

# HB 2164-14: Corporate Activity Tax Changes

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## **Section 1:**

- Re-aligns definitions for financial institutions and insurers (language deleted on pages 8-9)
- Interest income and service charges received by financial institutions are commercial activity
- Clarifies that the following items are not commercial activity:
  - Federally reinsured premiums
  - Transactions between a reciprocal insurer and its attorney in fact
  - Hedging transactions
  - Compensation received by an employee
  - Amounts received from insurance policies owned by the taxpayer (unless for the loss of business revenue)
  - Federal and state excise taxes on wine or distilled liquor
  - Local marijuana taxes
  - Local excise taxes on meals
  - Restaurant tips or gratuities passed on to employees
  - Right-of-way fees and universal service surcharges
  - Farmer sales to an agricultural cooperative
- Excludes certain payments related to residential construction
- Clarifies definition of 'cost inputs'
- Aligns definition of 'excluded person' with the registration requirements regarding commercial activity threshold of \$750,000
- Modifies definition of 'groceries' to exclude marijuana products
- Defines 'hedging transactions'
- Clarifies that unrelated business activity of an excluded person is part of the tax base

## **Section 2:**

- Changes 'receiving the commercial activity' to 'with the commercial activity'
- Vehicle dealer may collect from purchasers estimated portion of the tax

## **Section 3:**

- Clarifies that the 35% subtraction does not include intracompany transfers and must be attributable to items of commercial activity

## **Section 4:**

- Clarifies the pre-emption exemption extends to right-of-way fees and privilege taxes not measured by commercial activity

## **Section 5:**

- Amendments apply to tax years beginning on or after January 1, 2020

## **Section 6:**

- Takes effect on the 91<sup>st</sup> day after sine die.