

FISCAL NOTE

Bill #: SB2

Title: Allow S-corporation to prorate out-of-state income tax payments

Primary

Sponsor: Emily Stonington

Status: Introduced

Sponsor signature

Date

Chuck Swysgood, Budget Director

Date

Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Revenue:		
General Fund*	\$(176,200)	\$(115,000)
Net Impact on General Fund Balance:	\$(176,200)	\$(115,000)

**Note: The major impact of this bill is in fiscal year 2001, in which the impact is \$(364,000)!*

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
X		Included in the Executive Budget	X		Significant Long-Term Impacts
X		Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, resident taxpayers may not claim a tax credit for the taxpayer's pro rata share of taxes paid by an S Corporation in another state.
2. Under this proposal taxpayers would be allowed a credit against Montana taxes for the taxpayer's pro rata share of taxes paid by an S Corporation in another state.
3. The proposal, as introduced, provides for retroactive applicability to tax years beginning after December 31, 1996 (i.e., to tax years 1997 and later).
4. Taxpayers who apply for retroactive application of the proposal will be provided interest on any tax credit allowed at a rate of 9 percent per year.
5. The Department of Revenue has identified a number of taxpayers who would qualify for retroactive application of this proposal. Most of the retroactive impact of this proposal will occur shortly after the bill is passed and signed (i.e., in fiscal year 2001). The impacts of this credit will decrease in each year of the biennium as retroactive application ceases, and the amount of credit claimed stabilizes at a "normal" annual rate. Based on these assumptions, and on the data available on actual taxpayers

(continued)

cases, we estimate that this proposal will reduce individual income tax revenues by \$\$364,000 in fiscal 2001; by \$176,200 in fiscal 2002; and by approximately \$115,000 in fiscal 2003.

6. The above impacts in assumption five are based on known cases. The actual impact of this proposal is likely to be higher than the figures provided in assumption five; however, the department has no means of estimating precisely how much higher the impact will be.
7. There is no administrative expense impact associated with this proposal.

FISCAL IMPACT:

	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$(176,000)	\$(115,000)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$(176,000)	\$(115,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This proposal has no impact on county or other local government revenues or expenditures.

LONG-RANGE IMPACTS:

There are no significant long-range impacts of this proposal, other than the assumption that the credit in each future fiscal year will reduce income tax revenues by about \$115,000.