

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



Fiscal Note On: **HB 285** HLS 17RS 993  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 20, 2017 11:49 AM	<b>Author:</b> SHADOIN
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Corporate Income Tax Rates	

TAX/CORP INCOME OR +\$66,300,000 GF RV See Note Page 1 of 1  
 Reduces the rates for corporate income tax

Present law provides a five-rate structure for the corporate income tax: 4% on the first \$25,000 of taxable income, 4% between \$25,000 and \$50,000, 6% on \$50,000 to \$100,000, 7% on \$100,000 to \$200,000, and 8% on income in excess of \$200,000.

Proposed law provides a three-rate structure of 3% on the first \$25,000 of taxable income, 5% between \$25,000 and \$150,000, and 7% on income in excess of \$150,000.

Applicable to all tax years beginning on and after January 1, 2018. Contingent upon adoption of a constitutional amendment contained in an unspecified House Bill of this session.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</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>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$66,300,000	\$66,300,000	\$66,300,000	\$66,300,000	<b>\$265,200,000</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>\$66,300,000</b>	<b>\$66,300,000</b>	<b>\$66,300,000</b>	<b>\$66,300,000</b>	<b>\$265,200,000</b>

**EXPENDITURE EXPLANATION**

The Dept of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time. An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

**REVENUE EXPLANATION**

This fiscal note estimate assumes that the appropriate constitutional and statutory adoptions are made that eliminate the deductibility of federal income taxes paid on corporate income tax returns.

Based on that tax base scenario, the Dept of Revenue recalculated 2014 tax year returns with the proposed tax rates applied and compared the result to that tax year's actual income tax liability (based on federal tax deductibility and current law tax rate and bracket structure). The result was an increase of aggregate tax liabilities of \$66.3 million. Much of this increased liability would be realized in FY19, although some portion could be received in FY18 from declaration payments in the first half of the 2018 tax year, and from taxpayers carrying forward 2017 overpayments to apply to their 2018 tax liabilities when returns began being filed in the spring of 2019 (in FY19 rather than FY18).

Corporate income tax is particularly volatile, and estimates based on any one tax year may not be indicative of likely collections in any subsequent year.

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