

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 95** HLS 161ES 216
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 14, 2016 12:36 PM	Author: LEGER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Federal Income Tax Deduction	

TAX/INCOME TAX EN +\$22,000,000 GF RV See Note Page 1 of 1
 Repeals the state income tax deduction for federal income taxes paid for purposes of calculating corporate income taxes (Item #17)

Present law requires a deduction for 100% of federal income taxes paid when computing state income taxes.

Proposed law eliminates this deduction from the statutes for corporate income taxes.

Effective for all tax years beginning on and after January 1, 2017.

Effective if the proposed amendment to Article VII of the Constitution removing the requirement for federal income taxes paid as a deduction from gross income for corporate income tax purposes contained in the Act which originated as HB 31 of the 2016 First E. S. is adopted at the statewide election to be held on November 8, 2016.

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	\$22,000,000	\$190,000,000	\$200,000,000	\$200,000,000	\$612,000,000
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		\$22,000,000	\$190,000,000	\$200,000,000	\$200,000,000	\$612,000,000

EXPENDITURE EXPLANATION

The Department of Revenue will incur costs associated with preparing tax forms (hardcopy and online) for this change, as well as changes in tax instructions, adjusting withholding tables, and distributing those new tables to tax remitters. Additional inquiries from tax remitters is also likely. These costs are typically estimated as several thousands or even tens of thousands of dollars of staff time.

REVENUE EXPLANATION

Based on fiscal year data from the Revenue Department 2015-16 Tax Exemption Budget, the deduction of federal taxes paid from corporate income provides approximately \$200 million of additional corporate tax. These figures are fiscal year figures and encompass multiple tax year's of returns. There will likely be a transition such that a small amount of additional receipts may be collected in FY17 if corporations adjust their declarations during the 2017 tax year. Then, collections will come in during FY18 and FY19 for tax year 2017, normalizing by FY20. A three year transition is assumed for purposes of this fiscal note. Corporate receipts are highly volatile and actual collections will likely differ from this simple assumed transition.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer