Research Plan: House Bill 1345, Senate Bill 1277, Credit to Shipper's Franchise and Excise Tax Liability (Shelby County)

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Due: February 1, 2020 Support:	None		
Deputy Executive Director Approval:	Initial: MMB	Date: 4-27-18	
Executive Director Approval:	Initial:	Date: 4/27/18	

Purpose

Study the potential, overall effects of creating a franchise and excise tax credit for shippers with pickups or deliveries originating in, or destined to, any county having a population over nine hundred thousand (900,000) according to the 2010 federal census or any subsequent federal census.

Background

Senate Bill 1277, House Bill 1345, would have provided a franchise and excise tax credit to any person that enters into a contract for transportation services with a motor carrier if they implement a turn-around policy to ensure that pickups and deliveries are performed on time. Agreed upon pickup and delivery time frames would be limited to 2 hours. In addition to implementing a turn-around policy, the shipper would also provide contact information for the authorized parties involved in the pickup and delivery. The bill would have only applied to pickups and deliveries originating in, or destined to, Shelby County.

Since 2005, the trucking industry has experienced a shortage of qualified motor carrier truck drivers—the nationwide shortage growing from 20,000 to 36,500 in 2016. According to the American Trucking Associations' *Truck Driver Shortage Analysis 2017*, if the current trends continue the industry could experience a driver shortage of 174,000 by 2026. Truck driver shortages contribute to supply chain disruptions, delays, and costs that are passed on to consumers. A concern of the industry and proponents of this legislation is that drivers complain of waiting too long for their trailer to be loaded and unloaded, leading to costly delays. Proponents believe a franchise and excise tax credit provided to the shipper would encourage quicker turn-around and help alleviate the negative effects of the shortage of motor carrier truck drivers—since more freight can be hauled with the same number of drivers and trucks if they are not slowed down by excessive delays.

Step 1. Define the Problem

A growing shortage of motor carrier drivers may be driving up costs for businesses and consumers, in part because of extended wait times for drivers during pickup and delivery.

Step 2. Assemble Some Evidence

- Review referred legislation.
    - Review House Bill 1345, Senate Bill 1277 and related statutes and regulations to determine what the bill does.
    - Review committee hearings on the bill, including similar bills from past legislative sessions, and summarize comments and concerns of committee members, the bill sponsors, and others speaking for or against the bill.
- Interview the bill's sponsors, proponents, and other stakeholders to determine what is driving this issue. These include but are not limited to representatives of
    - Tennessee Department of Revenue,
    - Tennessee Comptroller of the Treasury,
    - Tennessee Department of Transportation,
    - Tennessee Municipal League,
    - Tennessee County Services Association,
    - Municipal Technical Advisory Service,
    - County Technical Assistance Service,
    - relevant associations, including
        - Tennessee Trucking Association and
        - American Trucking Associations, and
    - local officials, including
        - Shelby County mayor and

        - city mayors in Shelby County.
    - Review the fiscal note. Consult with Fiscal Review Committee staff and follow up with agencies submitting support forms to determine the estimated cost and the method and rationale for the estimates.
- Review relevant federal statutes and regulations.
- Review similar laws or regulations in other states.
- Review relevant literature and data sets.

Step 3. Construct Alternatives

Alternatives will be based on

- current law,
- proposed changes in the current law, and
- any additional alternatives drawn from the research and analysis in Step 2.

Each alternative will be described specifically enough to project outcomes in Step 5.

Step 4. Select Criteria

- Cost, direct and indirect, to
    - state government,
    - local governments,
    - businesses, and
    - individuals.
- Effectiveness at solving problem
- Estimate receptiveness of
    - state government,
    - local governments,
    - general public, and
    - other stakeholders.

Step 5. Project Outcomes

- Estimate cost.

- Estimate the effectiveness.
- Estimate the acceptability to the state and local governments, the general public, and other affected stakeholders.

Step 6. Confront Trade-offs

- How will the differences between the current law and the other alternatives affect the public?
- What are the pros and cons of the potential solutions?

Step 7. Decide which alternatives to present to the Commission

Based on the results of Step 6, choose the alternatives that most practically and realistically resolve the problem.

Step 8. Produce the Draft Report

Develop and present a draft for review and comment to the Commission.

Revisit Steps 5 through 8.

- Respond to feedback from Commission regarding outcome projections, trade-offs, and selection of alternatives.
- Revise and edit the draft to reflect comments of the Commission.
- Submit final report to the Commission for approval.

- **Problem Statement and Research Plan**
  - April 2018
- **Research**
  - Step 2 (December 2018 through March 2019)
  - Steps 3-4 (February 2019)
  - Steps 5-7 (March 2019)
- **Storyboard, Outline, and Write the Report**
  - Step 8 (March through July 2019)
- **Draft Report to the Commission for Comments**
  - August 2019 Commission Meeting
- **Final Report to Commission for Approval**
  - December 2019 Commission Meeting

Finance, Ways & Means Committee 1

Amendment No. <u>1 to HB1345</u>

<u>Sargent</u>
Signature of Sponsor

AMEND Senate Bill No. 1277 House Bill No. 1345*

by deleting all language after the enacting clause and substituting instead the following:

SECTION 1.

(a) As used in this act:

(1) "Accessorial services":

(A) Means any service that is incidental to transportation services; and

(B) Includes storage, packing, unpacking, hoisting or lowering, waiting time, overtime loading and unloading, and reweighing;

(2) "Best interests of the state" means a determination by the commissioner, with approval by the commissioner of economic and community development, that the qualified transportation expenditures are a result of the credit described in this act;

(3) "Freight motor vehicle" means a motor vehicle that is designed and used primarily to transport goods for hire or for commercial purposes;

(4) "Goods" means personal property that is treated as movable for the purposes of a contract for transportation services;

(5) "Line haul services" means the movement of goods over the public highways from the point of origination to the final destination;

(6) "Motor carrier" means a person who operates or causes to be operated a freight motor vehicle on a public highway for the purpose of performing transportation services;

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(7) "Person" means every individual, firm, association, joint-stock company, syndicate, partnership, corporation, or other business entity;

(8) "Qualified transportation expenditures" means the total charges incurred by a shipper for line haul services, transportation services, and accessorial services performed by a motor carrier for shipments picked up at points of origination within this state or delivered to final destinations within this state;

(9) "Shipper" means any person that enters into a contract for transportation services with a motor carrier;

(10) "Transportation services" means the pickup or delivery, or both, of goods at the point of origination or final destination; and

(11) "Turn-around policy" means the uniform and internal policy established by a shipper that meets the requirements of subdivision (c)(2).

(b) The Tennessee advisory commission on intergovernmental relations (TACIR) is directed to perform a study of the potential, overall effects of creating a franchise and excise tax credit for shippers with pickups or deliveries originating in, or destined to, any county having a population over nine hundred thousand (900,000) according to the 2010 federal census or any subsequent federal census.

(c) In conducting the study under subsection (b), TACIR shall consider a franchise and excise tax credit that meets the following criteria:

(1) The credit would be allowed to any shipper that establishes and implements a turn-around policy pursuant to subdivision (c)(2) against the sum

total of the franchise and excise taxes owed by the shipper, equal to two percent (2%) of qualified transportation expenditures;

(2) To qualify for the credit described in this act, the shipper would establish and implement a uniform and internal turn-around policy for assuring that pickups and deliveries are performed during the period of time agreed upon by a motor carrier and a shipper and for preventing delays in the timely transportation of goods over the public highways. The policy must include the following minimum requirements:

(A) That pickups and deliveries shall be accomplished on the date scheduled for pickup or delivery, that pickups must be completed within the period of time agreed to by the shipper and the motor carrier, which period shall not exceed two (2) hours, and that deliveries must be completed within the period of time agreed to by the shipper and the motor carrier, which period shall not exceed two (2) hours; and

(B) That for each shipment of goods for which transportation services of the motor carrier is requested by a shipper, the shipper shall provide the motor carrier with contact information for:

(i) Any person who may authorize pickup or delivery of any goods to be transported if the shipper designates such a person;

(ii) The shipper and any person receiving the pickup or delivery, if different from the shipper; and

(iii) Any person to whom notification of delays or that goods are available for pickup or delivery, shall be given;

(3) The credit would only be available upon a determination by the commissioner of revenue, with approval by the commissioner of economic and

community development, that the qualified transportation expenditures and the credit are in the best interests of the state;

(4) The credit would apply only in the tax year in which the shipper implements a turn-around policy meeting the criteria in subdivision (c)(2), incurs qualified transportation expenditures, and otherwise meets the requirements of this act; and

(5) The total credit claimed for any taxable year, including the amount of any carryforward credit claimed, would not exceed fifty percent (50%) of the combined franchise and excise tax liability shown by the return before any credit is taken. Any unused credit could be carried forward in any tax period until the credit is taken; provided, however, that the credit could not be carried forward for more than fifteen (15) years.

(d) All appropriate state agencies and departments shall provide assistance to TACIR upon the request of its executive director.

(e) TACIR shall submit a report disclosing the findings of the study and recommendations, including any proposed legislation or interim reports, to the general assembly no later than February 1, 2020.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.