

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 36** HLS 161ES 25
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 18, 2016 8:29 AM	Author: MORRIS, JAY
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Corporate Income Tax Rates and Brackets	

TAX/CORP INCOME OR DECREASE GF RV See Note Page 1 of 1
 Reduces the rates and modifies the brackets for purposes of calculating corporate income tax liability (Item #3)

Current law imposes tax on corporate net income as follows: 4% on the first \$25,000, 5% up to 50,000, 6% up to \$100,000, 7% up to \$200,000, and 8% above \$200,000.

Proposed law changes the rate and brackets to: 3% on the first \$50,000, 4% up to \$100,000, 5% up to \$200,000, and 6% above \$200,000.

Effective for all tax years beginning on and after January 1, 2017.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	DECREASE	DECREASE	DECREASE	\$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>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

the Department estimates approximately \$35,000 of tax system design, modification, and testing, as well as taxpayer education/inquiries.

REVENUE EXPLANATION

The Department of Revenue recalculated tax year 2014 corporate income tax returns applying the rates and brackets proposed by this bill to generate a new aggregate tax table liability of \$413 million (before tax credits). This new liability was compared to actual tax table liabilities on those returns of \$555 million. The resulting reduction in tax liabilities was \$141 million.

The Department made assumptions concerning how this liability reduction might be realized over different fiscal years beginning in FY18 and extending through FY20 (5% or \$7 million in FY18, 84% or \$126 million in FY19, and 100% or \$141 million in FY20 and beyond), but also pointed out that filers may reduce their quarterly estimated payments and the overpayments they typically carry forward each year. Thus, estimates of specific fiscal year revenue losses are highly uncertain. In addition, the fundamental volatility of the reported corporate tax base from year to year makes the results of simulation analysis highly unreliable for the purposes of budgeting in particular fiscal years.

Senate Dual Referral Rules House

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| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 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