

SEC. ____ . MARITIME SECURITY TRUST FUND.

(a) In General.—Chapter 98 of subtitle I of title 26, United States Code, is amended by inserting after Section 9511 the following new section:

“Sec. 9512. Maritime Security Trust Fund.

“(a) Maritime Security Trust Fund Established.—

“(1) Establishment.—There is established in the Treasury of the United States a trust fund to be known as the Maritime Security Trust Fund, consisting of such amounts as may be appropriated or credited into the Maritime Security Trust Fund as provided in this section and codified at section 50310 of title 46, United States Code.

“(2) Purpose.—The amounts derived from the Maritime Security Trust Fund may be used to carry out programs and activities that support the United States merchant marine, marine science and research, and the maritime industrial base as authorized in subsection (b).

“(b) Authorized Expenditures.—Amounts in the Maritime Security Trust Fund shall be available, as appropriated, for purposes of making expenditures—

“(1) for programs and activities authorized under subtitle V of title 46;

“(2) for those portions of the administrative expenses of the Department of Transportation which are attributable to activities described in paragraph (1);

“(3) upon concurrence by Secretary of Transportation, for Department of the Navy security and counterintelligence activities supporting ship construction, repair facilities, the U.S. flagged commercial fleet, U.S. mariners, and port infrastructure, when those activities are intended to ensure security and resiliency of military sealift capability; and

“(4) upon concurrence by the Secretary of Transportation, for the Department of Homeland Security activities supporting maritime security, research, training, and authorized revenue enforcement and collection, when those activities are intended to ensure the security and resiliency of maritime infrastructure, the maritime industrial base, and the merchant marine.

“(c) Transfers.—

“(1) In general.—There is hereby deposited into the Maritime Security Trust Fund amounts equivalent to each of the following:

“(A) The taxes received in the Treasury under the following sections of title 46, United States Code section 60301 (relating to regular tonnage taxes);

“(B) The revenue collected from duties imposed under section 466 of the Tariff Act of 1930 (19 U.S.C. 1466) (relating to equipment and repair of vessels);

“(C) From the revenue collected from duties imposed under section 232 of the Trade Expansion Act of 1962 (19 U.S.C. 1862)—

“(i) not more than three percent relating to imports of steel and steel derivatives;
and

“(ii) not more than one half of one percent each relating to imports of aluminum, aluminum derivatives, copper, and intensive copper derivative products;

“(D) The revenue collected from duties imposed under section 60502 of title 46, United States Code (relating to discriminating duty on goods imported in foreign vessels or from contiguous countries);

“(E) Any penalties paid with respect to a vessel pursuant to any of the following sections of title 46, United States Code—

“(i) section 2107;

“(ii) section 2302;

“(iii) section 3318;

“(iv) section 3718;

“(v) section 4106;

“(vi) section 5116;

“(vii) section 11303;

“(viii) section 11501;

“(ix) section 12151;

“(x) section 12507;

“(xi) section 14701;

“(xii) section 30707 (with respect to the portion of the fine that goes to the United States Government under subsection (c) of such section);

“(xiii) section 31309;

“(xiv) section 31330;

“(xv) section 41107;

“(xvi) section 41108;

“(xvii) section 42108;

“(xviii) section 44104;

“(xix) section 70036;

“(xx) section 70052;

“(xxi) section 70119;

“(xxii) section 70506; and

“(xxiii) section 80509; and

“(F) Any revenue generated in connection with the seizure and forfeiture of a maritime vessel under—

“(i) section 3 of the Act of August 5, 1935 (49 Stat. 518, chapter 438; 19 U.S.C. 1703);

“(ii) section 70052 of title 46, United States Code; and

“(iii) section 70507 of title 46, United States Code.

“(2) Initial Transfer to Maritime Security Trust Fund.—Out of any funds in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Maritime Security Trust Fund \$1,000,000,000, without fiscal year limitation, to make expenditures referred to in subsection (b).

“(d) Limitations.—

“(1) Annual Limitation of Obligations.—Not more than \$2,000,000,000 for each of fiscal years 2027 through 2037 shall be available for obligation out of the Maritime Security Trust Fund.

“(2) Limitation on Trust Fund Balance.—The total amount of receipts deposited into the Maritime Security Trust Fund between fiscal year 2027 and fiscal year 2037 shall not exceed \$20,000,000,000, and any amount in excess of \$20,000,000,000 shall be directed to the Treasury General Fund.”.

(b) Clerical Amendment.—The table of chapters for chapter 98, subtitle I of title 26, United States Code, is amended by inserting after the item relating to section 9511 the following:

“9512. Maritime Security Trust Fund... .. 9512.”.

(c) Appropriations from the Maritime Security Trust Fund.—Chapter 503 of part A of subtitle V of title 46, United States Code, is amended by inserting after Section 50309 the following new section:

“Sec. 50310. Maritime Security Trust Fund Authorizations.

“(a) Authorization of Appropriations.—The following amounts for fiscal year 2027 are appropriated out of the Maritime Security Trust Fund established under section 9512 of the Internal Revenue Code of 1986 (26 U.S.C. 9512):

“(1) United States Center for Maritime Innovation.—For the United States Center for Maritime Innovation authorized under section 50307 of title 46, United States Code, \$25 million.

“(2) United States Marine Highways.—For the United States Marine Highway program authorized under section 55601 of title 46, United States Code, \$50 million.

“(3) Centers of Excellence Grants.—For Centers of Excellence for Domestic Maritime Workforce Training and Education grants authorized under section 51706 of title 46, United States Code, \$30 million.

“(4) National Defense Reserve Fleet Support Craft Replacement.—For replacement support craft for the National Defense Reserve Fleet authorized under section 57100 of title 46, United States Code, \$134 million.

“(5) United States Merchant Marine Academy.—For United States Merchant Marine Academy capital improvements, \$430 million.

“(6) Training Ship Tuition and Fees.—For the State Maritime Academy Reimbursement for Training Ship Cadet Tuition and Fees Program, \$26 million.

“(7) Maritime Service Employment Reimbursements.—For the Maritime Service Employment Reimbursement Program, \$15 million.

“(8) Civilian Education and Development Payments.—For the Civilian Education and Development Payments Program, \$2 million.

“(9) Commercial Shipbuilding Infrastructure Development.—For the Commercial Shipbuilding Infrastructure Development Program, \$250 million.

“(10) Port Infrastructure Development Program.—For the Port Infrastructure Development Program authorized under section 54301 of title 46, United States Code, \$450 million.

“(b) Availability of Amounts.—Amounts made available under subsection (a) shall remain available until expended.”.

(d) Clerical Amendment.—The table of chapters for chapter 503, subtitle V of title 46, United States Code, is amended by inserting after the item relating to section 50309 the following:

“50310. Maritime Security Trust Fund
Authorizations 50310.”.

SEC. __. MARITIME INDUSTRY TAX INCENTIVES.

(a) In General.—Part C of subtitle V of title 46, United States Code, is amended by inserting after chapter 535 the following new chapter:

“Chapter 536—Capital Construction Fund for Shipyards

“53601. Definitions.

“53602. Regulations.

“53603. Establishing a capital construction fund for shipyards.

“53604. Establishing a Maritime Training Reinvestment Account.

“53605. Deposits and withdrawals.

“53606. Aggregate Deposit Ceiling.

“53607. Investment and fiduciary requirements.

“53608. Nontaxation of deposits.

“53609. Separate accounts within a fund.

“53610. Withdrawals.

“53611. Tax treatment of qualified withdrawals and basis of property.

“53612. Tax treatment of nonqualified withdrawals.

“53613. FIFO and LIFO withdrawals.

“53614. Corporate reorganizations and partnership changes.

“53615. Recordkeeping and reports of fundholder.

“53616. Termination of agreement after change in regulations.

“53617. Reports.

“Sec. 53601. Definitions.

“(a) In this chapter:

“(1) Agreement shipyard.—The term "agreement shipyard" means—

“(A) an eligible shipyard or a qualified shipyard that is subject to an agreement under this chapter; and

“(B) equipment and structures that are part of the complement of a shipyard described in subparagraph (A) if provided for in the agreement.

“(2) Eligible shipyard.—The term "eligible shipyard" means a commercial general shipyard facility in the United States.

“(3) General shipyard facility.—The term "general shipyard facility" means—

“(A) for operations on land—

“(i) a structure or appurtenance thereto designed for the construction, reconstruction, repair, rehabilitation, or refurbishment of a vessel, including a graving dock, building way, ship lift, wharf, or pier crane;

“(ii) the land necessary for the structure or appurtenance; and

“(iii) equipment that is for use with the structure or appurtenance and that is necessary for performing a function referred to in clause (i); and

“(B) for operations not on land, a vessel, floating drydock, or barge built in the United States and used for, equipped to be used for, or of a type normally used for, performing a function referred to in subparagraph (A)(i);

“(4) Qualified shipyard.—The term "qualified shipyard" means a private general shipyard facility in the United States;

“(5) Secretary.—The term "Secretary" means the Secretary of Transportation.

“Sec. 53602. Regulations.

“The Secretary shall prescribe regulations to carry out this chapter.

“Sec. 53603. Establishing a Capital Construction Fund for Shipyards.

“(a) In General.—An owner or lessee of an eligible shipyard may make an agreement with the Secretary under this chapter to establish a capital construction fund for the shipyard.

“(b) Allowable Purpose.—The purpose of the agreement shall be to further the purpose of this chapter, which is to provide expansion and modernization of shipyards in the United States for support of the development and expansion of commercial shipbuilding of the United States, thereby making United States shipyards, industrial base, and supply chains more competitive and secure to meet United States economic and national security needs.

“Sec. 53604. Establishing a Maritime Training Reinvestment Account.

“(a) Definitions.—For purposes of this chapter—

“(1) Qualified maritime training activities.—The term “qualified maritime training activities” means maritime workforce training and credentialing activities conducted in the United States, including operation of training facilities approved by the Secretary.

“(2) Qualified maritime training reinvestment amounts.—The term “qualified maritime training reinvestment amounts” means amounts derived from qualified maritime training activities.

“(3) Qualified maritime training reinvestment expenditures—The term “qualified maritime training reinvestment expenditures” means, as determined by the Secretary, acquiring, constructing, expanding, or modernizing maritime workforce training facilities, simulators, testing equipment, assessment facilities, and other training infrastructure located in the United States.

“(4) Qualified maritime training person.—The term “qualified maritime training person” means any person that the Secretary determines is engaged in whole or in substantial part, in one or more qualified maritime training activities.

“(b) In General.—A qualified maritime training person may make an agreement with the Secretary under this chapter to establish a maritime training reinvestment account.

“(c) Allowable purpose.—The purpose of that agreement shall be to ensure the availability of well-trained American shipbuilders and seafarers by furthering the amount, quality, and affordability of American maritime training.

“(d) Deposits and withdrawals.—

“(1) Required Deposits.—The agreement must provide for the deposit in the account of the amounts agreed to be appropriate to provide for qualified maritime training reinvestment expenditures.

“(2) Applicable Requirements.—Deposits into, and withdrawals from, the account are subject to the requirements included in the agreement, consistent with regulations prescribed by the Secretary. The agreements to which a person is subject may not require the person to deposit in one or more accounts with respect to a taxable year more than the training deposit ceiling for that year as determined under subsection (e).

“(3) Timing of Deposits.—A deposit into the account with respect to a taxable year may be made until the due date (including extensions) for the taxable year.

“(e) Deposit ceiling—The Training Deposit Ceiling for a taxable year is the sum of—

“(1) that portion of the taxable income of the qualified maritime training person for the taxable year (computed under chapter 1 of the Internal Revenue Code of 1986 and reported on that person’s income tax return for the taxable year) that consists of qualified maritime training reinvestment amounts but that is computed without regard to the carryback of net operating loss or net capital loss;

“(2) the amount which is shown on the person’s income tax return for the taxable year as allowable as a deduction under section 167 of the Internal Revenue Code of 1986 for the taxable year for depreciable assets that are used primarily in qualified maritime training activities;

“(3) any net proceeds (as defined in regulations) from the disposition of assets that the person owns and that are used primarily in qualified maritime training activities; and

“(4) the receipts from the investment or reinvestment of amounts held in the account.

“(f) Withdrawals.—In general, a withdrawal from an account is a qualified withdrawal if it is made under the terms of the agreement and is for—

“(1) A qualified maritime training reinvestment expenditure; or

“(2) The payment of principal on indebtedness incurred for one or more qualified maritime training reinvestment expenditures.

“(g) Treatment like a capital construction fund.—

“(1) General rule.—Except as explicitly provided in this chapter, a maritime training reinvestment account and deposits into, and withdrawals from, such an account are treated like a capital construction fund for shipyards and deposits into, and withdrawals from, such a capital construction fund, respectively.

“(2) Rate of consumption of the account.—The Secretary may alter the percentages and deadlines in section 53612(b)(1) to require more rapid utilization of the amounts in an account.

“Sec. 53605. Deposits and withdrawals.

“(a) Required Deposits.—An agreement to establish a capital construction fund for shipyards must provide for the deposit in the fund of the amounts agreed to be appropriate to provide for qualified withdrawals under section 53610 of this title.

“(b) Applicable Requirements.—Deposits into, and withdrawals from, the fund are subject to the requirements included in the agreement, consistent with regulations prescribed by the Secretary. The agreements to which a person is subject may not require the person to deposit in one or more funds with respect to a taxable year more than the Aggregate Deposit Ceiling for that year as determined under section 53606 of this title.

“(c) Timing of Deposits.—A deposit into the fund with respect to a taxable year may be made until the due date (including extensions) for the taxable year.

“Sec. 53606. Aggregate Deposit Ceiling.

“(a) The Aggregate Deposit Ceiling for a person is the sum of the owner deposit ceiling and the lessee deposit ceiling determined under subsections (b) and (c) of this section. Taxable income for purposes of subsections (b) and (c) is determined without regard to the deduction for deposits under section 1360 of the Internal Revenue Code of 1986. No amount may be taken into account more than once for purposes of those subsections.

“(b) Deposit Ceiling for a shipyard owner.—For a shipyard owner, the Owner Deposit Ceiling for a taxable year is the sum of—

“(1) that portion of the taxable income of the owner for the taxable year (computed under chapter 1 of the Internal Revenue Code of 1986 and reported on the owner’s income tax return for the taxable year) that is attributable to the operation of shipyards that are now agreement shipyards of the United States but that is computed without regard to the carryback of net operating loss or net capital loss;

“(2) the amount which is shown on the owner’s income tax return for the taxable year as allowable as a deduction under section 167 of the Internal Revenue Code of 1986 for the taxable year for such agreement shipyards;

“(3) any net proceeds (as defined in regulations) from the disposition of such agreement shipyards or from insurance or indemnity attributable to agreement shipyards, but only to the extent that the transaction is not taken into account for the purposes of paragraph (1) in any taxable year; and

“(4) the receipts from the investment or reinvestment of amounts held in the fund.

“(c) Deposit Ceiling for a shipyard lessee.—For a shipyard lessee, the Deposit Ceiling for a taxable year is the sum of—

“(1) that portion of the taxable income of the lessee for the taxable year (computed under chapter 1 of the Internal Revenue Code of 1986 and reported on the lessee’s income tax return for the taxable year) that is attributable to the operation of leased shipyards that are now agreement shipyards of the United States but that is computed without regard to the carryback of net operating loss or net capital loss from such operation; and

“(2) the receipts from the investment or reinvestment of amounts held in the fund.

“Sec. 53607. Investment and fiduciary requirements.

“(a) In General.—Amounts in a capital construction fund must be kept in the depository specified in the agreement and will be subject to trustee and other fiduciary requirements prescribed by the Secretary. Except as provided in subsection (b), amounts in the fund must be invested only in interest-bearing securities approved by the Secretary.

“(b) Stock Investments.—

“(1) In general.—With the approval of the Secretary, an agreed percentage (but not more than 60 percent) of the assets of the fund may be invested in mutual funds or stocks or similar equity investments that—

“(A) are fully listed and registered on an exchange registered with the Securities and Exchange Commission as a national securities exchange or registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and the Securities Act of 1933; and

“(B) would be acquired by a prudent investor seeking a reasonable income and the preservation of capital.

“(2) Preferred stock.—The preferred stock of a corporation is deemed to satisfy the requirements of this subsection, even though it may not be registered and listed because it is nonvoting stock, if the common stock of the corporation satisfies the requirements and the preferred stock otherwise would satisfy the requirements.

“(c) Maintaining Agreed Percentage.—If at any time the fair market value of the mutual funds or stocks or similar equity investments in the fund are more than the agreed percentage of the assets in the fund, any subsequent investment of amounts deposited in the fund, and any subsequent withdrawal from the fund, shall be made in a way that tends to restore the fair market value of the stocks, mutual funds, or similar equity investments to not more than the agreed percentage.

“Sec. 53608. Nontaxation of deposits.

“For the tax treatment of deposits and amounts in the fund, see section 1360 of the Internal Revenue Code of 1986.

“Sec. 53609. Separate accounts within a fund.

“(a) A capital construction fund for shipyards has three accounts:

“(1) The capital account.

“(2) The capital gain account.

“(3) The ordinary income account.

“(b) Capital Account.—The capital account shall consist of—

“(1) amounts referred to in section 53606(b)(2) of this title;

“(2) amounts referred to in section 53606(b)(3) of this title;

“(3) the product of the amount of any dividend received by the fund times the percentage which section 243(a)(1) of the Internal Revenue Code of 1986 would make deductible by the person maintaining the fund were it not for section 1360(b)(2)(C) of such code; and

“(4) interest income exempt from taxation under section 103 of the Internal Revenue code of 1986.

“(c) Capital Gain Account.—The capital gain account shall consist of—

“(1) amounts representing capital gains on assets held for more than the long-term holding period under section 1222 of the Internal Revenue Code of 1986 and referred to in section 53606(b)(3) or (4) of this title; minus

“(2) amounts representing capital losses on assets held in the fund for more than the long-term holding period under section 1222 of the Internal Revenue Code of 1986.

“(d) Ordinary Income Account.—The ordinary income account shall consist of—

“(1) amounts referred to in section 53606(b)(1) of this title;

“(2)(A) amounts representing capital gains on assets held for not more than the long-term holding period under section 1222 of the Internal Revenue Code of 1986 and referred to in section 53606(b)(3) or (4) of this title; minus

“(B) amounts representing capital losses on assets held in the fund for not more than the long-term holding period under section 1222 of the Internal Revenue Code of 1986;

“(3) interest (except tax-exempt interest referred to in subsection (b)(4)) and other ordinary income (except any dividend referred to in paragraph (5)) received on assets held in the fund;

“(4) ordinary income from a transaction described in section 53606(b)(3) of this title; and

“(5) that portion of any dividend referred to in subsection (b)(3) not taken into account under subsection (b)(3).

“(e) See section 1360(c) of the Internal Revenue Code of 1986 for when certain capital losses are allowed.

“Sec. 53610. Withdrawals.

“(a) In general.—A withdrawal from a capital construction fund for shipyards is a qualified withdrawal if it is made under the terms of the agreement and is for—

“(1) the acquisition, construction, expansion, modification, repair, rehabilitation, refurbishment, modernization, or reconstruction of a qualified shipyard or equipment and structures that are part of the complement of a qualified shipyard;

“(2) the acquisition, construction, expansion, modification, reconstruction, repair, rehabilitation, refurbishment, or modernization of drydocks, graving docks, building ways,

ship lifts, wharves, piers, cranes, machine tools, production equipment, testing equipment, digital shipyard systems, related cybersecurity systems, design and engineering systems, and other equipment, systems, tooling, or infrastructure used predominantly in the United States for vessel construction, reconstruction, conversion, repair, rehabilitation, refurbishment, or modernization;

“(3) the acquisition, construction, expansion, modification, reconstruction, repair, rehabilitation, refurbishment, or modernization of a qualified maritime industrial base supplier facility, to the extent provided in the agreement;

“(4) the acquisition, construction, conversion, repair, rehabilitation, refurbishment, modernization, or reconstruction of a qualifying United States vessel, vessel, floating drydock, barge, or other floating facility built in the United States and used predominantly to support essential maritime capability, shipyard operations, or related maritime industrial base activities;

“(5) the acquisition, construction, expansion, modification, reconstruction, or modernization of maritime workforce training facilities, simulators, testing equipment, assessment facilities, or other training infrastructure located in the United States and used predominantly to train workers for shipbuilding, ship repair, vessel construction, vessel conversion, vessel maintenance, or related maritime industrial base occupations; or

“(6) the payment of principal on indebtedness incurred for a purpose described in paragraphs (1) through (5).

“(b) Order of Qualified Withdrawals.—A qualified withdrawal from a capital construction fund shall be treated as made—

“(1) first from the capital account;

“(2) second from the capital gain account; and

“(3) third from the ordinary income account.

“(c) Treatment as Nonqualified Withdrawal.—

“(1) Except as provided in paragraph (2) and in section 53614 of this title, a withdrawal from a fund that is not a qualified withdrawal shall be treated as a nonqualified withdrawal.

“(2) If there is a qualified withdrawal from a fund to pay indebtedness and section 1360 of the Internal Revenue Code of 1986, after basis reduction, treats any portion of the withdrawal as a nonqualified withdrawal for tax purposes, then such portion is also a nonqualified withdrawal for purposes of this chapter.

“(3) Under the regulations, if the Secretary determines that a substantial obligation under an agreement is not being fulfilled, then, after notice to, and opportunity for a response from,

the person maintaining the fund, the Secretary may treat any amount in the fund as an amount withdrawn from the fund in a nonqualified withdrawal.

“(d) Order of Nonqualified Withdrawals.—A nonqualified withdrawal shall be treated as made—

“(1) first from the ordinary income account;

“(2) second from the capital gain account; and

“(3) third from the capital account.

“(e) Use of domestic materials. – In making a qualified withdrawal under subsection (a), an agreement shipyard shall, to the maximum extent practicable, use iron, steel, and manufactured goods, components, systems, and materials made in the United States.

“(f) Qualified maritime industrial base supplier facility.—For purposes of this section, the term ‘qualified maritime industrial base supplier facility’ means a facility located in the United States that produces components, systems, equipment, tooling, machinery, materials, or other inputs used predominantly in the construction, reconstruction, conversion, repair, rehabilitation, refurbishment, or modernization of vessels or in the operation, expansion, repair, rehabilitation, refurbishment, or modernization of qualified shipyards, as determined by the Secretary.

“Sec. 53611. Tax treatment of qualified withdrawals and basis of property.

“For taxation of qualified withdrawals and for the basis of property, see section 1360(d) of the Internal Revenue Code of 1986.

“Sec. 53612. Tax treatment of nonqualified withdrawals—

“(a) Location of tax provisions.—For taxation of nonqualified withdrawals see section 1360(e) of the Internal Revenue Code of 1986.

“(b) Nonqualified Withdrawals.—

“(1) In General.—The following applicable percentage of any amount that remains in a capital construction fund at the close of the following specified taxable year following the taxable year for which the amount was deposited shall be treated as a nonqualified withdrawal:

If the amount remains in the fund at the close of the—	The applicable percentage is—
26th taxable year	20 percent
27th taxable year	40 percent
28th taxable year	60 percent

29th taxable year	80 percent
30th taxable year	100 percent.

“(2) Earnings.—The earnings of a capital construction fund for any taxable year (except net gains) shall be treated under this subsection as an amount deposited for the taxable year.

“(3) Contract for qualified withdrawal.—Under paragraph (1), an amount shall not be treated as remaining in a capital construction fund at the close of a taxable year to the extent there is a binding contract at the close of the taxable year for a qualified withdrawal of the amount for an identified item for which the withdrawal may be made.

“(4) Excess earnings.—If the Secretary determines that the balance in a capital construction fund exceeds the amount appropriate to meet the shipyard construction program objectives of the person that established the fund, the amount of the excess shall be treated as a nonqualified withdrawal under paragraph (1) unless the person develops appropriate program objectives within 3 years to dissipate the excess.

“Sec. 53613. FIFO and LIFO withdrawals

“(a) FIFO.—Except as provided in subsection (b), an amount withdrawn from an account under this chapter shall be treated as withdrawn on a first-in-first-out basis.

“(b) LIFO.—An amount withdrawn from an account under this chapter shall be treated as withdrawn on a last-in-first-out basis if it is—

“(1) a nonqualified withdrawal for research, development, and design expenses incident to new and advanced shipyard design, machinery, and equipment; or

“(2) an amount treated as a nonqualified withdrawal under section 53610(c)(2) of this title.

“Sec. 53614. Corporate reorganizations and partnership changes.

“Under regulations—

“(1) a transfer of a capital construction fund from one person to another person may be treated as other than a nonqualified withdrawal if the transfer occurs in—

“(A) a transaction described in section 381 of the Internal Revenue Code of 1986, or

“(B) an analogous successor transaction; and

“(2) a similar rule shall be applied to a continuation of a partnership (within the meaning of 708 of such Code).

“Sec. 53615. Recordkeeping and reports of fundholder.

“A person maintaining a capital construction fund for shipyards under this chapter must keep records and submit to the Secretary timely, complete, and accurate reports at such times, and in such form, and containing such information, as deemed necessary to ascertain whether the person has complied or is complying with this part.

“Sec. 53616. Termination of agreement after change in regulations.

“If, after an agreement has been made under this chapter, a change is made either in the applicable internal revenue regulations or in the regulations prescribed by the Secretary under this chapter that could have a substantial effect on the rights or duties of a person maintaining a fund under this chapter, that person may terminate the agreement.

“Sec. 53617. Reports.

“(a) In General.—Within an agreed period of time after the close of each calendar year, the Secretary will provide the Secretary of the Treasury a written report on the capital construction funds for shipyards for the previous calendar year.

“(b) Contents.—The report shall state the name and taxpayer identification number of each person—

“(1) establishing a capital construction fund for shipyards during the calendar year;

“(2) maintaining a capital construction fund for shipyards on the last day of the calendar year;

“(3) terminating a capital construction fund for shipyards during the calendar year;

“(4) making a deposit to or withdrawal from a capital construction fund for shipyards during the calendar year, and the amount of the deposit or withdrawal; or

“(5) having been determined during the calendar year to have failed to fulfill a substantial obligation under a capital construction fund for shipyards agreement to which the person is a party.”.

(b) Clerical Amendment.—The table of chapters for subtitle V of title 46, United States Code, is amended by inserting after the item relating to chapter 535 the following:

“536. Capital Construction Fund for Shipyards 53601.”.

(c) Amendments to the Internal Revenue Code of 1986.—The Internal Revenue Code of 1986 is amended by deleting section 7518 and by adding a new section 1360 to read as follows—

“§ 1360. Tax incentives relating to merchant marine capital construction funds and maritime training reinvestment accounts.

“(a) Scope

“This section applies to a person if the person and the Secretary of Transportation are parties to one or more capital construction fund agreements or one or more Maritime Training Reinvestment Deferral Accounts under chapter 535 or chapter 536 of title 46 of the United States Code. Under this section a Maritime Training Reinvestment Account is treated like a capital construction fund.

“(b) Nontaxability of deposits

“If, pursuant to such an agreement, the taxpayer deposits an amount into a capital construction fund and the deposit of such amount is timely for purposes of the applicable Transportation regulations, then—

“(1) Gross income for the taxable year shall be reduced by an amount equal to the amount of such deposit for the taxable year, even if such amount is deposited after the end of the taxable year;

“(2) Gross income does not include—

“(A) the net proceeds (as defined in regulations prescribed by the Secretary) from the disposition of an agreement vessel, or of an agreement shipyard, with respect to such fund, provided that such net proceeds are deposited into such fund;

“(B) the net proceeds (as defined in regulations prescribed by the Secretary) from insurance or indemnity attributable to such vessel or shipyard, provided that such net proceeds are deposited into such fund; or

“(C) the earnings (including gains and losses) from the investment and reinvestment of amounts held in the fund;

“(3) If the taxpayer is a corporation, the taxpayer’s earnings and profits (within the meaning of section 316) shall be determined without regard to this section; and

“(4) Amounts in such capital construction funds are not taken into account for purposes of part I of subchapter G.

“(c) When losses are allowed.

“Except on termination of a fund, capital losses referred to in 46 USC sections 53508(c), 53508(d)(2), 53608(c), or 53608(d)(2) shall be allowed only as an offset to gains referred to in sections 53508(c), 53508(d)(2), 53608(c), or 53608(d)(2), respectively.

“(d) Tax treatment of qualified withdrawals

“(1) Adjustment to basis where withdrawal is from ordinary income account

“(A) If any portion of a qualified withdrawal for a vessel, barge, or container is made out of the ordinary income account, the basis of such vessel, barge, or container shall be reduced by an amount equal to such portion.

“(B) If any portion of a qualified withdrawal for a shipyard, equipment, or structures is made out of the ordinary income account, the basis of the shipyard, equipment, or structures shall be reduced by an amount equal to such portion.

“(2) Adjustment to basis where withdrawal from capital gain account

“(A) If any portion of a qualified withdrawal for a vessel, barge, or container is made out of the capital gain account, the basis of such vessel, barge, or container shall be reduced by an amount equal to such portion.

“(B) If any portion of a qualified withdrawal for a shipyard, equipment, or structures is made out of the capital gain account, the basis of the shipyard, equipment, or structures shall be reduced by an amount equal to such portion.

“(3) Adjustment to basis where withdrawals pay principal on debt

“(A) If any portion of a qualified withdrawal to pay the principal on any indebtedness is made out of the ordinary income account or the capital gain account of a capital construction fund for vessels, then an amount equal to the aggregate reduction which would be required by paragraphs (1)(A) and (2)(A) if the withdrawal were a qualified withdrawal for a purpose described in such paragraphs shall be applied, in the order provided in regulations, to reduce the basis of vessels, barges, and containers owned by the person maintaining the fund. Any amount of a withdrawal remaining after the application of the preceding sentence shall be treated for tax purposes as a nonqualified withdrawal.

“(B) If any portion of a qualified withdrawal to pay the principal on any indebtedness is made out of the ordinary income account or the capital gain account of a capital construction fund for shipyards, then an amount equal to the aggregate reduction that would be required by paragraphs (1)(B) and (2)(B) if the withdrawal were a qualified withdrawal for a purpose described in such paragraphs shall be applied, in the order provided in regulations, to reduce the basis of shipyards, equipment, or structures owned by the person maintaining the fund. Any amount of a withdrawal remaining after the application of the preceding sentence shall be treated for tax purposes as a nonqualified withdrawal.

“(4) Ordinary income recapture of basis reduction

“If any property the basis of which was reduced under paragraph (1), (2), or (3) is disposed of, any gain realized on such disposition, to the extent it does not exceed the aggregate reduction in the basis of such property under such paragraphs, shall be treated as an amount referred to in subsection (e)(1)(A) which was withdrawn on the date of such disposition. Subject to such conditions and requirements as may be provided in regulations, the preceding sentence shall not apply to a disposition where there is a redeposit in an amount determined under regulations which will, insofar as practicable, restore the fund to the position it was in before the withdrawal.

“(e) Tax treatment of nonqualified withdrawals

“(1) Operating rules

“For purposes of this title—

“(A) if section 53511 or 53612 of title 46, United States Code, treats any amount as a nonqualified withdrawal out of the ordinary income account, then such amount shall be included in income as an item of ordinary income for the taxable year in which the withdrawal is made;

“(B) if section 53511 or 53612 of title 46, United States Code, treats any amount as a nonqualified withdrawal out of the capital gain account, then such amount shall be included in income for the taxable year in which the withdrawal is made as an item of gain realized during such year from the disposition of an asset held for more than the long-term holding period under section 1222, and

“(C) for the period on or before the last date prescribed for payment of tax for the taxable year in which this withdrawal is made—

“(i) no interest shall be payable under section 6601 and no addition to the tax shall be payable under section 6651,

“(ii) interest on the amount of the additional tax attributable to any item referred to in subparagraph (A) or (B) shall be paid at the applicable rate (as defined in paragraph (2)) from the last date prescribed for payment of the tax for the taxable year for which such item was deposited in the fund, and

“(iii) no interest shall be payable on amounts treated as withdrawn on a last-in-first-out basis under sections 53612 or 53513 of title 46, United States Code.

“(2) Interest rate

“For purposes of paragraph (1)(C)(ii), the applicable rate of interest shall be determined by the Secretary, after consultation with the Secretary of Transportation. Under regulations, the rate shall be such that its relation to 8 percent is comparable to the relation between—

“(A) the money rates and investment yields for the calendar year immediately before the beginning of the taxable year; and

“(B) the money rates and investment yields for the calendar year of enactment of this section.

“(3) Nonqualified withdrawals taxed at highest marginal rate

“(A) In general

“In the case of any taxable year for which there is a nonqualified withdrawal (including any amount so treated under section 53510(d)-(e) or section 53612(c)(2)-(3) of 46 USC), the tax imposed by chapter 1 shall be determined by—

“(i) excluding such withdrawal from gross income, and

“(ii) increasing the tax imposed by chapter 1 by the product of the amount of such withdrawal and the highest rate of tax specified in section 1 (section 11 in the case of a corporation).

“With respect to the portion of any nonqualified withdrawal made out of the capital gain account during a taxable year to which section 1(h) applies, the rate of tax taken into account under the preceding sentence shall not exceed the highest rate of tax specified in section 1(h) (or section 11(b) in the case of a corporation).

“(B) Tax benefit rule

“If any portion of a nonqualified withdrawal is properly attributable to deposits (other than earnings on deposits) made by the taxpayer in any taxable year which did not reduce the taxpayer's liability for tax under chapter 1 for any taxable year preceding the taxable year in which such withdrawal occurs—

“(i) such portion shall not be taken into account under subparagraph (A), and

“(ii) an amount equal to such portion shall be treated as allowed as a deduction under section 172 for the taxable year in which such withdrawal occurs.

“(C) Coordination with deduction for net operating losses

“Any nonqualified withdrawal excluded from gross income under subparagraph (A) shall be excluded in determining taxable income under section 172(b)(2).

“(f) Definitions

“For purposes of this section, any term defined in chapter 535 or chapter 536 of title 46, United States Code, which is also used in this section (not including the definition of “Secretary”) shall have the meaning given such term by such chapter as in effect on the date of the enactment of this section.

“(g) Regulations

“The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section and the purposes of expanding the U.S.-flag commercial fleet, revitalizing the domestic shipbuilding industrial base, making the relevant supply chains more competitive, and strengthening national security. These regulations and guidance shall coordinate with the application of other provisions of subtitle A to prevent omission or duplication of any favorable or unfavorable item.”.

SEC. ___. COMMERCIAL SHIPBUILDING INFRASTRUCTURE PROGRAM.

Section 54101 of title 46, United States Code, is amended to read as follows:

“Sec. 54101. Commercial Shipbuilding Infrastructure Program

“(a) Establishment.—

“(1) In general.—Subject to the availability of appropriations, the Maritime Administrator shall carry out a program to provide financial assistance to shipyards for the purposes described in subsection (c).

“(2) Goal.—The goal of the program shall be to fund eligible projects that will foster technical skills and operational productivity relating to shipbuilding, ship repair, and associated industries.

“(b) Grant Authority.—

“(1) In General.—In carrying out the program, the Maritime Administrator shall make grants to eligible applicants, on a competitive basis, in accordance with this section.

“(2) Administrative costs.—Not more than 2 percent of amounts made available to carry out the program authorized by this section may be used for necessary costs of administration of the program authorized by this section.

“(3) Availability.—

“(A) In general.—Amounts appropriated to make grants for shipyards under this section shall remain available until expended.

“(B) Reuse of unexpended grant funds.—Amounts awarded as a grant under this section that are not expended by the grantee during the 5-year period following the date of the award or that are returned shall remain available to the Maritime Administrator for use for grants under this section in a subsequent fiscal year.

“(4) Awards.—In providing assistance under this section, the Maritime Administrator shall not select an applicant for more than one award for the same fiscal year.

“(5) Amount.—For grants other than those awarded under subsection (i), the minimum award size shall be \$30,000,000.

“(6) Prohibited uses.—A maritime training center that has received funds awarded under section 51706 of title 46, United States Code, shall not be eligible for grants under this section for training purposes in the same fiscal year.

“(c) Eligible Projects.—In general.—Assistance provided under this section may be used to—

“(1) make capital and related improvements to shipyards owned or operated by eligible applicants; and

“(2) provide training for workers in shipbuilding, ship repair, and associated industries.

“(d) Eligible Applicants.—To be eligible for financial assistance pursuant to this section, an applicant must—

“(1) have authority as owner or operator of the shipyard facility to carry out the proposed project as required by subsection (j); and

“(2) be the owner or operator of a shipyard facility in a single geographic location in the United States that—

“(A) constructs, repairs, or reconfigures vessels 40 feet in length or more for commercial or government use; or

“(B) constructs, repairs, or reconfigures vessels 100 feet in length or more for non-commercial vessels.

“(e) Buy America.

“(1) In general.—Subject to paragraph (2), the Maritime Administrator shall not obligate funds under this section, unless each product and material purchased with those funds (including products and materials purchased by a grantee), and including any commercially available off-the-shelf item, is—

“(A) an unmanufactured article, material, or supply that has been mined or produced in the United States; or

“(B) a manufactured article, material, or supply that has been manufactured in the United States substantially all from articles, materials, or supplies mined, produced, or manufactured in the United States.

“(2) Exceptions.—

“(A) In general.—Notwithstanding paragraph (1), the requirements of that paragraph shall not apply with respect to a particular product or material if the Administrator determines—

“(i) that the application of those requirements would be inconsistent with the public interest;

“(ii) that such product or material is not available in the United States in sufficient and reasonably available quantities, of a satisfactory quality, or on a timely basis; or

“(iii) that inclusion of a domestic product or material will increase the cost of that product or material by more than 25 percent, with respect to a certain contract between a grantee and that grantee's supplier.

“(B) Federal Register.—A determination made by the Administrator under this subparagraph shall be published in the Federal Register.

“(3) Definitions.—In this subsection—

“(A) The term "commercially available off-the-shelf item" means—

“(i) any item of supply (including construction material) that is—

“(I) a commercial product, as defined by section 2.101 of title 48, Code of Federal Regulations (as in effect on the date of the enactment of this Act); and

“(II) sold in substantial quantities in the commercial marketplace; and

“(ii) does not include bulk cargo, as defined in section 40102(4) of this title, such as agricultural products and petroleum products.

“(B) The term "product or material" means an article, material, or supply brought to the site by the recipient for incorporation into the building, work, or project. The term also includes an item brought to the site preassembled from articles, materials, or supplies. However, emergency life safety systems, such as emergency lighting, fire alarm, and audio evacuation systems, that are discrete systems incorporated into a public building or work and that are produced as complete systems, are evaluated as a single and distinct construction material regardless of when or how the individual parts or components of those systems are delivered to the construction site.

“(C) The term "United States" includes the District of Columbia, the Commonwealth of Puerto Rico, the Northern Mariana Islands, Guam, American Samoa, and the Virgin Islands.

“(f) Solicitation and Application.—

“(1) Notice of funding opportunity.—Not later than 45 days after the date on which funds are made available to carry out the program, the Secretary shall publish a notice of funding opportunity for the funds.

“(2) Applications.—

“(A) To be eligible to receive a grant under this section, an applicant shall submit to the Maritime Administrator an application in such form and containing such information and assurances as the Maritime Administrator considers to be appropriate.

“(B) Such an application shall include, at minimum, a comprehensive description of—

“(i) the need for the project;

“(ii) the methodology for implementing the project; and

“(iii) any existing programs or arrangements that can be used to supplement or leverage assistance under the program.

“(3) Timing of applications.—To be eligible to receive assistance under this section, an applicant must submit an application by such date as the Maritime Administrator may establish.

“(g) Primary Selection Criteria.—In awarding grants under the program, the Maritime Administrator shall evaluate the extent to which a project fosters—

“(1) efficiency, competitive operations, quality ship construction, repair, and reconfiguration, and improves capacity at the shipyard (for capital improvement projects);

“(2) employee skills and enhanced productivity related to shipbuilding, ship repair, and associated industries (for maritime training program projects); and

“(3) improved capacity at the shipyard (for projects other than those under subsection (i)).

“(h) Additional Considerations.—In selecting projects to receive grants under the program, the Maritime Administrator shall give substantial weight to—

“(1) the extent to which the project improves safety;

“(2) the utilization of non-Federal contributions;

“(3) the utilization of nontraditional financing, innovative design and construction techniques, or innovative technologies;

“(4) the extent to which the project supports critical shipbuilding and ship repair infrastructure as determined by the Maritime Administrator; and

“(5) contributions to geographic diversity among grant recipients.

“(i) Assistance to Small Shipyards.—

“(1) Allocation of Funds.—The Maritime Administrator shall reserve not less than 25 percent of the amounts made available for grants under this section each fiscal year to make

grants to eligible applicants for eligible projects at shipyard facilities that have 1,200 production employees or fewer in one geographic location.

“(2) Limitations.—

“(A) Grants awarded under this subsection may not be used to construct buildings or other physical facilities or to acquire land.

“(B) No more than 25 percent of the funds available under this subsection may be awarded to any small shipyard in one geographic location that has more than 600 production employees.

“(3) Production Employees.—In this section, production employees include eligible applicant employees directly engaged in repair, construction, or reconstruction of vessels and does not include—

“(A) employees primarily engaged in administration, engineering, or support functions; or

“(B) contractors of any kind.

“(j) Conditions on Provision of Assistance.—The Maritime Administrator may not award a grant under this section unless the Maritime Administrator determines that—

“(1) sufficient funding is available to meet the matching requirements of subsection (l);

“(2) the project will be completed without unreasonable delay; and

“(3) the recipient has authority to carry out the proposed project.

“(k) Awards.—

“(1) Except as provided in subparagraph (2), not later than 270 days after the date on which amounts are made available to provide grants under the program for a fiscal year, the Maritime Administrator shall announce the selection of awards of eligible projects to receive grants in accordance with this section.

“(2) For projects selected under subsection (i), the Maritime Administrator shall announce the selection of awards of eligible projects not later than 150 days after the date on which amounts are made available to provide grants under the program for a fiscal year, in accordance with this section.

“(l) Federal Share.—The Federal share of the cost of an eligible project carried out using a grant provided under the program shall not exceed 75 percent.

“(m) Technical Assistance.—

“(1) In general.—On request of an eligible applicant that submitted an application for a project that is not selected to receive a grant under the program, the Maritime Administrator shall provide to the eligible applicant technical assistance and briefings relating to the project.

“(2) Treatment.—Technical assistance provided under this paragraph shall not be considered a guarantee of future selection of the applicable project under the program.

“(n) Audits and Examinations.—All grantees under this section shall maintain such records as the Maritime Administrator may require and make such records available for review and audit by the Maritime Administrator.”.

“(o) Procedural safeguards.—The Maritime Administrator, in consultation with the Office of the Inspector General, shall issue guidelines to establish appropriate accounting, reporting, and review procedures to ensure that-

“(1) grant funds are used for the purposes for which they were made available;

“(2) grantees have properly accounted for all expenditures of grant funds; and

“(3) grant funds not used for such purposes and amounts not obligated or expended are returned.”

SEC. ___. FEDERAL SHIP FINANCING PROGRAM IMPROVEMENTS.

(a) Section 53701 of title 46, United States Code, is amended—

(1) in paragraph (3), by inserting “retrofitting, reconfiguration, or similar work, as well as” after “include”;

(2) by redesignating paragraphs (5), (6), and (7) as paragraphs (6), (7), and (9) respectively and redesignating paragraphs (8) through (15) as paragraphs (11) through (18) respectively;

(3) by inserting after paragraph (4) the following new paragraph:

“(5) Eligible export vessel.—The term "eligible export vessel" means a vessel that—

“(A) is constructed, reconstructed, or reconditioned in the United States for use in world-wide trade; and

“(B) will, on delivery or redelivery, become or remain documented under the laws of a country other than the United States.”;

(4) by inserting after paragraph (7), as redesignated by paragraph (2), the following new paragraph:

“(8) General shipyard facility.—The term "general shipyard facility" means—

“(A) for operations on land—

“(i) a structure or appurtenance thereto designed for the construction, reconstruction, repair, rehabilitation, or refurbishment of a vessel, including a graving dock, building way, ship lift, wharf, or pier crane;

“(ii) the land necessary for the structure or appurtenance; and

“(iii) equipment that is for use with the structure or appurtenance and that is necessary for performing a function referred to in clause (i); and

“(B) for operations not on land, a vessel, floating drydock, or barge built in the United States and used for, equipped to be used for, or of a type normally used for, performing a function referred to in subparagraph (A)(i).”;

(5) by inserting after paragraph (9), as redesignated by paragraph (2), the following new paragraph:

“(10) Modern shipbuilding technology.—The term "modern shipbuilding technology" means the best available proven technology, techniques, and processes appropriate to

enhancing the productivity of shipyards, including engineering design, quality assurance, concurrent engineering, continuous process production technology, energy efficiency, waste minimization, design for recyclability or parts reuse, inventory management, upgraded worker skills, and communications with customers and suppliers.”.

(b) Section 53703 of title 46, United States Code, is amended by—

(1) in subsection (a)—

(A) in paragraph (1), by striking “signed application” and inserting “completed application”;

(B) by striking paragraph (2) and inserting the following:

“(2) Additional information.—

“(A) The Secretary or the Administrator may—

“(i) request from an applicant additional information required to complete the review of an application; and

“(ii) establish a deadline for the applicant to provide such information.

“(B) If the applicant does not respond to the request for additional information, the Secretary or Administrator may—

“(i) notify the applicant that processing of the application will be suspended until the additional information is received; and

“(ii) toll the time for the decision.”; and

(2) In subsection (c), by amending paragraph (1)(D) to read as follows:

“(D) recommend financial covenants or financial ratios to be met by the applicant during the time a guarantee under this chapter is outstanding that are—

“(i) based on the financial covenants or financial ratios that are then applicable to the obligor under private sector credit agreements, if any; or

“(ii) in lieu of other financial covenants appropriate to the obligor under this chapter when evaluating the risks of the project for compliance with the requirements of section 53708 of this title; and”.

(c) Section 53704(a) of title 46, United States Code, is amended—

(1) in subsection (a), by striking the second sentence and inserting:

“Of that amount—

“(1) \$850,000,000 shall be limited to obligations related to fishing vessels and fishery facilities; and

“(2) \$3,000,000,000 shall be limited to obligations related to eligible export vessels.”; and

(2) in subsection (c)(4), by adding the following new subparagraph at the end:

“(K) if applicable, the country risk for each eligible export vessel financed or to be financed by an obligation.”.

(d) Section 53706(a) of title 46, United States Code, is amended—

(1) in paragraph (1)(A)—

(A) by striking “Financing (including reimbursement of an obligor for expenditures previously made for) the construction, reconstruction, or reconditioning, of a vessel” and inserting “Financing, including reimbursement of an obligor for expenditures previously made for, the construction, reconstruction, reconditioning, or purchase of a vessel (including an eligible export vessel)” before “designed principally for research,”;

(B) in clause (iv), by striking the last “or”;

(C) in clause (v), by striking the period and inserting at the end “; or”

(D) at the end of subparagraph (A), by inserting the following new clause:

“(vi) as an eligible export vessel in worldwide trade.”; and

(2) by striking paragraph (8).

(e) Section 53707(b) of title 46, United States Code, is amended by striking “construction, reconstruction, or reconditioning” and inserting “construction, reconstruction, reconditioning, or purchase”.

(f) Section 53708(c) of title 46, United States Code, is amended—

(1) by deleting “Fishing” before “Vessels” and inserting “Fishing” before “Facilities”; and

(2) by amending paragraph (1) to read as follows:

“(1) in the case of a used vessel, reconstructed or reconditioned in the United States and will contribute to the development of the United States commercial shipbuilding or fishing industries; or”.

(g) Section 53709(b) of title 46, United States Code, is amended by—

(1) in paragraph (1)—

(A) by deleting “75 percent” and inserting “87.5 percent”;

(B) by inserting “including eligible export vessels,” after “of the vessel,”;

(C) by deleting the period at the end of the paragraph and inserting “, provided that the size and speed of the vessel are approved by the Secretary or Administrator.”;

(2) by deleting paragraphs (2); and

(3) by redesignating paragraphs (3) and (4) as paragraphs (2) and (3) respectively.

(h) Section 53710(a)(4)(A) of title 46, United States Code, is amended by inserting “or, in the case of an eligible export vessel, of the appropriate foreign authorities under a treaty, convention, or other international agreement to which the United States is a party” after “Coast Guard”.

(i) Section 53714 of title 46, United States Code, is amended by inserting the following new paragraph as the end of subsection (b):

“(6) Fees in excess of the cost of a project.— For projects where the minimum percentage rate calculated under paragraph (5) exceeds the cost of a project required by section 53704(c) of this title and section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a) such minimum percentage rate may be reduced to not exceed the cost of the project.”.

(j) Section 53715 of title 46, United States Code, is amended—

(1) in subsection (a)(1)(B), by deleting “75 percent or 87.5 percent, whichever is applicable under section 53709(b) of this title,” and inserting “87.5 percent or whichever percentage is applicable under section 53709(b) of this title”; and

(2) in subsection (e)(1)(A)(ii), by deleting “75 percent or 87.5 percent, whichever is applicable under section 53709(b) of this title,” and inserting “87.5 percent or whichever percentage is applicable under section 53709(b) of this title”.

(k) Section 53723 of title 46, United States Code, is amended—

(1) subsection (a), by striking “shall be paid in cash.” and inserting “shall be—

“(1) paid in cash; and

“(2) include any applicable principal, interest, capitalized interest, premium, and late charges, if the obligation is held by the Federal Financing Bank.

“(b) Subrogation. – If the Secretary or the Administrator makes a payment under this section, the Secretary or the Administrator shall be subrogated to the rights of the recipient of the payment as specified in the guarantee or related agreements.”; and

(2) by redesignating subsections (b) through (d) as subsections (c) through (e) respectively.

(l) Section 53733 of title 46, United States Code, is amended—

(1) by striking subsection (a) and redesignating subsections (b) through (e) as subsections (a) through (d) respectively;

(2) in subsection (a), as redesignated,--

(A) by striking “advanced shipbuilding technology and modern shipbuilding technology” and inserting “shipyard capital improvements, including infrastructure and modern shipbuilding technology,”; and

(B) by striking “Only a private shipyard is eligible to receive a guarantee” and inserting “To be eligible to receive a guarantee the obligor must have the authority to modify the general shipyard facility”;

(3) in subsection (c), as redesignated, by striking “advanced shipbuilding technology” and inserting “shipyard capital improvements, infrastructure,”; and

(4) by inserting the following new subsection (e):

“(e) Made in America—The Administrator must exclude foreign components from a project eligible for a guarantee under this section, unless the Administrator grants a waiver based on non-availability of such foreign components due to timely availability, sufficient quality, or price competitive basis.”; and

(5) by striking subsection (f).

(m) Section 53734(b)(2) of title 46, United States Code, is amended by striking “construction or reconstruction” and inserting “construction, or refinancing and reconstruction,”.

(n) Repeal in National Defense Authorization Act.—Sections 3506(i)(2) and 3506(1)(2) of the National Defense Authorization Act of Fiscal Year 2020 (Public Law 116-92) are repealed, and the provisions of law that were repealed or amended by these sections are reenacted and amended, respectively, to read as if such sections were not enacted.

SEC. ____ . DESIGNATION OF CENTERS OF EXCELLENCE FOR DOMESTIC MARITIME WORKFORCE TRAINING AND EDUCATION.

Section 51706(c) of title 46, United States Code, is amended—

(1) in paragraph (1)(A)—

(i) by adding “or territory of the United States” after “State”; and

(ii) in clause (i), by deleting “Gulf of Mexico” and inserting “Gulf of America”;

(2) in paragraph (1)(B)—

(i) in clause (iii), by inserting “or” at the end; and

(ii) in clause (iv), by deleting “or” and everything through the end of clause (v);

(3) by deleting paragraph (2); and

(4) by redesignating paragraphs (3) through (6) as paragraphs (2) through (5) respectively.

SEC. ____. GROSS INCOME EXCLUSION OF MERCHANT MARINER FOREIGN EARNED INCOME.

(a) Merchant Mariner Foreign Earned Income.—Section 911(d) of title 26, United States Code, is amended by redesignating paragraph (9) as paragraph (10) and by inserting after paragraph (8) the following:—

“(9) Application to merchant mariner crews.—In applying this section to an individual who is a citizen or resident of the United States and who is employed for a minimum of 90 days during a taxable year as a civilian member of the crew of a vessel or vessels owned, operated, or chartered by a United States person or the United States or its agency thereof—

“(A) the individual shall be treated as a qualified individual with respect to subsection (a)(1) and without regard to the requirements of paragraph (1) of this subsection; and

“(B) any earned income attributable to services performed by that individual so employed on such a vessel while it is operating outside the United States, including services performed in international waters and services performed in a foreign country or a territory or possession of the United States related to employment on the vessel, shall be treated, except as provided by subsection (b)(1)(B), as foreign earned income.”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years ending after the date of enactment of this Act.

SEC. ___. CIVILIAN MARINER EDUCATION AND DEVELOPMENT PAYMENTS.

(a) Mariner Education and Development Payments.—Chapter 515 of title 46, United States Code, is amended by adding at the end the following new section:

“Sec. 51512. Mariner education development payments

“(a) In General.—If a State maritime academy has an agreement with the Secretary of Transportation under section 51505 of this title, the Secretary may make an agreement with a student at the academy who is a citizen of the United States to make mariner education development payments to the State Maritime Academy on behalf of the individual.

“(b) Payments.—

“(1) In general.—Payments under an agreement under this section shall be—

“(A) based on the in-state annual cost of in-state tuition, on-campus room and board, fees, books, and uniforms at the State maritime academy the individual is attending;

“(B) paid in amounts as determined by the Secretary;

“(C) paid in such installments as the Secretary shall determine while the individual is attending the academy; and

“(D) allocated among the State maritime academies as prescribed by the Secretary.

“(2) Authorized uses.—The payments shall be used for the cost of tuition, room and board, fees, books, and uniforms at the academy.

“(c) Agreement Requirements.—An agreement under this section—

“(1) may provide for payments for the cost of tuition, room and board, fees, books, and uniforms for not more than 4 academic years; and

“(2) shall require the individual to—

“(A) complete the course of instruction at the academy the individual is attending within 6 years of the date of enrollment;

“(B) obtain a merchant mariner credential, without limitation as to tonnage or horsepower, from the Coast Guard as an officer in the merchant marine of the United States, accompanied by the appropriate national and international endorsements and certification required by the Coast Guard for service aboard vessels on domestic and international voyages, without limitation, within 3 months of completion of the course of instruction at the academy the individual is attending;

“(C) for at least 6 years after graduation from the academy, maintain—

“(i) a valid merchant mariner credential, unlimited as to horsepower or tonnage, issued by the Coast Guard as an officer in the merchant marine of the United States, accompanied by the appropriate national and international endorsements and certifications required by the Coast Guard for service aboard vessels on domestic and international voyages, without limitation;

“(ii) a valid transportation worker identification credential; and

“(iii) a Coast Guard medical certificate;

“(D) apply for, and accept if tendered, a position commensurate with the obtained merchant mariner credential, for a period of not less than 1 year but not more than 5 years, as determined by the Secretary of Transportation based on the amount of payments provided under this section, as—

“(i) a civil service mariner aboard a vessel owned and operated by the Military Sealift Command, National Oceanic and Atmospheric Administration, United States Coast Guard, United States Army Corps of Engineers, or other Federal agency;

“(ii) a merchant marine officer aboard a Federal vessel owned by the Military Sealift Command or the Maritime Administration, if the Secretary determines that employment under clause (i) is not available to the individual;

“(iii) a merchant marine officer on a vessel owned and operated by the United States Federal Government or by a State government of the United States if the Secretary determines that employment under clauses (i) and (ii) is not available to the individual;

“(iv) a merchant marine officer on a U.S.-documented commercial oceangoing vessel if the Secretary determines that employment under clauses (i), (ii), and (iii) is not available to the individual;

“(v) a merchant marine officer on a U.S.-documented commercial vessel that is not an oceangoing vessel if the Secretary determines that employment under clauses (i) through (iv) is not available to the individual;

“(vi) an employee in a United States maritime-related industry, profession, or marine science (as determined by the Secretary), if the Secretary determines that service under clauses (i) through (v) is not available to the individual; or

“(vii) a merchant marine officer on a foreign-documented commercial oceangoing vessel that employs mariners through a U.S.-based labor union, if the Secretary determines that employment under clauses (i) through (vi) is not available to the individual or in the best interests of the United States; and

“(E) report to the State maritime academy of graduation, or to the Secretary if directed, on compliance with subparagraphs (A) through (D) of this subsection.

“(d) Failure to Complete Agreement Requirements.—If the individual is unable or unwilling to meet the agreement requirements under subsection (c), the Secretary of Transportation may recover from the individual the amount paid under the commitment agreement, plus interest and attorney fees. The Secretary may reduce the amount to be recovered based on factors the Secretary determines merit a reduction.

“(e) Actions to Recover Cost.—To aid in the recovery of the amount paid by the Government under a commitment agreement under this section, the Secretary of Transportation may—

“(1) request the Attorney General to bring a civil action against the individual; and

“(2) make use of the Federal debt collection procedures in chapter 176 of title 28 or other applicable administrative remedies.

“(f) Modification or Waiver.— The Secretary may waive any of the terms and conditions set forth in subsection (c) or modify such terms and conditions through the imposition of alternative service requirements.

“(g) Eligibility for Additional Payments.—An individual who receives a payment pursuant to this section shall not be eligible for payments under section 51708 of this title until the individual has fulfilled the obligated years of service under subsection (c)(2)(D) of this section.

“(h) Funding Availability.—Not to exceed 10 percent of the amounts appropriated for any fiscal year for payments authorized under this section may be transferred or reprogrammed and made available for the purpose of making payments authorized under sections 51509, 51513, and 51708, as determined by the Secretary. ”.

(b) Clerical Amendment.—The table of sections at the beginning of chapter 515 of such title is amended by inserting after the item relating to section 51511 the following new item:
“51512. Mariner education development payments.”.

SEC. ___. MARITIME SERVICE EMPLOYMENT REIMBURSEMENT.

(a) Service Employment Reimbursement.—Chapter 517 of title 46, United States Code, is amended by adding at the end the following new section:

“Sec. 51708. Maritime Service Employment Reimbursement.

“(a) In General.— The Secretary of Transportation may make an agreement with a maritime center of excellence to make payments to the maritime center of excellence for the cost of reimbursing an individual for costs incurred to obtain, renew, or upgrade a merchant mariner credential or other credentials required for working ashore in the maritime industry.

“(b) Eligible Individual.—To receive assistance under this section, an individual must be a United States citizen.

“(c) Covered Costs.— Costs that are eligible for reimbursement under this section are costs incurred directly by an eligible individual to obtain, renew, or upgrade a merchant mariner credential or credentials required for working ashore in the maritime industry, including—

- “(1) training tuition and fees;
- “(2) credentialing fees;
- “(3) medical screening and examination fees; and
- “(4) other fees as determined by the Secretary.

“(d) Payments.—

“(1) Subject to paragraph (2), the Secretary of Transportation may provide payments to a maritime center of excellence for—

“(A) reimbursements provided by the maritime center of excellence to an eligible individual for covered costs incurred by the individual at the maritime center of excellence;

“(B) the costs of canceling or waiving payments on loans issued by the maritime center of excellence to an eligible individual, including interest on the loan of up to 5 percent per annum; or

“(C) other payments as determined by the Secretary .

“(e) Authorized uses.—Payments under paragraph (1) may be used for covered costs incurred by an eligible individual who—

- “(1) incurred the covered costs at the maritime center of excellence; and

“(2) has completed—

“(A) 150 sea service days on a U.S.-flag vessel of greater than 10,000 gross register tons within 2 years of completing the course of instruction; or

“(B) 1 year of shoreside employment at a maritime facility that directly supports the construction, repair, or maintenance of U.S. vessels, as determined by the Secretary.

“(f) Prohibited Uses.—Funds provided to a maritime center of excellence pursuant to this section may not be used to reimburse an eligible individual—

“(1) if the individual has already received reimbursements for the covered costs from an entity other than the maritime center of excellence;

“(2) if an entity other than the maritime center of excellence has paid for covered costs or provided training at no cost to the individual;

“(2) if the individual incurs covered costs associated with a degree program at a State maritime academy as defined in section 51501 of this title;

“(3) if the individual is a participant in a program under sections 51509, 51512, or 51513 of this title; or

“(4) for any expenses that exceed \$10,000 per calendar year.

“(g) Administrative Expenses.—

“(1) A maritime center of excellence may retain not more than 3 percent of the annual funding provided by the Secretary to the maritime center of excellence under this section for administrative expenses incurred in providing reimbursements or payments under this section.

“(2) The Secretary may retain not more than 2 percent of the amounts appropriated for each fiscal year to make payments under this section for the administrative and oversight costs incurred by the Secretary in implementing this section.

“(h) Funding Availability.—Not to exceed 10 percent of the amounts appropriated for any fiscal year for payments authorized under this section may be transferred or reprogrammed and made available for the purpose of making payments authorized under sections 51509, 51512, and 51513, as determined by the Secretary.

“(i) Definition.—In this section the term “maritime center of excellence” means—

“(1) an American Maritime Center of Excellence, as designated under section 51501 of this title; or

“(2) a Center of Excellence for Domestic Maritime Workforce Training and Education, as designated under section 51706 of this title.”.

SEC. __. STUDENT INCENTIVE PAYMENT AGREEMENTS.

Section 51509 of title 46, United States Code, is amended—

(1) in subsection (b)—

(A) by deleting paragraphs (1) and (2) and inserting the following:

“(1) In general.—Payments under an agreement under this section shall be—

“(A) paid in amounts as determined by the Secretary, but shall not exceed 50 percent of the average total of the in-state cost of attendance charged by all State maritime academies for a four-year merchant marine officer preparation program;

“(B) paid in such installments as the Secretary shall determine while the individual is attending the academy; and

“(C) allocated among the State maritime academies as prescribed by the Secretary.”;

(B) by redesignating paragraph (3) as paragraph (2);

(C) in paragraph (2), as redesignated, by deleting “uniforms, tuition, books, and subsistence” and inserting “the cost of attendance at the academy”;

(2) in subsection (e)(1)—

(A) in subparagraph (A)(ii), by deleting “\$8,000” and inserting “10 percent of the agreed upon amount”; and

(B) in subparagraph (B)(ii), by deleting “\$16,000” and inserting “25 percent of the agreed upon amount; and

(3) by inserting after subsection (i) the following:

“(j) Eligibility for Additional Payments.—A student who receives a payment pursuant to this section shall not be eligible for payments under section 51708 of this title until the student has fulfilled the obligated three years of service under subsection (d)(5).

“(k) Funding Availability.—Not to exceed 10 percent of the amounts appropriated for any fiscal year for payments authorized under this section may be transferred or reprogrammed and made available for the purpose of making payments authorized under sections 51512, 51513, and 51708, as determined by the Secretary.

“(l) Definition.—The term “cost of attendance” means tuition, room and board costs, fees, books, and uniforms.”.

SEC. ___. STATE MARITIME ACADEMY REIMBURSEMENT FOR TRAINING SHIP CADET TUITION AND FEES.

(a) Mariner Education and Development Payments.—Chapter 515 of title 46, United States Code, is amended by adding at the end the following new section:

“51513. State maritime academy reimbursement for training ship cadet tuition and fees.

“(a) In General.—If a State maritime academy has an agreement with the Secretary of Transportation under section 51505 of this title, the Secretary may make an agreement with a student at the academy who is a citizen of the United States to make payments to the State maritime academy on behalf of the individual for the cost of the tuition and fees charged by the State maritime academy for the student to sail on a training cruise on a training ship owned by the Maritime Administration.

“(b) Payments.—Payments under this section shall be as prescribed by the Secretary but shall not exceed the cost charged by the State maritime academy for the student to obtain the minimum number of sea days needed on board a training ship owned by the Maritime Administration to obtain a merchant mariner credential, without limitation as to tonnage or horsepower, from the Coast Guard as an officer in the merchant marine of the United States, accompanied by the appropriate national and international endorsements and certifications required by the Coast Guard for service aboard vessels on domestic and international voyages, without limitation.

“(c) Agreement Requirements.—An agreement under this section shall require the student to—

“(1) complete the course of instruction at the academy the individual is attending within 6 years of enrollment;

“(2) obtain a merchant mariner credential, without limitation as to tonnage or horsepower, from the Coast Guard as an officer in the merchant marine of the United States, accompanied by the appropriate national and international endorsements and certification required by the Coast Guard for service aboard vessels on domestic and international voyages, without limitation, within three months of completion of the course of instruction at the academy the individual is attending;

“(3) for at least 6 years after graduation from the academy, maintain—

“(A) a valid merchant mariner credential, unlimited as to horsepower or tonnage, issued by the Coast Guard as an officer in the merchant marine of the United States, accompanied by the appropriate national and international endorsements and certifications required by the Coast Guard for service aboard vessels on domestic and international voyages, without limitation;

“(B) a valid transportation worker identification credential; and

“(C) a Coast Guard medical certificate;

“(4) apply for, and accept, if tendered a position commensurate with the obtained merchant mariner credential for three years after graduation from the academy or, if the individual has a student incentive program agreement under section 51509 of title 46, United States Code, one year in addition to the obligation required under section 51509(d)(5)—

“(A) as a merchant marine officer on a vessel operated by the United States Government or by a State;

“(B) as a merchant marine officer on a United States documented vessel;

“(C) as an employee in a United States maritime-related industry, profession, or marine science, as determined by the Secretary;

“(D) as a commissioned officer on active duty in an armed force of the United States, as a commissioned officer in the National Oceanic and Atmospheric Administration; or

“(E) by a combination of service alternatives referred to in subparagraphs (A) through (D) of this subsection;

“(5) report to the State maritime academy of graduation, or to the Secretary if directed, on compliance with paragraphs (1) through (4) of this subsection.

“(d) State Maritime Academy Reporting.—

“(1) A State maritime academy that received payments on behalf of an individual under this section must provide the Maritime Administrator with information that demonstrates that compliance with subsection (c)(4) by that individual.

“(2) If a State maritime academy is unable to obtain information that demonstrates compliance with subsection (c)(4), the State maritime academy shall report to the Maritime Administrator that the individual is not in compliance with subsection (c)(4).

“(3) The frequency of the State maritime academy reporting period shall not exceed 365 days.

“(4) A State maritime academy may retain not more than 3 percent of the annual funding provided by the Secretary under this section for administrative expenses incurred in complying with this subsection.

“(e) Failure to Complete Agreement Requirements.—If the individual is unable or unwilling to meet the agreement requirements under subsection (c), the Secretary of Transportation may recover from the individual the amount of payments in subsection (b), plus interest and attorney

fees. The Secretary may reduce the amount to be recovered to reflect partial performance of obligations and other factors the Secretary determines merit a reduction.

“(f) Actions to Recover Cost.—To aid in the recovery of funds provided by the Government under a commitment agreement under this section, the Secretary of Transportation may—

“(1) request the Attorney General to bring a civil action against the individual; and

“(2) make use of the Federal debt collection procedures in chapter 176 of title 28 or other applicable administrative remedies.

“(g) Modification or Waiver.— The Secretary may waive any of the terms and conditions set forth in subsection (c) or modify such terms and conditions through the imposition of alternative service requirements.

“(h) Eligibility for Additional Payments.—An individual who receives a payment pursuant to this section shall not be eligible for payments under section 51708 of this title until the individual has fulfilled the obligated three years of service under subsection (c)(4).

“(i) Funding Availability.—Not to exceed 10 percent of the amounts appropriated for any fiscal year for payments authorized under this section may be transferred or reprogrammed and made available for the purpose of making payments authorized under sections 51509, 51512, and 51708, as determined by the Secretary.’.

(b) Clerical Amendment.—The table of sections at the beginning of chapter 515 of such title is amended by inserting after the item relating to section 51512 the following new item:
“51513. State maritime academy reimbursement for training ship cadet tuition and fees.”.

**SEC. ____ . MODIFICATION OF CARGO PREFERENCE THREE-YEAR ELIGIBILITY
RULE.**

Section 55305(b) of title 46, United States Code, is amended by striking “after January 1, 2030,”.

SEC. __. CARGO PREFERENCE ENFORCEMENT.

(a) Section 55305 of title 46, United States Code, is amended—

(1) in subsection (a) by—

(A) striking “Minimum Tonnage.—When the United States Government” and inserting “Requirement to Use U.S.-Flag Vessels.—When a United States Government department or agency”; and

(B) striking “the appropriate agencies shall take steps necessary” and all that follows through the end of the subsection and inserting “the department or agency must ensure that all equipment, materials, or commodities that may be transported on ocean vessels, except when required for the timely transportation of cargoes under the Foreign Assistance Act of 1961 (22 U.S.C. 2151 et seq.), is transported on privately-owned commercial vessels of the United States.”;

(2) deleting subsection (d) and inserting:

“(d) Waivers.—The requirements under this section may be waived as provided for in this subsection.

“(1) The President, the Secretary of War, or the Secretary of State may waive this section temporarily by—

“(A) declaring the existence of an emergency justifying a waiver; and

“(B) notifying the appropriate agencies of the waiver; or

“(2) Upon the request of a U.S. Government department or agency filed at least 10 days prior to transportation of equipment, materials, and commodities subject to this section, the Secretary of Transportation may waive the requirements in subsection (a), for all or part of the transportation, if the Secretary determines there are no privately-owned commercial vessels of the United States—

“(A) responsive to the solicitation by vessel type;

“(B) available at fair and reasonable rates for commercial vessels of the United States; or

“(C) otherwise available.

“(3) For waiver requests filed pursuant to paragraph (2), the Secretary of Transportation shall not be obligated to issue a waiver sooner than 10 days prior to transportation.

“(4) The Secretary of Transportation shall notify the Committee on Transportation and Infrastructure and the Committee on Armed Services of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate of—

“(A) any waiver request made pursuant to paragraph (2) not later than 72 hours after receiving such a request; and

“(B) the issuance of any such waiver not later than 72 hours after issuing the waiver.

“(4) Waivers issued pursuant to paragraph (2) shall be published on the Department of Transportation website within 5 business days.

“(5) The Secretary of Transportation, in consultation with the Secretary of State, is authorized to promulgate regulations defining “fair and reasonable rates for commercial vessels of the United States as cost based” for purposes of the determinations established in paragraph (2). The goal of such regulations shall be to provide clarity and reduce procedural friction in the waiver process by establishing an objective standard based on vessel cost, to the maximum extent possible, in relevant and accessible market and cost data.”.

(3) in subsection (e)—

(A) in the subsection heading, by striking “Programs of Other Agencies” and inserting “Department and Agency Requirements”;

(B) by striking paragraph (1) and inserting:

“(1) Each Federal Government department or agency that transports equipment, commodities, or materials shall –

“(A) include provisions in each Federal solicitation, application, agreement, or procurement contract requiring each contract applicant or offeror to acknowledge that ocean transportation contracted under the agreement or procurement contract must comply with this section and related regulations issued by the Secretary of Transportation;

“(B) submit to the Secretary agreements, procurements, or other contracts at least 45 days before ocean carriage, along with corresponding plans for complying with this section that describe—

“(i) all cargoes, both known and anticipated, with specificity;

“(ii) the proposed ports of loading and discharge and expected dates of ocean carriage;

“(iii) all parties involved in the ocean transportation of the cargoes, including brokers and freight forwarders; and

“(iv) any other relevant information required by the Secretary of Transportation;

“(C) provide the Maritime Administration with the Automated Commercial Environment Internal Transaction Number that corresponds with each ocean bill of lading number for each ocean shipment of cargo under contract, including those transported on foreign-flag vessels—

“(i) within 20 working days after the date of loading for shipments originating in the United States;

“(ii) within 30 working days after the date of loading for shipments originating outside of the United States; or

“(iii) in instances for which an Automated Commercial Environment Internal Transaction Number is not available, a legible, complete copy of a rated on-board ocean bill of lading in English, within times specified in clauses (i) or (ii); and

“(D) exercise contractual rights and remedies against contractors who fail to comply with contractual provisions requiring the use of U.S.-flag vessels, as determined by the Secretary of Transportation, including by—

“(i) equitably adjusting the contract price downward by an amount equal to the difference in the cost of a foreign-flag vessel used in violation of the contract and the estimated cost of using a U.S.-flag vessel to carry the same cargo;

“(ii) determining that a contractor is ineligible for an award of such a contract; or

“(iii) terminating such a contract or suspension or debarment of the contractor for such a contract; and

“(E) retain records collected pursuant to this section for 5 years after each shipment is completed.”; and

(C) in paragraph (2)—

(i) by striking subparagraphs (A) and (B) and inserting:

“(A) has sole authority for determining compliance by a department, agency, or individual with this section;

“(B) may provide guidance on whether a department or agency is operating in compliance with the requirements of this section;

“(C) shall review every shipment and compliance plan subject to the requirements of this section;

“(D) shall annually submit to the Committee on Transportation and Infrastructure and Committee on Armed Forces of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a report on department and agency compliance with this section, including submission of compliance plans;”;

(ii) by redesignating subparagraphs (C) and (D) as subparagraphs (E) and (F), respectively; and

(iii) in subparagraph (F), as redesignated, by deleting “may take other measures as appropriate under” and inserting “shall notify agencies of violations so that other measures may be taken as appropriate under subsection (e)(1)(D) of this section or”.

(b) This section shall become effective 180 days after the date of enactment.

SEC. ____ . TREATMENT OF MARITIME PROSPERITY ZONES AS OPPORTUNITY ZONES.

(a) In General.—Subchapter Z of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

“SEC. 1400Z–3. Treatment of maritime prosperity zones as opportunity zones.

“(a) In general.—A maritime prosperity zone shall be treated as a qualified opportunity zone.

“(b) Special rules.—In applying this subchapter to any maritime prosperity zone which is a qualified opportunity zone solely by reason of this section—

“(1) In general.—Section 1400Z–2(d) shall be applied with the modifications described in paragraph (2) for purposes of determining—

“(A) whether any property which would not be qualified opportunity zone business property without regard to this section is qualified opportunity zone business property, and

“(B) whether any corporation or partnership which is not a qualified opportunity zone business without regard to this section is a qualified opportunity zone business.

“(2) Modifications.—The modifications described in this paragraph are as follows:

“(A) Start date.—Subparagraphs (B)(i)(I), (C)(i), and (D)(i)(I) of section 1400Z–2(d)(2) shall each be applied by substituting ‘the date of the enactment of this Act’ for ‘December 31, 2017’ in the case of property acquired before January 1, 2027, or for ‘the applicable date’ in the case of property acquired after December 31, 2026’.

“(B) Qualified opportunity zone business property.—Property shall not be treated as qualified opportunity zone business property unless such property is substantially used:

“(i) in an industry which is assigned a code which is included in the codes described in paragraph (3); or

“(ii) for education and training for the maritime industrial base workforce.

“(C) Qualified opportunity zone business.—A trade or business shall not be treated as a qualified opportunity zone business unless such trade or business:

“(i) operates in an industry which is assigned a code described in paragraph (3), provided such activities directly support the U.S. maritime industry; or

“(ii) provides education and training of the maritime industrial base workforce.

“(3) Eligible North American Industry Classification System Codes.—The following codes under the North American Industry Classification System are the codes described in this paragraph:

“(A) 483111 (deep sea freight transportation).

“(B) 483113 (coastal and Great Lakes freight transportation).

“(C) 483211 (inland water freight transportation).

“(D) 4883 (support activities for water transportation).

“(E) 336611 (ship building and repairing).

“(F) 333923 (overhead traveling crane, hoist, and monorail system manufacturing).

“(G) 3336 (engine, turbine, and power transmission equipment manufacturing).

“(H) 334511 (search, detection, navigation, guidance, aeronautical, and nautical system and instrument manufacturing).

“(I) 541330 (engineering services).

“(J) 332 (fabricated metal product manufacturing), provided such activities directly and substantially support ship building and repair.

“(c) Maritime prosperity zone.—For purposes of this chapter—

“(1) In general.—The term ‘maritime prosperity zone’ means any population census tract that—

“(A) contains or is determined by the Secretary of Commerce to be a viable site for—

“(i) a shipyard or repair yard of the United States,

“(ii) a port,

“(iii) a harbor facility,

“(iv) a maritime supplier,

“(v) support construction of vessel modules, or

“(vi) maritime workforce education and training, and

“(B) is designated as a maritime prosperity zone under paragraph (2).

“(2) Designation.—

“(A) In general.—A population census tract is designated as a maritime prosperity zone under this paragraph if—

“(i) the Secretary of Commerce, in consultation with the Secretary of Homeland Security, the Secretary of the Navy, the Secretary of Transportation, and the Director of the Office of Management and Budget nominates the tract for designation as a maritime prosperity zone and notifies the Secretary, and

“(ii) the Secretary certifies such nomination and designates such tract as a qualified maritime prosperity zone.

“(B) Certification timeline.—Within 30 days beginning on the date on which notice was received under subsection (c)(2)(A)(i), subject to subsection (c)(3), the Secretary shall certify and designate as maritime prosperity zones under subsection (c)(2)(A)(ii) all nominated tracts that are described in subsection (c)(1)(A).

“(C) Geographic diversity.—In nominating maritime prosperity zones, the Secretary of Commerce shall ensure geographic representation of each—

“(i) the East Coast of the United States;

“(ii) the West Coast of the United States;

“(iii) the Great Lakes region;

“(iv) the Gulf of America region;

“(v) the Alaskan region;

“(vi) inland river regions; and

“(vii) areas in noncontiguous states and territories.

“(3) Number of population census tracts designated.—Not more than 100 population census tracts may be designated as a maritime prosperity zone.

“(4) Period for which designation is in effect.—A designation as a maritime prosperity zone shall remain in effect for the period—

“(A) beginning on the date of the designation, and

“(B) ending at the close of the 10th calendar year beginning on or after such date of designation.

“(d) Regulations.—

“(1) The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance which differ from those which apply to qualified opportunity zones, qualified opportunity zone businesses, and qualified opportunity zone property as determined without regard to this section. The Secretary of Commerce may recommend to the Secretary such regulations and other guidance as the Secretary of Commerce wishes to see issued, and the Secretary shall give serious consideration to adopting such recommendations.

“(2) The Secretary of Commerce shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section regarding the nomination of tracts to be maritime prosperity zones.”

(b) Clerical Amendment.—The table of sections for subchapter Z of chapter 1 of such Code is amended by adding at the end the following new item:

“Sec. 1400Z–3. Treatment of maritime prosperity zones as opportunity zones.”

(c) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. ___. UNITED STATES VESSEL PREFERENCE REQUIREMENT.

(a) In General.—Part D of subtitle V of title 46, United States Code, is amended by inserting after subchapter III the following new subchapter:

“SUBCHAPTER IV—UNITED STATES VESSEL PREFERENCE

“55351. Definitions.

“55352. Establishment of the United States Vessel Preference Requirement.

“55353. Maritime Special Security Agreement framework.

“55354. Enforcement and Compliance.

“§ 55351. Definitions

“In this subchapter:

“(1) Allied country.—The term ‘allied country’ means a country or group of countries designated by the Secretary of Defense, in consultation with the Secretary of Transportation and the Secretary of State, as an ally of the United States for purposes of this subchapter.

“(2) Beneficial cargo owner.—The term ‘beneficial cargo owner’ means an entity that retains the power to influence the routing of the cargo or owns the merchandise being transported at the time of shipment.

“(3) Country of concern.—The term ‘country of concern’ means a country identified pursuant to section 4651(7) of title 15, United States Code.

“(4) Covered cargo.—The term “covered cargo” means inbound containerized cargo and roll-on/roll-off vehicles imported into the United States in the foreign commerce of the United States that are subject to entry, manifest reporting, or other customs documentation requirements under title 19, United States Code, as further specified by the Commission by regulation. The term does not include exports, bulk cargo, breakbulk cargo, or cargo excluded by regulation consistent with this subchapter.

“(5) Industrial readiness certification.—The term ‘industrial readiness certification’ means a certification made by the Maritime Administrator after evaluating shipyard capacity, mariner availability, and commercial feasibility for purposes of phased implementation.

“(6) Maritime Special Security Agreement; M-SSA.—The term ‘Maritime Special Security Agreement’ or ‘M-SSA’ means an agreement established under section 55353.

“(7) Qualifying United States Vessel.—The term ‘qualifying United States vessel’ means a vessel documented under chapter 121 of title 46 and meeting requirements under section 55352 and not a U.S. warship, auxiliary vessel, or under time or bare-boat charter by the United States.

“(8) Trade lane.—The term ‘trade lane’ means a geographic shipping corridor designated by the Secretary of Transportation.

“(9) Compliance year.—The term ‘compliance year’ means a calendar year for which participation targets apply under section 55352, as determined under section 55354(j).

“(10) Covered movement.—The term ‘covered movement’ means the transportation by water of covered cargo to the United States within a designated trade lane subject to participation targets under section 55352, as determined by the Commission under section 55354 using existing customs and shipping documentation.

“(11) Covered shipper.—The term ‘covered shipper’ means, with respect to a covered movement, the beneficial cargo owner, importer of record to which entity-level participation targets apply under section 55352(a)(2), or provider of third-party logistics services for cargo shipments, as determined by the Commission under section 55354 using existing customs and shipping documentation. The term does not include an ocean common carrier or an ocean transportation intermediary solely by virtue of providing ocean transportation or arranging ocean transportation.

“(12) Affiliated covered shipper group.—The term ‘affiliated covered shipper group’ means 2 or more covered shippers that are treated as a single compliance unit because they are under common control, are alter egos, are successors, or act in concert with respect to routing, contracting, or payment for ocean transportation of covered cargo, as determined under section 55354.

“(13) Control.—The term ‘control’ means, with respect to an entity, direct or indirect possession of the power to direct or cause the direction of management and policies of such entity (whether through ownership of voting securities, by contract, or otherwise), and shall be presumed where an entity directly or indirectly owns 50 percent or more of the equity or voting interests.

“(14) Unique entity identifier.—The term ‘unique entity identifier’ means an Employer Identification Number (EIN) or such other persistent identifier as the Commission shall specify by regulation for foreign persons, including an identifier used in customs entry, manifest, or service contract documentation.

“(15) Ultimate parent entity.—The term ‘ultimate parent entity’ means the highest-level entity that controls a covered shipper, and that is not controlled by another entity.

“(16) Commission.—The term ‘Commission’ means the Federal Maritime Commission.

“(17) Ocean Common Carrier.—The term ‘ocean common carrier’ has the meaning given that term at section 40102(18) of this title.

“(18) Ocean Transportation Intermediary.—The term ‘ocean transportation intermediary’ has the meaning given that term at section 40102(20) of this title.

“(19) Service Contract.—The term ‘service contract’ means service contracts as set forth at section 40102(21) of this title.

“(20) Civil penalty.—A ‘civil penalty’ is a civil penalty under sections 41107 and 41109 of this title.

“§ 55352. Establishment of the United States Vessel Preference Requirement.

“(a) Establishment.—

“(1) In General.— The Secretary of Transportation shall establish a United States vessel cargo participation requirement applicable to the carriage of covered cargo within designated trade lanes.

“(2) Application.—Participation targets established under this section shall apply as entity-level participation requirements to each beneficial cargo owner or importer of record operating within a designated trade lane and shall be aggregated across the affiliated covered shipper group (if any) of such entity, as determined under section 55354.

“(3) Participation Targets.—Participation targets—

“(A) may be established on a trade-lane-specific and commodity-specific basis, including the inclusion or exclusion of particular commodity categories, provided that

aggregate participation meets or exceeds the minimum phase-based floors established under subsection (b); and

“(B) shall be implemented on a trade-lane-specific and, where appropriate, commodity-specific basis and shall be designed to expand participation of qualifying United States vessels in a commercially feasible, capacity-aware, and phased manner.

“(4) Rule of Construction.—Nothing in this section shall be construed to establish a uniform nationwide cargo quota or to require identical participation targets across all trade lanes or commodity categories.

“(b) Phased Implementation.—Participation targets established under this section shall be implemented through sequential phases designed to expand United States-flag participation in a commercially feasible and capacity-aware manner, as provided for in this section.

“(1) Phase I—Initial Market Entry.—

“(A) Not later than 180 days following enactment of this section, the Secretary shall establish an initial participation target of not less than 3 percent of covered cargo overall on an annual basis within designated trade lanes be carried on qualifying United States vessels, unless a lower percentage is certified as necessary due to vessel or mariner availability.

“(B) Participation targets established during this phase shall—

“(i) be in effect for a period of no less than four years upon the first day of establishment;

“(ii) be used to incentivize and facilitate re-flagging, new service entry, and contract restructuring to emphasize voluntary transition into the U.S.-flag fleet.

“(iii) be treated as a pilot period for purposes of evaluating commercial feasibility, workforce impacts, and industrial readiness; and

“(iv) be prioritized along trade lanes, as described in subsection (c), where qualifying United States vessels are already operating or can be deployed with minimal disruption to existing logistics structures.

“(2) Phase II—Capacity Expansion.— For the four years following Phase I, the Secretary shall—

“(A) increase participation targets incrementally based on fleet availability, workforce capacity, and industrial readiness as determined annually by the Maritime Administrator; and

“(B) increase participation targets by not less than 1.5 percent annually unless the Maritime Administrator makes a determination that the United States fleet or mariner workforce cannot sustain a growth rate at that level; and

“(C) establish participation targets that prioritize the use of vessels built in the United States over foreign-built vessels that have reflagged into the U.S. fleet.

“(3) Phase III—Adaptive Scaling.—Following Phase II—

“(A) the Secretary—

“(i) shall review participation targets not less than every three years; and “(ii) may establish revised participation targets reflecting demonstrated fleet growth, shipyard output, and mariner supply.

“(B) participation targets—

“(i) may require that a percentage of covered cargo be carried only on vessels built in the United States; and

“(ii) may be trade-lane specific but vary by commodity classification; and
“(C) participation target growth shall be—

“(i) not less than 2 percent overall on an annual basis; and

“(ii) 1 percent for United States built ships unless a determination is made by the Administrator that the United States fleet or mariner workforce cannot sustain a growth rate at that level.

“(4) Annual Review and Certification.—Not less than once each year, the Maritime Administrator shall make a determination as to whether vessel capacity, mariner availability, and commercial feasibility support continuation or adjustment of participation targets.

“(A) The Maritime Administration shall provide to Congress annually a report on the targets for the succeeding fiscal year showing the growth in reflagged United States flag ships, growth in United States built ships, and the status of the overall United States flag fleet in international trade.

“(B) The Secretary may temporarily pause or modify scheduled increases upon certification of material capacity constraints.

“(5) Rule of Construction.—Nothing in this subsection shall be construed to establish a uniform nationwide cargo quota or to require identical targets across trade lanes or commodity categories.

“(c) Prioritization of Trade Lanes and Commodities.— In selecting trade lanes and commodity groupings for phased implementation under this section, the Secretary of Transportation, in concurrence with the Secretary of State, and in consultation with the Secretary of the Treasury, Secretary of Commerce, United States Trade Representative, Chairperson of the Federal Maritime Commission, and Secretary of Homeland Security, shall give priority to trade lanes and commodities that have a direct bearing on national security, supply chain resilience, or United States economic competitiveness.

“(1) Priority Considerations.—Priority considerations may include critical minerals, energy systems, defense-related cargo, strategic manufacturing inputs, and other sectors determined to be essential to national preparedness or long-term industrial capacity.

“(2) Rule of Construction.—Nothing in this subsection shall be construed to require uniform application across all trade lanes or to limit the Secretary’s discretion to consider commercial feasibility, vessel availability, or workforce capacity.

“(d) Commercial Feasibility.—Trade lane targets under this section must be operationally achievable within existing commercial shipping practices and account for vessel availability, mariner supply, and contractual logistics structures.

“(e) United States content.—For purposes of this subchapter, United States content shall be measured, at the vessel level, as a percentage of the total cost of construction, conversion, repair, and refurbishment of the vessel that is attributable to labor performed in the United States and materials produced in the United States, consistent with the standards articulated in chapter 83 of title 41, United States Code. The Secretary shall prescribe by regulation methods of calculation, eligible costs, and documentation standards for certification and audit.

“(f) Equivalency Authority.—The Maritime Administrator may grant equivalencies on a per country basis where domestic industrial capacity is insufficient.

“(g) Special Rule for Containerized Commodity Classification.—

“(1) Classification.—For purposes of commodity-specific preference targets, containerized cargo shall be classified based on Customs and Border Protection-recognized shipment programs rather than the individual contents of a container.

“(2) Commodity Categories Defined.—The Secretary may define commodity categories using—

“(A) Harmonized Tariff Schedule chapter ranges or groupings recognized by U.S. Customs and Border Protection;

“(B) beneficial cargo owner program declarations or certified logistics programs; or

“(C) service contract filings or vessel service designations maintained under applicable Federal Maritime Commission or customs reporting requirements.

“(3) Measuring Compliance.—Compliance shall be measured using existing customs documentation, including bills of lading, manifest filings, or service contract identifiers, and shall not require inspection or valuation of individual goods within containers.

“(4) Mixed Merchandise.—Where containers include mixed merchandise described as general cargo, the Secretary may treat such containers as part of a designated commodity program if tendered under a qualifying contract, Harmonized Tariff Schedule grouping, or certified cargo program.

“(5) Rule of Construction.—Nothing in this subsection shall be construed to require item-level auditing of container contents beyond existing customs reporting requirements; nor shall it be construed to limit, restrict, or alter the authority of the U.S. Coast Guard or U.S. Customs and Border Protection to inspect containers and cargo for safety, security, or law enforcement purposes.

“(6) Reliance on Existing Systems.—Commodity classifications and compliance determinations under this subsection shall rely exclusively on customs declarations, service contract filings, or other reporting systems already required under Federal law, and shall not create a separate cargo classification regime.

“(h) Requirement to Protect and Share Information. - The Secretary and the Chairman of the Federal Maritime Commission shall execute an agreement to establish a formal framework for the exchange of information necessary to implement this section that protects the privacy and confidentiality rights of private parties.

“(i) National Security Condition for Qualification.—

“(1) In general.—A vessel shall not be treated as a qualifying United States vessel for purposes of this subchapter if the vessel is owned, chartered, managed, or operated by or on behalf of an entity subject to foreign ownership, control, or influence, unless such entity is operating pursuant to an approved Maritime Special Security Agreement under section 55353.

“(2) No automatic requirement for domestic entities.—Nothing in this subsection shall be construed to require a Maritime Special Security Agreement for an entity that the Maritime Administrator determines is not subject to foreign ownership, control, or influence.

“(3) Country of concern prohibition.—No vessel controlled by a citizen of a country of concern may qualify under this subchapter if such citizen holds, directly or indirectly, a

controlling interest or other disqualifying influence in the entity owning, chartering, managing, or operating the vessel, as determined under regulations issued pursuant to section 55353.

“(j) Qualifying United States vessel requirements.—

“(1) In general.—A vessel is a qualifying United States vessel for purposes of this subchapter only if the vessel is documented under chapter 121 of this title and meets the requirements of this subsection, subsection (k), and section 55353 (as applicable).

“(2) Repaired or refurbished vessels.—A U.S.-documented vessel that is repaired or refurbished may be treated as meeting the United States content thresholds under paragraph (3) if the Secretary determines that the cost of such repairs or refurbishments includes sufficient United States content under subsection (g), and if the vessel was originally built in an allied country.

“(3) United States content thresholds.—A qualifying United States vessel shall meet the following minimum United States content thresholds:

“(A) For calendar years 2027 through 2030, an allied-built vessel may qualify if the vessel is inspected, certificated, and documented consistent with section 53102(e) of this title and related Coast Guard guidance (including Navigation and Vessel Inspection Circular No. 01-13, and any successor guidance) and is operated by an entity in compliance with section 55353.

“(B) For calendar years 2031 through 2034, at least 20 percent United States content.

“(C) For calendar years 2035 through 2038, at least 30 percent United States content.

“(D) For calendar years 2039 through 2042, at least 40 percent United States content.

“(E) Beginning in calendar year 2042, at least 51 percent United States content.

“(4) Qualification extension.—Beginning in calendar year 2031, a vessel that first qualifies under this subchapter shall continue to be a qualifying United States vessel for not more than 20 years after the date the vessel is first documented under chapter 121 of this title, provided the vessel maintains at least 20 percent United States content throughout that period.

“(5) Alternate Compliance Program requirements.—Requirements unique to the Alternate Compliance Program shall not apply to an allied-built vessel described in paragraph (3)(A) unless the Coast Guard determines such requirements are strictly necessary for safety or security; however, United States-unique requirements contained in the Alternate Compliance Program U.S. Supplement are otherwise waived for eligible vessels.

“(6) Coastwise trade.—Nothing in this subchapter shall be construed to alter or supersede the requirements of chapter 551 of this title (the coastwise trade laws). Qualifying United States vessels under this subchapter are intended for foreign commerce under United States registry and are not granted coastwise trading privileges by this subchapter.

“(7) Expansion to meet national security needs.—The President may expand the types of cargo subject to this subchapter if the President determines such expansion is necessary to meet the national security needs of the United States, provided that any cargo so added is afforded the same phased implementation and United States content requirements for qualifying vessels specified in this section.

“(k) Rule of construction.—Nothing in this section shall be construed to—

“(1) impose a uniform nationwide cargo quota or to require preference targets to apply across all trade lanes or cargo categories

“(2) waive or modify vessel documentation, inspection, certification, safety, security, or vessel-to-facility interface requirements administered by the Coast Guard or the Department of Labor;

“(3) deem any person or entity a citizen of the United States for purposes of this title, including chapter 121, except for the limited deeming described in subsection (j); or

“(4) limit any other national security review authority of the United States.

“§ 55353. Maritime Special Security Agreement framework

“(a) Establishment.—Not later than 180 days after the date of enactment of this subchapter, the Secretary of Transportation in consultation with the Secretary of Defense and the Secretary of Homeland Security (including the Commandant of the Coast Guard), shall establish by regulation a Maritime Special Security Agreement framework (in this section referred to as an ‘M-SSA’), modeled on foreign-ownership, control, or influence mitigation agreements used in national-security sectors, to permit allied and other foreign capital investment while ensuring United States operational control and protection of security-sensitive information.

“(b) Purpose; parties; covered entities.—

“(1) Purpose.—An M-SSA is a written agreement intended to mitigate foreign ownership, control, or influence and to ensure that management and operational control over qualifying United States vessel operations under this subchapter remain vested in United States citizens, consistent with national security requirements.

“(2) Parties.—An M-SSA shall be executed between the Maritime Administrator and a vessel owner, vessel operator, or other entity that seeks to own, charter, manage, or operate a qualifying United States vessel under this subchapter (in this section referred to as a ‘covered entity’).

“(3) Scope of application.—An M-SSA shall apply only to the covered entity and the qualifying United States vessels and related operations identified in the agreement.

“(c) Eligibility; prohibited capital.—The Maritime Administrator may approve an M-SSA only if—

“(1) the covered entity certifies that no citizen from a country of concern holds, directly or indirectly, a controlling interest or other disqualifying influence, as determined under regulations issued pursuant to subsection (j);

“(2) the covered entity agrees to comply with the governance, operational-control, information-security, reporting, and audit requirements of this section; and

“(3) the Maritime Administrator has consulted with the Secretary of Defense and the Secretary of Homeland Security regarding any national security conditions that should be incorporated into the M-SSA.

“(d) Core requirements.—A covered entity operating under an M-SSA shall—

“(1) maintain a principal executive responsible for qualifying United States vessel operations who is a citizen of the United States;

“(2) ensure that qualifying United States vessel operations under this subchapter remain subject to governance and operational-control arrangements vested in citizens of the United States, as specified in the M-SSA;

“(3) establish a security committee or comparable governance mechanism composed solely of citizens of the United States to oversee security-sensitive decisions identified in the M-SSA;

“(4) implement information firewalls restricting foreign access to sensitive operational, logistics, and defense-related data, consistent with subsection (f); and

“(5) designate one or more compliance officers responsible for administration of the M-SSA who are citizens of the United States and eligible for any security clearances determined appropriate by the Secretary of Defense for purposes of the M-SSA.

“(e) Security committee or equivalent governance mechanism.—

“(1) Composition.—The security committee or equivalent governance mechanism required under subsection (d)(3) shall consist solely of citizens of the United States.

“(2) Authorities.—The security committee or equivalent governance mechanism shall exercise such approval, oversight, or veto authorities over security-sensitive decisions as are specified by regulation and in the applicable M-SSA, including with respect to—

“(A) access to and dissemination of security-sensitive operational, cargo, routing, or defense-related information;

“(B) changes in key personnel positions identified in the M-SSA;

“(C) changes in ownership, governance, financing, chartering, or other arrangements that could increase foreign ownership, control, or influence; and

“(D) such other matters as the Maritime Administrator determines necessary to mitigate national security risk, in consultation with the Secretary of Defense and the Secretary of Homeland Security.

“(3) Governance instruments.—The covered entity shall adopt bylaws, delegations of authority, internal controls, and other governance instruments sufficient to give effect to the authorities required under this subsection.

“(f) Information firewall; recordkeeping.—

“(1) Firewall.—Each covered entity operating under an M-SSA shall maintain policies, technical controls, and procedures that prevent unauthorized foreign access to security-sensitive operational and defense-related information, including through remote access or third-party service providers.

“(2) Records.—The covered entity shall maintain such books, records, and technical logs as the Maritime Administrator determines necessary to verify compliance, including records sufficient to support audits under subsection (h).

“(g) Notice of change; prior approval.—A covered entity operating under an M-SSA shall provide advance notice to the Maritime Administrator of any material change in ownership, governance, debt covenants, chartering arrangements, or other relationships that could reasonably increase foreign ownership, control, or influence, and shall obtain approval or amended M-SSA terms prior to implementing such change, as provided by regulation.

“(h) Oversight.—

“(1) In general.—The Maritime Administrator, in coordination with the Secretary of Defense and the Secretary of Homeland Security, shall approve, audit, and monitor covered entities operating under an M-SSA at least annually.

“(2) Coast Guard and Department of Labor coordination.—In conducting oversight under paragraph (1), the Maritime Administrator shall coordinate with the Commandant of the Coast Guard on matters implicating vessel documentation, inspection, certification, safety, security, crewing, or credentialing requirements administered by the Coast Guard and the Department of Labor on matters implicating safety requirements administered by the Department of Labor.

“(i) Breach of terms; remedies.—

“(1) Suspension or revocation.—Breach of M-SSA terms, or material misrepresentation in an application for or performance under an M-SSA, shall be grounds for suspension or revocation of—

“(A) M-SSA approval; and

“(B) the eligibility of any vessel operated by the covered entity to qualify under section 55352.

“(2) Interim measures.—Pending a final determination, the Maritime Administrator may impose interim mitigation measures, including enhanced reporting, restricted information access, or temporary management controls.

“(j) Deeming provision; limited scope.—For the limited purpose of administering this subchapter and any Federal cargo-preference program that expressly incorporates this deeming provision, an entity operating under an approved M-SSA shall be deemed United States-controlled regardless of capital origin, provided such capital is not from a country of concern. Nothing in this subsection shall be construed to confer coastwise trading privileges or to alter any requirement under chapter 551 of this title or any other law governing coastwise trade.

“(k) Regulations.—The Secretary of Transportation shall promulgate regulations to carry out this section, including—

“(1) definitions of ‘control’, ‘disqualifying influence’, and ‘security-sensitive decisions’;

“(2) minimum required authorities and procedures for the security committee or equivalent governance mechanism required under subsection (e);

“(3) audit standards, reporting requirements, and confidentiality protections for sensitive security information; and

“(4) procedures for expedited review where necessary to support timely implementation of section 55352(l)(3)(A).

“(l) Rule of construction.—Nothing in this section shall be construed to—

“(1) waive or modify vessel documentation, inspection, certification, safety, or security requirements administered by the Coast Guard or the Department of Labor;

“(2) deem any person or entity a citizen of the United States for purposes of this title, including chapter 121, except for the limited deeming described in subsection (j); or

“(3) limit any other national security review authority of the United States.

“§ 55354. Enforcement And Compliance

“(a) Administration By Federal Maritime Commission.—

“(1) In General.—The Federal Maritime Commission shall administer and enforce this subchapter, including participation targets and any penalties for non-participation established under this subchapter.

“(2) Regulations.—Not later than one year after the date of enactment of this subchapter, the Commission shall prescribe implementing regulations pursuant to section 46105. Such regulations and final orders under this section shall be treated as issued pursuant to section 46105 for purposes of chapter 158 of title 28.

“(3) Preservation Of Vessel Qualification Determinations.—The Secretary of Transportation, in consultation with the U.S Trade Representative and Secretary of Commerce, shall retain authority to determine whether a vessel is a qualifying United States vessel (including any determinations involving a Maritime Special Security Agreement or similar mitigation arrangement). The Commission shall accept such determinations as conclusive for purposes of this subchapter. Such determinations shall be made in accordance with sections 55351, 55352, and 55353.

“(b) Shipper-Level Compliance Duty.—

“(1) Requirement.—Each covered shipper, and each affiliated covered shipper group, shall ensure that its covered movements satisfy the applicable participation targets under this subchapter for each compliance year, as determined by the Commission. The Commission may determine, by regulation or order, to exempt low volume shippers from the requirements of this section if the Commission finds that such exemption will not result in a substantial impact on participation targets.

“(2) No Liability For Qualifying U.S. Vessel Movements.—A covered movement transported on a qualifying United States vessel shall be treated as compliant and shall not give rise to a non-participation assessment.

“(3) Measurement And Aggregation.—Compliance shall be measured using existing customs documentation systems and shall be aggregated across each affiliated covered shipper group.

“(c) Annual Certification; Disclosure.—

“(1) Certification.—Not later than a date set by regulation (not later than 120 days after the close of each compliance year), each covered shipper shall file with the Commission an annual certification, in such form as the Commission shall prescribe, including—

“(A) the unique entity identifier of the covered shipper;

“(B) the identity and unique entity identifier of the ultimate parent entity;

“(C) a list of affiliated entities sufficient to identify the affiliated covered shipper group;

“(D) an attestation by a responsible corporate officer, under penalty of perjury, regarding completeness and accuracy; and

“(E) such shipment-level or aggregated data elements as are necessary to verify compliance using existing customs and shipping documentation.

“(2) Updates.—The Commission may require prompt updates upon changes in ultimate parent entity or control.

“(3) Confidentiality.—Information submitted under this subsection shall be protected as commercial or financial information to the extent permitted by law; the Commission may publish only aggregated, non-confidential compliance statistics.

“(d) Verification; Interagency Coordination.—

“(1) Customs Integration.—The Commission shall verify compliance using existing customs documentation, including vessel manifest and cargo declaration information and entry data, without creating a new cargo classification regime.

“(2) Coordination.—Not later than 180 days after enactment, the Commission shall enter into memoranda of understanding, as appropriate, with U.S. Customs and Border Protection, the Department of Transportation, the Department of Homeland Security, and the Department of the Treasury to support data access, verification, and collection.

“(3) Audit; Records.—The Commission may audit covered shippers and affiliated covered shipper groups for purposes of this section and may require retention and production of records sufficient to substantiate certifications.

“(e) Penalties For Non-Participation.—

“(1) Imposition.—If the Commission determines, after notice and opportunity for hearing, that a covered shipper or affiliated covered shipper group failed to satisfy applicable participation targets for a compliance year, the Commission shall impose civil penalties equal to not less than 10 percent of the value of the shipper or shipper group's incoming cargo to the United States in the period of non-compliance.

“(2) No Credit For Non-Compliance.—Payment of an assessment under this subsection shall not satisfy, offset, or reduce any participation target applicable in a subsequent compliance year.

“(3) Nature Of Assessment.—An assessment under this subsection is a civil monetary assessment and is in addition to any other civil penalty, customs duty, tax, fee, or remedy available under this subchapter or any other provision of law.

“(4) Exclusion Of Compliant Movements.—Covered movements transported on qualifying United States vessels shall not be included in calculating an assessment under this subsection.

“(5) Delinquency; Release Of Cargo.—After a final order finding repeated delinquency or evasion, the Commission may require, as a condition of release of additional covered cargo of the covered shipper or affiliated covered shipper group, the posting of payment security in a form acceptable to the Commission and the Secretary of the Treasury, including a surety bond, letter of credit, or cash deposit.

“(6) Escalation.—The Commission may impose additional penalties for repeated non-participation, evasion, or delinquency, including increased civil monetary penalties, shortened cure periods, and payment-security requirements under subsection (g).

“(7) Regulations.—The Commission shall prescribe regulations governing calculation, notice, collection, and mitigation of assessments under this subsection, but may not reduce the statutory minimum percentages established in paragraph (1).

“(f) Waiver Of Adjustment.—The Secretary of Transportation may recommend waivers or reductions of assessments where compliance will materially disrupt critical supply chains during an ongoing national emergency as declared by the President.

“(g) Civil Penalties; False Statements.—

“(1) In General.—A person that violates this subchapter or a regulation or order of the Commission under this subchapter, including failure to file a certification, filing of a materially false certification, concealment of covered movements, willful misrepresentation, or evasion, is liable to the United States Government for a civil penalty not to exceed—

“(A) \$100,000 for each violation; and

“(B) \$250,000 for each violation that is willfully and knowingly committed.

“(2) Continuing Violations.—Each day of a continuing violation after written notice from the Commission shall constitute a separate violation.

“(3) Separate Offenses.—Each false material statement, each material omission, each failure to certify, each concealed covered movement, each use of a successor or affiliate to evade this subchapter, and each failure to comply with a payment-security requirement may constitute a separate violation.

“(4) Procedures.—The Commission shall provide notice and opportunity for hearing prior to issuance of a final order assessing a penalty or assessment. The Commission may seek injunctive relief under section 41307 of this title in connection with an investigation of alleged violations of this subchapter or a regulation or order of the Commission.

“(5) Customs Penalties Preserved.—Nothing in this section shall be construed to limit the authority of United States Customs and Border Protection to take action under title 19 against any person that makes or causes to be made a materially false statement, act, or omission in customs-related documentation to evade or defeat this subchapter, including under section 1592 of title 19.

“(6) Seizure And Forfeiture.—Covered cargo introduced into the commerce of the United States through a material false statement, act, or omission to evade or defeat this subchapter is subject to seizure and forfeiture under applicable customs laws.

“(h) Anti-Evasion; Attribution; Successor And Alter-Ego; Payment Security.—

“(1) Aggregation Across Affiliates.—The Commission shall attribute covered movements and aggregate compliance across affiliated covered shipper groups, including common-control affiliates and persons acting in concert in routing, contracting, or payment.

“(2) Attribution Rules.—The Commission shall by regulation prescribe rules to attribute covered movements using existing customs and shipping documentation, including service contract, bill of lading, and manifest/entry data elements, to the covered shipper and affiliated covered shipper group most directly benefiting from, directing, or controlling such movements.

“(3) Rebuttable Presumptions.—The Commission shall establish rebuttable presumptions that—

“(A) movements are attributable to the entity identified as the account party/cargo owner in customs and shipping documentation;

“(B) movements of a newly formed or thinly capitalized entity with substantially common ownership, management, address, or logistics operations with a covered shipper are attributable to the affiliated covered shipper group; and

“(C) a person that materially reorganizes after notice of investigation acts to evade unless proven otherwise by clear and convincing evidence.

“(D) a covered movement routed through an intermediate foreign port or third country shall not be excluded from a designated trade lane solely by virtue of such intermediate routing, and may be attributed and treated as occurring within the designated trade lane based on the shipment’s underlying origin, consignee, and account-party information in existing customs and shipping documentation, as specified by regulation.

“(4) Successor; Alter-Ego.—The Commission may treat a person as a successor or alter ego of another person for purposes of liability for assessments, penalties, and payment security where there is substantial continuity of ownership, management, operations, assets, or purpose, or where the transaction or formation had a principal purpose of evasion. Liability may be joint and several within an affiliated covered shipper group.

“(5) Payment Security For Repeat Evasion Or Delinquency.—After a final order finding repeated evasion or delinquency, the Commission may require a covered shipper or affiliated covered shipper group to post and maintain reasonable payment security (including surety bond, letter of credit, or cash deposit) to secure future assessments and penalties for a period not to exceed 2 years, renewable upon a new finding after notice and opportunity for hearing. This paragraph shall not be construed to establish a general licensing regime.

“(6) No Avoidance By Restructuring.—The Commission may disregard any corporate form, transfer, conversion, assignment, spin-off, merger, dissolution, reincorporation, change in importer of record, change in beneficial cargo owner designation, change in service-contract party, or other restructuring the principal purpose or material effect of which is to avoid compliance with, attribution under, or liability arising under this subchapter.

“(7) Joint And Several Liability Of Controlling Persons.—Where the Commission finds that a predecessor, successor, affiliate, beneficial owner, ultimate parent entity, or controlling person participated in, directed, benefited from, or knowingly facilitated conduct described in paragraph (6), the Commission may impose joint and several liability on such person for assessments, penalties, interest, and payment-security obligations under this subchapter.

“(8) Control At Less Than Majority Ownership.—For purposes of this subsection, the Commission may find control notwithstanding section 55351(13) at any ownership level, or through contractual, financial, operational, family, agency, or other relationships, where the facts demonstrate the power to direct routing, contracting, payment, or corporate conduct relating to covered movements.

“(i) Limited Carrier Liability; Cooperation.—

“(1) No Carrier Compliance Duty.—An ocean common carrier or ocean transportation intermediary, including a non-vessel-operating common carrier, shall not be responsible for a covered shipper’s participation targets or assessments solely by transporting or arranging the transportation of covered cargo.

“(2) Recordkeeping And Production.—Ocean common carriers and ocean transportation intermediaries shall, as specified by regulation, retain and produce records reasonably necessary to support verification; failure to maintain or produce records, or knowing submission of false records, may be penalized under subsection (f).

“(j) Transition; Effective Date.—

“(1) Initial Compliance Year.—The first compliance year shall begin on the first January 1 that occurs not less than 1 year after the date the Commission issues final regulations under subsection (a)(2), unless otherwise specified by statute.

“(2) Safe Harbor.—For the first compliance year only, the Commission shall provide a good-faith safe harbor for covered shippers that timely file complete certifications and enter into commercially reasonable arrangements to meet targets, as defined by regulation.”.

(b) Interagency Steering Body.—The Secretary, in consultation with the Secretary of Treasury, Secretary of State, Secretary of Defense, Secretary of Commerce, Secretary of Labor, United States Trade Representative, and Chairman of the Federal Maritime Commission, conduct periodic reviews to evaluate fleet growth, workforce capacity, industrial impacts, and compliance effectiveness.

(c) Domestic Repair Utilization.

(1) Findings.—

(A) Congress finds that the United States ship repair sector constitutes a distinct and strategically critical component of the maritime industrial base and shall not be treated as merely an extension of ship construction.

(B) Domestic repair capacity supports routine operational readiness of United States naval forces, sustains commercial fleet availability during peacetime operations, and will be essential to maintaining maritime logistics and sealift capability during periods of contingency, mobilization, prolonged contested logistics operations, or contested operations.

(C) Strengthening the ship repair sector represents the most immediate and scalable means of restoring industrial depth because it leverages the existing fleet and workforce rather than future vessel construction pipelines.

(2) Domestic Repair Utilization.—Chapter 531 of title 46, United States Code, is amended by adding at the end the following new section 53112:

“§ 53112. Domestic Repair Utilization.

“(a) Domestic Maintenance and Repair Requirement.—Beginning not later than 3 years after enactment of this section, Qualified United States Vessels subject to an operating agreement under this chapter must have a percentage of maintenance and repair, as determined by cost, on the vessel conducted in United States shipyards, subject to a determination by the Maritime Administrator of sufficient shipyard capacity.

“(1) Maintenance and Repair Targets.—The Secretary of Transportation shall establish a target of not less than 10 percent of total maintenance and repair expenditures to be performed in United States shipyards, increasing annually by not less than 5 percent, unless the Maritime Administrator determines that available yard capacity, scheduling constraints, or operational readiness considerations warrant adjustment.

“(2) Implementation.—In implementing this section, the Secretary shall ensure that—

“(A) requirements remain subject to verified shipyard capacity, workforce availability, and operational schedules;

“(B) enhanced domestic repair utilization strengthens workforce continuity, preserves critical maintenance skills, and improves surge sustainment capability supporting national defense; and

“(C) implementation relies on existing contracting structures and avoids creation of duplicative regulatory regimes.

“(3) Rule of Construction.—Nothing in this section shall be construed to interfere with the normal flow of commerce or disrupt commercially necessary maintenance cycles.

“(4) Cost Offsets.—To offset commercially reasonable cost differentials associated with increased domestic repair activity, the Secretary may—

“(A) subject to the availability of appropriations, adjust stipend amounts paid under vessel operating agreements; and

“(B) with the concurrence of the Secretary of Defense, allow surcharges to be placed on certain contracts.

“(5) The Secretary of Transportation may grant waivers or temporary deviations if—

“(A) compliance is not commercially feasible;

“(B) compliance would materially disrupt logistics operations; or

“(C) domestic yard capacity is unavailable.”.

(3) Clerical Amendment.—The table of sections for chapter 531 of subtitle V of title 46, United States Code, is amended by adding at the end the following new item:
“53112. Domestic Repair Utilization.”.

(d) Maritime Workforce Development.

(1) Maritime Workforce National Center of Expertise.—The Secretary of Transportation, in coordination with the Commandant of the Coast Guard and the Secretaries of Labor, Homeland Security, and Defense, shall establish a “Maritime Workforce National Center of Expertise” (the “Center”). The Center shall serve as a national repository of best practices and provide training, technical assistance, and curriculum development support to maritime academies, trade schools, unions, and other training providers.

(2) Functions of Center.—The Center shall develop model curricula for mariner and shipbuilding training, expand simulator training capacity, support the development and expansion of registered apprenticeship programs (RAPS) in shipbuilding occupations and pre-apprenticeship programs that lead to such RAPS, and disseminate proven practices to universities, career and technical schools, and high schools nationwide. The Center shall make recommendations to the Secretaries of Transportation and Labor, and through the Secretaries to Congress, on expanding United States mariner training programs and shipbuilding workforce development.

(3) Mariner Training Financing Plan.—Within 180 days of enactment, the Secretary of Labor and the Secretary of Transportation shall jointly develop plans to maximize the use of federal workforce development and education funds, including Pell, Workforce Pell, JobCorps, WIOA Adult, WIOA Dislocated Worker, and WIOA Youth, Apprenticeship, YouthBuild, and Reentry Employment Opportunities.

(4) Review of Credentialing Requirements.—The Commandant of the Coast Guard, in consultation with industry representatives, labor unions, and maritime training institutions, shall review merchant mariner credentialing and training requirements and submit to

Congress recommendations to streamline and accelerate training approval and credential issuance, while maintaining safety standards.

(5) International Training Partnerships.—The Secretary of State shall prioritize shipbuilding and mariner training in the Department of State’s educational and cultural exchange programs, in order to strengthen the United States maritime workforce and share best practices with allied nations.

(6) Consultation.—In carrying out this subsection, the Secretary shall consult with maritime labor organizations, industry, State maritime academies, and other training providers.

(7) Rule of construction.—Nothing in this subsection shall be construed to alter the authorities of the Coast Guard with respect to credentialing, safety, or enforcement.

(e) General Rules of Construction.

(1) No Effect on Coastwise Trade Laws.—Nothing in this section or the amendments made by this section shall be construed to alter, amend, waive, or supersede chapter 551 of title 46, United States Code, or any other law governing coastwise trade.

(2) Preservation of Other Authorities.—Nothing in this section or the amendments made by this section shall be construed to limit any authority otherwise available under law to the Federal Maritime Commission, the Department of Transportation, the Maritime Administration, the Coast Guard, the Department of Homeland Security, U.S. Customs and Border Protection, the Department of the Treasury, or the Department of Justice.

(3) No Private Right of Action.—Nothing in this section or the amendments made by this section shall be construed to create a private right of action.

(4) Severability.—If any provision of this section, an amendment made by this section, or the application of such provision or amendment to any person or circumstance is held to be invalid, the remainder of this section, the amendments made by this section, and the application of such provisions and amendments to any other person or circumstance shall not be affected thereby.