

FISCAL NOTE

August 23, 2017

Bill No:	SB 627	Printer's No:	PN 0700	Sponsor:	Killion
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COST / (SAVINGS)

Fund (s)	2017-18	2018-19
General Fund	\$4,000,000-\$5,000,000	\$4,000,000-\$5,000,000

SUMMARY: This legislation amends the Tax Reform Code (Act No. 2 of 1971), in corporate net income tax, further providing for definitions.

ANALYSIS: This legislation amends the Tax Reform Code to include qualified air freight forwarding companies along with railroad, truck, bus and airline companies to provide for income apportionment under the Corporate Net Income Tax (CNIT) Article.

The Tax Reform Code allows a special apportionment formula when calculating CNIT for railroad, truck, bus and airline companies. Due to company structure, certain air freight companies do not own airplanes or trucks associated with their business, and therefore do not qualify for the special formula.

This legislation would allow a qualified air freight forwarding company, defined as, a company engaged in the air freight forwarding business that primarily uses an airline with which it has common ownership and control, to utilize the special apportionment formula. The air freight forwarding company would use the revenue miles of the airline in the special apportionment formula.

This act shall take effect in immediately with applicability to taxable years beginning after December 31, 2016.

FISCAL IMPACT: The estimated impact of this legislation is \$4 to \$5 million annually. This estimate measures the difference between current law and this legislation and is based on the assumption that a limited number of companies will benefit. However, if additional taxpayers modify their current business model to take advantage of this change, the loss in revenue would increase.