GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 2366 (First Edition)

SHORT TITLE: Extend State Ports Tax Credit.

SPONSOR(S): Representatives McComas, Wainwright, and Gibson

FISCAL IMPACT

	Yes ( )	No ( )	No Estimate Available ( )		
	FY 2008-09	**FY 2009-10**	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**
REVENUES ($ millions):					
Ports Credit	**(1.0)**	**(2.0)**	**(2.0)**	**(2.0)**	**(2.0)**
EXPENDITURES:					
POSITIONS (cumulative):					

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue

EFFECTIVE DATE: This act would be effective when it becomes law.

BILL SUMMARY: This proposal extends for five years the following tax credit for use of North Carolina's State Ports due to expire January 1, 2009:

State Ports Tax Credit

In 1992, the General Assembly enacted the State Ports tax credit to encourage exporters to use the two State-owned port terminals in Wilmington and Morehead City. When enacted, the credit applied to amounts paid by a taxpayer on any cargo exported at either port. When first enacted, this credit was effective for taxable years beginning on or after March 1, 1992, and ending on or before February 28, 1996. Over the years, the credit has been expanded and the sunset has been extended.

Eligibility. – The State Ports tax credit is allowed to a taxpayer who loads or unloads waterborne cargo from an ocean carrier at the State-owned port terminal at Wilmington or Morehead City. The credit is allowed against the taxpayer's income tax. The taxpayer may be either an individual or a corporation.

Credit Amount. **–** The amount of the tax credit is equal to the amount of wharfage, handling, and throughput charges paid to the North Carolina State Ports Authority in the taxable year that exceeds the average amount of charges paid to the Authority for the current tax year and the two previous tax years. The credit is limited to 50% of the tax imposed on the taxpayer for the taxable year. Any excess credit may be carried forward and applied to the taxpayer's income tax liability for the next five years. The maximum cumulative credit that one taxpayer may claim is $2 million.

Definitions. – Although not defined by the relevant statutes, the various types of cargo differ as follows:

- <u>Bulk cargo</u> is a type of commodity that is loose and usually stockpiled. Examples of this type of commodity include coal, grain, salt, and wood chips.
- <u>Break-bulk cargo</u> consists of commodities that are packaged and stored on pallets or in cases that must be handled and stacked onto a ship by hand, crane, etc. Break-bulk cargo also includes machinery.
- <u>Container cargo</u> consists of commodities that are packaged in a metal trailer box that can be locked onto a tractor-trailer chassis and then detached and put on a ship without any other handling.

*Sunset***. –** The credit is currently scheduled to expire for taxable years beginning on or after January 1, 2009. This bill would extend the tax credit for five years, through the year 2013.

ASSUMPTIONS AND METHODOLOGY: From FY 1994-95 through FY 2006-07 credits have ranged from $200,000 to $2.2 million. The average over this time period is just under $1 million. Because in any given year the total potential credits taken are close to $2 million (which has occurred on 2 occasions), the fiscal estimate reflects this potential level of credits taken.

Because tax credits are typically taken based on tax years, which do not coincide with the State’s fiscal year, FY 2008-09 losses represent a partial year’s credits.

SOURCES OF DATA: Department of Revenue, Moody’s economy.com

TECHNICAL CONSIDERATIONS: None

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DATE: May 27, 2008

Official Fiscal Research Division Publication

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