

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4621-01  
Bill No.: SB 801  
Subject: Taxation and Revenue - Income; Corporations  
Type: Original  
Date: February 17, 2020

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Bill Summary: This proposal modifies definitions relating to corporate income taxes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal may impact Total State Revenues (TSR) and General Revenue (GR).

This proposal may impact the calculation under Article X, Section 18(e).

Furthermore, this proposal adds air freight forwarders to the definition of corporations. This may have an unknown impact to corporate income tax collections. Therefore, this section may impact GR and TSR.

**Oversight** notes B&P assumes this proposed legislation may impact GR and TSR by an unknown amount as a result of adding the term “qualified air freight forwarders” to the definition of “corporation” under Section 143.441.

Officials from the **Missouri Department of Revenue (DOR)** assume this section adds freight forwarders to the definition of corporations. DOR assumes an unknown impact to TSR and GR as a result of the addition.

**Oversight** notes DOR assumes this proposed legislation may impact GR and TSR by an unknown amount.

Officials from the **University of Missouri’s Economic & Policy Analysis Research Center (EPARC)** state, if enacted, this proposed legislation would add “qualified air freight forwarders” to the list of corporations subject to Missouri Corporate Income Tax.

Although the definition of an “air freight forwarder” encompasses many existing companies such as UPS, FedEx and other carriers, EPARC is uncertain to the extent of these entities’ incomes are already taxed as corporations in this state. Therefore, EPARC is unable to provide an estimated impact as a result of this proposed legislation.

**Oversight** notes EPARC is unable to quantify an estimated impact as a result of this proposed legislation.

**Oversight** notes this proposed legislation adds the term “qualified air freight forwarders” to the definition of “corporation” under Section 143.441.

**Oversight** assumes the addition of the term “qualified air freight forwarders” to the definition of “corporation” under Section 143.441 would require qualified air freight forwarders to file and remit corporate income tax(es), as applicable, in the State of Missouri.

ASSUMPTION (continued)

**Oversight** notes, Section 143.455.15, RSMo, and Section 143.451.4, RSMo, state “a corporation described in **Subdivision (2) of Subsection 1 of Section 143.441** shall include in its Missouri taxable income all income arising from all sources in this state and all income from each transportation service wholly within this state, from each service where the only rails and lines of such corporation used are those in this state, and such proportion of revenue from each service where the facilities of such corporation in this state and in another state or states are used, as the mileage used over the rails and lines of such corporation in the state shall bear to the total mileage used over the rails and lines of such corporation. The corporation may elect to compute the portion of income from all sources within this state in the following manner:

(1) The income from all sources shall be determined as provided;

(2) The amount of investment of such corporation on December thirty-first of each year in this state in fixed transportation facilities, real estate and improvements, plus the value on December thirty-first of each year of any fixed transportation facilities, real estate and improvements in this state leased from any other railroad shall be divided by the sum of the total amount of investment of such corporation on December thirty-first of each year in fixed transportation facilities, real estate and improvements, plus the value on December thirty-first of each year, of any fixed transportation facilities, real estate and improvements leased from any other railroad. Where any fixed transportation facilities, real estate or improvements are leased by more than one railroad, such portion of the value shall be used by each railroad as the rental paid by each shall bear to the rental paid by all lessees. The income shall be multiplied by the fraction thus obtained to determine the proportion to be used to arrive at the amount of Missouri taxable income.”

**Oversight** further notes, corporations, as described in Section 143.441 may qualify for tax credits/exemptions that are permitted to be extended to such corporations provided the corporation meet the requirements as set forth in the various tax credit/exemption statutes/laws.

For purposes of this fiscal note, Oversight will report a fiscal impact ranging from (Unknown) to Unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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**GENERAL REVENUE FUND**

<u>Revenue - Section 143.441 - Addition of Qualified Air Freight Forwards to the definition of "Corporation"</u>	(Unknown) to <u>Unknown</u>	(Unknown) to <u>Unknown</u>	(Unknown) to <u>Unknown</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that is a qualified air freight forwarder as they may be required to file Missouri Corporate Income Tax(es) resulting in tax assessments (negative impact) or tax refunds (positive impact).

FISCAL DESCRIPTION

This act adds "qualified air freight forwarders", as defined in the act, to the definition of "corporation" as a transportation corporation for the purposes of corporate income allocation. (Section 143.441)

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

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SOURCES OF INFORMATION

Office of Administration - Budget & Planning Division  
Missouri Department of Revenue  
University of Missouri's Economic & Policy Analysis Research Center



Julie Morff  
Director  
February 17, 2020



Ross Strope  
Assistant Director  
February 17, 2020