

HCS HB 76 -- CORPORATE FRANCHISE TAX

SPONSOR: Funderburk (Nolte)

COMMITTEE ACTION: Voted "do pass" by the Committee on Tax Reform by a vote of 8 to 3.

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.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 in FY 2012, \$16,554,054 in FY 2013, and \$35,000,000 in FY 2014. No impact on Other State Funds in FY 2012, FY 2013, and FY 2014.

PROPOSERS: Supporters say that the original bill caps the franchise tax while the substitute bill will reduce the tax rate until it is eliminated. The cap will help only the largest corporations while the elimination will help all corporations subject to the tax. The tax is based on the total assets and outstanding stock value of a corporation located in the state. The franchise tax is a double taxation and is a disincentive for business growth. The substitute will encourage economic growth and job creation.

Testifying for the bill were Representative Nolte; Missouri Chamber of Commerce and Industry; Missouri Retailers Association; Missouri Grocers' Association; Associated Industries of Missouri; National Federation of Independent Business; St. Louis RCGA; Greater Kansas City Chamber of Commerce; and Associated Builders and Contractors.

OPPOSERS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill were concerned that the state cannot afford to further deplete the revenue sources available given the depressed financial condition of the state. It will be hard for the state to meet its financial obligations even with a positive turn in the economy. It seems unwise to further restrict currently available revenues.

Testifying on the bill was Penny Rector, School Administrators Coalition.