NOTICE OF INTENT

Department of Revenue
Policy Services Division

Computation of Net Allocable Income
from Louisiana Sources (LAC 61:I.1130)

Under the authority of R.S. 47:287.81, R.S. 47:287.92, R.S. 47:287.93, R.S. 47:287.785, R.S. 47:1511, and in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., the Department of Revenue, Policy Services Division, proposes to amend LAC 61:I.1130 relative to the computation of net allocable income from Louisiana sources.

The primary purpose of this regulation is to update the corporation income tax regulation relating to the allocation of items of income and expense and to make the regulation easier to understand. Changes resulting from the enactment of the Louisiana Headquarters and Growth Act of 2005 are included. This regulation has not been revisited in depth since the corporate income tax statutes were enacted in 1986. This regulation will provide more guidance on the treatment of intangible assets than the current regulation.

Title 61
REVENUE AND TAXATION
Part I. Taxes Collected and Administered
Chapter 11. Income: Corporation Income Tax
§1130. Computation of Net Allocable Income from Louisiana Sources

A. Allocation of items of income and loss. R.S. 47:287.93 provides that items of gross allocable income or loss shall be allocated directly to the state or states within which such items of income are earned or derived. The statute attributes every item of gross allocable income to a location and does not allow for any unallocated items of income. The principles embodied in the statute and this regulation are that items of allocable income from the use of tangible assets are allocated to the location of the tangible asset at the time of the use; income from the use of intangible assets is allocated to the business situs of the intangible asset, or in the absence of a business situs, to the commercial domicile of the corporation; and items of allocable income from services are allocated to the location at which the service was performed.

1. Rents and Royalties from Immovable or Corporeal Movable Property

a. Rents and royalties from immovable or corporeal movable property shall be allocated to the state where such property is located at the time the income is derived.

b. Rents or royalties from incorporeal immovables, such as mineral interests, are allocated to the state in which the property subject to the interest is located.

2. Interest from Controlled Corporation

a. Under the provisions of R.S 47:287.738(F)(2), a corporation may elect to pay tax on interest income from a corporation that is controlled by the former through direct ownership of 50 percent or more of the voting stock of the latter.

b. The election is made for each taxable period by employing the method on the return or amended return.

c. If the election is made, interest from securities and credits that is received by the electing corporation from another corporation controlled by the former through the direct ownership of 50 percent or more of the voting stock of the latter, shall be allocated to the state or states in which the real and tangible personal property of the controlled corporation is located. The allocation shall be made on the basis of the ratio of the value of such property located in Louisiana to the value of such property within and without the state, as follows.

i. Real and tangible personal property includes all such property of the controlled corporation regardless of whether the property is idle or productive and regardless of the nature of the income that it produces.

ii. The value of Louisiana real and tangible property and real and tangible property within and without the state shall be the average value of such property at the beginning and close of the taxable period, determined on a comparable basis. If the average value does not fairly represent the average of the property owned during the year, the average value shall be obtained by dividing the sum of the monthly balances by the number of months in the taxable period.

iii. Value of Property to Be Used

(a). For purposes of this Subsection, the value of property to be used shall be determined using one of the following methods. The taxpayer will choose which valuation method to use on the first return filed following the effective date of this regulation on which a R.S. 47:287.738(F)(2) election is made by employing the chosen valuation method on the tax return. Once a valuation method is chosen, this valuation method must be used on all future returns upon which the R.S. 47:287.738(F)(2) election is made and cannot be changed without the approval of the secretary upon the showing of good cause:

(i). the value of property is cost to the taxpayer, less a reasonable reserve for depreciation, amortization, depletion, and obsolescence; or

(ii). the value of property is cost to the taxpayer, so long as the property continues to be used in the taxpayer's trade or business;

(iii). the value of property is the value reflected on the taxpayer's books, so long as the value is not below zero.

(b). The secretary may require a different method of valuation or adjust reserves if the method elected by the taxpayer does not reflect the fair value of the property.

3. Royalties or Similar Revenue Received for the Use of Patents, Trademarks, Copyrights, Secret Processes, and Other Similar Intangible Rights

a. Royalties or similar revenue received for the use of patents, trademarks, copyrights, secret processes, and other similar intangible rights shall be allocated to the state or states in which such rights are used. The use referred to is that of the licensee rather than that of the licensor.

i. Example: X Company, Inc., a Delaware corporation with its commercial domicile in California, owns certain patents relating to the refining of crude oil, which at all times were kept in its safe in California. During 2006, the X Company, Inc. entered into an agreement with the Y Corporation whereby that company was given the right to use the patents at its refineries in consideration for the payment of a royalty based upon units of production. The Y Corporation used the patents exclusively at its Louisiana refinery and paid the X Company, Inc. the amount of $100,000 for such use. The entire royalty income of $100,000 is allocable to Louisiana.

ii. Example: ABC Company, Inc. is a trademark holding company incorporated in Delaware that owns certain trademarks relating to the sale of retail goods and/or services. In 2005, ABC entered into a licensing agreement with XYZ Retail Co. in which XYZ was authorized to use the trademark in exchange for consideration of royalty payments. In 2006, XYZ used the trademark to promote the sale of retail goods and/or services in Louisiana. The royalty payment attributable to the Louisiana stores was $250,000. ABC must allocate the royalty income of $250,000 to Louisiana.

b. Income from a mineral lease, royalty interest, oil payment, or other mineral interest shall be allocated to the state or states in which the property subject to such mineral interest is situated.

4. Income from Construction, Repair, or Other Similar Services

a. Income from construction, repair, or other similar services is allocable to the state or states in which the work is done.

b. The phrase other similar services means any work that has as its purpose the improvement of immovable property belonging to a person other than the taxpayer where a substantial portion of such work is performed at the location of such property.

i. It is not necessary that the services rendered actually result in the improvement of the immovable property.

ii. Mineral Properties. For the purpose of this Section, mineral properties, whether under lease or not, constitute immovable properties. Thus, the drilling of a well on a mineral lease is considered to have as its purpose the improvement of such property notwithstanding the fact that the well may have been dry.

c. Examples of other similar services include, but are not limited to:

i. landscaping services;

ii. the painting of houses;

iii. the removal of stumps from farmland; and

iv. the demolition of buildings.

B. Deduction of Expenses, Losses and Other Deductions From the total gross allocable income from all sources and from the gross allocable income allocated to Louisiana there shall be deducted all expenses, losses, and other deductions, except federal income taxes, allowable under the Louisiana income tax law that are directly attributable to such income plus a ratable portion of the allowable deductions, except federal income taxes, that are not directly attributable to any item or class of gross income.

1. Interest Expense

a. The method of allocation and apportionment for interest set forth in these regulations is based on the approach that money is fungible and that interest expense is attributable to all activities and property regardless of any specific purpose for incurring an obligation on which interest is paid. Exceptions to the fungibility method are set forth in LAC 61:I.1130.B.1.b. The fungibility approach recognizes that all activities and property require funds and that management has a great deal of flexibility as to the source and use of funds and that the creditors of the taxpayer look to its general credit for repayment and thereby subject the money loaned to the risk of all of the taxpayer's activities. When money is borrowed for a specific purpose, such borrowing will free other funds for other purposes, and it is reasonable under this approach to attribute part of the cost of borrowing to such other purposes. Consistent with the principles of fungibility, except as otherwise provided, the aggregate of deductions for interest in all cases shall be considered related to all income producing activities and assets of the taxpayer and, thus, allocable to all the gross income that the assets of the taxpayer generate, have generated, or could reasonably have been expected to generate.

b. Exceptions to the fungibility method are allowed in the same circumstances that exceptions are allowed by IRC §861 and the regulations promulgated thereunder. These exceptions include:

i. the direct allocation of interest expense to the income generated by certain assets that are subject to qualified nonrecourse indebtedness;

ii. the direct allocation of interest expense to income generated by certain assets that are acquired in integrated financial transactions.

c. Interest Expense Applicable to Louisiana Gross Allocable Income. Interest expense that is applicable to assets that produce or that are held for the production of Louisiana gross allocable income shall be an item of deduction in determining net allocable income or loss from Louisiana.

i. Except as otherwise provided, the amount of interest that is applicable to such assets shall be determined by multiplying the amount of interest expense applicable to total allocable assets, determined without reference to the income limitation in the case of investments in U.S. government bonds and notes held as temporary cash investments, by a ratio, the numerator of which is the average value of assets that produce or that are held for the production of Louisiana allocable income and the denominator of which is the average value of assets that produce or that are held for the production of allocable income within and without Louisiana.

ii. When Louisiana net apportionable income is determined on the separate accounting method, refer to LAC 61:I.1132.C.2 for rules pertaining to the determination of the amount of interest expense applicable to Louisiana allocable income.

d. Interest Expense Applicable to Total Allocable Assets

i. Interest expense applicable to total allocable assets is interest expense that is applicable to assets that produce or that are held for the production of allocable income within and without Louisiana.

ii. When a R.S. 47:287.738(F)(2) election is made, assets that produce or that are held for the production of allocable income will include direct investments in 50 percent or more owned subsidiaries (other than normal trade accounts receivable) whether or not such investments, advances, or loans produce any income.

iii. The amount of interest that is applicable to assets producing or held for the production of allocable income shall be determined by multiplying the total amount of interest expense by a ratio, the numerator of which is the average value of assets that produce or that are held for the production of allocable income, and the denominator of which is the average value of all assets of the taxpayer.

iv. Although income exempt from Louisiana income tax, such as interest, is not taxable and is therefore not included in allocable income, the adjustment for the amount of interest expense applicable to assets producing such income is computed in the same manner as in the case of assets producing allocable income.

(a). For convenience of computation such assets are grouped with assets producing or held for the production of allocable income.

(b). Whenever interest expense applicable to U.S. government bonds and notes that are held as temporary cash investments determined as provided above, exceeds the amount of income derived from such investments, the interest expense that is attributable to such investments shall be limited to the amount of income derived from such investments.

(c). The amount of interest expense applicable to U.S. government bonds and notes that are held as temporary cash investments, determined without reference to the income therefrom, is that portion of the interest expense applicable to assets that produce or that are held for the production of allocable income, that the ratio of the average value of U.S. government bonds and notes held as temporary cash investments bears to the average value of all assets that produce or that are held for the production of allocable income.

e. Investments in Stock of Controlled Corporations When a corporation holds stock in corporations controlled by direct ownership of 50 percent or more of the voting stock of the latter, the stock shall be included in the numerator of the Louisiana interest expense computation as Louisiana assets based on the following allocation.

i. This stock is to be attributed as Louisiana assets on the basis of the proportion of the respective amounts of income upon which Louisiana income tax has been paid to all income, including exempt income, earned everywhere of the controlled corporation.

ii. Stock held in corporations exempt from Louisiana income tax shall not be included as a Louisiana asset for the purpose of this computation.

f. Loans to Controlled Corporations

i. When a R.S. 47:287.738(F)(2) election is made and the electing corporation loans interest-bearing funds to corporations controlled by direct ownership of 50 percent or more of the voting stock of the controlled corporation, the receivable shall be included in the numerator of the Louisiana interest expense computation as Louisiana assets based on the following allocation.

(a). These receivables are to be attributed as Louisiana assets on the basis of the ratio of the value of the controlled corporation's real and tangible personal property located in Louisiana to the value of such property within and without Louisiana.

(b). For the purpose of the allocation, real and tangible personal property includes all such property of the controlled corporation regardless of whether the property is idle or productive and regardless of the nature of the income that it produces.

ii. Receivables Resulting from Loans of Non-Interest Bearing Funds. When a R.S. 47:287.738(F)(2) election is made:

(a). receivables resulting from loans of non-interest bearing funds to controlled corporations are deemed to be assets producing or held for the production of allocable income for the purpose of determining the amount of interest expense applicable to assets that produce or that are held for the production of allocable income from sources within and without Louisiana;

(b). when receivables resulting from loans of non-interest bearing funds to controlled corporations have a Louisiana business situs, or, in the absence of a business situs, the lending corporation has a Louisiana commercial domicile, such receivables shall not be included in the numerator of the interest expense allocation formula for the purpose of LAC 61:I.1130.B.1.c., unless the secretary, in order to clearly reflect Louisiana apportionable and allocable net income, imputes interest income on such receivables.

g. Average Value

i. Except as otherwise provided in this Section, average value shall mean the value at the beginning of the taxable period plus the value at the end of the taxable period, the sum of which is divided by two.

ii. If the average value as calculated above does not fairly represent the average of the property owned during the year, the average value shall be obtained by dividing the sum of the monthly balances by the number of months in the taxable period.

h. Value of Property to Be Used

i. For purposes of this Subsection, the value of property to be used shall be determined using one of the following methods. The taxpayer will elect which method to use on the first income tax return filed for the taxable period following the taxable period in which these regulations take effect by employing the elected method on the tax return. Once made, the election is irrevocable, without the approval of the secretary upon the showing of good cause:

(a). the value of property is cost to the taxpayer, less a reasonable reserve for depreciation, amortization, depletion, and obsolescence; or

(b). the value of property is cost to the taxpayer, so long as the property continues to be used in the taxpayer's trade or business; or

(c). the value of property is the value reflected on the taxpayer's books, so long as the value is not below zero.

ii. The secretary may require a different method of valuation or adjust reserves if the method elected by the taxpayer does not reflect the fair value of the property.

iii. Intangible assets that produce or that are held for the production of allocable income within and without Louisiana may acquire a business situs in more than one state. The percentage of the value of the asset that is to be attributed to Louisiana is a factual determination required to be made with respect to each asset and will take into consideration such factors as:

(a). the number of locations at which the asset is used;

(b). the number of days during the taxable period the asset is used within and without Louisiana;

(c). the amount of income that the asset generated within and without Louisiana; and

(d). the earning power of the asset at the time the interest expense is generated.

i. Examples. The following examples are applicable for both foreign and domestic corporations.

(a). Example 1. The XYZ Corporation has incurred interest expense in the amount of $150,000 during the year 2006 and has not elected to treat interest income from 50 percent or more owned subsidiaries as taxable income. The subsidiary of XYZ Corporation earns no income in Louisiana. During 2006 XYZ Corporation derived total allocable and exempt income and Louisiana allocable income as follows.

	Louisiana	Total
*Interest from 80% owned Subsidiary	$ -0-	$10,000
*Interest (interest bearing checking)	-0-	5,000
*Dividends	-0-	5,000
Net rent income	10,000	10,000
Trademark royalty income	4,000	10,000
Total	$14,000	$40,000

*Exempt but included with allocable income only for convenience in computing the applicable expense.

(i). Its assets, liabilities, and net worth as of January 1, 2006, and December 31, 2006, were as follows.

Assets		01/01/06		12/31/06
Cash (currency on hand)		$ 10,000		$ 10,000
Cash (non-interest bearing checking)		90,000		140,000
Cash (interest bearing checking)		110,000		220,000
Accounts receivable		780,000		800,000
Inventories		600,000		1,000,000
Stocks - 80% owned subsidiary		100,000		100,000
Trademark		80,000		80,000
Loan to 80% owned subsidiary		310,000		430,000
Real estate (rental property)	$ 100,000		$100,000	
Less depreciation reserve	20,000		25,000	
Net		80,000		75,000
Real estate	5,000,000		5,125,000	
Less depreciation reserve	1,080,000		1,300,000	
Net		3,920,000		3,825,000
Total Assets		$6,080,000		$6,680,000

Liabilities and Net Worth				
Accounts payable	$ 400,000		$1,000,000	
Bonds	3,000,000		3,000,000	
Total Liabilities		$3,400,000		$4,000,000
Capital stock	2,080,000		2,080,000	
Earned surplus	600,000		600,000	
Net Worth:		2,680,000		2,680,000
Total Liabilities and Net Worth		$6,080,000		$6,680,000

(ii). The amount of interest that is applicable to the assets that produce or are held for the production of allocable or exempt income within and without Louisiana is $18,633, determined as follows.

	Allocable Assets		Total Assets	
	01/01/06	12/31/06	01/01/06	12/31/06
Loan to 80% owned subsidiary	$310,000	$ 430,000	$ 310,000	$ 430,000
Cash (interest bearing checking)	110,000	220,000	110,000	220,000
Rental property (net)	80,000	75,000	80,000	75,000
Stocks - 80% owned subsidiary	100,000	100,000	100,000	100,000
Trademark asset	80,000	80,000	80,000	80,000
Other assets	0	0	5,400,000	5,775,000
Totals	$680,000	$ 905,000	$6,080,000	$ 6,680,000
1-1-06 totals		$ 680,000		$ 6,080,000
Totals		$1,585,000		$12,760,000
Average		792,500		6,380,000
Ratio				.12422
Interest expense attributed to total allocable or exempt assets (.12422 x $150,000)				18,633

(iii). The amount of interest expense that is applicable to the assets that produce or are held for the production of Louisiana allocable income is $2,668 determined as follows.

Louisiana Allocable Assets	
January 1, 2006 - Rental property	$ 80,000
**January 1, 2006 - Trademark asset	32,000
December 31, 2006 - Rental property	75,000
**December 31, 2006 - Trademark asset	40,000
Total	$227,000
Average Louisiana allocable assets	113,500
Average total allocable assets	792,500
Ratio of Louisiana average to total average allocable assets	.14322
Interest expense attributed to total allocable or exempt assets	18,633
Interest expense allocated to Louisiana allocable assets (.14322 x $18,633)	2,668

**For purposes of this example, it has been assumed that the ratio of trademark royalties for the prior month from Louisiana sources to total trademark royalties for the prior month is representative of the value of the asset attributable to Louisiana at balance sheet date. In December 2005, Louisiana trademark royalties were $480 and total trademark royalties were $1,200. In December 2006, Louisiana trademark royalties were $550 and total trademark royalties were $1,100.

(b). Example 2. Assume the same facts as Example 1 except that XYZ Corporation has elected under R.S.47:287.738(F)(2) to treat interest income from its 50 percent or more owned subsidiary as taxable allocable income. The ratio of the value of real and tangible personal property of the controlled corporation located in Louisiana to the value of such property within and without Louisiana is 10 percent for both the beginning and ending balance sheets. Therefore, 10 percent of the interest from the subsidiary is allocated to Louisiana and 10 percent of the receivable is attributed to Louisiana. In addition, the ratio of the subsidiary's income earned within Louisiana upon which Louisiana income tax has been paid to income earned everywhere of the subsidiary in the prior and current years is five percent. Therefore five percent of XYZ's investment in the subsidiary is attributed to Louisiana. Example 1 would change as follows:

(i). Total allocable and exempt income and Louisiana allocable income would be.

	Louisiana	Total
*Interest from 80% owned Subsidiary	$ 1,000	$10,000
**Interest (interest bearing checking)	-0-	5,000
**Dividends	-0-	5,000
Net rent income	10,000	10,000
Trademark royalty income	4,000	10,000
Total	$15,000	$40,000

(ii). The amount of interest that is applicable to the assets that produce or are held for the production of allocable or exempt income within and without Louisiana remains $18,633, calculated in the same manner. The only difference is that the loan to the subsidiary is now an allocable asset. The amount of interest expense that is applicable to the assets that produce or are held for the production of Louisiana allocable income or to the portion of the investment in a 50 percent or more owned subsidiary that has produced income that has been taxed by Louisiana is $3,656 determined as follows.

Louisiana Allocable Assets	
January 1, 2006 - Rental property	$ 80,000
January 1, 2006 - Trademark asset	32,000
**January 1, 2006 - Stock of subsidiary	5,000
January 1, 2006 - Loan to subsidiary	31,000
December 31, 2006 - Rental property	75,000
December 31, 2006 - Trademark asset	40,000
**December 31, 2006 - Stock of subsidiary	5,000
December 31, 2006 - Loan to subsidiary	43,000
Total	$311,000
Average Louisiana allocable assets	155,500
Average total allocable assets	792,500
Ratio of Louisiana average to total average allocable assets	.19621
Interest expense attributed to total allocable or exempt assets	18,633
Interest expense attributed to Louisiana (.19621 x $18,633)	3,656

* Taxpayer has elected to be taxed on certain interest income.
** Exempt but included only for convenience in computing the applicable expense.

2. Overhead Expense

a. Overhead Expense Attributable to Total Gross Allocable Income Derived from Rent of Immovable or Corporeal Movable Property or from Construction, Repair, or Other Similar Services

i. Overhead expense attributable to Louisiana gross allocable income derived from rent of immovable or corporeal movable property and from construction, repair, or other similar services shall be deducted from such income for the purposes of determining Louisiana net allocable income or loss from such items of income. The amount of overhead expense attributable to such income shall be determined by multiplying overhead expense attributed to total gross allocable income derived from rent of immovable or corporeal movable property and from construction, repair, or other similar services by the arithmetical average of two ratios, as follows:

(a). the ratio of the amount of Louisiana gross allocable income derived from rent of immovable or corporeal movable property and from construction, repair, or other similar services to total gross allocable income from such sources;

(b). the ratio of the amount of direct cost incurred in the production of Louisiana gross allocable income derived from rent of immovable or corporeal movable property and from construction, repair, or other similar services to total direct cost incurred in the production of such income.

ii. Overhead expense attributable to total gross allocable income derived from rent of immovable or corporeal movable property or from construction, repair, or other similar services shall be deducted from such income for the purposes of determining total net allocable income or loss from such items of income. The amount of overhead expense attributable to such income shall be determined by multiplying total overhead expense by the arithmetical average of two ratios, as follows:

(a). the ratio of the amount of total gross allocable income derived from rent of immovable or corporeal movable property and from construction, repair, or other similar services to total gross income derived from all sources;

(b). the ratio of the amount of direct cost incurred in the production of total gross allocable income derived from rent of immovable or corporeal movable property and from construction, repair, or other similar services to total direct cost incurred in the production of gross income from all sources.

iii. If the taxpayer has not maintained documents or records sufficient to compute the ratios required by this Subparagraph, the secretary shall, upon examination, determine the method by which to attribute overhead expense.

b. Overhead Expense Attributable to All Other Items of Gross Allocable Income. Overhead expense attributable to items of gross allocable income derived from sources within and without Louisiana, except gross allocable income from rent of immovable or corporeal movable property or from construction, repair or other similar services, may be determined by any reasonable method that clearly reflects net allocable income from such items of income.

3. Generally, direct and indirect expenses, other than interest expenses, attributed to allocable income from foreign sources for federal purposes are deductible in arriving at total net allocable income. Expenses, other than interest expenses, sourced pursuant to federal law and regulations to allocable income from foreign sources are presumed to be actual expenses attributed to such income.

C. This regulation shall not restrict the authority of the secretary to adjust the allocation of items of income and expense when the secretary determines that such adjustments are necessary in order to clearly reflect the taxpayer's Louisiana income.

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:287.81, R.S. 47:287.92, R.S. 47:287.93, R.S. 47:287.785, and R.S. 47:1511.

HISTORICAL NOTE: Promulgated by the Department of Revenue and Taxation, Income Tax Section, LR 14:101 (February 1988), repromulgated by the Department of Revenue, Policy Services Division, LR 30:477 (March 2004), amended LR 31:

Family Impact Statement

The proposed amendment of LAC 61:I.1130, regarding the computation of net allocable income from Louisiana sources should not have any known or foreseeable impact on any family as defined by R.S. 49:972(D) or on family formation, stability and autonomy. The implementation of this proposed Rule will have no known or foreseeable effect on:

1. the stability of the family;
2. the authority and rights of parents regarding the education and supervision of their children;
3. the functioning of the family;
4. family earnings and family budgets;
5. the behavior and personal responsibility of children;
6. the ability of the family or a local government to perform this function;

Any interested person may submit written data, views, arguments or comments regarding this proposed Rule to Michael D. Pearson, Senior Policy Consultant, Policy Services Division, Office of Legal Affairs by mail to P.O. Box 44098, Baton Rouge, LA 70804-4098. All comments must be submitted no later than 4:30 p.m., Thursday, October 27, 2005. A public hearing will be held on Friday, October 28, 2005, at 9 a.m. in the River Room located on the seventh floor of the LaSalle Building, 617 North Third Street, Baton Rouge, LA 70802.

Cynthia Bridges
Secretary

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES
RULE TITLE: Computation of Net Allocable Income from Louisiana Sources

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The implementation of this proposed regulation, which updates the corporation income tax regulation relating to the allocation of items of income and expense, will have no impact on the agency's costs.

The implementation of this proposed regulation will have no impact upon any local governmental units.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

Proposed regulatory changes related to updating corporate income tax regulations will have no effect on revenue collections of state or local governmental units.

The proposed regulations also implement portions of Act 401 of the 2005 Regular Legislative Session (HB 679). Act 401, in its entirety, is estimated to reduce State General Fund revenues by $4.8 million in FY 2006-07, $4.4 million in FY 2007-08, $3.9 million in FY 2008-09, and $3.5 million in FY 2009-10. The portions of these total fiscal effects associated with these specific proposed regulations implementing that Act is indeterminable.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

Statutory changes related to Act 401 of the 2005 Regular Legislative Session will decrease the tax payments of affected businesses by an estimated $4.8 million in FY 2006-07. Tax reductions for affected businesses associated with these specific proposed regulations implementing that Act are indeterminable.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

This proposed regulation should have no effect on competition or employment.

Cynthia Bridges
Secretary
0509#054

Robert E. Hosse
Staff Director
Legislative Fiscal Office