

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 270** SLS 15RS 467
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 8, 2015	10:19 AM	Author: ADLEY
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Add Back Certain Deductible Items on Corporate Returns		

TAX/TAXATION OR INCREASE GF RV See Note Page 1 of 1
 Authorizes the secretary of the Department of Revenue's authority to add back certain deductible expenses of corporations subject to Louisiana income or franchise tax which have either corporate gross revenues everywhere of \$8 billion or \$8

Proposed law requires that corporations which have either \$8 billion of combined gross revenue or \$8 million of combined assets to add back certain otherwise deductible interest expenses and costs and intangible expenses and costs in the computation of Louisiana net income. The bill provides for various definitions and conditions that determine the expenses and costs to be added back.

Effective for corporate income tax years beginning on and after January 1, 2015, and corporate franchise tax years beginning on and after January 1, 2016.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	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

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 such as this and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

REVENUE EXPLANATION

By requiring certain corporate tax filers to add back various deductions to their state tax returns, the bill will result in greater net income subject to Louisiana corporate income taxation and an increase in net corporate tax receipts. Since the bill is applicable to income tax years beginning on or after January 1, 2015 and corporate franchise tax years beginning on or after January 1, 2016 (this tax is due in advance), it is possible that some compliant returns will be filed in FY16 (due May 15 2016), and some additional revenue may be received in FY16. However, complex corporate returns tend to be filed with extension and reconciling tax receipts received in the following fiscal year (November). Thus, additional tax receipts in FY16 are likely to be relatively small, with a relatively large gain in receipts in FY17 as extended returns for tax period 2015 catch-up and a greater share of 2016 tax year returns comply. Fiscal year receipt gains will eventually settle into a normal level reflecting filings by May 15 of each year and filings under extension by November of each year.

The Department of Revenue does not electronically capture the return information necessary to quantify an estimate of the likely fiscal effect of the bill. The Department attempted to examine some of the top 200 returns to get a feel for the possible magnitude of effect. That process did not result in information sufficient to generate an estimate of the bill's effect.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {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
Legislative Fiscal Officer