



**Fiscal Estimate Narratives**  
**DOR 2/12/2003**

LRB Number	03-0181/1	Introduction Number	AB-6	Estimate Type	Original
<b>Subject</b>					
Single sales factor apportionment					

**Assumptions Used in Arriving at Fiscal Estimate**

Under current law, most industries apportion income using a three-factor formula—the ratio of a corporation's in-state property, payroll and sales to its property, payroll and sales everywhere—to determine the portion of a multistate corporation's taxable income attributable to the state. The sales factor is double-weighted in the apportionment formula.

Special apportionment formulas are required for multistate insurance companies, air carriers, motor carriers, pipeline companies, public utilities, financial organizations and railroads. Sales of tangible personal property are generally attributed to the destination state. Other sales are attributed to the state where the income-producing activity occurs. If income-producing activity occurs in more than one state, the sales are divided among the states based on the costs of performance in each state.

The draft would change the formula for corporations subject to the general formula that double-weights the sales factor to a formula based solely on the sales factor. The special formulas for certain industries would not be changed. There would be no change to attributing sales to the state. Under the draft, the Department could not eliminate a factor if it would give an unreasonable or inequitable final ratio.

Based on information in the 1999 Corporate Income Tax Sample compiled by the Department, the estimated fiscal effect of this proposal would be to reduce corporate income tax revenues by \$45 million annually. The Department would incur one-time computer programming costs of \$21,300.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> 03-0181/1		<b>Introduction Number</b> AB-6	
<b>Subject</b>			
Single sales factor apportionment			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
One-time costs of \$21,300 for computer programming.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$-45,000,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-45,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-45,000,000	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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