COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5253-02
Bill No.: HB 1476
Subject: Aircraft and Airports; Revenue Department; Economic Development; Economic Development Department
Type: Original
Date: January 27, 2012

Bill Summary: This proposal establishes the Freight Forwarders Incentive Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Up to $3,660,447)	(Up to $4,865,917)	(Up to $3,666,634)
Total Estimated Net Effect on General Revenue Fund	**(Up to $3,660,447)**	**(Up to $4,865,917)**	**(Up to $3,666,634)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	**1 FTE**	**1 FTE**	**1 FTE**

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development** (**DED**) assume Section 135.1500 establishes the Freight Forwarders Incentive Act which allows an air export tax credit to freight forwarders for a shipment of cargo on an outbound flight from the St. Louis airport. The air export tax credit has an aggregate cap of $60 million with annual caps as follows: $3 million for CY 2012; $4.8 million for CY 2013; and $3.6 million each for the CY years 2014 and after.

DED assumes a negative fiscal impact in excess of $100,000 annually; however this negative impact would be offset by an unknown positive economic benefit as a result of the increase in economic activity from this program. DED would require one additional FTE to administer the program due to the anticipated amount of administration involved. The FTE would be an Economic Development Incentive Specialist III ($40,212) and be responsible for reviewing and approving the applications for the program to determine eligibility, establishing procedures, reviewing the tax credit applications to make sure they meet the criteria of the program, drafting and sending the tax credit awards, and ensuring compliance with the program.

Oversight has indicated a cost for the tax credits based on the authorized tax credit amounts in the proposal. Air export tax credits are limited to $3,600,000 in FY 2013, $4.8 million in FY 2014, and $3.6 million in FY 2015. All costs are assumed to be paid from, or impact the General Revenue Fund.

Officials at the **Department of Revenue** (**DOR**) assume the department and ITSD-DOR will need to make programming changes to various tax systems and form changes estimated at 840 FTE hours at a cost of $22,260. DOR's Personal Tax Division assumes the need for one Revenue Processing Technician I per 4,000 credits claimed. Additionally, DOR's Corporate Tax Division assumes it would need one Revenue Processing Technician I per 6,000 additional tax credit redemptions.

Oversight assumes there would be a limited number of entities eligible for this exemption and that DOR could absorb the additional workload with existing resources. If this proposal creates a significant unanticipated increase in the DOR workload, or if multiple proposals were implemented, resources could be requested through the budget process.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means

ASSUMPTION (continued)

to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies, who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Officials at the **Joint Committee on Administrative Rules** and the **Missouri Department of Transportation** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

FISCAL IMPACT - State Government	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
Cost - Dept. of Economic Development			
Personal Service	($33,510)	($40,614)	($41,020)
Fringe Benefits	($17,740)	($21,501)	($21,716)
Equipment and Expenses	($9,197)	($3,802)	($3,898)
Total Cost- DED	($60,447)	($65,917)	($66,634)
FTE Change -DED	1 FTE	1 FTE	1 FTE
Revenue Reduction - air export tax credit (135.1502)	(Up to $3,600,000)	(Up to $4,800,000)	(Up to $3,600,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**(Up to $3,660,447)**	**(Up to $4,865,917)**	**(Up to $3,666,634)**
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

FISCAL IMPACT - Local Government	FY 2013 (10 Mo.)	FY 2014	FY 2015
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses may be affected by this proposal.

FISCAL DESCRIPTION

This proposal establishes the Freight Forwarders Incentive Act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Missouri Department of Transportation
Office of the Secretary of State

Mickey Wilson

Mickey Wilson, CPA
Director
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JH:LR:OD