

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2015 REGULAR SESSION**

MEASURE

2015 BR NUMBER **1104**

HOUSE BILL NUMBER **374**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to taxation.**

SPONSOR **Representative Wayne**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2014-2015	2015-2016	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			
EXPENDITURES			
NET EFFECT			

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of the proposal is to increase receipts from the corporation income tax and decrease, in a corresponding amount, receipts from the individual income tax.

PROVISIONS/MECHANICS: The proposal will:

1. Amend KRS 141.200 to end corporation income tax consolidated reporting and require combined reporting for corporations engaged in a unitary business effective January 1, 2015. The principles for determining which corporations should file a consolidated report are based solely on an 80% or more ownership between two or more corporations. The principles for determining which corporations should file a combined report are based on more than ownership and look to factors which create an economic flow of value among the corporations filing within the combined report;
2. Amend KRS 141.120 to source all sales for apportionment purposes based upon the market of the corporation for that sale;
3. Amend KRS 141.205 to close a corporation income tax loophole related to transactions with any entity that is incorporated in a tax haven by requiring that income be included in net income; and

4. Amend KRS 141.066 to allow a refundable Kentucky earned income tax credit equal to 7.5% of the federal earned income tax credit.

FISCAL EXPLANATION: LRC staff estimates that the corporation income tax provisions will result in an increase of approximately \$65 million and the individual income tax provisions will result in a corresponding decrease of approximately \$65 million. Therefore, the proposals on whole for the two taxes result in a revenue neutral proposal.

DATA SOURCE(S): LRC Staff

PREPARER: Jennifer Hays **NOTE NUMBER:** 21 **REVIEW:** GMR **DATE:** 2/12/2015

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