

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



Fiscal Note On: **HB 506** HLS 15RS 728  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 5, 2015 3:45 PM	<b>Author:</b> JAMES
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Corporate Taxation Combined Reporting Pro Forma	

TAX/CORP INCOME EG NO IMPACT GF RV See Note Page 1 of 1  
 Requires pro forma income tax returns relative to the potential for the use of a combined unitary reporting system as a method of income apportionment  
 Current law allows separate entity accounting for corporate taxation.

Proposed law requires that corporations that are part of a unitary business file pro forma combined reports for tax periods beginning on January 1, 2015 and January 1, 2016. Unitary businesses make up a single economic enterprise of entities that are interdependent, integrated, and interrelated through their activities. The Department of Revenue is to report the findings of this pilot program to the House Ways & Means Committee and the Senate Committee on Revenue & Fiscal Affairs no later than sixty days before the 2017 Regular Session.

EXPENDITURES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</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	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

REVENUES	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**


The Department of Revenue (LDR) will incur costs for computer system modification and testing, tax form redesign, and tax payer inquiries. These costs are typically small for individual tax law changes, and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided. However, this is a significant addition to corporate tax filings for a two year period that will likely require additional expenses to support.

**REVENUE EXPLANATION**

The bill requires combined reporting for informational purposes for two consecutive tax periods, but does not change the basis of taxation from the current separate entity accounting. It will provide information to assess the likely fiscal consequences of a change to combined reporting as the basis of taxation, should that be considered in the future.

The effects of a change to combined reporting tax basis can not be reasonably quantified in advance, nor extrapolated from the experience or estimates of other states due to the wide differences in industry structures across states; for example, Louisiana is much more oil & gas concentrated than many other states, with a large nondurable goods exporting sector. Estimates without data specific to the state are highly uncertain, and the bill attempts to generate that data.

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|---|--|--|
| <u>Senate</u>   | <u>Dual Referral Rules</u>   | <u>House</u>   |
| <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"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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**