

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 19** HLS 161ES 52
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: February 22, 2016 10:23 AM	Author: JAMES
Dept./Agy.: Revenue	
Subject: Corporate Franchise Tax	Analyst: Greg Albrecht

TAX/CORP FRANCHISE OR INCREASE GF RV See Note Page 1 of 1
 Provides relative to the entities to which corporate franchise tax applies (Item #28)

The bill expands the entities to which corporate franchise tax applies.

Applicable to taxable periods beginning on or after January 1, 2017.

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.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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

The Department of Revenue estimated the potential effect of this bill by looking a tax returns over a three year period (2011 - 2013) that only reported income tax. These would be returns likely to be exempt from franchise tax (over 27,000 returns). Of this group, returns reporting positive taxable income (8,600 returns) were recomputed as if franchise tax applied to them, resulting in average franchise tax liabilities of \$87 million over this three year period. A smaller group of returns (1,600) reporting zero taxable income but positive capital stock, surplus, and undivided profit were also recomputed for franchise tax purposes, resulting in average liability of \$25 million per year. These groups of returns suggest that approximately \$100 million of potential franchise tax liability could be generated by the bill. However, R.S. 47:611 requires only a \$10 tax in the first year that a firm becomes subject to the franchise tax. Thus, the potential revenue gain in FY17 is only estimated as \$275,000. There were a large number of returns (13,000) reporting no franchise tax data, and were not included in the analysis.

The franchise tax is due in advance, so that a January 1, 2017 tax year beginning applicability could generate additional revenue in FY17, but many of these filers would typically file for extension and full payment of these new liabilities in the second half of FY17 is unlikely. Taxpayer education and compliance ramp-up would likely be significant at first, with most of any additional revenue being received in FY18 and beyond.

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 checked="" 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
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