2) Paragraph (4) of section 7518(f) of such  
24 Code is amended by inserting “or to reduce the prin-



1        cipal amount of any qualified lease” after “indebted-  
2        ness”.

3        (b) AUTHORITY TO MAKE DEPOSITS FOR PRIOR  
4 YEARS BASED ON AUDIT ADJUSTMENTS.—Subsection (a)  
5 of section 7518 of such Code is amended by adding at  
6 the end the following new paragraph:

7            “(4) To the extent permitted by joint regula-  
8        tions, deposits may be made in excess of the limita-  
9        tions described in paragraph (1) (and any limitation  
10       specified in the agreement) for the taxable year if,  
11       by reason of a change in taxable income for a prior  
12       taxable year that has become final pursuant to a  
13       closing agreement or other similar agreement en-  
14       tered into during the taxable year, the amount of the  
15       deposit could have been made for such prior taxable  
16       year.”.

17       (c) TREATMENT OF CAPITAL GAINS AND LOSSES.—

18            (1) Paragraph (3) of section 7518(d) of such  
19       Code is amended to read as follows:

20            “(3) CAPITAL GAIN ACCOUNT.—The capital  
21       gain account shall consist of—

22            “(A) amount representing long-term cap-  
23       ital gains (as defined in section 1222) on assets  
24       referred to in subsection (a)(1)(C), reduced by

1 “(B) amounts representing long-term cap-  
2 ital losses (as defined in such section) on assets  
3 held in the fund.”.

4 (2) Subparagraph (B) of section 7518(d)(4) of  
5 such Code is amended to read as follows:

6 “(B)(i) amounts representing short-term  
7 capital gains (as defined in section 1222) on as-  
8 sets referred to in subsection (a)(1)(C), reduced  
9 by

10 “(ii) amounts representing short-term cap-  
11 ital losses (as defined in such section) on assets  
12 held in the fund,”.

13 (3) Subparagraph (B) of section 7518(g)(3) of  
14 such Code is amended by striking “gain” and all  
15 that follows and inserting “long-term capital gain  
16 (as defined in section 1222), and”.

17 (4) The last sentence of subparagraph (A) of  
18 section 7518(g)(6) of such Code is amended by  
19 striking “20 percent (34 percent in the case of a  
20 corporation)” and inserting “the rate applicable to  
21 net capital gain under such section 1(h) or 1201(a),  
22 as the case may be”.

23 (d) COMPUTATION OF INTEREST WITH RESPECT TO  
24 NONQUALIFIED WITHDRAWALS.—

1           (1) Subparagraph (C) of section 7518(g)(3) of  
2       such Code is amended—

3           (A) by striking clause (i) and inserting the  
4       following new clause:

5           “(i) no addition to the tax shall be  
6       payable under section 6651,” and

7           (B) by striking “paid as the applicable rate  
8       (as defined in paragraph (4))” in clause (ii) and  
9       inserting “paid in accordance with section  
10      6601”.

11          (2) Subsection (g) of section 7518 of such Code  
12      is amended by striking paragraph (4) and by redes-  
13      ignating paragraphs (5) and (6) as paragraphs (4)  
14      and (5), respectively.

15          (3) Subparagraph (A) of section 7518(g)(5) of  
16      such Code, as redesignated by paragraph (2) of this  
17      subsection, is amended by striking “paragraph (5)”  
18      and inserting “paragraph (4)”.

19      (e) OTHER CHANGES.—

20          (1) Paragraph (2) of section 7518(b) of such  
21      Code is amended by striking “interest-bearing secu-  
22      rities approved by the Secretary” and inserting “in-  
23      terest-bearing securities and other income-producing  
24      assets (including amounts receivable) approved by  
25      the Secretary”.

1           (2) Paragraph (1) of section 7518(e) of such  
2       Code is amended by striking the last sentence.

3           (3) Subsection (i) of section 7518 of such Code  
4       is amended by striking “enactment of this section”  
5       and inserting “enactment of the All American Cruise  
6       Act of 1999”.

7           (4) Subparagraph (B) of section 543(a)(1) of  
8       such Code is amended to read as follows:

9                   “(B) interest on amounts set aside in a  
10           capital construction fund under section 607 of  
11           the Merchant Marine Act, 1936 (46 App.  
12           U.S.C. 1177), or in a construction reserve fund  
13           under section 511 of such Act (46 App. U.S.C.  
14           1161).”

15           (5) Subsection (c) of section 56 is amended by  
16       striking paragraph (2) and by redesignating para-  
17       graph (3) as paragraph (2).

18   **SEC. 203. EFFECTIVE DATE.**

19           (a) IN GENERAL.—Except as otherwise provided in  
20       this section, the amendments made by this title shall apply  
21       to taxable years beginning after the date of the enactment  
22       of this Act.

23           (b) CHANGES IN COMPUTATION OF INTEREST.—The  
24       amendments made by sections 201(e) and 202(d) shall  
25       apply to withdrawals made after December 31, 1999, in-

cluding for purposes of computing interest on such a withdrawal for periods on or before such date.

(c) QUALIFIED LEASES.—The amendments made by sections 201(b) and 202(a) shall apply to leases in effect on, or entered into after, December 31, 1999.

## **TITLE III—DOMESTIC CRUISE INDUSTRY PHASE-IN**

### **SEC. 301. DEFINITIONS.**

In this title:

(1) CRUISE SHIP.—The term “cruise ship” means a passenger vessel as defined in section 2101 of title 46, United States Code, that is at least 20,000 gross tons and provides a full range of overnight accommodations, entertainment, dining, and other services for its passengers.

(2) OWNER OR OPERATOR.—The term “owner or operator” means, in the case of a vessel, a person owning or operating the vessel, or chartering the vessel by demise.

(3) PERSON.—The term “person” means a corporation, partnership, association, or individual.

(4) RELATED PERSON.—The term “related person” means a person that is—

(A) a holding company, subsidiary, affiliate, or association of another person; or

1 (B) an officer, director, or agent of an-  
2 other person.

3 (5) SECRETARY.—The term “Secretary” means  
4 the Secretary of Transportation.

5 **SEC. 302. TEMPORARY DOCUMENTATION FOR FOREIGN-**  
6 **BUILT CRUISE SHIP.**

7 (a) IN GENERAL.—Notwithstanding the provisions of  
8 section 8 of the Act of June 19, 1886 (46 U.S.C. App.  
9 289), and chapter 121 of title 46, United States Code,  
10 the Secretary may issue a certificate of documentation,  
11 with a conditional coastwise trade endorsement, to a for-  
12 eign-built cruise ship that is otherwise in compliance with  
13 section 27 of the Merchant Marine Act, 1920 (46 U.S.C.  
14 App. 883), and section 12106 of title 46, United States  
15 Code, only if the Secretary, based on information provided  
16 by the owner or operator of the cruise ship, determines  
17 that—

18 (1) the owner or operator, or a related person,  
19 is obligated under a binding contract to construct in  
20 the United States 2 or more cruise ships of a size  
21 equal to or greater than the cruise ship being con-  
22 sidered for documentation;

23 (2) the contract provides that the first cruise  
24 ship to be constructed be delivered no later than 4  
25 years after the contract is entered into, and that the

1 second cruise ship be delivered no later than 5 years  
2 after the contract is entered into;

3 (3) each cruise ship to be constructed under the  
4 contract is different from any cruise ship to be con-  
5 structed under a contract that serves as the basis  
6 for the issuance under this section of a certificate of  
7 documentation for another foreign-built cruise ship;  
8 and

9 (4) in the case of a contract for more than 2  
10 ships in a series, the average period between the de-  
11 livery dates of the ships under the contract does not  
12 exceed 24 months.

13 (b) EXPIRATION.—A certificate of documentation  
14 issued under subsection (a) shall expire and cease to be  
15 valid on the date that is 12 months after the projected  
16 delivery date for the last cruise ship to be built under the  
17 construction contract furnished by the owner or operator  
18 upon applying for documentation. The Secretary shall  
19 specify the expiration date on the face of the certificate  
20 of documentation.

21 (c) TRANSFER OF REGISTRY.—Notwithstanding sec-  
22 tion 9(c) of the Shipping Act, 1916 (46 U.S.C. App.  
23 808(c)), a person may—

24 (1) sell, lease, charter, deliver, or in any man-  
25 ner transfer, or agree to sell, lease, charter, deliver,

1 or in any manner transfer, to a person that is not  
2 a citizen of the United States, any interest in or  
3 control of a foreign-built cruise ship documented  
4 under subsection (a) of this section; or

5 (2) place that cruise ship under foreign registry  
6 or operate that ship under the authority of a foreign  
7 country.

8 **SEC. 303. PERMIT REQUIRED FOR FOREIGN-BUILT CRUISE**  
9 **SHIPS.**

10 (a) IN GENERAL.—A foreign-built cruise ship docu-  
11 mented under section 302 shall not operate in coastwise  
12 trade unless the owner or operator holds a permit issued  
13 by the Secretary that authorizes the ship to transport pas-  
14 sengers on itineraries between ports of the United States  
15 or between a port of the United States and a foreign port.

16 (b) EXCLUSIONS.—A permit issued under this section  
17 shall prohibit the cruise ship from—

18 (1) operating as a ferry;

19 (2) regularly carrying for hire vehicles or other  
20 cargo; or

21 (3) operating between or among islands or  
22 other points in the State of Hawaii.

23 (c) EXPIRATION.—The permit shall expire on the ex-  
24 piration date specified on the certificate of documentation



1 issued for the cruise ship involved, and the expiration date  
2 shall be printed on the face of the permit.

3 (d) PENALTY.—A person who fails to comply with the  
4 terms and conditions of a permit issued under this section,  
5 or operates a foreign-built cruise ship in the coastwise  
6 trade without such a permit, is liable to the United States  
7 Government for a civil penalty of not more than \$10,000.  
8 Each day of a continuing violation is a separate violation.

9 **SEC. 304. REVOCATION OF COASTWISE TRADE ENDORSE-**  
10 **MENT AND PERMIT.**

11 The Secretary shall revoke both the coastwise trade  
12 endorsement issued under section 302, and the permit  
13 issued under section 303, if the Secretary determines that  
14 the owner or operator of the cruise ship involved is not  
15 in substantial compliance with the terms and conditions  
16 of—

17 (1) the ship construction contract that was the  
18 basis for issuance of documentation under section  
19 302; or

20 (2) the permit issued under section 303.

21 **SEC. 305. APPLICATION TO OTHER PROVISIONS OF LAW.**

22 Nothing in this title affects or otherwise modifies the  
23 authority contained in and granted to a person by section

- 1 8109 of the Department of Defense Appropriations Act,
- 2 1998 (Public Law 105–56; 111 Stat. 1244).

