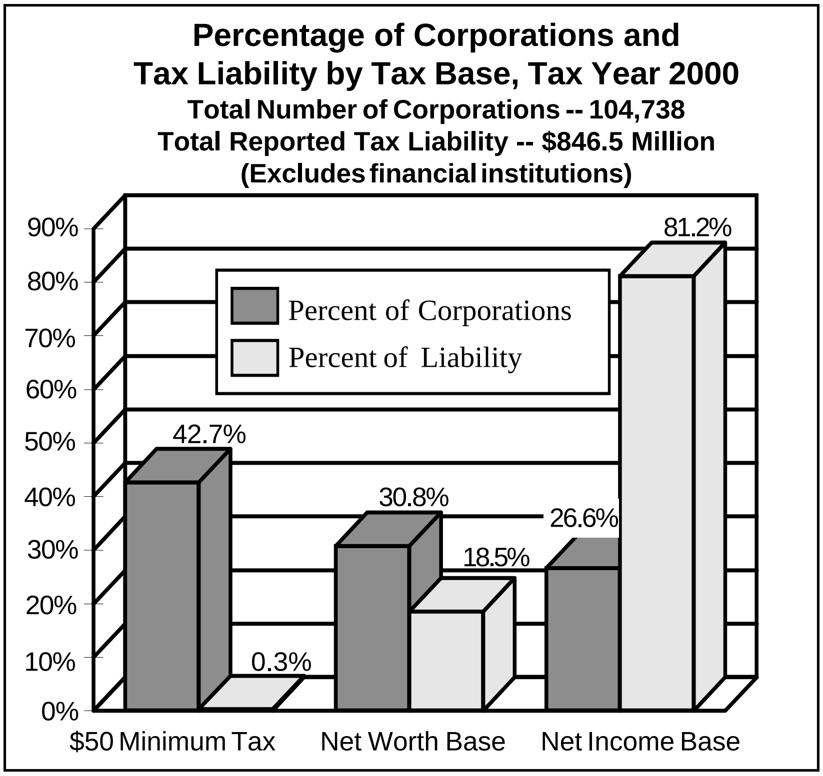
CORPORATION FRANCHISE TAX



The Ohio corporation franchise tax came into effect in 1902 at a one mill (0.1 percent) rate on the value of capital stock (net worth) in Ohio. The tax rate remained at one mill until 1959 when it was increased to three mills, followed by one-mill increases in 1967 and 1969, respectively. In 1971, the five mill net worth tax was complemented by a new tax based on net income in Ohio. With the enactment of this new tax base, taxpayers were required to compute both the net worth tax and the net income tax, and pay the higher of the two tax calculations.

During the 1980's many changes were made to the corporation franchise tax rates, and the litter tax and a (now-repealed) surtax were enacted. However, from 1988 to 1998 the franchise tax rates remained constant, with a 5.82 mill net worth tax rate and a 5.1 percent rate on the first $50,000 of net income and 8.9 percent rate on remaining net income. In 1999, major changes were made to the tax, including reductions in the net worth tax rate (to 4 mills) and the top net income tax rate (to 8.5 percent). Among the many other changes that took effect in 1999 were the imposition of a $150,000 cap on the net worth tax and the replacement of the two-factor net worth apportionment formula with the three-factor net income apportionment formula (**See Exhibits One and Two** on page 35 for further detail on the apportionment formula).

Financial institutions are treated in a different manner than general corporations under the corporation franchise tax. Financial institutions are subject to a 13 mill net worth tax (net income tax and litter tax do not apply) and have different apportionment provisions than those for general corporations.

In fiscal year 2001, the corporation franchise tax generated just under $1.0 billion in total (all funds) revenue. The franchise tax produces the third highest amount of revenue among the taxes that support Ohio's General Revenue Fund. Of this total, 4.2% or $40.4 million was distributed to the Local Government Fund, 0.6% or $5.8 million to the Local Government Revenue Assistance Fund, and 95.2% or $915.3 million to the General Revenue Fund. (See chart 5 on page 26)

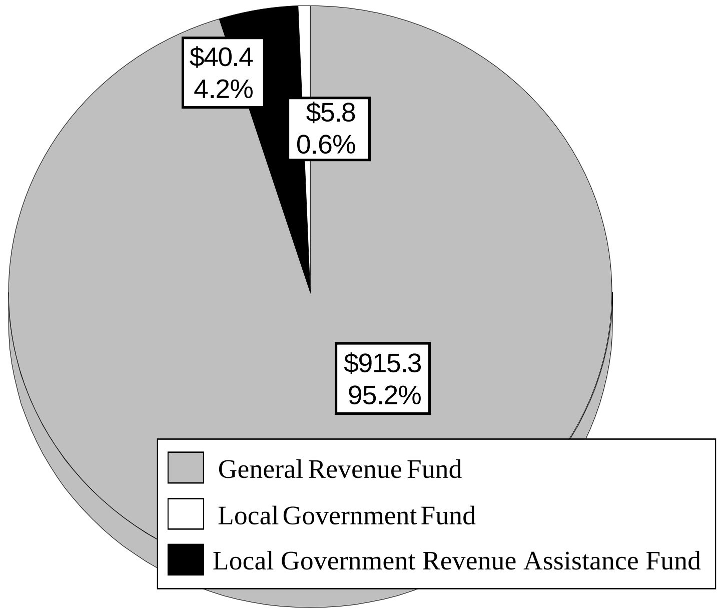
The tables in this section provide tax year 2000 data on the distribution of the corporation franchise tax among the alternative tax bases for various industrial classifications and tax liability classes. The data were taken from franchise tax reports that were due in 2000, with the bulk of the taxes collected between January and May 2000 (fiscal year 2000).

For all corporate franchise taxpayers except financial institutions, the reported liability before credits (not including Tier I and Tier II litter taxes) was $913.4 million, but nonrefundable tax credits reduced the net liability to $846.5 million (refundable credits reduced the total liability by $24.9 million). About 81 percent of the total tax liability before credits was based on net income. In contrast, only about 27 percent of the corporations paid the tax on net income. About 31 percent of the corporations paid the tax based on net worth and another 42 percent paid the minimum tax. These data exclude the reports of financial institutions, which are shown in the final table. Financial institutions reported a total tax liability of $189.7 million for tax year 2000. Banks filed 59 percent of the returns and reported 78 percent of the total tax liability. Savings and loans filed 33 percent of these returns, but reported only 21 percent of the total tax liability. Other financial institutions accounted for the balance of the returns and tax liability.

TAX BASE (R.C. 5709.50, 5709.65, 5733.04, 5733.05, 5733.051 AND 5733.056):

The total value of the corporation's issued and outstanding shares of stock (corporations doing business only in Ohio), or the portion of the value of its issued and outstanding shares of stock attributable to Ohio (corporations doing business both inside and outside of Ohio) form the base of the corporation franchise tax. Two alternative methods are provided for the measurement of this value:

Chart 5
Distribution of Revenues
from Corporation Franchise Tax
Total: $973.0 million
Fiscal Year 2001



1. ***Net Worth Base***
   This is determined by subtracting the net carrying value of the corporation's liabilities from the net book value of its assets, less any items excluded by statute (**See Exemptions and Exclusions** section). For calendar year corporations, net worth is determined as of the end of the preceding calendar year; for fiscal year corporations, net worth is determined as of the end of the fiscal year ending in the preceding calendar year. The net worth of interstate corporations is apportioned to Ohio according to the formula shown in **Exhibit 1 - Corporation Franchise Tax** (page 35).

2. ***Net Income Base*** (does not apply to financial institutions). This is equal to the Ohio portion of federal taxable income with exclusions and additions required by state statute (**See Exemptions and Exclusions** section, on page 26). For calendar year corporations, net income is computed for the preceding calendar year; for fiscal year corporations, net income is computed for the fiscal year ending in the preceding calendar year. For corporations operating only in Ohio, the total net income of the corporation is attributable to Ohio. For interstate corporations, income is allocated or apportioned to Ohio as follows:

Allocable Income

The following types of income are allocated within or outside of Ohio on the basis of location, commercial situs, at time of sale, or location of business activity:

1) net rents and royalties from real and personal property;
2) capital gains and losses from the sale or other disposition of real, tangible, and dividend producing intangible property;
3) dividends;
4) net patent and copyright royalties (not representing principal source of gross receipts);
5) technical assistance fees.

Apportionable Income

Income from all non-allocable sources is apportioned to Ohio according to a three-factor formula (unless Tax Commissioner approves or requires alternative method of apportionment). The formula and the three factors are shown in **Exhibit 2 -- Corporation Franchise Tax** (page 35).

The sum of Ohio's allocable and apportionable income equals Ohio taxable net income to which the tax rate is applied.

RATES:

1. ***General Rates (R.C.5733.06)*** for all corporations except financial institutions for the two alternative tax bases are:

   Net Worth--4.00 mills on the taxable value of the corporation with a $150,000 maximum liability; or

   Net Income--5.1 percent on the first $50,000 of Ohio taxable income plus 8.5 percent on Ohio taxable income in excess of $50,000. (Corporations that meet the ownership requirements to file a combined report must share the $0 to $50,000 tax bracket to which the 5.1% rate applies regardless of whether or not they actually file a combined return.)

   Corporations pay the greater of the two tax liabilities computed under the alternative tax bases (after deducting credits)—with a minimum tax liability of $50 for all corporations.

2. ***Litter Tax Rates (R.C. 5733.065 and 5733.066)***

   a. The tax rates for the two alternative tax bases for all corporations except "litter stream corporations" and financial institutions are:

   Net Worth -- 0.14 mill on the taxable value of the corporation; or

   Net Income -- 0.11 percent on the first $50,000 of Ohio taxable income plus 0.22 percent on Ohio taxable income in excess of $50,000.

   The additional tax charged any taxpayer or group of combined taxpayers under these rates is limited to a maximum of $5,000.

   b. The litter tax rates for the two alternative tax bases for corporations manufacturing or selling "litter stream products"* are:

   Net Worth -- 0.28 mill on the taxable value of the corporation; or

   Net Income -- 0.11 percent on the first $50,000 of Ohio taxable income plus 0.44 percent on Ohio taxable income in excess of $50,000. The additional tax charged any taxpayer or group of combined taxpayers under these rates is limited to a maximum of $10,000.

   * ***Litter stream products include general beverages, beverage containers and packaging, take-out food packaging, tobacco products, candy and gum.***

3. ***Financial Institutions Rate (R.C. 5733.06)***

   Rate on net worth (net income base does not apply) — 13 mills.

EXEMPTIONS AND EXCLUSIONS:

Entities not subject to tax (R.C. 1733.43, 5733.01, 5733.04, 5733.06, 5733.09, and 5733.10):

1. Nonprofit corporations (except certain agricultural and consumer cooperatives);
2. Municipal corporations;
3. Public utilities subject to public utility excise tax;
4. Credit unions;
5. Dealers in intangibles subject to intangibles tax imposed by R.C. 5707.03;
6. Corporations required to file annual reports with the superintendent of insurance;
7. "Real estate investment trusts," "regulated investment companies," and "real estate mortgage investment conduits" as defined in the Internal Revenue Code;
8. Corporations electing treatment as "S" corporation under the Internal Revenue Code;
9. Limited liability companies, if treated as partership for federal tax purposes;
10. Entities defined as a "qualified holding company" are exempt from tax on the net worth basis;
11. Corporations in Chapter 7 bankruptcy proceedings are not liable for franchise tax.

Assets excluded when computing the corporation's net worth (R.C. 5709.25, 5709.35, 5709.50, 5709.65, 5915.29 and 6111.36):

1. Certified Ohio pollution control facilities;
2. Certain facilities designed to convert coal into other fuels or to desulfurize coal (assets excluded for 30 years);
3. Certified Ohio civil defense structures;
4. Certified Ohio energy conversion, thermal efficiency improvement, and solid waste energy conversion facilities;
5. Qualified improvements to property located in an enterprise zone.

Exempt income and deductions from the net income base (R.C. 5709.35, 5733.04, 5733.054, 5733.055, and 5733.058):

1. Certain income from sources outside the United States;
2. Specified dividends from other corporations;
3. Dividends received from public utilities, insurance companies, and financial institutions in which the taxpayer has the ownership interests required by statute (receipts from these companies are eliminated in determining the sales factor for apportioning net income and net worth);
4. Gains from the sale of capital assets where such gains occurred prior to addition of income base (losses from such sales are added to income);
5. Income arising from facilities designed to convert coal into other fuels, to desulfurize coal, or as a coal research and development project (exempt for 30 years);
6. Interest on Ohio public and purchase obligations and gain from the sale of Ohio public obligations (losses from sales of Ohio public obligations are added to net income);
7. Amount of payroll excluded for the federal "work opportunity credit";
8. Net interest income on obligations of the federal government;
9. Net operating loss carried forward from prior years. Losses incurred in taxable years ending after 1981 may be carried forward 15 consecutive taxable years. There is no carryback provision.
10. Amount contributed to an individual development account program;
11. Net income attributable to an "exempted investment" in a public utility (net loss from "exempted investment in a public utility is added to net income).

CREDITS (R.C. 122.17, 5709.65, 5709.66, 5733.062, 5733.064, 5733.068, 5733.069, 5733.0610, 5733.0611, 5733.31, 5733.311, 5733.32-5733.38, 5733.44):

1. New manufacturing machinery and equipment purchased between January 1, 1995 and June 30, 1996 and located in Ohio may be eligible for a credit equal to 20 percent of its cost. The credit is available if the cost of the purchased machinery and equipment equals or exceeds 20 percent of the cost of the taxpayer's total tangible personal property located within the United States as of the end of the taxable year that precedes the 18 month eligible purchase period. The maximum credit allowed any taxpayer is $500,000. The credit may be carried forward for up to three tax years. In tax year 2001, only unused carry forward credit amounts could be claimed.
2. An "alternative" tax credit is available for new manufacturing machinery and equipment. It operates in the same manner as the "original" manufacturing tax credit described immediately above. However, the "alternative" credit differs in two important ways: (1) purchases must have been made between December 1, 1995 and June 30, 1996; and (2) the taxpayer's new Ohio investment must equal or exceed 20 percent of the aggregate cost of the taxpayer's total manufacturing machinery and equipment located in the U.S. during the prior taxable year. The latter requirement is easier to meet than the requirement contained in the "original" manufacturing tax credit. In tax year 2001, only unused carry forward credit amounts could be claimed.
3. Taxpayers may take a credit equal to 50 percent of cash donations for litter control made to municipalities, counties, and townships which qualify for grants from the litter control and recycling special account. This credit is limited to the lesser of cash donations or 50 percent of the additional tax liability from the litter tax rates.
4. A credit is available for qualified non-retail corporations locating in "enterprise zones" equal to:
   a. the amount reimbursed to specified employees for the cost of day care services up to a maximum of $300 per child;

   b. the amount reimbursed to specified employees for training costs up to a maximum of $1,000 per employee.
5. Savings and loans are allowed a credit equal to the difference between the assessment paid by a state-chartered savings and loan association to the Division of Savings and Loans and the amount paid in supervisory fees to the Federal Savings and Loan Insurance Corporation (FSLIC) or, in the case of an association not insured by the FSLIC, the amount it would have paid if so insured.
6. A credit is allowed that is equal to the taxpayer's proportionate share of the tax paid or due by a pass-through entity under R.C. section 5733.41.
7. Corporations with increasing export sales and increased Ohio payroll or property are allowed a credit against the franchise tax. The credit is calculated according to this formula for tax year 1993 through tax year 2000. The credit is available for tax years 1993 through 2005. The credit is equal to ten percent of the following product: (1) pre-tax profit from the incremental increase in export sales, multiplied by (2) the average of the property factor and payroll factor, multiplied by (3) an increase factor based on the taxpayer's additional Ohio payroll or Ohio property. For tax years 2001 through 2005, only unused amounts carried forward from prior years are allowed. The maximum credit allowed to the taxpayer and its related members in any one year is $250,000. The maximum aggregate credit allowed to the taxpayer and its related members for all eligible tax years may not exceed $3.25 million. Any credit in excess of the amount allowed for the tax year may be carried forward to a later tax year or years until tax year 2005. In tax year 2001, only unused carry forward credit amounts could be claimed.
8. A taxpayer may claim a refundable corporate franchise tax credit for new jobs created pursuant to an agreement with the Tax Credit Authority created under R.C. Section 122.17. The credit is equal to a designated percentage of the total amount of Ohio income tax withheld from new employees during the taxable year. The percentage, which may not exceed 100 percent, is established under the agreement between the taxpayer and the Tax Credit Authority. The credit is permitted for a period of up to ten years.
9. A taxpayer may claim a credit equal to ten percent of the cost of purchasing and installing or constructing qualifying property used to produce grapes in Ohio. Any credit amount in excess of the tax due for the taxable year in which the qualifying property is placed in operation may be carried forward for up to seven years.
10. Qualified corporations located in an eligible enterprise zone may take a maximum $1,000 tax credit for each employee who, at the time of hire, was a participant in programs established by R.C. chapters 5107 and 5108. Any credit in excess of the tax due may be carried forward for a maximum of three tax years.
11. A nonrefundable credit is available for investments made in small, Ohio-based companies doing research and development and technology transfer. The credit is equal to 25 percent of the qualified investment. The credit must be approved by the state Industrial Technology and Enterprise Board. The maximum cumulative value of credits granted to taxpayers cannot exceed $10 million.
12. Taxpayers may take a nonrefundable credit for costs incurred in completing a voluntary cleanup of a contaminated site, pursuant to an agreement with the state Development Director. The credit is aimed at restoring brownfield industrial sites. It is equal to the lesser of $500,000 or 10 percent of the eligible costs incurred in performing the voluntary cleanup action. If the action is undertaken in an "economically disadvantaged" area the credit is the lesser of $750,000 or 15 percent of the eligible costs. The maximum cumulative value of credits granted to taxpayers cannot exceed $30 million.
13. New manufacturing machinery and equipment purchased between July 1, 1995 and December 31, 2005 for installation in Ohio may be eligible for an investment tax credit. The credit is based on the amount by which the costs of the taxpayer's manufacturing machinery and equipment investment in a specific county during the calendar year exceeds the cost of its average annual investment in machinery and equipment in the same county during three consecutive designated calendar years. The credit is equal to

7.5 percent of this amount. Investments in eligible areas (inner city areas, distressed areas, labor surplus areas, and situtational distress areas) have a tax credit rate of 13.5 percent instead of 7.5 percent. The full credit is divided by seven and the resulting amount may be taken in seven successive tax years. Any unused credit may be carried forward for a maximum of three tax years.

14. Three different tax credits are available in tax years 1999 through 2003 for costs associated with child day care. One of these credits equals 50 percent of the payments made by the taxpayer to support a qualified day care center that may be used by the taxpayer's employees. Another credit equals 50 percent of the start-up expenses of a day care center established on the taxpayer's site and used by the taxpayer's employees (up to $100,000). The final credit equals 50 percent of the reimbursements made by a taxpayer to its employees for day care expenses of dependents, with a maximum $750 annual credit per child.
15. If, as a result the related entity and related member adjustments an affiliated group will pay over $3.5 million more franchise tax than the members of the group otherwise would have paid had the members of the group not made the related entity and related member adjustment, then the members of the affiliated group may claim a credit equal to the difference between the additional tax and $3.5 million. However, the credit is limited to $1.5 million for the affiliated group (even if the additional tax exceeds $5 million).
16. A taxpayer may claim a nonrefundable credit for purchasing lights and reflectors for installation on multi-wheel agricultural tractors in order to comply with the new lighting and reflector requirements set forth in ORC section 4513.111. The credit equal the lesser of $1,000 or fifty percent of the cost of the lights and reflectors purchased during the period October 5, 2000 (the effective date of this new law) through October 4, 2001. The taxpayer must claim the credit for the taxable year during which the taxpayer purchased the lights and reflectors. Unused credit amounts may not be carried forward.

SPECIAL PROVISIONS (R.C. 5733.04, 5733.056, 5733.57, 5733.06, 5747.40, 5747.453):

1. A corporation that dissolves or surrenders its license to conduct business in Ohio prior to January 1 of tax year is subject to an "exit tax" on its unreported Ohio net income. Any income earned in the two calendar years prior to the tax year, to the extent that such income was not previously included on a franchise tax report, is subject to the exit tax. (This tax does not apply to financial institutions).
2. A corporation that claims the credit for its proportionate share of taxes paid by a qualifying pass-through entity must add to federal taxable income the amount claimed as a credit, to the extent such amount was deducted or excluded from the corporation's federal taxable income.
3. Qualifying pass-through entities (partnerships, S corporations, and limited liability companies treated as a partnership for federal income tax purposes) that are doing business in Ohio or otherwise have nexus with Ohio are required to pay tax on the qualifying investors' shares of the entity's Ohio profits. Among the investors excluded from the definition of "qualifying investors'" are individual investors that are Ohio residents; nonresident individuals on whose behalf the entity files Ohio form IT-4708; investment pass-through entities; and investors that submit a statement to the qualifying pass-through entity agreeing that the investor is subject to Ohio corporate franchise tax on its distributive share of income from the entity. The entity is subject to a five percent withholding tax on the sum of qualifying individual investors' distributive shares of the entity's Ohio income and gain. For qualifying investors that are not individuals, the entity is subject to an 8.5 percent tax on the sum of such investors' distributive shares of Ohio income and gain. No tax is due if Ohio income and gain do not exceed $1,000.
4. Companies defined as "financial institutions" under R.C. Section 5725.01 are subject to a net worth-based franchise tax that differs from the net worth tax on regular corporations. Beginning in tax year 1999, out-of-state banks that do business in or otherwise have nexus with Ohio but do not receive deposits at an Ohio office are

taxed as financial institutions rather than as regular taxpayers.

5. Each taxpayer shall include in its adjusted qualifying amounts, allocable income or loss, apportionable income or loss, property, compensation, and sales, the taxpayer's proportionate or distributive share of such items for any pass-through entity in which the taxpayer has a direct or indirect ownership interest.

TAXPAYER (R.C. 5733.01):

Corporate franchise tax is imposed on all domestic corporations organized for profit under Ohio law, except corporations which are exempted by statute. The tax must also be paid by nonprofit agricultural and consumer cooperatives which are organized under Chapter 1729 of the Ohio Revised Code. All foreign corporations organized for profit which are doing business in Ohio, or authorized to do business in Ohio, or otherwise having nexus with Ohio under the Constitution of the United States, must also pay the corporate franchise tax. Business trusts defined in section 1746.01 are also subject to corporate franchise tax. The tax is imposed for the privilege of doing business in Ohio during the year in which the tax is payable.

FILING AND PAYMENT DATES (R.C. 5703.47, 5733.02, 5733.021, 5733.13):

January 31--By this date, the corporation must file either the annual report and make full payment of the tax due, or an estimated report of its full tax liability and pay one-third of that estimated liability. If the estimated full tax liability is less than the maximum tax of $50, the corporation must make full payment of $50.

March 31--By this date, the corporation must file either the annual report and pay the difference between its full liability and first estimated payment, or it must file a timely extension request and pay another one-third of its estimated tax liability.

May 31--By this date, a corporation which received an extension of time for filing past March 31 must either file the annual report and pay the difference between its full liability and its estimated payments made earlier, or pay the remaining one-third of its estimated tax liability (if it is granted an extension for filing past May 31). A corporation receiving this extension must file its annual report and pay any remaining tax liability by the 15th day of the month following the final due date for filing its federal corporation income tax return.

The interest rate charged on any underpayment of estimated tax payments in a year is based on the average federal short term rate in effect in July of the previous year plus three percentage points. For calendar year 2000, the calculated rate was 8 percent.

DISPOSITION OF REVENUE (R.C. 4981.09, 5733.12, 5733.122):

The Local Government Fund receives 4.2 percent, the Local Government Revenue Assistance Fund receives 0.6 percent, and the General Revenue Fund receives 95.2 percent of collections.

House Bill 94 (124th General Assembly, FY 2002/2003 Biennial Budget Bill) temporarily replaces the revenue distribution described above. During each month of the July 2001 - May 2002 period and the July 2002 - May 2003 period, the Local Government Fund and Local Government Revenue Assistance Fund will receive the same amount they received during the corresponding month of the July 2000 - May 2001 period. In June 2002 and June 2003, the funds will receive the same amount they received in June 2000.

The amount appropriated annually for administration of the “litter” tax is credited to the litter control tax administration fund. In addition, $5 million is credited to the recycling and litter prevention fund for each six-month period. (This provision changes in fiscal year 2002).

OHIO REVISED CODE CITATIONS:

Chapters 122, 1733, 4981, 5703, 5709, 5733, and 5915.

ADMINISTRATION (R.C. 5733.02, 5733.052, 5733.11):

1. ***Shared Administration:***
   Although tax payments and annual reports of corporations are filed with the Treasurer of State, the Tax Commissioner is principal administrator of the tax, with the Treasurer acting as collector of the tax. All corporate franchise reports received by the Treasurer are transmitted to the Commissioner showing the amount of tax remitted with the report and the date it was received. If a corporation required to file a report fails to do so within the prescribed time, files an incorrect report or fails to remit the full amount of the tax due, the Commissioner may make an assessment against the corporation for the tax due.

2. ***Combined Report:***
   When more than half of the capital stock with voting rights of a corporation is owned or controlled by another corporation, the Tax Commissioner is authorized to permit or require the combining of net income for purposes of calculating the tax base. Two or more corporations subject to the tax which meet the above ownership requirements may elect to file a combined report if the combination sets forth the information required by the Commissioner and each of the corporations has nondividend income from sources within Ohio. Once made, this election may not be changed by the taxpayer without the Commissioner's consent (**See Tax Commissioner Rule 5703-5-06**).

RECENT LEGISLATION:

Am. Sub. House Bill 94; Effective September 6, 2001.
R.C. 5733.42 - Delays the job training tax credit until tax year 2004 (previously scheduled to begin in tax year 2002). The credit is now available through tax year 2006. If a taxpayer applied for the credit before June 30, 2001 the director of the job and family services may grant a tax certificate to such taxpayer to be used in tax year 2004.

R.C. 5733.351 - Delays the tax credit for increased research expenses until tax year 2004 (previously scheduled to begin in tax year 2002). However, corporations with taxable years ending before July 1, 2001 are able to claim the credit in tax year 2002 for increased research expenses that were incurred between January 1, 2001 and June 30, 2001.

R.C. 5733.122 - Revises the basis used for transferring corporate franchise tax monies from the general revenue fund to the recycling and litter prevention fund.

R.C. 5733.053, 5733.06 - Modifies how certain transferor/transferee corporations are taxed when all of their assets are transferred to another corporation during 2001.

House Bill 484; effective October 5, 2000.
R.C. 5933.44 - Provides a nonrefundable credit on the purchase of lights and reflectors for installation on agricultural tractors. The credit will be claimed in the taxable year the purchase is made and is equal to the lesser of $1,000 or fity percent of the costs for the lights and reflectors.

House Bill 384; Effective November 24, 1999.
R.C. 5733.39 - Increases the Ohio coal credit from $1 per ton to $3 per ton of Ohio coal burned in a coal-fired electric generating unit. The credit applies only to coal used between May 1, 2001 and December 31, 2004. The credit may be claimed beginning in tax year 2002. Also removes certain restrictions contained in Am. Sub. Senate Bill 3 that require a minimum percentage of the coal used in an electric generating unit be Ohio coal.

Am. Sub. Senate Bill 3; Effective October 5, 1999.
R.C. 5733.09 and Temporary Law Section 12 - Electric companies are made subject to corporation franchise tax beginning in tax year 2002.

R.C. 5733.05, 5733.09 - Stipulates the method to situs sales of electricity to this state, and provides a method of apportioning sales of electric transmission and distribution services to this state.

R.C. 5733.39 - Effective in tax year 2002, a nonrefundable tax credit is allowed for Ohio coal used in coal-fired electric generating units, under certain conditions. The credit equals one dollar per ton of Ohio coal burned (**See House Bill 384 for credit revision**).

House Bill 283; Effective July 1, 1999.
R.C. 5733.05 **-** The value of land devoted exclusively to agriculture is excluded from the taxpayer's computation of net worth.

R.C. 5733.33 **-** Extends the period for making qualifying purchases for purposes of the manufacturing investment tax credit, from January 1, 2001 to December 31, 2005. Allows the credit to be taken when the property is sold or otherwise removed from Ohio before the end of seven years, if such property has been fully depreciated for federal income tax purposes. Requires that the calculation of thresholds and investment increases is to include all related members.

R.C. 5733.351 **-** Taxpayers are granted a nonrefundable tax credit equal to seven percent of the excess of qualified research expenses incurred during the taxable year over the taxpayer's average annual qualified research expenses incurred in the state for the three preceeding taxable years.

R.C. 5733.39 **-** A nonrefundable tax credit is provided to railroad companies for the costs of maintaining active grade crossing warning devices in Ohio. The credit is equal to the lesser of $200 or 10 percent of the annual maintenance cost of each device.

R.C. 5733.42 **-** Taxpayers are allowed a nonrefundable tax credit for one-half of the direct instructional costs of training employees that exceed the taxpayer's average annual training costs for the three preceding years. The credit cannot exceed $500 per each trained employee, and may not exceed the lesser of $100,000 or 1/2 of the taxpayer's liability.

Temporary Law Section 177 **-** Provides a refundable tax credit in tax year 2000 equal to the amount of additional tax paid in tax year 1999 as a result of not excluding land devoted exclusively to agriculture from the taxpayer's net worth.

Temporary Law Section 178 **-** Allows taxpayers with related member to elect to compute the credit for investment prior to January 1, 2001 as if all related members were a consolidated, single taxpayer.

House Bill 426; Effective July 22, 1998.
R.C. 5733.33 - Under certain limited circumstances, the purchaser of a "large manufacturing facility" may claim the unused manufacturing investment tax credits (7.5% - 13.5% credit) of the seller of the manufacturing equipment located at the manufacturing facility.

House Bill 770; Effective June 17, 1998.
R.C. 5733.058 - A taxpayer must adjust its net income (or loss), apportionment factors, and credits to the extent that net income (or loss), apportionment factors, and credits include the taxpayer's proportionate share of such amounts attributable to the taxpayer's direct or indirect ownership interest in an "exempted investment." An exempted investment is the taxpayer's investment in a pass-through entity or "disregarded entity" which is a public utility.

Am. Sub. House Bill 408; Effective October 1, 1997.
R.C. 5733.04(I)(14) - Taxpayers may deduct from net income the amount contributed to an individual development account program established by a county department of human services pursuant to RC sections 329.11 through 329.14 for the purpose of matching funds deposited by program participants.

Am. Sub. House Bill 215, Effective July 1, 1997.
Changes below are effective in year 1999 unless specified otherwise.

R.C. 5733.02 - Expands the types of transactions under which taxpayers are to add to their net income the amount of interest expenses and costs and intangible expenses and costs paid, accrued, or incurred to, or connected with, certain related members.

R.C. 5733.05 - Changes the weighting of the net income apportionment factors, with a 60 percent weight for sales, 20 percent weight for property and 20 percent weight for payroll. Replaces the existing net worth tax base with a new tax base which consists of total assets less total net carrying value of liabilities. The existing net worth apportionment formula is replaced with the revised three-factor net income apportionment formula cited above.

R.C. 5733.056 - Effective in tax year 1998, the net worth tax on financial institutions will be revised. A three-factor apportionment formula will be used, with a 15 percent weight for property factor, 15 percent weight for payroll factor and 70 percent weight for sales factor. The numerator and denominator of each of the factors are redefined. Through tax year 2001, the taxpayer may use an alternative apportionment method, based solely on deposits.

R.C. 5733.06 - Top net income tax rate reduced to 8.5 percent. Net worth tax rate lowered to 4 mills. Qualifying holding companies are exempt from the net worth tax. Tax rate on financial institutions lowered to 14 mills in tax year 1999 and 13 mills beginning in tax year 2000. Limits to $50,000 the total amount subject to the 5.1% net income tax rate. Maximum net worth tax liability for a taxpayer other than a financial institution is set at $150,000. Net income tax imposed on existing taxpayer.

R.C. 5733.0611 - Enacts a credit equal to the taxpayer's proportionate share of the net income franchise tax paid by, or tax due of, a pass-through entity.

R.C. 5733.067 - Subsidiary tax credit repealed.

R.C. 5733.33 - Qualifying investment period of the 7.5 percent/13.5 percent tax credit extended to December 31, 2000.

R.C. 5733.36 - Effective for tax years 1999 through 2003, a credit is available which is equal to 50 percent of the payments made by the taxpayer to support a qualified day care center that may be used by the taxpayer's employees.

R.C. 5733.37 - A credit is available to taxpayers for the start-up expenses of a day care center established on the taxpayer's site and which is used by the taxpayer's employees. The credit is equal to 50 percent of such expenses up to $100,000 and is available in tax years 1999 - 2003.

R.C. 5733.38 - Enacts a credit equal to 50 percent of the reimbursement made by the taxpayers to its employees for the day care expenses of dependents, with a maximum credit of $750 per child per year. The credit is effective in tax years 1999 through 2003.

R.C. 5733.41 - Effective in taxable year 1998, the net income tax component of the corporate franchise tax will be imposed on qualifying pass-through entities for the income attributable to qualifying investors that are not individuals.

RECENT SIGNIFICANT COURT DECISIONS:

***Emerson Elec. Co. v. Tracy*, (2000), 90 Ohio St. 3d 157, motion for reconsideration denied.**
In a 4-3 decision the Court ruled the deduction limitation for foreign source dividends found at R.C. 5733.04(I)(2)(c) unconstitutionally discriminated against foreign commerce in violation of the United States Constitution's Foreign Commerce Clause.

***Delta Airlines, Inc. v. Tracy*, (Jan. 12, 2001), BTA Nos. 96-471, 472**
For taxable years 1988-91, capital gains resulting from sales of aircraft outside Ohio were included, on audit, in the apportionable income of a corporate franchise taxpayer under Ohio Administrative Code Section 5703-5-09(H), which provides, in part, that "[c]apital gains attributable to the disposition of aircraft shall be treated as apportionable income rather than allocable income". The taxpayer contended that this Administrative Code provision conflicts with – and is therefore invalid under - the requirement of Ohio Revised Code 5733.051(D) that capital gains be allocated rather than apportioned. In support of the audit, the Commissioner cited the provisions of R.C. 5733.05(B)(2)(d), which permit him to include one or more additional factors to represent the taxpayer's allocated or apportioned base in Ohio if the provisions of R.C. 5733.05(B) do not fairly represent the extent of the taxpayer's business activity in Ohio. The BTA found that the Commissioner had not shown that the provisions of R.C. 5733.05(B) failed to represent the extent of the taxpayer's business in Ohio, and had not demonstrated that the provisions of Administrative Code Section 5703-5-09(H) were specifically tailored to this taxpayer's situation. Lacking such evidence, the BTA found the application of Administrative Code Section 5703-5-09(H) to the taxpayer's reporting of capital gains from sales outside Ohio to be an unlawful extension of the Commissioner's grant of authority.

***Federal Express Corp. v. Tracy*, (Jan. 12, 2001), BTA No. 96-589**

The inclusion, on audit, in apportionable income of capital gains on the sales of aircraft outside Ohio was reversed by the BTA under the reasoning set forth in *Delta Airlines, Inc. v. Tracy* (Jan. 12, 2001), BTA Nos. 96-471, 472.

***Abitibi-Price Corp. and Subsidiaries v. Tracy*, (March 2, 2001), BTA No. 98-401**

Amended corporate franchise tax returns submitted with a transmittal letter indicating the amount of refund requested but without a refund claim form were held to be adequate to satisfy core jurisdictional requirements and to constitute substantial compliance with R.C. 5733.12 for purposes of filing a claim for refund within the three-year period of limitations.

***Minnesota Mining & Manufacturing Co. v. Tracy* (June 8, 2001), BTA No. 98-1010**

The taxpayer contended that Ohio Revised Code 5733.04(I), which provides for a 15% expense allowance to be netted against foreign dividends received, is in violation of the Foreign Commerce Clause of the U.S. Constitution. The BTA found this to be the same issue decided on behalf of the taxpayer by the Ohio Supreme Court in *Emerson Electric Co. v. Tracy* (2000), 90 Ohio St. 3d 157, and so held.

Exhibit 1 -- Corporation Franchise Tax

Net Worth Tax Base

$$\text{Ohio Taxable Value} = \text{Net Value of Stock*} \times \big((\text{Property factor} \times .2) + (\text{Payroll factor} \times .2) + (\text{Sales factor} \times .6)\big)$$

* *Excludes value of pollution control, coal conversion, and energy conversion facilities property, and qualified property in an enterprise zone, and land devoted exclusively to agriculture.*

See Exhibit 2 for explanation of factors.

Exhibit 2 -- Corporation Franchise Tax

Net Income Tax Base

(Does not apply to financial institutions)

$$\text{Ohio Taxable Income*} = \text{Allocable Income Within Ohio} + \text{Ohio Apportioned Net Income} - \text{Ohio Net Operating Loss Deduction}$$

* *Also includes income (or deducts a loss) from a transferor corporation, and includes positive adjustments (or deducts negative adjustments) for related entities and related members.*

1. Allocable income (such as dividends and capital gains) is not subject to the net income apportionment formula but is added to apportioned income, which is described in the following steps.

2. Net Income Apportionment Formula:

$$\text{Ohio Apportioned Net Income} = \text{Apportionable Income} \times \big((\text{Property Factor} \times .2) + (\text{Payroll Factor} \times .2) + (\text{Sales Factor} \times .6)\big)$$

3. The factors are computed as follows:

$$\text{Property Factor*} = \frac{\text{Average cost of owned or rented real and tangible personal property used in business in Ohio}}{\text{Average cost of such property used everywhere}}$$

$$\text{Payroll Factor**} = \frac{\text{Total compensation paid in Ohio}}{\text{Total compensation paid everywhere}}$$

$$\text{Sales Factor***} = \frac{\text{Sales in Ohio}}{\text{Sales everywhere}}$$

* *The cost of pollution control, coal conversion, solid waste energy conversion, thermal efficiency improvement, and energy conversion facilities; property that generates rental income; and property used exclusively for qualified research in Ohio is excluded from the numerator and denominator. The cost of qualifying improvements to property in an enterprise zone is excluded from the numerator only.*

** *Excludes compensation to certain employees at a qualified facility in an enterprise zone, and compensation to employees engaged in qualified research in Ohio.*

*** *For sales of tangible personal property, sales inside and outside of Ohio are determined by the final destination of the property sold; other sales are sitused according to where the income-producing activity takes place. Sales derived from allocable income are not included in this factor.*

Table 14
Corporate Franchise Tax Collections, Fiscal Years 1997 - 2001

Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
1997	$1,324,627,586	$104,326,355	$1,220,301,231
1998	1,405,245,382	136,579,106	1,268,666,276
1999	1,333,022,664	182,696,830	1,150,325,834
2000	1,219,484,766	189,600,815	1,029,883,951
2001	1,158,910,767	185,943,569	972,967,198

Source: Ohio Office of Budget and Management.

Table 15
Number of Corporations, By Tax Base and Industry, Tax Year 2000

	Number of Corporations by Tax Base			
Industry	Minimum	Net Worth	Net Income	Total
Agriculture & Forestry	357	450	414	1,221
Mining	285	333	172	790
Construction	2,736	2,599	2,669	8,004
Manufacturing	3,075	4,877	3,830	11,782
Transport, Communication, Utility	1,380	1,288	1,042	3,710
Wholesale Trade	1,972	2,761	2,473	7,206
Retail Trade	3,467	4,153	3,215	10,835
Finance, Insurance, Real Estate	4,483	3,299	2,508	10,290
Services	11,364	7,336	5,754	24,454
Unknown*	15,557	5,134	5,755	26,446
TOTAL	44,676	32,230	27,832	104,738

Table 16
Number of Corporations, By Tax Base and Tax Liability Class, Tax Year 2000

Tax Liability Class	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Minimum	44,676	—	—	44,676
$51 - $1,000	—	19,741	10,277	30,018
1,001 - 2,000	—	4,466	4,552	9,018
2,001 - 3,000	—	2,022	2,571	4,593
3,001 - 4,000	—	1,077	1,309	2,386
4,001 - 5,000	—	647	1,078	1,725
5,001 - 10,000	—	1,566	2,592	4,158
10,001 - 15,000	—	641	1,194	1,835
15,001 - 20,000	—	360	714	1,074
20,001 - 25,000	—	263	511	774
25,001 - 30,000	—	178	371	549
30,001 - 35,000	—	136	260	396
35,001 - 50,000	—	280	564	844
50,001 - 100,000	—	393	732	1,125
100,001 - 200,000	—	460	475	935
200,001 - 500,000	—	0	369	369
500,001 - 1,000,000	—	0	148	148
Over $1,000,000	—	0	115	115
TOTAL	44,676	32,230	27,832	104,738

Table 17
Corporation Franchise Tax -- Reported Tax Liability By Tax Base and Industry, Tax Year 2000

Industry	Tax Liability Before Litter Tax and Credits by Tax Base				Litter Tax (a)	Nonrefundable Tax Credits	Liability After Nonrefundable Tax Credits and Litter Tax	Refundable Tax Credits
	Minimum	Net Worth	Net Income	Total				
Agriculture & Forestry	$17,850	$756,349	$1,830,699	$2,604,898	$56,692	$10,791	$2,650,799	$167,114
Mining	14,250	2,280,576	8,235,008	10,529,833	178,669	2,569,717	8,138,785	1,063
Construction	136,800	4,176,141	27,714,401	32,027,342	699,278	244,444	32,482,176	21,858
Manufacturing	153,750	56,510,837	313,782,874	370,447,461	4,279,997	57,105,731	317,621,727	13,787,192
Transport, Communication, Utility	69,000	9,330,230	41,381,408	50,780,638	633,418	1,199,857	50,214,198	595,937
Wholesale Trade	98,600	11,926,055	69,251,025	81,275,681	1,363,359	1,837,776	80,801,264	3,404,012
Retail Trade	173,350	11,715,226	69,373,203	81,261,780	1,188,922	1,247,744	81,202,958	912,585
Finance, Insurance, Real Estate	224,150	16,369,964	38,346,808	54,940,922	957,380	1,489,394	54,408,908	1,231,958
Services	568,200	18,930,845	53,057,882	72,556,927	1,507,817	875,244	73,189,501	2,123,123
Unknown (b)	777,850	37,179,159	119,057,013	157,014,022	2,304,386	13,498,645	145,819,763	2,633,361
TOTAL	$2,233,800	$169,175,382	$742,030,322	$913,439,504	$13,169,918	$80,079,343	$846,530,079	$24,878,203

(a) Combines Tier One litter tax, which is paid by all corporations, and Tier Two litter tax, which is paid only by "litter stream" corporations.
(b) Industry classification was not indicated by taxpayer.

Table 18
Corporation Franchise Tax--Reported Tax Liability By Tax Base and Tax Liability Class, Tax Year 2000

Tax Liability Class	Tax Liability Before Litter Tax and Credits by Tax Base: Minimum	Net Worth	Net Income	Total	Litter Tax*	Nonrefundable Tax Credits	Liability After Nonrefundable Tax Credits and Litter Tax	Refundable Tax Credits
Minimum	$2,233,800	—	—	$2,233,800	0	0	$2,233,800	$1,647,275
$51 - $1,000	—	$6,849,004	$4,344,133	11,193,137	$341,579	$153,287	11,381,429	82,563
1,001 - 2,000	—	6,351,764	6,609,649	12,961,413	365,930	311,377	13,015,966	297,798
2,001 - 3,000	—	4,961,434	6,218,854	11,180,288	302,921	318,958	11,164,251	146,065
3,001 - 4,000	—	3,737,042	4,550,333	8,287,375	226,425	362,031	8,151,769	35,287
4,001 - 5,000	—	2,885,388	4,829,415	7,714,803	204,598	316,043	7,603,358	11,844
5,001 - 10,000	—	10,885,305	18,294,620	29,179,925	785,383	1,312,194	28,653,113	424,941
10,001 - 15,000	—	7,847,463	14,669,102	22,516,565	620,293	950,760	22,186,097	679,265
15,001 - 20,000	—	6,193,472	12,399,222	18,592,694	505,982	780,959	18,317,717	563,251
20,001 - 25,000	—	5,899,070	11,421,993	17,321,062	452,343	1,063,387	16,710,018	227,733
25,001 - 30,000	—	4,853,594	10,163,581	15,017,175	403,797	768,883	14,652,089	588,568
30,001 - 35,000	—	4,420,498	8,435,129	12,855,627	341,278	599,659	12,597,246	871,995
35,001 - 50,000	—	11,714,553	23,510,276	35,224,829	925,945	2,525,779	33,624,995	811,010
50,001 - 100,000	—	27,319,935	51,062,842	78,382,777	1,972,286	5,498,531	74,856,531	1,744,878
100,001 - 200,000	—	65,256,862	67,289,628	132,546,490	3,000,894	17,037,582	118,509,802	6,722,332
200,001 - 500,000	—	—	111,960,086	111,960,086	1,622,330	11,768,279	101,814,137	2,074,044
500,001 - 1,000,000	—	—	101,001,237	101,001,237	608,586	9,888,454	91,721,369	1,813,820
Over $1,000,000	—	—	285,270,221	285,270,221	489,350	26,423,179	259,336,392	6,135,534
TOTAL	$2,233,800	$169,175,382	$742,030,322	$913,439,504	$13,169,918	$80,079,343	$846,530,079	$24,878,203

*Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.

Table 19
Number of Manufacturing Corporations, By Tax Base 2000

Industry	Number of Corporations by Tax Base: Minimum	Net Worth	Net Income	Total
Food	166	244	204	614
Tobacco Manufactures	4	6	7	17
Apparel and Other Textiles	74	73	44	191
Lumber and Wood Products	130	199	191	520
Paper	90	156	111	357
Printing and Publishing	249	366	310	925
Chemicals	208	347	313	868
Petroleum and Coal	29	46	30	105
Rubber and Plastics	238	272	252	762
Leather Products	8	16	5	29
Stone, Clay & Glass Products	106	212	200	518
Primary Metal	90	161	97	348
Fabricated Metal	563	1,156	917	2,636
Machinery (non-electrical)	345	565	386	1,296
Electrical Machinery	275	364	234	873
Transportation Equipment	111	146	121	378
Miscellaneous Manufacturing	389	548	408	1,345
TOTAL	3,075	4,877	3,830	11,782

Table 20
Number of Manufacturing Corporations, By Tax Base and Tax Liability Class, Tax Year 2000

Tax Liability Class	Number of Corporations by Tax Base: Minimum	Net Worth	Net Income	Total
Minimum	3,075	—	—	3,075
$51 - $1,000	—	2,005	665	2,670
1,001 - 2,000	—	784	465	1,249
2,001 - 3,000	—	420	276	696
3,001 - 4,000	—	218	189	407
4,001 - 5,000	—	144	168	312
5,001 - 10,000	—	424	447	871
10,001 - 15,000	—	182	254	436
15,001 - 20,000	—	104	177	281
20,001 - 25,000	—	76	129	205
25,001 - 30,000	—	60	93	153
30,001 - 35,000	—	38	70	108
35,001 - 50,000	—	98	161	259
50,001 - 100,000	—	136	248	384
100,001 - 200,000	—	188	202	390
200,001 - 500,000	—	0	152	152
500,001 - 1,000,000	—	0	80	80
Over $1,000,000	—	0	54	54
TOTAL	3,075	4,877	3,830	11,782

Table 21
Corporation Franchise Tax -- Reported Tax Liability for Manufacturing Corporations, By Tax Base and Industry Classification Tax Year 2000

Tax Liability Class	Tax Liability Before Litter Tax and Credits by Tax Base				Litter Tax*	Nonrefundable Tax Credits	Liability After Nonrefundable Tax Credits and Litter Tax	Refundable Tax Credits
	Minimum	Net Worth	Net Income	Total				
Food	$8,300	$3,217,676	$37,885,419	$41,111,395	$378,336	$3,971,201	$37,518,530	$265,329
Tobacco Manufactures	200	46,896	20,441,885	20,488,981	34,056	17	20,523,020	0
Apparel and Other Textiles	3,700	242,791	581,115	827,606	24,625	21,798	830,433	0
Lumber and Wood Products	6,500	1,304,677	7,172,937	8,484,114	134,473	1,404,012	7,214,575	108,135
Paper	4,500	3,207,262	4,767,116	7,978,877	155,790	2,151,475	5,983,193	208,737
Printing and Publishing	12,450	2,005,611	25,901,649	27,919,710	241,074	3,155,918	25,004,866	52,284
Chemicals	10,400	9,069,717	39,736,948	48,817,065	541,746	4,560,730	44,798,080	1,642,541
Petroleum and Coal	1,450	1,837,651	1,568,467	3,407,568	68,014	1,283,570	2,192,012	354,914
Rubber and Plastics	11,900	3,025,140	13,457,199	16,494,238	248,619	3,220,619	13,522,239	1,211,218
Leather Products	400	199,361	218,817	418,578	12,543	7,113	424,008	0
Stone, Clay & Glass Products	5,300	2,096,932	14,041,070	16,143,302	195,836	3,291,803	13,047,335	309,834
Primary Metal	4,500	4,253,848	6,071,579	10,329,927	165,347	3,606,472	6,888,803	2,015,026
Fabricated Metal	28,150	6,340,057	37,092,163	43,460,370	670,119	8,185,444	35,945,045	1,676,033
Machinery (non-electrical)	17,250	4,105,753	13,627,171	17,750,174	353,151	2,187,568	15,915,757	442,134
Electrical Machinery	13,750	5,174,392	29,989,314	35,177,456	383,563	2,671,105	32,889,914	152,619
Transportation Equipment	5,550	3,807,806	40,519,877	44,333,232	242,151	14,339,577	30,235,806	4,699,881
Miscellaneous Manufacturing	19,450	6,575,266	20,710,148	27,304,864	430,555	3,047,308	24,688,111	648,507
TOTAL	$153,750	$56,510,837	$313,782,874	$370,447,461	$4,279,997	$57,105,731	$317,621,727	$13,787,192

* Combines Tier One litter tax, which is paid by all corporations, and Tier Two litter tax, which is paid only by “litter stream” corporations.

Table 22
Corporation Franchise Tax -- Reported Tax Liability for Manufacturing Corporations, By Tax Base and Tax Liability Class, Tax Year 2000

Tax Liability Class	Tax Liability Before Litter Tax and Credits by Tax Base: Minimum	Net Worth	Net Income	Total	Litter Tax*	Nonrefundable Tax Credits	Liability After Nonrefundable Tax Credits and Litter Tax	Refundable Tax Credits
Minimum	$153,750	—	—	$153,750	0	0	$153,750	$415,378
$51 - $1,000	—	$841,405	$301,479	1,142,884	$34,829	$90,910	1,086,803	15,068
1,001 - 2,000	—	1,124,260	688,092	1,812,352	50,199	209,685	1,652,866	101,650
2,001 - 3,000	—	1,034,505	665,358	1,699,863	45,648	245,009	1,500,502	12,683
3,001 - 4,000	—	765,489	658,981	1,424,470	36,823	271,075	1,190,218	19,949
4,001 - 5,000	—	644,732	754,372	1,399,104	33,066	239,124	1,193,047	0
5,001 - 10,000	—	2,976,137	3,226,622	6,202,759	160,541	972,308	5,390,992	270,792
10,001 - 15,000	—	2,257,512	3,167,187	5,424,699	143,222	647,551	4,920,370	284,183
15,001 - 20,000	—	1,787,254	3,123,309	4,910,563	131,337	603,960	4,437,940	63,411
20,001 - 25,000	—	1,702,862	2,885,136	4,587,997	108,529	838,208	3,858,318	219,267
25,001 - 30,000	—	1,638,423	2,535,791	4,174,214	108,675	581,875	3,701,014	115,635
30,001 - 35,000	—	1,233,229	2,262,566	3,495,795	89,647	390,845	3,194,597	384,356
35,001 - 50,000	—	4,050,275	6,657,597	10,707,872	265,398	1,692,441	9,280,829	487,435
50,001 - 100,000	—	9,515,009	17,075,424	26,590,433	646,460	4,011,102	23,225,791	753,726
100,001 - 200,000	—	26,939,746	28,465,050	55,404,796	1,247,571	15,364,591	41,287,776	4,880,658
200,001 - 500,000	—	—	46,619,445	46,619,445	653,149	6,229,522	41,043,072	835,545
500,001 - 1,000,000	—	—	55,266,725	55,266,725	308,384	7,128,995	48,446,114	766,777
Over $1,000,000	—	—	139,429,739	139,429,739	216,520	17,588,530	122,057,729	4,160,679
TOTAL	$153,750	$56,510,837	$313,782,874	$370,447,461	$4,279,997	$57,105,731	$317,621,727	$13,787,192

**Combines Tier One of litter tax, which is paid by all corporations, and Tier Two of litter tax, which is paid only by "litter stream" corporations.*

Table 23
Corporation Franchise Tax -- Number of Financial Institutions and Reported Tax Liability, By Type of Institution, Tax Year 2000

Tax Liability Class	Number of Corporations by Type				Liability by Type			
	Banks	Savings & Loans	Other*	Total	Banks	Savings & Loans	Other*	Total
$50 - $1,000	13	3	19	35	$2,092	$1,386	$1,349	$4,827
1,000 - 2,000	1	1	0	2	1,660	1,410	0	3,070
2,000 - 3,000	1	0	1	2	2,514	0	2,731	5,245
3,000 - 4,000	2	1	0	3	6,966	3,093	0	10,059
4,000 - 5,000	1	0	0	1	4,483	0	0	4,483
5,000 - 10,000	2	4	2	8	11,666	29,834	12,829	54,329
10,000 - 15,000	1	1	2	4	13,114	14,904	22,669	50,687
15,000 - 20,000	7	2	1	10	121,322	31,727	15,521	168,570
20,000 - 25,000	3	3	2	8	65,294	67,330	44,860	177,484
25,000 - 30,000	4	3	3	10	110,079	82,888	84,716	277,683
30,000 - 35,000	8	4	1	13	260,277	130,937	32,523	423,737
35,000 - 50,000	18	7	0	25	719,632	296,130	0	1,015,762
50,000 - 100,000	49	29	1	79	3,561,693	2,094,317	69,853	5,725,863
100,000 - 200,000	52	29	0	81	7,340,671	4,118,213	0	11,458,884
200,000 - 500,000	36	29	0	65	11,641,552	8,474,721	0	20,116,273
500,000 -1,000,000	15	5	1	21	9,741,701	3,085,970	953,170	13,780,841
$1,000,000 & Over	18	8	0	26	114,773,356	21,629,494	0	136,402,850
TOTAL	231	129	33	393	$148,378,072	$40,062,354	$1,240,221	$189,680,647

* Primarily credit agencies that accept deposits.