

Fiscal Estimate Narratives

DOR 6/8/2010

LRB Number	09-1394/3	Introduction Number	SB-705	Estimate Type	Original
Description					
An income and franchise tax exemption for income derived from manufacturing, farming, and research					

Assumptions Used in Arriving at Fiscal Estimate

Under the bill, for taxable years beginning on or after January 1, 2010, gross income derived from the following sources would be exempt from the corporate income and franchise tax:

- 1) Manufacturing as defined in s. 70.995;
- 2) Farming as defined in section 464(e)(1) of the Internal Revenue Code if it is the income of a person actively engaged in farming; and
- 3) Qualified research as defined in section 41(d) of the Internal Revenue Code.

Under the bill, income from these sources would be exempt without regard for where the activity that generated the income takes place. In addition, under the bill taxpayers eligible for the exemption would still be able to deduct ordinary and necessary expenses that result from generating the exempt income.

Fiscal Estimate

Based on a statistical sample of 2005 corporate returns with a NAICS code that identifies the taxpayer's principal business activity as farming, manufacturing, or research, the bill would result in a reduction in corporate income and franchise tax revenue of an estimated \$118.4 million in FY 2011. The fiscal effect would be higher to the extent that corporations would be eligible to claim a partial exemption for income derived from sources that meet the criteria for exemption in the bill, even if their principal activity is not manufacturing, farming, or research and as such do not use a NAICS code in the manufacturing, farming, or research series on their tax return.

The bill would also result in a reduction in individual income tax revenue resulting from reduced taxable income being passed through from Subchapter S corporations engaged in manufacturing, farming, and research to the owners of the Subchapter S corporations. Data are not available to reliably estimate the reduction in individual income tax revenue. However, it is anticipated that the reduction in revenue would be significant.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-1394/3		Introduction Number SB-705	
Description An income and franchise tax exemption for income derived from manufacturing, farming, and research			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$See Text	\$
Agency/Prepared By		Authorized Signature	Date
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