**199—30.3(476) Revenue adjustment.** The revenue adjustment (RA) shall be calculated using 1986 data according to the following formulas:

$$TE_1 = (T_1 + NITC_1 + DT_1 - DTF_1)$$
$$TE_2 = (T_2 + NITC_2 + DT_2 - DTF_2)$$
$$RA = (TE_1 - TE_2) RF$$

$TE_1$ is the income tax expense (state and federal) calculated pursuant to income tax law prior to implementation of any of the provisions of the Tax Reform Act of 1986.

$TE_2$ is the income tax expense (state and federal) calculated for income tax pursuant to all provisions of the Tax Reform Act of 1986 and any state tax reform enacted in the 1987 legislative session.

RA is the revenue adjustment due to changes in the tax law.

$T_1$ is the income tax which is the taxable income before income tax times the composite statutory income tax rate less gross investment tax credit, calculated pursuant to tax law prior to the Tax Reform Act of 1986.

$NITC_1$ is the net investment tax credit which is the gross investment tax credit less amortization of deferred investment tax credit, calculated pursuant to tax law prior to the Tax Reform Act of 1986.

$DT_1$ is the deferred income tax which represents the (tax/book timing differences required to be normalized to obtain the income tax benefits of the timing differences plus tax/book timing differences allowed by the board to be normalized) times the statutory federal tax rate, calculated pursuant to tax law prior to the Tax Reform Act of 1986.

$DTF_1$ is the deferred income tax flowback under the tax law prior to the Tax Reform Act of 1986. It is the sum of tax/book timing differences for which deferred taxes have been accrued for such vintage years for which the timing differences have reached the point of turnaround times the federal income tax rate at which the deferred taxes were accrued.

$T_2$ is the income tax which is the taxable income before income tax times the composite statutory income tax rate less gross investment tax credit, calculated pursuant to the Tax Reform Act of 1986 and any state tax reform enacted in the 1987 legislative session.

$NITC_2$ is the net investment tax credit which is the gross investment tax credit less amortization of deferred investment tax credit, calculated pursuant to the Tax Reform Act of 1986 and any state tax reform enacted in the 1987 legislative session.

$DT_2$ is the deferred income tax which represents the (tax/book timing differences required to be normalized to obtain the income tax benefits of the timing differences plus tax/book timing differences allowed by the board to be normalized) times the statutory federal tax rate, calculated pursuant to the Tax Reform Act of 1986 and any state tax reform enacted in the 1987 legislative session.

$DTF_2$ is the deferred income tax flowback under the Tax Reform Act of 1986 calculated as the amount of the timing of the aggregate deferred income taxes to the aggregate timing differences as of the beginning of the period in question.

RF is the revenue factor which is calculated as one plus the (composite statutory income tax rate divided by one minus the composite statutory income tax rate), pursuant to the Tax Reform Act of 1986 and any state tax reform enacted in the 1987 legislative session.