



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 9** HLS 00- 92

Bill Text Version: **ORIGINAL**

Opp Chamb Action:

Sub Bill For:

Proposed Amd:

Date: April 17, 2000 9:42 AM	Author: FAUCHEUX
Dept/Agy: Revenue	Analyst: Greg Albrecht
Subject: Corporate Franchise Tax - Phase Out Borrowed Capital Base	

TAX/CORP FRANCHISE

Phases out the inclusion of borrowed capital within the levy of the corporation franchise tax

Phases out the borrowed capital tax base of the franchise tax over a five year period. For tax periods beginning in 2001, 80% of borrowed capital shall be subject to the tax. For tax periods beginning in 2002, 60% of borrowed capital shall be subject to the tax. For tax periods beginning in 2003, 40% of borrowed capital shall be subject to the tax. For tax periods beginning in 2004, 20% of borrowed capital shall be subject to the tax. For tax periods beginning in 2005, borrowed capital shall not be subject to the tax. The phase-out is effective on January 1, 2001 for tax years beginning after December 31, 2000.

Review of the bill indicates a possible typographical error in the provisions concerning the thresholds for the tax rate structure. This fiscal note assumes the intent of the bill is as stated in the paragraph above.

EXPENDITURES	2000-01	2001-02	2002-03	2003-04	2004-05	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./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	2000-01	2001-02	2002-03	2003-04	2004-05	5 YEAR TOTAL
State General Fd.	(\$25,000,000)	(\$51,000,000)	(\$78,000,000)	(\$106,000,000)	(\$136,000,000)	(\$396,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./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	(\$25,000,000)	(\$51,000,000)	(\$78,000,000)	(\$106,000,000)	(\$136,000,000)	(\$396,000,000)

EXPENDITURE EXPLANATION:

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

REVENUE EXPLANATION:

According to the Dept. of Revenue, a survey of corporate income/franchise tax returns indicates that borrowed capital makes up approximately 46% of the franchise tax base. The official long-run revenue estimate contains specific values for the franchise tax through FY04, and the average growth rate {2.4%} implicit in that estimate provides a projected tax amount for FY05. The share of tax attributable to borrowed capital and the proposed phase-out schedule are applied to those tax projections to generate the annual fiscal impacts of this bill.

The franchise tax is paid in advance, and tax periods beginning in 2001 are associated with income/franchise tax returns for 2000. Thus, the tax returns filed in the spring of 2001 will reflect the first portion of this phase-out, and revenues in FY01 will be reduced.

Dual Referral Rules

Senate

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

H. Gordon Monk

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