COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0419-03
Bill No.: HCS for HB 221
Subject: Aircraft and Airports; Revenue Department; Economic Development; Economic Development Department
Type: Original
Date: February 27, 2013

Bill Summary: This proposal establishes the Missouri Export Incentive Act to encourage foreign trade through the Lambert - St. Louis International Airport.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	($60,868) to ($7,560,868 to Unknown)	($66,246) to ($7,566,246 to Unknown)	($66,965) to ($7,566,965 to Unknown)
Total Estimated Net Effect on General Revenue Fund	**($60,868) to ($7,560,868 to Unknown)**	**($66,246) to ($7,566,246 to Unknown)**	**($66,965) to ($7,566,965 to Unknown)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Budget and Planning** (**BAP**) assume this proposal would make qualifying freight forwarders eligible to receive air export tax credits based on the weight of specified shipments. This proposal caps the amount of benefit that can be authorized at $7.5 million annually. The total amount of credits available is $60 million; therefore this proposal may reduce General and Total State Revenues by that amount. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

In response to the previous version of this proposal, officials at the **Department of Economic Development** (**DED**) assume this proposal 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 a $7.5 million annual cap. Tax credits are based on 40 cents per chargeable kilo. These credits may be transferred, sold and carried forward. The proposal requires DED to establish procedures to allow freight forwarders to receive air export tax credits within twenty business days of the date of the filing of the application, which the freight forwarder must file within 120 days of shipment. The program automatically sunsets sixteen years after the effective date, unless reauthorized by the General Assembly.

DED assumes a negative fiscal impact in excess of $100,000; however this negative impact would be offset by an unknown positive economic benefit as a result of the increase in economic activity generated by 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 ($41,016) 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.

In response to the previous version of this proposal, officials at the **Department of Revenue** (**DOR**) assume they would need to make form changes and changes to various tax filing systems. The cost is estimated at $22,722 for $840 FTE hours.

DOR's Personal Tax Division assumes the need for one Revenue Processing Technician I ($25,884) for every 4,000 credits processed. The Corporate Tax Division will need one Revenue Processing Technician I ($25,884) per 6,000 additional tax credit redemptions.

ASSUMPTION (continued)

Oversight assumes DOR is provided with core funding to handle a certain amount of computer programming activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight assumes there would be a limited number of entities eligible for this credit 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.

In response to the previous version of this proposal, officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues as a result of the establishment of the Freight Forwarders Incentive Act is possible. 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.

In response to similar legislation filed last year, HB 1476, **Missouri Department of Transportation** stated the proposal would have no fiscal impact.

Officials at the **Joint Committee on Administrative Rules** assume 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

ASSUMPTION (continued)

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.

Oversight assumes the first time a Freight Forwarder can apply for the tax credit is July 1, 2013; so the first time the Freight Forwarder could claim the credits would be on their calendar year 2013 tax return filed after January 1, 2014. Therefore, Oversight will show the impact of this proposal beginning in Fiscal Year 2014, as $0 (no credits issued) to the annual $7.5 million cap.

DED is allowed to issue credits in excess of the $7.5 million cap each year, which would come off the amount that can be issued in the future. Therefore, **Oversight** will range the fiscal impact up to the amount of the cap, plus a potential unknown amount.

Oversight assumes the creation of this new program outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in this fiscal note.

FISCAL IMPACT - State Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
Cost - Department of Economic Development			
Personal Service	($34,180)	($41,426)	($41,840)
Fringe Benefits	($17,345)	($21,022)	($21,232)
Expense and Equipment	($93,430)	($3,798)	($3,893)
Total Cost - DED	($60,868)	($66,246)	($66,965)
FTE Change - DED	1 FTE	1 FTE	1 FTE
Revenue Reduction - creation of the MO Export Incentive Act	$0 to ($7,500,000 to Unknown)	$0 to ($7,500,000 to Unknown)	$0 to ($7,500,000 to Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($60,868) to ($7,560,868 to Unknown)**	**($66,246) to ($7,566,246 to Unknown)**	**($66,965) to ($7,566,965 to Unknown)**
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that are Freight Forwarders could benefit from this proposal.

FISCAL DESCRIPTION

This proposal establishes the Freight Forwarders Incentive Act to encourage foreign trade through the Lambert - St. Louis International Airport. For all taxable years beginning on or after July 1, 2013, an air export tax credit is authorized for a freight forwarder against income taxes with the exception of withholding taxes, corporate franchise taxes, and financial institution taxes for the shipment of cargo on a qualifying outbound flight in an amount equal to 40 cents per chargeable kilo. The proposal specifies the requirements in order for a freight forwarder to receive the credit and how it will be calculated. No credit can be authorized after June 30, 2021.

The maximum amount of tax credits that can be issued each year is specified in the bill. Any tax credit that is authorized but not issued due to the annual caps can be carried forward to the next year. A tax credit that is authorized before the provisions of the bill expire may be issued until all authorized credits have been issued. An authorized tax credit that exceeds an applicant's tax liability for a year may be carried forward for six years, transferred, sold, or assigned.

These provisions expire 8 years after the effective date of the bill.

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 Administration
   Budget and Planning
Office of the Secretary of State

Ross Strope

JH:LR:OD

Acting Director
February 27, 2013

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