



SF 2395 – Air Freight, Income Apportionment (LSB5593SV)
Analyst: Jeff Robinson (515.281.4614) jeff.robinson@legis.iowa.gov
Fiscal Note Version – New

Description

Senate File 2395 allows a taxpayer that qualifies as a qualified air freight forwarder to apportion the taxpayer's income to Iowa based on the total miles the qualified air freight forwarder's affiliated airline flies within Iowa as a percent of the affiliated airline's miles flown everywhere. A phase-in process is provided to transition the taxpayer from the current income apportionment process to the new process. The phase-in begins with tax year (TY) 2019 and is fully transitioned in TY 2022.

Qualified air freight forwarder is defined in the Bill as a taxpayer that:

- Is primarily engaged in the transportation of property by air.
- Does not itself operate an airline.
- Is in the same affiliated group as an airline.

Assumptions

The Department of Revenue produced the fiscal impact estimate for the Bill using tax return information from potential beneficiaries of the tax change. When fully implemented, the new income apportionment procedure is expected to reduce Iowa income tax liability for the taxpayers by \$1.0 million per year. Due to the small number of taxpayers involved, the assumptions cannot be disclosed.

Fiscal Impact

The income tax allocation change contained in the Bill is projected to reduce net General Fund revenue by the following amounts:

- FY 2020 = \$0.2 million
- FY 2021 = \$0.4 million
- FY 2022 = \$0.6 million
- FY 2023 = \$0.8 million
- FY 2024 and after = \$1.0 million

Source

Department of Revenue
Legislative Services Agency analysis

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
