# LEGISLATIVE FISCAL OFFICE
## Fiscal Note

Fiscal Note On: **HB 824** HLS 15RS 1055
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

**Date:** May 9, 2015 10:05 AM
**Author:** MORRIS, JAY
**Dept./Agy.:** Revenue
**Subject:** Corporate Alternative Minimum Tax
**Analyst:** Greg Albrecht

TAX/STATE OR SEE FISC NOTE GF RV 

Establishes an alternative minimum tax for certain corporations

Provides for an alternative minimum tax for corporations who are members of a unitary business. The alternative tax base is equal to 50% of taxable capital and net income, and is subject to tax rates of 0% on the first $100,000, 0.75% on $100,000 to $500,000, and 1.5% on base in excess of $500,000.

Effective for taxable periods beginning on and after January 1, 2016 if and when HB 775 of this session is enacted. HB 775 provides for a combined reporting basis to corporate taxation.

| **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 | $0 | $0 | $0 | $0 | $0 | **$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. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| 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 | $0 | $0 | $0 | $0 | $0 | **$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 ($39,000 estimated by LDR) and are typically absorbed within existing resources until cumulative changes necessitate additional resources be provided.

**REVENUE EXPLANATION**

The bill likely works to increase state tax receipts above what they would otherwise be under a combined reporting taxation basis since affected taxpayers must pay the greater of their income and franchise tax liability under those statutory provisions or the alternative tax provided for by this bill. The Department of Revenue recalculated 2013 returns under the alternative base and rates provided by this bill and compared it to the tax liability under current law. The alternative base and rate resulted in $604 million greater tax liability than under current law. However, the bill's alternative tax only goes into effect if a combined reporting tax basis is enacted, and it is that combined reporting basis tax liability that must be compared to the alternative tax liability of this bill. While a combined reporting tax liability is unknown, it is likely to be greater than what is generated under current law. In addition, the alternative tax calculation would be different under a combined reporting basis than this exercise generated, as well. Thus, the greater of the alternative tax calculation of this bill and the tax liability under combined reporting is the relevant comparison, and the bill requires the payment of the greater of those two liabilities.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

☐ 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**