

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1788 (First Edition)

SHORT TITLE: Ports Authority Tax Changes

SPONSOR(S): Representative Wright

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>
REVENUES					
General Fund					
Tax Credit Extension		(\$650,000)			
EXPENDITURES					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	Department of Revenue, N.C. State Ports Authority				
EFFECTIVE DATE:	The act is effective when it becomes law.				

BILL SUMMARY:

The act extends the income tax credit for State Ports Authority wharfage, handling, and throughput charges from February 28, 2001 to January 1, 2002.

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.

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

The average tax credit for the six years 1994 through 1999 is \$666,285 and the median tax credit for the same period is \$650,050. This fiscal note will use the median credit amount, thus extending the State Ports Authority tax credit for one year will cost the state General Fund \$650,000 in FY 2001-02.

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Richard Bostic

APPROVED BY: James D. Johnson

DATE: June 1, 2000



Signed Copy Located in the NCGA Principal Clerk's Offices