

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 116** HLS 161ES 276
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 24, 2016 10:31 AM	Author: IVEY
Dept./Agy.: Revenue	
Subject: Net Operating Loss Deductions (NOL)	Analyst: Greg Albrecht

TAX/CORP INCOME OR SEE FISC NOTE GF RV Page 1 of 1
 Provides relative to loss years for purposes of the net operating loss deduction for corporate income tax (Item #5)

Current law requires the losses from the earliest taxable year be used first to reduce net income in the of a tax filing.

Proposed law changes the order of loss use to the loss for the most recent taxable year.

Effective on January 1, 2107.

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.	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>	\$0
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Current law allows net operating losses from as far back as twenty years ago to be deducted from net income on a current tax return. This reduces current taxable income, tax liabilities, and tax receipts. Current law also requires that the oldest losses be deducted from current net income first. This facilitates the maximum utilization of the stock of available losses over time. This bill will require that the newest losses be utilized. This is not likely to change the aggregate amount of loss deduction on current returns for the next few years, it may work to reduce the total stock of losses available to use over time as the oldest losses expire without being utilized. However, newer losses will continue to be accumulated and a twenty year stock of losses will always be allowed to be utilized. The effect of the bill on the amount of losses available to deduct will depend on the relative size of newer versus older losses.

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 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
Legislative Fiscal Officer