



TAX INCENTIVES ENCOURAGING THE DIVERSION OF CARGO FROM HIGHWAYS TO BARGES

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WHAT IS A TEU?

A TEU is a standard unit for measuring a ship's carrying capacity or a port's handling capacity. Some states award tax credits to businesses that increase the number of TEUs they ship through the state's ports.

TEU, which stands for "twenty-foot equivalent unit," refers to the dimensions of the containers in which cargo is often stored so that it can be more efficiently handled.

A TEU container is commonly 20 feet long by 8 feet wide by 8 feet, 6 inches high.

QUESTION

Do any states offer tax incentives to encourage trucking companies to ship freight by barge or ferry rather than on state highways?

SUMMARY

An online search found no state statute meant to encourage trucking companies to ship freight by water rather than by road. However, Virginia offers a tax credit to cargo owners who transport by barge or rail rather than by road.

At least four states, including Georgia, North Carolina, South Carolina, and Virginia, provide indirect incentives for increased port use by offering tax credits to taxpayers who increase the volume of goods they ship through their ports. We briefly describe these

laws below.

We also attach OLR Report [2010-R-0305](#), which includes information about other port-specific tax incentives.

VIRGINIA'S BARGE AND RAIL USAGE CREDIT

Virginia offers a barge and rail usage tax credit for eligible cargo owners who ship by barge or rail rather than by truck. The credit is \$25 per "20-foot equivalent unit (TEU)" or for each 16 tons of non-containerized cargo, moved by barge or rail in excess of that shipped by barge or rail during the immediately preceding taxable year. (A TEU is a measurement unit based on the dimensions of the containers (20' x 8' x 8'6") in which cargo is frequently shipped.)

The taxpayer can claim the credit against the state's individual or corporate income taxes, tax on estates and trusts, bank franchise tax, insurance premiums tax, or tax on public service corporations. The credit is available for tax years from January 1, 2011 through December 31, 2016.

The tax commissioner cannot issue more than \$1.5 million in these tax credits in a fiscal year. Unused credits can be carried forward for five years (Code of Virginia § 58.1-439.12:09).

The Virginia Port Authority and the U.S. Department of Transportation's Marine Administration have tracked the amount of money these credits have saved so far in reduced highway congestion and road maintenance costs, as shown in Table 1, below.

Table 1: Traffic Congestion and Highway Maintenance Savings

<i>Measure</i>	<i>2011</i>	<i>2012</i>	<i>January through June 2013</i>
Trips Avoided	8,772	16,810	6,468
Total Avoided Vehicle Miles Traveled	912,288	1,748,240	672,672
Congestion Savings	\$219,861	\$421,326	\$162,114
Maintenance Savings	\$293,757	\$562,933	\$216,600
Total Savings	\$513,618	\$984,259	\$378,714
Cumulative Savings 2011 through June 2013	N/A	N/A	\$1,876,591

PORT CARGO VOLUME INCREASE TAX CREDITS

Georgia, North Carolina, South Carolina, and Virginia offer tax credits to taxpayers who substantially increase the volume of goods they ship through their ports.

Georgia, South Carolina, and Virginia measure the volume in terms of cargo. North Carolina measures volume in terms of wharf use and handling fees.

Georgia

Georgia offers “tax credit bonus awards” to new or expanding Georgia companies that increase imports or exports through a Georgia port by at least 10% over the previous year. The company must have base-year traffic of at least 75 net tons, five containers, or 10 TEUs. If the company’s base year traffic is less than that, the above figures become the base on which increases are calculated.

Unused credits can be carried forward for up to 10 years, as long as traffic remains above the minimum levels (Georgia Statutes § 48-7-40.15 and 15A).

North Carolina

North Carolina offers taxpayers income tax credits for increased use of the ports at Morehead City and Wilmington. The credit is earned on cargo wharfage and handling fees, and is the amount by which the current year’s fees exceed the average fees for the current and the two preceding taxable years. Taxpayers can carry forward unused credits for five years. A taxpayer cannot claim cumulative credits of more than \$2 million (North Carolina Statutes §105-130.41, but repealed for taxable years starting January 1, 2014).

South Carolina

South Carolina offers a tax credit to taxpayers who increase the volume of port cargo over their base year volume by at least 5% in a single calendar year. The state Coordinating Council for Economic Development determines the credit. The maximum amount of port cargo credits for all qualified taxpayers is \$8 million per year.

In 2013, South Carolina expanded the types of businesses eligible for the credit. In addition to those engaged in warehousing, manufacturing, or distribution, eligible businesses now include those engaged in freight forwarding, freight handling, goods processing, cross-docking (receiving and shipping goods with little or no storage time), transloading (transferring goods from one form of transportation to another), or wholesaling of goods through South Carolina ports (South Carolina Statutes § 12-6-3375, as amended by Bill H.3557).

Virginia

Virginia offers a tax credit to taxpayers engaged in the manufacture of goods or distribution of manufactured goods (including processed agricultural products) that increase their port cargo volume by at least 5% in a single calendar year over their base year cargo volume. The credit is \$50 per TEU in excess of the base-year cargo volume.

Under the law, the base year is either (1) 2011 or (2) the first year a company moved 10 containers or 75 non-containerized tons through Virginia ports. The state may waive the volume increase requirement for a major facility located in Virginia projected to import or export freight through a port in excess of 25,000 TEUs in its first calendar year. Taxpayers may claim the credit against their individual or corporate income tax. Virginia generally sets the annual cap per taxpayer at \$250,000, but may increase or decrease it depending on available funding. The maximum amount of credits for all eligible taxpayers in a calendar year is \$3.2 million. Taxpayers may carry unused credits forward for five years (Code of Virginia § 58.1-439.12:10).

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