COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4905-01
Bill No.: SB 742
Subject: Economic Development; Department of Economic Development; Tax Credits
Type: Original
Date: March 3, 2014

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 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 7 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

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 FY 2015 at $3.6 million, and each subsequent fiscal year at $8.057 million. The total aggregate amount of credits available is $60 million.

Officials at the **Office of Administration's Division of Budget and Planning** (**BAP**) assume this proposal would not fiscally impact BAP. 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 this proposal will require one additional FTE (Economic Development Incentive Specialist III) to administer the program. The FTE would be responsible for reviewing applications, accepting applications, creating guidelines and implementation of the programs.

DED assumes a negative impact ranging from $0 - $3.6 million for fiscal year 2015 and $0 - $8,057,000 for each subsequent year. The negative impact may be offset by any positive impact that occurs from the increase in international exports and economic activity.

Officials at the **Department of Revenue** (**DOR**) assume this proposal would require computer programming changes to various tax systems valued at $22,932 for 840 FTE hours. The Personal Tax Division would require one Revenue Processing Technician I for the tax credits processed. The Corporation Tax Division would require one Revenue Processing Technician I for the 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 programming 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 Tax 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.

ASSUMPTION (continued)

Officials at the **Joint Committee on Administrative Rules** and the **Missouri Department of Transportation** each assume there is no fiscal impact to their respective organizations 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 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.

ASSUMPTION (continued)

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 - creation of the air export tax credit (§ 135.1550)	($0 to $3,600,000)	($0 to $8,057,000)	($0 to $8,057,000)
Cost - Dept. of Economic Development			
Personnel Service	($41,520)	($41,935)	($42,355)
Fringe Benefits	($21,177)	($21,389)	($21,603)
Equipment and Expenses	($6,514)	($3,798)	($3,893)
Total Costs - 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 the qualify for this tax credit may be positively impacted.

JH:LR:OD

FISCAL DESCRIPTION

This act creates the Missouri Export Incentive Act. For all fiscal years beginning on or after July 1, 2014, 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 and operated by a city located in this state. 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 withing 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.

For fiscal year 2015, the amount of air export tax credits which may be issued is $3.6 million. Each fiscal year thereafter the amount which may be issued is $8.057 million. The total aggregate amount of air export tax credits that may be authorized over eight years is $60 million. The authorization of air export tax credits is prohibited after June 30, 2022, but the act allows for the subsequent issuance of any tax credits which are authorized prior to such date.

The tax credit cannot be carried forward to subsequent tax years or carried back to previous tax years. The tax credits is not transferable.

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.

JH:LR:OD

SOURCES OF INFORMATION

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

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March 3, 2014

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JH:LR:OD