

Fiscal Estimate Narratives

DOR 1/11/2011

LRB Number 11-0926/1	Introduction Number SB-007 (JR1)	Estimate Type Original
Description An income and franchise tax credit for small businesses		

Assumptions Used in Arriving at Fiscal Estimate

The bill creates an income and franchise tax credit for small businesses. Under the bill, a business that has less than \$500,000 in gross receipts in the taxable year may claim as a credit a percentage of the taxpayer's gross tax liability based on the amount of the gross receipts that exceed \$250,000. If the business has no more than \$250,000 in gross receipts in the taxable year, the business may claim a credit equal to 15% of its gross tax liability. The credit is non-refundable, and unused credit amounts may be carried forward for 15 years.

Fiscal Estimate

While the draft language provides a credit for a claimant's entire gross tax liability, the fiscal estimate is derived assuming that the credit is based only on the claimant's gross tax liability related to business activity. It is assumed that the fiscal estimate associated with individual income tax claimants would be significantly higher if based on the existing draft language.

Based on simulations using individual, corporate, and partnership tax returns, the bill would reduce individual income tax revenue by an estimated \$38.3 million in FY 2012 and \$40.9 million in FY 2013. In addition, the bill would reduce corporate franchise and income tax revenue by an estimated \$1.2 million in FY 2012 and \$1.2 million in FY 2013. The bill would result in total revenue reduction of an estimated \$39.5 million in FY 2012 (\$38.3 million plus \$1.2 million) and \$42.1 million in FY 2013 (\$40.9 million plus \$1.2 million).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description An income and franchise tax credit for small businesses			
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			-42,100,000
TOTAL State Revenues	\$		\$-42,100,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$-42,100,000		\$
Agency/Prepared By		Authorized Signature	Date
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