

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: *SB 80a

49th Legislature, 1st Session, 2009

Short Title: Corporate Income Tax Reporting Dates

Sponsor(s): Senator John Arthur Smith and Others

Analyst: Peter B. van Moorsel

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AS AMENDED

The Senate Finance Committee amendment requires that, for the taxable year beginning in 2009, the first quarterly payment of estimated corporate income tax (CIT) be equal to half of the first quarterly CIT liability, of 12.5 percent of the annual CIT liability.

Bill Summary:

Among its provisions, SB 80:

- amends the *Corporate Income and Franchise Tax Act* of the *Tax Code* to require four quarterly payments of estimated corporate income tax; and
- specifies that payments under both the *Withholding Tax Act* and the *Oil and Gas Proceeds Withholding Tax Act* are considered a payment of estimated tax for corporate income tax purposes.

* The bill contains an emergency clause.

Fiscal Impact:

The Taxation and Revenue Department (TRD) estimates in its analysis of SB 80 that restoring an estimated payment in April 2009 “would increase the General Fund revenue by roughly 20 percent of corporate income tax liability, or \$65 million for FY 09.”

Amended Fiscal Impact:

The Legislative Finance Committee (LFC) Fiscal Impact Report (FIR) states that the amendment to SB 80 would shift half of the above fiscal impact to FY 10, reducing the fiscal impact in FY 09 to \$32.0 million. The estimated FY 10 impact is \$29.0 million and reflects a declining corporate income tax revenue forecast.

Issues:

According to the LFC (FIR, the manner in which estimated payments for corporate income tax are made was amended in 2003. In creating this legislation, one due date for quarterly payments was omitted, which therefore only provided for three due dates for the quarterly payments rather than four.

LFC reports that TRD presented this proposal to the Revenue Stabilization and Tax Policy (RSTP) interim committee along with other measures referring to income tax withholding. The RSTP committee has endorsed legislation (*HB 8) that contains a provision that would make this same change in corporate income tax reporting dates, as well as other provisions regarding withholding of taxes.

FY 09 Solvency Plan

Due in part to the current economic recession and reduced oil and natural gas revenues, the December 2008 consensus revenue estimate projected a \$454.0 million deficit for FY 09.

HB 10 is part of a three-pronged solvency plan proposed by the LFC to address the projected revenue shortfall. The solvency plan comprises four bills – in addition to SB 80, the LFC solvency plan includes the following legislation:

- **HB 9, Capital Outlay Cuts & Reauthorization:* Among its provisions, proposes to void certain General Fund projects appropriated in previous years totaling \$104.9 million and to revert these dollars to the General Fund; void certain severance tax bond projects authorized in previous years totaling approximately \$26.6 million and to revert the dollars to severance tax bond capacity; and reauthorizes nearly all of the severance tax bond dollars to continue viable General Fund projects.
- **HB 10, Appropriation Reduction & Budget Adjustment:* Reduces General Fund appropriations in Laws 2008, Chapter 3 (*General Appropriation Act of 2008*) in Section 4 by various amounts, including \$4.0 million for public school transportation related to supplemental funding provided in the 2008 special session for fuel costs; reduces General Fund compensation and other distributions contained in Section 8; provides authority for the Department of Finance and Administration (DFA) to reduce other appropriations, including other state funds, internal service/interagency transfers and federal funds, as necessary; provides for additional budget adjustment authority in FY 09; and reduces a special appropriation to DFA in Section 5.
- **SB 79, Fund Transfers & Appropriation Cuts:* Reduces certain appropriations from the General Fund, including a 2.5 percent reduction of FY 09 appropriations for the legislative branch; appropriations in Laws 2008, Chapter 6 (SB 165, also known as HB2 Jr.); and appropriations enacted in the 2008 special session. Transfers money from other state funds to the General Fund; distributes annual payment from participating tobacco manufacturers to the Tobacco Settlement Program Fund and dollars from the Tax Stabilization Reserve to the General Fund appropriation account for meeting FY 09 appropriations. Among its other provisions, appropriates \$35.8 million from the appropriation contingency fund (education lockbox) to the State Equalization Guarantee for distribution to public schools.

Related Bills:

- *CS/SB 79 *Fund Transfers & Appropriation Cuts*
- *HB 8 *Estimated Tax Payments & Withholding*
- *HB 9 *Capital Outlay Cuts & Reauthorizations*
- *CS/HB 10 *Appropriation Reduction & Budget Adjustment*