



New York City Comptroller
John C. Liu

NEWS RELEASE

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LIU: TOUR BOAT FIRM TOOK ‘LIBERTY’ ON TAXES

*Statue Cruises May Owe City Millions on Questionable Tax Exemptions,
Underreported Revenue to the City, Audit Finds*

NEW YORK, N.Y. – City Comptroller John C. Liu today announced that a tour-boat company licensed by the City to ferry passengers between Battery Park and Liberty and Ellis islands may have dodged millions in State and City taxes and has underreported its revenue by close to \$1 million.

“Just because this company’s business revolves around the Statue of Liberty doesn’t mean it should be free from paying taxes,” Comptroller Liu said. “This tour company has to learn that it is a privilege to do business with New York City, not an opportunity to look for loopholes to avoid paying taxes and withholding millions from public coffers.”

Dubious Tax Exemption

Statue Cruises did not pay General Corporation taxes to the State and City in 2011 based on a shaky claim that it is a business engaged “exclusively” in interstate commerce. Statue Cruises boats, which depart from and return to Battery Park, briefly enter New Jersey waters. A New York State tax opinion, however, holds that “merely because a vessel crosses state lines does not establish that it is primarily engaged in interstate commerce for the purposes of the exemption ...”

In fact, Statue Cruises predecessor, Circle Line-Statue of Liberty Cruises, ran an almost identical ferry service and was turned down for an interstate commerce take exemption on sales taxes. Circle Line paid the City \$650,000 in General Corporation taxes in 2006.

Assuming that Statue Cruises has received this exemption since it received its license in 2008, and based on an annual revenue estimate of \$33 million, the company potentially faces millions in tax liability. At best, the company has attempted to take advantage of a tax loophole.

Underreported Revenue

Statue Cruises underreported its revenue by at least \$809,926 and owes the City \$83,369. That figure could be understated, however. Because the company’s controls over its books were so poor — for example, it sold tickets haphazardly without regard for their sequential numbering — there could be more unreported revenue.

Comptroller Liu's audit found 45,569 missing tickets that, if they were sold, represent \$592,397 in underreported revenue. Statue Cruises is supposed to sell numbered tickets in sequential order. When auditors noted 108 separate instances of gaps in ticket numbers from March through August 2012, the company offered contradictory explanations that raised red flags.

In addition, Statue Cruises failed to report at least \$217,529 in revenue from charter cruises and the temporary use of the City's slips.

Background

In 2008, Statue Cruises was licensed by the City to run ferries to Liberty and Ellis islands as well as harbor cruises and charters from slips in Battery Park. The company reported \$39.6 million in gross receipts and paid the City \$3.2 million in license fees in 2011.

Response

The Parks Department agreed with the recommendations and has referred the findings to taxation authorities. It has also asked the company to pay \$83,369.

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