

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 574** HLS 15RS 1304
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 8, 2015	10:26 AM	Author: LEOPOLD
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Apportionment Factor For Cement Companies		

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 Excludes from the definition of "business of manufacturing" any taxpayer whose income is primarily derived from the manufacture and sale of cement

Current law allows manufactures to calculate their apportionment factor for franchise tax purposes with a single factor formula, the ratio of in-state sales to total sales. Non-manufacturers use a two-factor formula, the sales factor and the ratio of in-state property to total property.

Proposed law will define firms whose income is primarily derived from the manufacture and sale of cement as not being in the business of manufacturing effectively changing their apportionment calculation to a two-factor formula for purposes of the franchise tax.

Effective on July 1, 2015.

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.	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
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 (several thousands of dollars) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

REVENUE EXPLANATION

The Department identified for 2013, the latest full year of filings, 205 accounts that describe their activity as the manufacture or sale of cement. Those accounts paid \$2.1 million of franchise tax. The change in apportionment calculation provided by this bill could increase the tax liabilities of some of these firms and decrease the tax liabilities of some these firms. The net effect on aggregate state tax receipts is uncertain.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <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 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