

HCS HB 458 -- FRANCHISE TAX RATES AND FINANCIAL INSTITUTION TAX CREDITS

SPONSOR: Sutherland

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 6 to 1 with 1 present.

This substitute changes the annual franchise tax rates and income threshold amounts for corporations beginning with tax year 2008. By tax year 2010, the tax rate will be zero.

The tax credit for financial institution taxes paid is also changed beginning with tax year 2008. By tax year 2012, the annual tax credit will equal 1/20 of 1% of the financial institution's outstanding share and surplus employed in Missouri if the outstanding shares exceed \$1 million.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$0 in FY 2008, \$8,414,001 in FY 2009, and \$148,475,596 to Unknown in FY 2010. No impact on Other State Funds in FY 2008, FY 2009, and FY 2010.

PROPOSERS: Supporters say that the franchise tax is a tax on all corporations with assets over \$1 million. It is a form of double taxation since it takes the balance sheet amounts over the minimum threshold and requires the corporation to pay taxes on it. This adds up quickly since it includes assets and inventory. Franchise tax is where a business must pay a tax so they can pay another tax. For some businesses, it isn't a large amount, but the administration costs could be eliminated for them with the bill. Missouri is not a high tax state, but a complicated tax state; and the bill will be a good step toward simplifying the tax structure. Twenty states already have a franchise tax, and Kansas is looking into one.

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

OPPOSERS: There was no opposition voiced to the committee.