

Increase B&O tax rate on financial institutions with windfall profits

Description The proposal imposes an additional 1.5% B&O tax rate on financial institutions if:

- a) The financial institution reported annual net income for the prior calendar year of at least one billion dollars, and
- b) Annual net income for the prior calendar year was at least 5% of its total revenue for that year.

The 1.5% is in addition to a financial institution's existing standard B&O tax liability and would take effect July 1, 2012. In most cases, financial institutions are taxed under the "service and other activities" classification at the rate of 1.8%, resulting in an effective tax rate of 3.3%.

Current Law Financial institutions pay B&O tax on their gross income. The majority of the activities of a financial institution are taxed under the "service and other activities" classification at the rate of 1.8%.

Revenue Impact General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$53.8	\$53.8

Notes:

- *Estimate assumes a July 1, 2012, effective date, representing 11 months of collections for FY 2013.*
 - *Estimate reflects the November 2011 Economic & Revenue Forecast Council revenue forecast.*
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Expenditure Impact

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$23,900	\$12,100	36,000
