

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0725-01
Bill No.: HB 129
Subject: Corporations; Revenue Dept.; Taxation and Revenue - Income
Type: Original
Date: February 7, 2007

Bill Summary: Would change the way corporate net operating losses are calculated and removes the restriction for specific depreciation deductions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue *	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund *	(Unknown)	(Unknown)	(Unknown)

* Could exceed \$100,000.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** (DOR assume this proposal would allow a Missouri corporation in effect to create a new Missouri net operating loss (NOL), carry it forward 20 years to offset taxable income, and thus pay less tax. DOR assumed the proposal would have no fiscal impact on their organization.

Information Technology (ITSD/DOR) estimates the IT portion of this request could be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. ITSD/DOR estimates that this proposal could be implemented utilizing 3 existing CIT III for 1 month at a cost of \$12,558.

DOR did not provide an estimate of the impact to state revenues which would result from this proposal.

Officials from the **University of Missouri, Economic Policy and Research Center** (EPARC) stated they do not have the information on Missouri corporations' federal net operating losses that would be necessary to estimate the fiscal impact of this proposal.

Although officials from the **Office of Administration, Division of Budget and Planning** (BAP) did not respond to our request for information, they stated that a similar proposal in the previous session (HB 1966 LR 5536-01) would make changes to the calculation of net operating losses. BAP stated they do not have the requisite data to calculate the potential impact of this legislation. They stated the proposal would have an unknown, potentially negative, impact on general and total state revenues.

Oversight has no empirical basis to estimate the impact to state revenue collections from this proposal. Therefore, based upon the responses from EPARC, BAP, and DOR, Oversight will assume an unknown reduction in General Revenue Collections for all fiscal years in the fiscal note, possibly exceeding \$100,000.

This proposal would reduce Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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GENERAL REVENUE

Loss - Department of Revenue			
Net Operating Loss calculation changes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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* Could exceed \$100,000.

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses who have net operating loss deductions.

FISCAL DESCRIPTION

The proposal would change the way corporate net operating losses are calculated and remove the restriction for specific depreciation deductions.

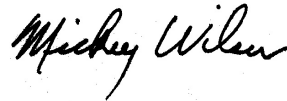
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
University of Missouri
Economic Policy and Research Center

NOT RESPONDING

Office of Administration
Division of Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 7, 2007