COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0722-07
Bill No.: SB 120
Subject: Economic Development; Economic Development Department; Tax Credits
Type: Original
Date: January 28, 2013

Bill Summary: This proposal relates to incentives created by the Missouri Export Incentive Act.

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)	($66,246 to $7,566,246)	($66,965 to $7,566,965)
Total Estimated Net Effect on General Revenue Fund	**($60,868 to $7,560,868)**	**($66,246 to $7,566,246)**	**($66,965 to $7,566,965)**

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 authorizes the Missouri Export Incentive Act, which would make qualifying freight forwarders eligible to receive air export tax credits based on the weight of specified cargo shipments. The total amount of credits available is $60 million, which is the aggregate total allocated for the eight year duration of the program. This proposal could therefore reduce General and Total State Revenues by that amount. This proposal may also encourage other economic activity. BAP cannot estimate the induced revenues.

Officials at the **Department of Economic Development** (**DED**) assume this proposal 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 the St. Louis airport. The air export tax credit has an aggregate cap of $60 million with a fiscal year cap of $7.5 million. Tax credits are based on 40 cents per chargeable kilo on a shipment of cargo. These credits may be transferred and they 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 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 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 ($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. The estimated FTE cost for FY 2014 is $60,868.

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

Officials at the **Department of Revenue** (**DOR**) assume this proposal would require form changes and changes to various tax systems. The changes are estimated to cost $22,722 for 840 FTE hours.

ASSUMPTION (continued)

DOR assumes the Personal Tax Division will need one Revenue Processing Technician I ($25,884) per 6,000 tax credits processed. The Corporate Tax Division will need one Revenue Processing Technician I ($25,884) per 6,000 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 DOR's Personal and Corporate Tax Divisions could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume 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 through out 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** 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

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.

Officials at the **Missouri Department of Transportation** did not respond to Oversight's request for fiscal impact.

FISCAL IMPACT - State Government	FY 2014	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)
Equipment and Expense	($9,343)	($3,798)	($3,893)
Total Cost - DED	($60,868)	($66,246)	($66,965)
FTE Change - DED	1 FTE	1 FTE	1 FTE
Revenue Reduction - authorization of the air export tax credit	($0 to $7,500,000)	($0 to $7,500,000)	($0 to $7,500,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($60,868 to $7,560,868)**	**($66,246 to $7,566,246)**	**($66,965 to $7,566,965)**
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	FY 2015	FY 2016
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small business in the freight forwarding industry may be impacted if they receive the credit.

FISCAL DESCRIPTION

This act creates the Missouri Export Incentive Act. For all fiscal years beginning on or after July 1, 2013, this act authorizes air export tax credits for freight forwarders in an amount equal to forty cents per chargeable kilo shipped on a qualifying outbound flight from an airport owned

FISCAL DESCRIPTION (continued)

and operated by the City of St. Louis. The Department of Economic Development is required to adjust the tax credit amounts based upon fluctuations in fuel costs for over-the-road transportation. In order to receive air export tax credits, freight forwarders must file an application with the Department containing the master airway bill for the shipment within 120 days of the flight. The act requires the Department to establish procedures to allow freight forwarders to receive air export tax credits within twenty business days of the departure of the qualifying flight.

The amount of air export tax credits which may be authorized each fiscal year is $7.5 million. If, in any given year, more tax credits are authorized than may be issued, the amount in excess of the cap on issuance will be carried forward for issuance in the following year. The authorization of air export tax credits is prohibited after June 30, 2021, but the act allows for the subsequent issuance of any tax credits which are authorized prior to such date.

All tax credits provided under the act will be fully transferrable. The tax credits are non-refundable but may be carried forward up to six years.

This act 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.

SOURCES OF INFORMATION

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

Not Responding:
Missouri Department of Transportation

Ross Strope

JH:LR:OD

Acting Director
January 28, 2013

JH:LR:OD