

HB 86 -- CORPORATE FRANCHISE TAX

SPONSOR: Sutherland

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 10 to 2.

Beginning January 1, 2010, this bill increases the outstanding shares and surplus threshold amount used to calculate a corporation's annual franchise tax from \$1 million to \$10 million.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 in FY 2010, \$7,180,344 to \$12,200,000 in FY 2011, and \$7,180,344 to \$12,200,000 in FY 2012. No impact on Other State Funds in FY 2010, FY 2011, and FY 2012.

PROPOSERS: Supporters say that the bill eliminates the corporate franchise tax for corporations with assets less than \$10 million by increasing the filing threshold. Franchise tax is not a tax on franchise companies, it is a tax on the assets listed on the balance sheet of a corporation. The franchise tax was authorized in 1917; and in 1999, the threshold was increased to \$1 million. The receipts last year from this tax were \$84 million. The bill will help over 12,000 businesses with assets under \$10 million. Missouri is only one of a few states still collecting this tax. Kansas phased-out this tax a few years ago. Even corporations with a loss still pay a franchise tax. It is the most unfair tax. While the bill exempts many small and mid-size taxpayers from filing the franchise tax, it does not exempt the first \$10 million in assets of corporations that are required to file franchise tax.

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

OPPOSERS: There was no opposition voiced to the committee.