

HB 1619 -- FRANCHISE TAX RATES

SPONSOR: Sutherland

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 9 to 5.

This bill changes the annual franchise tax rates and income threshold amounts for corporations beginning with tax year 2007. By tax year 2011, the tax rate will be zero.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 in FY 2007, \$1,452,546 in FY 2008, and \$3,137,526 in FY 2009. No impact on Other State Funds in FY 2007, FY 2008, and FY 2009.

PROPOSERS: Supporters say that the bill phases out the annual franchise tax over five years, encouraging businesses to move into Missouri to replace lost revenue as the rates are lowering. The franchise tax is counter productive to creating jobs and bringing in more business. The estimated annual cost to business for the franchise tax is \$1.2 million. The continued growth in revenue from the franchise tax indicates that business growth made up the change to the \$1 million threshold and the rate change a few years ago. Also, the elimination of the franchise tax will reduce utility rates.

Testifying for the bill were Representative Sutherland; Missouri Chamber of Commerce and Industry; Taxpayers Research Institute of Missouri; Associated Industries of Missouri; National Federation of Independent Business; and AT&T.

OPPOSERS: There was no opposition voiced to the committee.

Karla Strobel, Legislative Analyst