

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1388 (Senate Finance Committee Substitute)

SHORT TITLE: Remove Sunset on State Ports Tax Credit

SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund					
Tax Credit	(\$657,000)	(\$657,000)	(\$657,000)	(\$657,000)	(\$657,000)
EXPENDITURES					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue; North Carolina State Ports Authority					
EFFECTIVE DATE: This act is effective for taxable years beginning on or after March 2, 2000. The credit will expire on January 1, 2006.					

BILL SUMMARY: The bill removes the sunset on the North Carolina State Ports Authority tax credit for wharfage, handling, and throughput charges.

BACKGROUND:

The 1992 General Assembly enacted the State Ports Authority income tax credit to encourage exporters to use the two State-owned port terminals at Wilmington and Morehead City. 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. Originally scheduled to sunset in 1996, the sunset was extended by the General Assembly in 1995 and again in 1997. The tax credit ended on February 28, 2001.

ASSUMPTIONS AND METHODOLOGY: The North Carolina State Ports Authority makes an annual report to the General Assembly detailing the annual increase in cargo tons,

cargo fees, and the amount of tax credit taken in the previous year. The income tax credits reported in these annual statements since the program's inception are as follows:

1993	\$ 26,867
1994	\$512,003
1995	\$643,965
1996	\$854,645
1997	\$515,977
1998	\$814,986
1999	\$656,134
2000	\$741,836 (preliminary report by phone)

The average tax credit for the seven years 1994 through 2000 is \$677,078 and the median tax credit for the same period is \$656,134. This fiscal note will use the median credit amount rounded up to the nearest thousand, thus extending the State Ports Authority tax credit will cost the state General Fund \$657,000 per year over the next five years. The Ports Authority staff reports that no company has reached the \$2 million maximum cumulative credit and there are no companies close to the maximum amount of credits.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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