

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 58** HLS 161ES 63
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 21, 2016 12:45 PM	Author: JACKSON
Dept./Agy.: Revenue	
Subject: Corporate Income Tax Apportionment Calculations	Analyst: Greg Albrecht

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 Provides relative to the apportionment formula for computing corporate income tax (Item #5)

The bill changes existing apportionment factor calculations to double weight sales for certain transportation, service, manufacturing, and merchandising industry sectors.

Applicable to tax periods beginning on or after January 1, 2016.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
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	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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 Department of Revenue attempted to estimate the aggregate impact of the changes proposed in this bill by reviewing a sample of over 1,000 returns from the 2013 tax year. Many of these returns contained insufficient information upon which to complete an analysis. From the returns that could be recomputed, aggregate results were very small, ranging from \$110,000 of reduced tax liabilities to \$186,000 of increased tax liabilities. These results are consistent with similar analysis done for what became Act 401 of 2005, also changing apportionment calculations, where tax burdens were largely shifted with only small aggregate effects.

Such changes in corporate tax calculations tend to involve considerable shifting of the tax burden among different tax payers, but resulting in relatively small net aggregate effects to the state fisc. In addition, this type of analysis is a recomputation based on the returns of one tax year for a tax that exhibits a high degree of volatility from year to year. This volatility exists, in part, because the underlying tax base of business net income can be highly volatile from year to year. There is no certainty that the results of such a recomputation for a single tax year is indicative of the results that would occur in any future year.

NOTE: The Department of Revenue indicated that the bill appears to double the double-weighting of sales for manufacturers and merchandisers. This counting of sales four times rather than two times was not utilized in the Department's recomputations of the sample returns.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer