COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5265-01
Bill No.: HB 1500
Subject: Aircraft and Airports; Department of Revenue; Economic Development; Department of Economic Development
Type: Original
Date: January 27, 2014

Bill Summary: This proposal establishes the Missouri Export Incentive Act to encourage foreign trade through international airports in Missouri.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	($69,211 to $3,669,211)	($67,122 to $8,124,122)	($67,851 to $8,124,851)
Total Estimated Net Effect on General Revenue Fund	**($69,211 to $3,669,211)**	**($67,122 to $8,124,122)**	**($67,851 to $8,124,851)**

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.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of 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 in FY15 at $3.6 million, and each subsequent fiscal year at $8.057 million. The total aggregate amount of credits available is $60 million. Therefore, this proposal may reduce General and Total State Revenues by $3.6 million in FY15, and $8.057 million for each subsequent fiscal year. The program would sunset eight years after the effective date of the legislation. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

Officials at the **Department of Economic Development** (**DED**) assume §135.1550 establishes the Air Export Tax Credit which allows an air export tax credit to freight forwarders for a shipment of cargo on a qualifying outbound flight from any Missouri airport. The air export tax credit has an aggregate cap of $60 million with a fiscal year cap of $3.6 million. Tax credits are based on 40 cents per chargeable kilo on a shipment of cargo. These credits may not be transferred, sold and they do not have a 6-year carry forward provision. The act 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 eight years after the effective date, unless reauthorized by the General Assembly.

DED assumes a negative fiscal impact ranging from $0- $3.6 million for fiscal year 2015 or up to $8,057,000 for subsequent years. This negative impact would be offset by an unknown positive economic benefit as a result of the increase in economic activity as a result of the 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 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.

Officials at the **Department of Revenue** (**DOR**) assume this proposal would require computer programming changes to various tax systems. The IT portion is estimated at 840 FTE hours for a total of $22,932.

ASSUMPTION (continued)

DOR assumes its Personal Tax Division would require one Revenue Processing Technician I for tax credits processed. The Corporate Tax Division would require one Revenue Processing Technician I for tax credits redeemed.

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.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from 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 creation of the Missouri Export 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.

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

ASSUMPTION (continued)

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.

Oversight assumes the first time a Freight Forwarder can apply for the tax credit is July 1, 2014; so the first time the Freight Forwarder could claim the credits would be on their calendar year 2014 tax return filed after January 1, 2015. Therefore, Oversight will show the impact of this proposal beginning in Fiscal Year 2015, as $0 (no credits issued) to each year's annual cap.

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 2015	FY 2016	FY 2017
GENERAL REVENUE			
Revenue Reduction - Air Export tax credit §135.1550	$0 to ($3,600,000)	$0 to ($8,057,000)	$0 to ($8,057,000)
Cost - Department of Economic Development			
Personal Service	($41,520)	($41,935)	($42,355)
Fringe Benefits	($21,177)	($21,389)	($21,603)
Equipment and Expense	($6,514)	($3,798)	($3,893)
Total Cost - DED	($69,211)	($67,122)	($67,851)
FTE Change - DED	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($69,211 to $3,669,211)**	**($67,122 to $8,124,122)**	**($67,851 to $8,124,851)**
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 2015	FY 2016	FY 2017
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses that can claim the credit may be positively impacted.

FISCAL DESCRIPTION

This bill establishes the Missouri Export Incentive Act to encourage foreign trade through international airports in Missouri. For all taxable years beginning on or after July 1, 2014, 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 Department of Economic Development must index, and the Secretary of State must publish in the Missouri Register, the amount of the air export tax credits to adjust each year depending upon fluctuations in the cost of fuel for over-the-road transportation. The bill specifies the requirements in order for a freight forwarder to receive the credit and how it will be calculated. No credits can be authorized after June 30, 2022.

The maximum amount of tax credits that can be issued each year is specified in the bill.

This bill contains an emergency clause.

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

JH:LR:OD

SOURCES OF INFORMATION

Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Office of the Secretary of State

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JH:LR:OD