



**LEGISLATIVE FISCAL OFFICE  
Fiscal Note**

Fiscal Note On: **HB 209** HLS 21RS 214  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 19, 2021 8:24 AM	<b>Author:</b> DEVILLIER
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Corporate Income Tax	

TAX/CORP INCOME OR -\$250,000,000 GF RV See Note Page 1 of 1  
 Provides for the rate of corporation income tax

Proposed law imposes a flat corporate income tax rate of 5%. Applicable to all tax years beginning on and after January 1, 2023.

Contingent upon adoption of the constitutional amendment contained in House Bill # of this session.

This fiscal note assumes both a constitutional amendment and a statutory companion are enacted, removing the federal income tax deduction, and then a flat tax rate of 5% is applied to the expanded corporate income tax base.

<b>EXPENDITURES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	(\$45,000,000)	(\$225,000,000)	(\$250,000,000)	(\$250,000,000)	<b>(\$770,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>(\$45,000,000)</b>	<b>(\$225,000,000)</b>	<b>(\$250,000,000)</b>	<b>(\$250,000,000)</b>	<b>(\$770,000,000)</b>

**EXPENDITURE EXPLANATION**

Tax system changes will have to be made to incorporate the elimination of the deduction from the tax processing system. These changes are typically estimated as several thousands of dollars of staff time for design, modification, and testing.

**REVENUE EXPLANATION**

The Dept. of Revenue estimated the effect of this bill (single 5% tax rate), under the assumption that the deduction for federal income taxes paid is also eliminated - expanding the corporate income tax base). The result was an aggregate liability reduction of \$250 million. Using the same corporate filing pattern discussed below translates tax year liability changes into fiscal year receipts changes as follows: \$45 million in FY23, \$225 million in FY24, and \$250 million in FY25 and each year thereafter. These are the estimates reported in the revenue table above.

Corporate filing patterns are such that 18% of each tax year's liability change is estimated to occur in the immediate fiscal year (FY23 estimated payments), followed by 72% in the second fiscal year (FY24 returns & extensions), and the final 10% in the third fiscal year (FY25 returns & extensions).

Actual annual revenue losses can differ materially from these estimates due to the inherent volatility of the corporate tax base, and the ability of corporate tax filers to engage in tax planning. Thus, there is considerable uncertainty as to the level of annual tax liability and tax receipt changes resulting from the bill.

Senate      Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 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}

  
**Christopher A. Keaton**  
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