

Fiscal Estimate Narratives

DOR 1/28/2020

LRB Number	19-5331/1	Introduction Number	SB-706	Estimate Type	Original
Description modifications to the tax treatment of tax-option corporations that elect to pay tax at the entity level					

Assumptions Used in Arriving at Fiscal Estimate

The bill makes several changes for tax option corporations. Under the bill, these corporations can exclude 30% of the gains realized from the sale of assets held for more than a year and the sale of all assets acquired from a decedent, and 60% of the gains realized from the sale of farm assets held for more than one year and the sale of all farm assets acquired from a decedent. The bill also limits the excess capital loss deduction from \$3,000 to \$500, requires tax payers with less than \$250,000 in net income to pay interest on the underpayment of taxes, and requires tax payers to make quarterly estimated payments according to the standards applicable to tax payers with net income of less than \$250,000.

Fiscal Estimate

After a review of tax year 2018 returns that made the election to pay at the entity level, the bill will decrease revenues by \$42,000 in FY2020, \$171,000 in FY2021, and \$185,000 in FY2022.

In addition to the fiscal effect, there will be a minimal decrease to the Economic Development Surcharge.

Additionally, the changes introduced in the bill will result in a one-time cost of \$10,500 due to programming.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-5331/1		Introduction Number SB-706	
Description			
modifications to the tax treatment of tax-option corporations that elect to pay tax at the entity level			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
10,500 for programming.			
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	\$	\$-185,000
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$-185,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$-185,000	\$
Agency/Prepared By		Authorized Signature	
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		Date	
		1/28/2020	