

### Fiscal Estimate - 2001 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> <b>01-3867/1</b>		<b>Introduction Number</b> <b>SB-294</b>		
<b>Subject</b> Single sales factor apportionment with 2 year phase-in				
<b>Fiscal Effect</b>				
<b>State:</b>				
<input type="checkbox"/> No State Fiscal Effect				
<input type="checkbox"/> Indeterminate				
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues		
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues		
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget		
		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
		<input type="checkbox"/> Decrease Costs		
<b>Local:</b>				
<input type="checkbox"/> No Local Government Costs				
<input type="checkbox"/> Indeterminate				
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
5. Types of Local Government Units Affected				
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities		
<input type="checkbox"/> Counties		<input type="checkbox"/> Others		
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>		
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		20.566 (1)(a)		
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>		<b>Date</b>
DOR/ Dennis Collier (608) 266-5773		Brian Pahnke (608) 266-2700		11/2/01

## Fiscal Estimate Narratives

DOR 11/2/01

LRB Number <b>01-3867/1</b>	Introduction Number <b>SB-294</b>	Estimate Type <b>Original</b>
<b>Subject</b> Single sales factor apportionment with 2 year phase-in		

### 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 certain industries.

This bill would change the apportionment formula for corporations to one based solely on the sales factor over a two-year period, beginning in tax year 2002. The sales factor would be weighted at 60% in tax year 2002 and 100% in tax year 2003 and thereafter. The premiums factor for insurance companies would include assumed premiums written for reinsurance. Apportionment formulas for pipeline companies, air carriers, motor carriers, railroads, sleeping car companies, car line companies and professional sports clubs would remain unchanged.

The fiscal effect of phasing in the single sales factor formula in each fiscal year is as follows:

FY02: -\$8.0 million  
FY03: -\$45.4 million  
FY04: -\$80.0 million

The Department estimates that one-time computer programming costs to administer the bill would be \$19,700. The bill does not provide funding for these costs.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 01-3867/1	<b>Introduction Number</b> SB-294	
<b>Subject</b>		
Single sales factor apportionment with 2 year phase-in		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
\$19,700 for programming in FY02. Revenue impacts during phase-in are: -\$8.0 million in FY02 and -\$45.4 million in FY03.		
<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, ets.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$-80,000,000
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-80,000,000</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-80,000,000	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DOR/ Dennis Collier (608) 266-5773		11/2/01
Brian Pahnke (608) 266-2700		