

PRELIMINARY STAFF MEASURE SUMMARY

House Committee On Revenue

Fiscal: May have fiscal impact, but no statement yet issued

Revenue: May have revenue impact, but no statement yet issued

Action Date:

Action:

Meeting Dates:

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WHAT THE MEASURE DOES:

Changes the method of apportioning corporation income from the sale of intangibles and services. Replaces the Cost-of-Performance method with a market-based method. Applies to tax years beginning on or after January 1, 2017.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENT:

-3: Replaces bill

BACKGROUND:

Many states have historically used the Cost-of-Performance method of apportioning intangibles and services. However, as the U.S. economy has gradually shifted away from one largely based on products toward one largely based on services, states have been exploring the option of moving to a market-based approach. This change would also be consistent with the policy focus of using of the single sales factor.