



U.S. Department of Transportation
Maritime Administration

CAPITAL CONSTRUCTION FUND PROGRAM

Maritime Administration | February 5, 2025

www.maritime.dot.gov/grants/capital-construction-fund

Program provides shipowners and operators ability to:

- Construct new vessels
- Reconstruct existing vessels
- Retire construction debt

Deferral of federal taxes on

- Income from vessel operation
- Depreciation of vessels
- Gain from sale of a vessel
- Earnings on investments in the fund

GOALS OF CCF PROGRAM

SUPPORT ECONOMIC AND NATIONAL SECURITY OBJECTIVES OF THE UNITED STATES

- Strengthen maritime industry – critical to our economy
- Maintain domestic shipbuilding and maintenance
- Sustain vibrant U.S. Merchant Marine



**MERCHANT MARINE ACT OF
1936**



Revamped in 1970



Amended in December 2022

At the end of 2023:

\$2.6 BILLION
on deposit

136
program participants

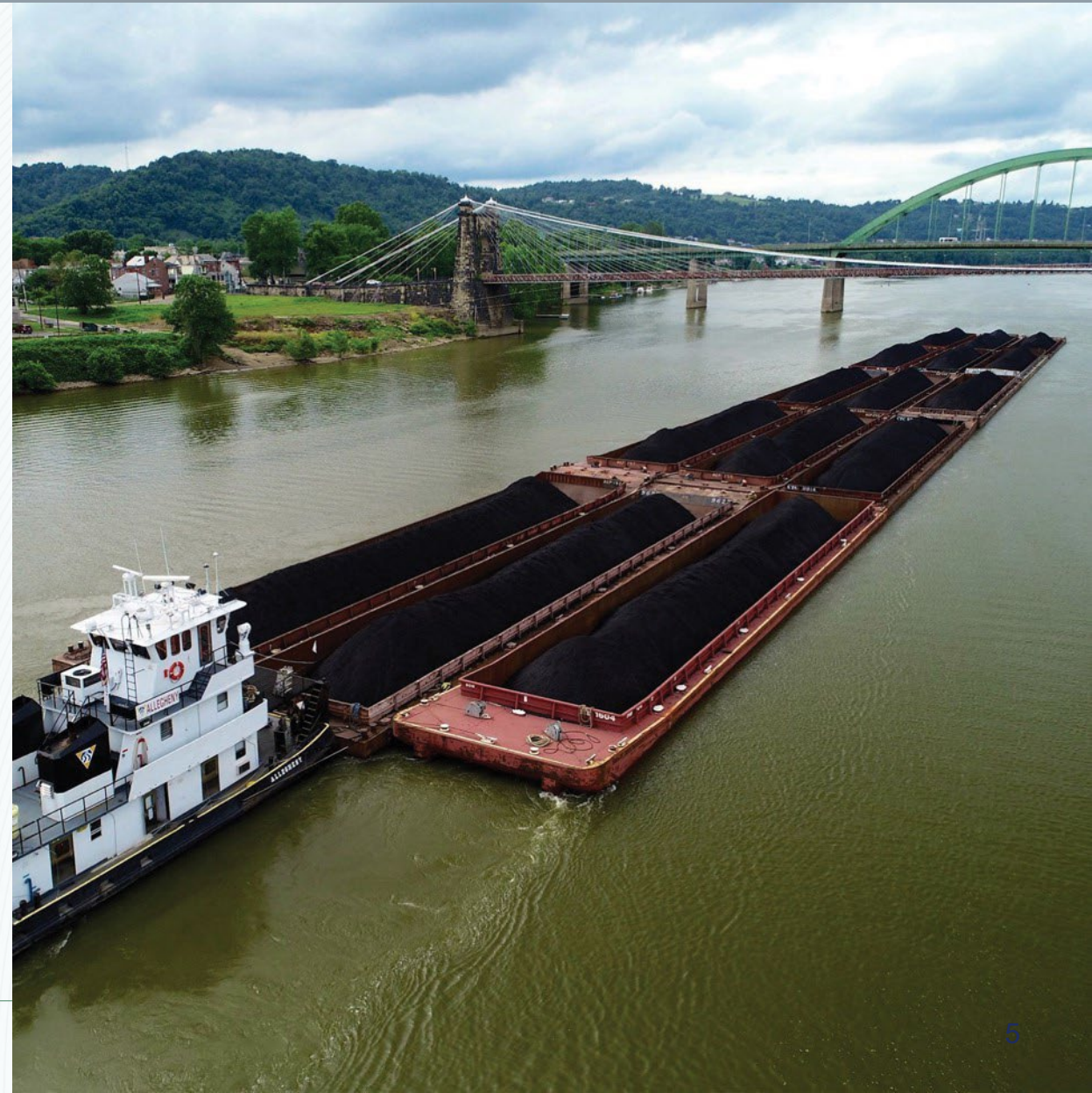
CCF PROGRAM OVERVIEW

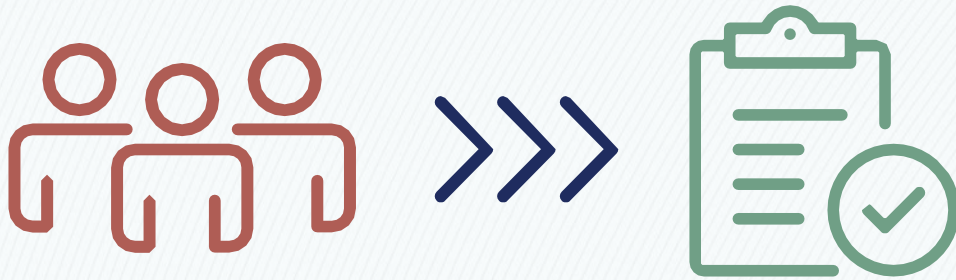
STATUTORY AUTHORITY AMENDMENTS

NATIONAL DEFENSE AUTHORIZATION ACT 2023

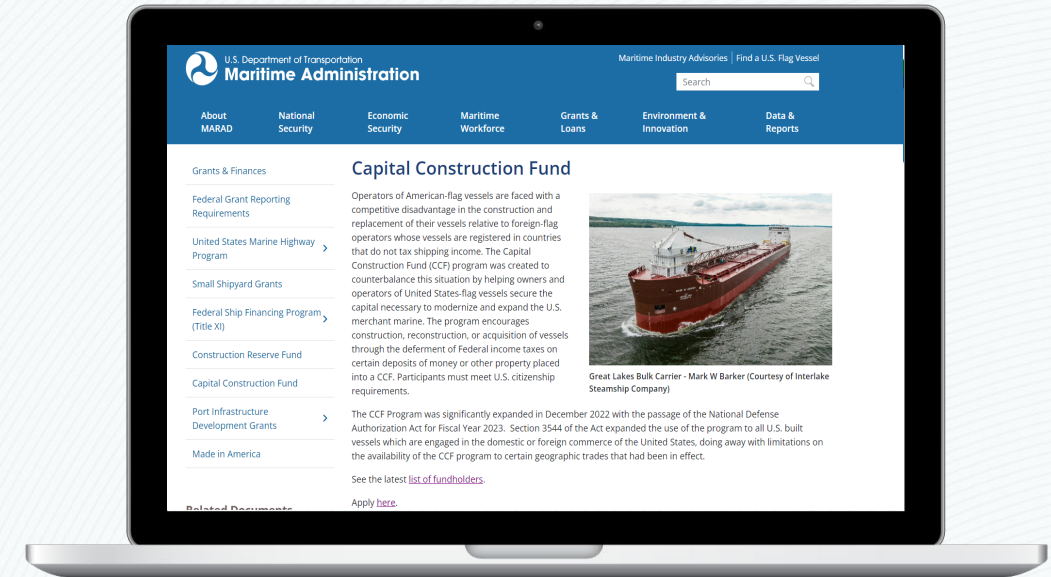
Opened program to all U.S.-
built vessels engaged in
commerce

Eliminated prior geographic
trading restrictions





- U.S. citizen or corporation, partnership or other business
- Own or lease (including share interest) in an “eligible vessel”
- Office of Marine Financing review



Details of CCF eligibility requirements are found on the CCF Program pages on MARAD’s website:
www.maritime.dot.gov/grants/capital-construction-fund.

DEPOSITS AND INVESTMENT

Deposit from “Eligible Vessels”

- Income from operations
- Depreciation
- Gain from sale

Earnings on funds in CCF

- **Term**
 - Can remain in fund up to 25 years
- **Investments**
 - Cash and cash equivalents
 - Interest bearing securities
 - Common and preferred stock

COMMERCIAL OPERATION

- Transporting people
- Transporting goods, material or wares

FOREIGN COMMERCE

- Between the U.S. and a foreign country
- Between two foreign countries
- Between two points in the same foreign country

U.S. Built
U.S. Flag

DOMESTIC COMMERCE

- Between two points in the U.S.
- Includes “voyages to nowhere”

LISTED IN CCF AGREEMENT



- Construction, acquisition or reconstruction of vessels employed in eligible trades
- Retirement of principal portion of debt incurred for those purposes



- **Funds deposited in a CCF excluded from taxable income year deposited**
- **Earnings on funds in a CCF are deferred**
- **Tax basis of new vessel is reduced by the amount withdrawn but withdrawal is not considered taxable income**
- **If a CCF-built vessel has been reduced to \$0 basis, other vessels in owner's fleet have their basis reduced**
- **Use of CCF funds for non-qualified use incur penalty**

PUERTO RICO LINER SERVICES COMPANY

- Two new container roll-on/roll-off vessels
- Of the first vessels built in U.S. to use LNG as primary fuel source



PASSENGER VESSEL COMPANY

New construction and upgrades
to existing fleet



GREAT LAKES TRANSPORTATION COMPANY

- First new Great Lakes bulk carrier in nearly 40 years
- Installation of scrubbers in existing fleet



ANNUAL REPORTING

1. Evidence of continued U.S. Citizenship
2. Fund Activity Report

AS NEEDED

1. Update lists of vessels
2. Changes to depositories and plans
3. Approve sale of CCF-built vessels



Funds held in a separate account at an approved depository

1. Listed in CCF Agreement
2. FDIC insured (bank) or SIPC member (brokerage)

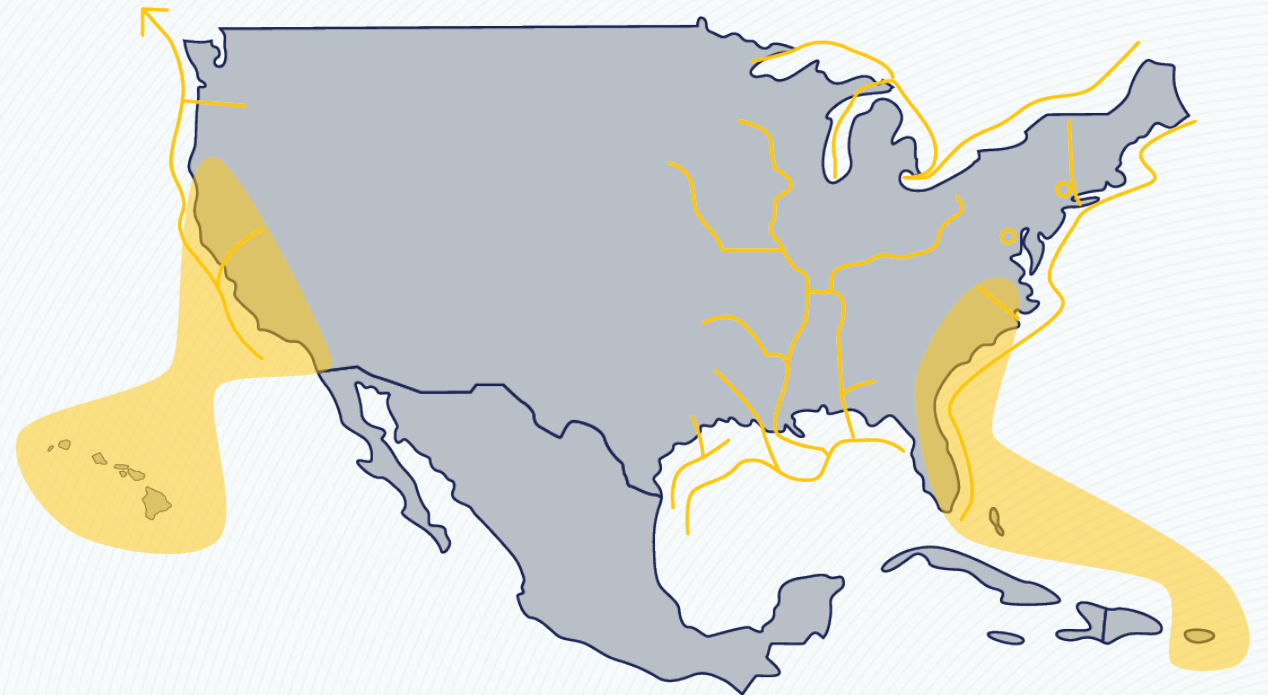
FEDERAL DEPOSIT
INSURANCE CORPORATION



550 17 TH STREET

CCF-built vessels must operate in qualified trade for up to 20 years

1. Requirement attaches to vessel even if sold
2. Penalties may apply if used in non-qualified trade



APPLICATION FORM

- No set application form, requirements are in Appendix I of 46 CFR Part 390 and sample (application and schedules) available on CCF website
- Emailed pdf is acceptable with hard copy filed
- No fee

OFFICE OF MARINE FINANCING

- Reviews application for completeness and compliance
- Works with applicant to revise application if needed
- Single point of contact between company and MARAD





* Applicant can reimburse general fund from CCF for qualified expenditures made after application is filed but prior to approval



- Deferral of taxes on vessel earnings, gain and depreciation
- Investment earnings deferred
- Long investment period – up to 25 years
- Deferred taxes paid throughout life of new vessel
- Stimulates growth and modernization of U.S. maritime industry

(1) Is there a minimum dollar amount for a CCF account holder's Schedule B program and, if so, how will that be determined?

No minimum amount is required. If the amount is unknown at the time of an application, it can be modified once the cost of a vessel is known and the amount that the CCF account holder wants to take from the account is known.

(2) Can revenue earned from eligible agreement vessels be deposited into the CCF account at any time during the year or only a specific time of the year?

Deposits may be made at any time of year but not later than the last day prescribed by law for filing the CCF account holder's federal income tax return for the taxable year to which such deposit relates.

(3) Is there a time limit on when a CCF account holder must use its CCF funds (e.g., to purchase a vessel)?

Yes – CCF funds must be used within 25 years from the date (year of) deposit.

(4) Can a CCF account holder deposit money into its CCF account that was received after the application was filed but before a CCF agreement is in place?

In general, yes.

(5) Can a CCF account holder use CCF funds to reimburse for payments made after an application was filed but before its CCF agreement is in place?

In general, yes, so long as the reimbursement is within 120 days of the date of the expenditure or contract execution, as applicable.

(6) Can CCF funds be used for vessels that are in service or expected to be put in service?

CCF funds can be used for reconstruction of existing vessels as well as to construct, reconstruct or pay the principal portion of construction or acquisition-related indebtedness for additional vessels that a fundholder has plans for. The long-term nature of the CCF offers a way to amass a significant portion of new vessel costs in a tax shelter.

(7) If funds are received from a sale of an agreement vessel, can those funds be placed into the CCF account at any time during the calendar year without paying taxes on the funds, or is a shorter period of time required?

Generally, the tax treatment of the deposit made from the sale of an agreement vessel is determined based on the taxable year in which the deposit is made.

(8) Are the proceeds from the sale of an agreement vessel treated any differently than funds received from operating an agreement vessel?

For deposits into a CCF account, proceeds from owning or operating an agreement vessel may be used. For withdrawals from a CCF account (vessels listed on Schedule B), an applicant must have a proprietary interest in the vessels for which the funds are used. The ceilings of nontaxability differ depending on whether the proceeds originate from operating or selling an agreement vessel.

(9) What are some limitations of the program?

There are a few specific unacceptable objectives for new applications such as those that are solely for the following:

- (i) Reconstruction of an existing vessel, unless such reconstruction will exceed \$1,000,000 in capitalized cost under IRS regulations and will result in a vessel which is significantly more competitive;
- (ii) Acquisition of an existing vessel; or
- (iii) Payment of the principal on existing indebtedness.

(10) Are there any monetary penalties if the CCF agreement is violated (e.g., funds are not used for the agreed on CCF objectives)?

Yes. Unqualified withdrawals are treated as ordinary income and the IRS may assess early withdrawal or other penalties if funds are not used to fulfill the agreed on CCF objectives. Because these penalties are under the IRS's control and will vary based on the particular circumstances, MARAD cannot provide guidance on what the amount(s) may be.

(11) What are the application deadlines?

- Corporation or LLC: Must be received by September 15th in order to gain tax benefit for the previous year.
- Individual: Must be received by October 15th in order to gain tax benefit for the previous year.

(12) What is the difference between an "eligible agreement vessel" and a "qualified agreement vessel?"

Eligible agreement vessels are those used to fund the CCF account. Funds may come from either their operation or from their sale.

Qualified agreement vessels are vessels owned (in whole or in part) by the applicant and for which CCF funds are used to construct or reconstruct.



U.S. Department of Transportation

Maritime Administration

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**Business Hours: 9:00 a.m. – 5:00 p.m. EST,
Monday – Friday**