

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2444-01
BILL NO.: SB 582
SUBJECT: Revenue Dept.; Taxation and Revenue-General-Income
TYPE: Original
DATE: January 31, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	\$0	\$0
Outstanding Schools Trust	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(\$8,200,000)	(\$16,200,000)	(\$24,800,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation phases in the full deductibility of federal income taxes for corporations. A corporation will be allowed to deduct 67% of it federal income tax liability beginning January 1, 2000, 83% beginning January 1, 2001, and 100% beginning January 1, 2002.

DOR staff state that this proposal would have little or no administrative impact to their agency.

Officials of the **Office of Administration (COA)** state this proposal phases in the federal income tax deduction for corporations. The corporate income tax loss due to this proposal would be (\$8.2 million) for FY 2001, (\$16.2 million) in FY 2002 and (\$24.8 million) for FY 2003. These estimates come directly from the FY 2001 Consensus Revenue Forecast and Budget and Planning's Corporate Income Tax Simulator. COA stated the revenue reductions from this proposal would require an equivalent amount of General Revenue in order to fully fund the Foundation Formula.

Oversight will reflect the impact of this proposal as a loss to local school districts.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Increase in Federal Income Tax Deduction	(\$8,200,000)	(\$16,200,000)	(\$24,800,000)
<u>Savings to General Revenue Fund</u>			
Reduction in funds transferred to Outstanding Schools Trust Fund	\$8,200,000	\$16,200,000	\$24,800,000
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

OUTSTANDING SCHOOLS TRUST FUND

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Loss to Outstanding Schools Trust Fund</u>			
Increase in Federal Income Tax Deduction	(\$8,200,000)	(\$16,200,000)	(\$24,800,000)
<u>Savings Outstanding Schools Trust Fund</u>			
Reduction in funds transferred to local school districts	\$8,200,000	\$16,200,000	\$24,800,000
ESTIMATED NET EFFECT TO OUTSTANDING SCHOOLS TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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SCHOOL DISTRICTS

<u>Loss to Local School Districts</u>			
Reduction in funds transferred from The Outstanding Schools Trust Fund	(\$8,200,000)	(\$16,200,000)	(\$24,800,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>(\$8,200,000)</u>	<u>(\$16,200,000)</u>	<u>(\$24,800,000)</u>

FISCAL IMPACT - Small Business

Small business would be expected to be fiscally impacted to the extent that they pay income taxes. The increase in the federal income tax deduction would cause small businesses to pay less state income tax.

DESCRIPTION

Current law limits the amount of federal income tax a corporation can deduct from its state income tax to 50% of its federal income tax liability for that taxable year. This act phases in full

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deductibility of federal income taxes paid by corporations as follows: for tax year 2000, the limit is increased to 67%; for tax year 2001, the limit is increased to 83%; and for tax years 2002 and thereafter, a full deduction is allowed.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration



Jeanne Jarrett, CPA
Director
January 31, 2000