

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 29** HLS 161ES 65
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 24, 2016 10:05 AM	Author: LEGER
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Corporate Income Tax Rates	

TAX/CORP INCOME EG SEE FISC NOTE GF RV See Note Page 1 of 1
 Reduces rates for purposes of calculating corporation income tax liability (Item #3)

Current law imposes tax on corporate net income as follows: 4% on the first \$25,000, 5% up to 50,000, 6% up to \$100,000, 7% up to \$200,000, and 8% above \$200,000.

Proposed law reduces the tax rates to: 3.5% on the first \$25,000, 4.5% up to 50,000, 5.5% up to \$100,000, 6.5% up to \$200,000, and 87.5% above \$200,000

Effective for all tax years beginning on and after January 1, 2017.
 Contingent upon passage of an unspecified constitutional amendment introduced this session.

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.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$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

EXPENDITURE EXPLANATION

the Department estimates approximately \$35,000 of tax system design, modification, and testing, as well as taxpayer education/inquiries.

REVENUE EXPLANATION

The Department of Revenue recalculated tax year 2014 corporate income tax returns applying the rates proposed by this bill to generate a new aggregate tax table liability (before tax credits). This new liability was compared to actual tax table liabilities on those returns. The resulting reduction in tax liabilities was \$168 million.

If it is assumed that the constitutional amendment referenced in the bill is one that eliminates the requirement for the deduction of federal income taxes paid from gross income (and the statutory provisions of that deduction are repealed), the recalculation of 2014 returns results in an increase of tax liabilities of \$97 million.

The Department of Revenue makes assumptions concerning how these liability changes might be realized over different fiscal years beginning in FY18 and extending through FY20 of 5% in FY18, 84% in FY19, and 100% in FY20 and beyond. Filers may change their quarterly estimated payments and the overpayments they typically carry forward each year. Thus, estimates of specific fiscal year revenue losses are highly uncertain. In addition, the fundamental volatility of the reported corporate tax base from year to year makes the results of simulation analysis highly unreliable for the purposes of budgeting in particular fiscal years.

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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Legislative Fiscal Officer