

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 555** HLS 17RS 800

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 12, 2017	2:53 PM	Author: JACKSON
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Corporate Income Tax Deduction For Certain Dividends		

TAX/CORP INCOME

OR DECREASE GF RV See Note

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Provides relative to the corporate income tax deduction for certain dividend income

Proposed law provides a deduction from gross income amounts received as dividend income by any member of a regulated group of entities, defined as parent entity which owns at least 50% of any other entities in the group, and at last one of the entities of the group is regulated by the Public Service Commission as a telecommunications provider or as an electric utility.

Effective January 1, 2018.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The Dept. of Revenue indicates that it does not capture information on tax returns that would allow it to estimate the amount of deduction from gross income of affected firms or the state tax revenue loss from such a deduction.

According to the Public Service Commission, the bill may affect four firms regulated by the Commission. Two of those firms have indicated that the bill language has no effect on their tax liabilities. The bill does, though, provide a deduction from gross income, which can only work to reduce taxable income and tax liabilities for entities that have the dividend income targeted by the bill. Thus, there is a negative exposure to state tax receipts as a result of the bill.

It is not clear if the effective date language of the bill will be interpreted as affecting tax returns for tax years beginning on and after January 1, 2018 (a likely FY19 effect at the earliest), or will affect returns filed on and after that date (a possible FY18 effect at the earliest).

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter

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Legislative Fiscal Officer