

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 99** HLS 161ES 201  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> February 24, 2016 12:36 PM	<b>Author:</b> STOKES
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Corporate Income Tax Apportionment Calculations	

TAX/CORP INCOME EG SEE FISC NOTE GF RV See Note Page 1 of 1  
 Provides relative to the apportionment ratio for purposes of computing corporate income tax (Item #5)

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

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

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**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 recalculating 222 affected returns from the 2013 tax year. Aggregate results were very small, ranging from \$322,000 of reduced tax liabilities for a subgroup of the returns to \$688,000 of increased tax liabilities for a subgroup of the returns. Net results overall were an aggregate tax liability increase of approximately \$500,000. 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 among taxpayers 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.

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*  
**John D. Carpenter**  
**Legislative Fiscal Officer**