LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **HB 90** HLS 161ES 214
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: February 21, 2016 12:00 PM
Author: IVEY
Dept./Agy.: Revenue
Subject: Corporate Franchise Tax
Analyst: Greg Albrecht

TAX/CORP FRANCHISE OR DECREASE GF RV See Note

Phases out the corporation franchise tax (Item #28)

The bill phases out the corporate franchise tax evenly over four years. A 25% reduction for taxable years beginning on or after January 1, 2017, is followed by three more 25% reductions each tax year until no franchise tax is levied for tax years beginning in 2020..

Effective upon governor's signature.

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	$0	$0	$0	$0	$0	**$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.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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**
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

While specific dollar estimates by fiscal year of the bill’s effects can not have a high degree of confidence associated with them, the bill eliminates a substantial portion of corporate taxation and will result in substantial state revenue losses.

The phase-out of corporate franchise tax over a four-year period reduces state revenue. The Department recalculated the franchise tax liability for returns filed in FY14 (returns reporting some $320 million of tax liability before credits). This is the tax collections base that would be phased out by the bill. Since the tax is paid in advance, potential first tax year revenue effect is as much as $80 million, but filings under extension are typical with corporate returns and some portion of that loss likely occurs in FY18, plus the 50% phase-out share for the next tax year. Revenue losses accumulate each year to the $300 million range near the end of the fiscal note horizon.

In addition, the Department anticipates that taxpayers will begin reducing estimated quarterly payments and requesting refunds of overpayments in prior years that were being carried forward for use against future liabilities. This would work to make revenue losses in the early periods of the phase-out greater than anticipated in a simple model of the bill.

Senate | Dual Referral Rules | House

- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
- [x] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
- [ ] 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}

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