

HCS HB 76 -- CORPORATE FRANCHISE TAX (Nolte)

COMMITTEE OF ORIGIN: Committee on Tax Reform

Beginning January 1, 2012, this substitute reduces over a five-year period, the annual corporate franchise tax rate from one-thirty-seventh of 1% until no tax is imposed beginning January 1, 2016. The annual tax liability of a corporation for corporate franchise tax for 2011 through 2015 is limited to the amount of the corporation's tax liability for tax year 2010. If a corporation did not have a corporate franchise tax liability in 2010 because the corporation was not doing business within the state or did not exist, the corporation's annual franchise tax liability cannot exceed the amount of the corporation's franchise tax liability for its first full taxable year of existence.

Currently, the banking institution tax credit can be taken against a financial institution's bank tax with any remaining credit taken against its corporate income tax if the financial institution is a C corporation or distributed to its shareholders if it is a S corporation. Beginning January 1, 2012, the substitute authorizes the banking institution tax credit to be taken against the annual franchise tax paid by a financial institution if the institution is a limited liability company or a limited liability partnership.

FISCAL NOTE: Estimated Net Effect on General Revenue Fund of an income of \$0 in FY 2012, a cost of \$16,554,054 to Unknown in FY 2013, and a cost of \$35,000,000 to Unknown in FY 2014. No impact on Other State Funds in FY 2012, FY 2013, and FY 2014.