



# Corporation Franchise Tax

**T**he corporation franchise tax is a business privilege tax that dates back to 1902. For most taxpayers, Ohio has completed the process of phasing out the corporation franchise tax in favor of the new commercial activity tax (CAT). The 2009 franchise tax report (based on the taxable year ending in 2008) was the last report that most taxpayers will file.

For report years 2010 and thereafter, the franchise tax applies only to financial institutions and a relatively small number of other corporations described in Ohio Revised Code 5733.01(G)(1)(b). These corporations were not subject to the phase out and do not pay the CAT.

Financial institutions pay a 13 mill tax measured by net worth. Other taxpayers compute the tax on both net worth and net income and pay on the base that produces the higher tax. The net worth tax rate for other taxpayers is 4 mills; the net income rate is 5.1 percent on the first \$50,000 of net income and 8.5 percent on remaining net income. These latter corporations are also subject to a litter tax based on either net worth or net income.

During fiscal year 2009, the corporation franchise tax generated about \$521.4 million in total revenue. The tables in this chapter provide data from reports due and filed in 2008. For all corporations except financial institutions, the reported tax liability (including litter tax) before credits, the 60 percent phase-out factor, and the manufacturing grant, was approximately \$1,683.3 million. After tax credits, the manufacturing grant, and the 60 percent phase-out factor, the liability was \$598.3 million.

Data on financial institutions are reported separately from general corporations and are shown in the final table. Financial institutions reported tax liability before credits of \$146.6 million for the 2008 report year.

Of the total tax liability before credits for general corporations, about 86 percent came from taxpayers that paid on a net income basis. Of all corporation franchise taxpayers, approximately 22 percent paid tax on net income, 28 percent paid tax on net worth, and the remaining 50 percent paid the minimum tax.

Of financial institutions, banks filed 66 percent of all returns and paid 74 percent of the total tax liability. Savings and loans filed 24 percent of returns and paid 23 percent of the total liability. Other types of financial institutions accounted for the balance of returns and tax liability.

## Franchise Tax Phase-Out

For most taxpayers, the franchise tax was phased out during the 2006 through 2010 franchise tax report years (for business activities in the taxable years ending in 2005 through 2009). As a result, the 2009 franchise tax report, based on the taxpayer's taxable year ending in 2008, was the last franchise tax report for most taxpayers.

Put simply, the tax – after the application of most nonrefundable tax credits – was phased out in 20 percent increments, as reflected in the following schedule:

Report Year	Tax
2005	Normal liability
2006	80% × liability
2007	60% × liability
2008	40% × liability
2009	20% × liability
2010	No liability

A minimum tax of either \$50 or \$1,000, depending on corporation size, still applied during the phase-out. Starting with report year 2010, corporations subject to the phase out were also relieved of the annual reporting requirement.

## Taxpayer

(Ohio Revised Code 5733.01)

The Ohio corporation franchise tax is imposed on certain domestic and foreign corporations for the privilege of doing business in Ohio. Starting with report year 2010, the tax is limited to financial institutions as well as the following entities identified in R.C. 5733.01(G)(1)(b):

- certain financial holding companies, bank holding companies and savings and loan holding companies;
- certain affiliates of these holding companies and certain affiliates of financial institutions;
- certain affiliates of insurance companies; and
- securitization companies.

The tax applies to the corporations described above as long as they:

- are organized for-profit;
- own capital or property in Ohio;
- hold a charter or certificate of compliance authorizing business operations in Ohio; or
- have nexus with Ohio.



## Tax Base

(R.C. 5709.65, 5733.04, 5733.05, 5733.051, 5733.056)

The franchise tax is levied on the value of a corporation's issued and outstanding shares of stock.

Financial institutions pay tax based on their net worth. Other taxpayers determine the value of their stock under both a net income base and a net worth base, and pay on the base that produces the greater tax. For examples of calculations of the tax for non-financial institutions, see the exhibit.

Qualifying holding companies pay tax on the net income base only.

### Net worth base (R.C. 5733.05(C))

The net worth base value of issued and outstanding shares of stock is determined by subtracting from book net worth items excluded by statute; see **Exemptions, Exclusions, Deductions and Additions** for details. For financial institutions, the tax is determined by multiplying the taxpayer's adjusted net worth by the taxpayer's Ohio apportionment ratio and by the net worth rate of 13 mills (1.3 percent). For other corporations, the tax is calculated by multiplying this adjusted net worth by the net worth apportionment ratio and by the net worth tax rate of four mills (0.4 percent). See this chapter's exhibit for more information.

The net worth tax for financial institutions differs substantially from the net worth tax for other corporations.

### Net income base (R.C. 5733.05(B))

The net income base value of issued and outstanding shares is calculated by making certain deductions from and additions to federal taxable income, then applying net operating loss deductions and special deductions for the taxable year (see **Exemptions, Exclusions, Deductions and Additions**). The adjusted income is then either allocated (in the case of nonbusiness income) or apportioned (in the case of business income) in and outside of Ohio as follows:

**Allocable income** – Unless the Tax Commissioner requires an alternative method of allocation or approves the taxpayer's requested alternative method, only nonbusiness income is allocated in and outside Ohio (R.C. 5733.051).

**Apportionable income** – All income is presumed to be apportionable business income unless the taxpayer shows otherwise or the Tax Commissioner approves or requires an alternative method of apportionment. Business income is apportioned to Ohio according to a weighted three-factor formula: property, payroll, and sales (see the exhibit for details).

Ohio taxable (net) income is equal to the sum of nonbusiness income allocated to Ohio and business income apportioned to Ohio less Ohio net operating losses carried forward from an earlier year.

## Rates

(R.C. 5733.06)

### Financial institutions rate

Financial institutions are subject to tax on their net worth at a rate of 13 mills (1.3 percent).

### Rates for other entities

The other franchise taxpayers (described in R.C. 5733.01(G) (1)(b)) compute the tax on both a net worth and a net income basis and pay on the base that produces the higher tax. These

corporations are also subject to a litter tax based on either net worth or net income.

**Net worth rate** – Net worth taxable value is taxed at the rate of four mills (0.4 percent). The maximum tax on the net worth base for taxpayers other than financial institutions is \$150,000 per taxpayer.

**Net income rates** – Net income is taxed at the rate of 5.1 percent on the first \$50,000 of Ohio taxable income and 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 percent rate applies, regardless of whether or not they actually file a combined return.

**Litter tax rates** (R.C. 5733.065 and 5733.066) – In addition to the general franchise tax calculation rate, litter tax applies to taxpayers other than financial institutions.

**Tier I litter tax** – The Tier I litter tax is a base litter tax computed on both the net income base and net worth base and paid on the base that produces the greater tax. The rates are:

- **Net worth** – 0.14 mills (0.014 percent) on the taxable value (adjusted net worth) of the corporation, or
- **Net income** – 0.11 percent on the first \$50,000 of Ohio taxable income plus 0.22 percent on taxable income in excess of \$50,000.

The maximum Tier I litter tax charged any taxpayer or group of combined taxpayers is \$5,000.

**Tier II litter tax** – In addition to the Tier I tax, the Tier II litter tax applies to taxpayers that manufacture or sell litter stream products in Ohio. Like the Tier I litter tax, the Tier II litter tax applies to both the net income base and the net worth base and is paid on the base that produces the greater tax. The rates are:

- **Net worth** – 0.14 mills (0.014 percent) on the taxable value of the corporation, or
- **Net income** – 0.22 percent on Ohio taxable income in excess of \$50,000.

The maximum Tier II litter tax charged any taxpayer or group of combined taxpayers is \$5,000.

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

### Minimum fee

For taxable years ending after June 25, 2003, the minimum tax liability for certain large taxpayers is \$1,000. For taxpayers other than large taxpayers, the minimum fee is \$50.

## Exemptions, Exclusions, Deductions and Additions

**Exempt Corporations** (R.C. 1733.43, 5733.01, 5733.04, 5733.06, 5733.09, and 5733.10)

Entities not subject to the franchise tax include:

- nonprofit corporations;
- credit unions;
- subject to certain restrictions, "real estate investment trusts," "regulated investment companies," and "real estate mortgage investment conduits" as defined in the Internal Revenue Code (I.R.C.);

**Exhibit**

The purpose of this exhibit is to explain how the corporation franchise tax is calculated on either the net worth or net income base for taxpayers other than financial institutions.

**Net worth base**

The net worth tax base of the tax is calculated this way:

$$\text{Ohio taxable value}^1 = \text{net value of stock} \times \text{apportionment ratio}$$

**Net income base**

The net income base of the tax is calculated this way:

Ohio Taxable Income <sup>2</sup>	=	Business Income Apportioned to Ohio	+	Nonbusiness Income Allocated to Ohio	-	Ohio Net Operating Loss Carry Forward Deduction
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**Apportionment ratios and factors**

On either tax base, an apportionment ratio<sup>3</sup> is used to distinguish net income or worth in Ohio from net income or worth everywhere else. Apportionment ratios are calculated according to this weighting:

$$\text{Apportionment ratio} = (\text{Property factor} \times 0.20) + (\text{Payroll factor} \times 0.20) + (\text{Sales factor} \times 0.60)$$

The individual factors are calculated this way:

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

On the net income base of the franchise tax, the factors do not include property, payroll or sales relating to non-business income. On the net worth base of the tax, they do.

Also, for sales of tangible personal property, sales inside and outside Ohio are determined by the final destination of the property sold; other sales are situated according to where the purchaser received the benefit of that which was purchased.

Specific adjustments apply to each factor, as follows:

**Property** – Neither the numerator nor the denominator include the original cost of property used exclusively for qualified research or property in Ohio for which the state has issued an Air Pollution, Noise Pollution, or an Industrial Water Pollution Control Certificate. Also, the numerator does not include the original cost of qualifying improvements to land or tangible personal property at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

**Payroll** – Neither the numerator or denominator include compensation paid in Ohio to employees engaged in qualified research. The numerator does not include compensation paid to certain new employees at an enterprise zone facility for which the taxpayer holds a Tax Incentive Qualification Certificate issued by the Ohio Department of Development.

**Sales** – Does not include sales derived from non-business allocable income. Also does not include interest and dividends.

<sup>1</sup> The value of pollution control, coal conversion and energy conversion facilities property is excluded from the net value of stock. Also excluded: qualified property in an enterprise zone and land devoted exclusively to agriculture.

<sup>2</sup> Taxable income also includes income or losses from a transferor corporation and includes positive or negative adjustments for related entities and related members.

<sup>3</sup> A different apportionment formula applies to financial institutions.

- corporations electing to be treated as an “S” corporation under the I.R.C., as well as their qualified subchapter S subsidiaries (QSSS);
- limited liability companies (LLCs), if treated as a partnership for federal tax purposes; and
- corporations in Chapter 7 bankruptcy proceedings (except for the portion of the current tax year such corporation had the power to exercise its corporate franchise unimpaired by such proceedings).

**Additions and deductions in determining net worth** (R.C. 5709.25, 5709.35, 5709.50, 5709.65, 5915.29, 6111.36 and 5733.056)

In determining net worth, entities other than financial institutions add to book net worth (assets minus liabilities) the “qualifying amount” as defined by R.C. 5733.05(D)(1).

In determining net worth, entities deduct from book net worth:

- certified Ohio civil defense structures;
- land in Ohio devoted exclusively to agriculture;
- qualified improvements to property located in an enterprise zone (generally does not apply to financial institutions); and
- appreciation and goodwill (applies only to financial institutions).

**Adjustments in determining Ohio net income** (R.C. 5709.35, 5733.04, 5733.042, 5733.053, 5733.054, 5733.055, and 5733.058)

In determining Ohio net income, corporations start with federal taxable income. Corporations then make a number of adjustments, including:

- deduction of certain income from sources outside the United States;
- deduction of the “dividends received” deduction provided by section 243 of the I.R.C.;
- to the extent not otherwise deducted, deduction of dividends received from public utilities, insurance companies, and financial institutions in which the taxpayer has the ownership interests as described by statute. (In addition, receipts from these companies are eliminated in determining the sales factor for apportioning net income and net worth);
- deduction of gains and addition of losses from the sale of capital assets and I.R.C. section 1231 assets to the extent such gains and losses occurred prior to becoming a taxpayer;
- deduction of interest on Ohio public and purchase obligations and gains from the sale of Ohio public obligations (losses from sales of Ohio public obligations are added to net income);
- deduction of wage and salary expenses not otherwise deducted for federal tax purposes because of the targeted jobs tax credit and/or the work opportunity tax credit;
- deduction of net interest income on federal government obligations;
- deduction of Ohio net operating losses carried forward from the prior 20 years (there is no Ohio net operating loss carry back provision);

- deduction of amounts contributed to an individual development account program;
- deduction of 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);
- deduction of taxable temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses;
- addition of the amount claimed as a credit for taxes paid by a qualifying pass-through entity to the extent that the amount was deducted or excluded from the corporation’s federal taxable income;
- addition of interest and intangibles expense paid to certain related members;
- addition of income (and deduction of losses) earned by a transferor corporation that merges into the taxpayer in a tax-free reorganization;
- addition of depreciation expense adjustment for I.R.C. section 168(k) bonus depreciation and additional I.R.C. section 179 depreciation and miscellaneous federal tax adjustments as required. Deduct one-fifth of this add back in each of the five subsequent years. Deduct any miscellaneous federal tax adjustments as required;
- addition of distributive or proportionate share of pass-through entity expenses paid to, losses incurred from transactions with, and excess inventory costs paid to related members; and
- addition of deductible temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses.

## Credits

A number of business tax credits may be claimed against more than one tax. Information about these credits has been consolidated in the **Business Tax Credits** chapter of this annual report.

Several other credits primarily apply to franchise taxpayers. They include:

**Qualifying affiliated groups** (R.C. 5733.068)

If as a result of the related entity and related member adjustments, an affiliated group would 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 nonrefundable 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).

**Recycling and litter prevention donations** (R.C. 5733.064)

Taxpayers may claim a nonrefundable credit equal to 50 percent of cash donations for litter control made to municipalities, counties, and townships that 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 litter tax rates.

**Savings and loan association fees** (R.C. 5733.063)

Savings and loan associations are permitted a nonrefund-

able credit against the tax due that is equal to the annual assessment the association paid to the Division of Savings and Loan Associations under R.C. 1155.13, less the amount the association paid in supervisory fees during the taxable year to the Federal Savings and Loan Insurance Corporation (or the amount it would have paid if insured).

**Taxes paid by a qualifying pass-through entity** (R.C. 5733.04(l)(14), 5733.0611)

A corporation that is a qualifying investor in a qualifying pass-through entity can claim a nonrefundable credit equal to the corporation's proportionate share of the tax paid by the qualifying pass-through entity. However, a corporation claiming this credit must add to federal taxable income the amount claimed as a credit, to the extent that the amount claimed was not included in the corporation's federal taxable income.

## Special Provisions

**Exit tax** (R.C. 5733.06(H))

Corporations ceasing business in Ohio may be subject to an "exit tax" on unreported Ohio net income recognized in the two calendar years prior to the tax year.

**Ownership of pass-through entities** (R.C. 5733.057)

Each franchise taxpayer must include in its adjusted qualifying amounts, allocable and 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.

**Related members** (R.C. 5733.042)

Intangible expenses and costs paid to certain related members are added to income.

**Combining net incomes of corporations** (R.C. 5733.052)

If more than half of a taxpayer's capital stock with voting rights is owned or controlled directly or indirectly by another corporation or by a related interest, the Tax Commissioner may permit or require the combining of net income to calculate the tax base. A qualifying controlled group of taxpayers may elect to file a combined report if each has non-dividend income from Ohio sources. This election may not be changed by the taxpayer without the Tax Commissioner's consent. (These combination provisions do not apply to the net worth base).

**Transferee corporation subject to transferor's tax liability** (R.C. 5733.053)

A transferee corporation in a tax-free reorganization is required to include in its income the income of the transferor if the transferor is not subject to the franchise tax.

## Filing and Payment Dates

(R.C. 5733.02, 5733.021, 5733.022 and 5733.13)

Key filing and payment dates include:

- Jan. 31. If by Jan. 31 of the report year the corporation does not file the annual report and make full payment of the tax due, then by that date the corporation must file form FT 1120E and pay one-third of that estimated liability. If the estimated tax liability is the minimum fee, the corporation must make full payment by Jan. 31.

- March 31. By March 31 of the report year the corporation must either file its franchise tax report and pay the remaining tax due or file a request for extension (form FT 1120ER) and pay the second one-third of its estimated tax liability.
- May 31. By May 31 of the report year the corporation must either file the annual report and pay the remaining tax due or file a request for additional extension (form FT 1120EX) and pay the remaining one-third of its estimated tax liability. A corporation filing this extension must file its annual report and pay any remaining tax liability by the 15th day of the month following the extended due date for filing its federal corporation income tax return.

### Interest

The interest rate on both underpayments and overpayments is based on the average federal short-term rate in effect in July of the previous year plus three percentage points.

### EFT

Taxpayers are required to pay by electronic funds transfer (EFT) if, for the second preceding tax year, the taxpayer's total franchise tax liability after reduction for nonrefundable credits exceeded \$50,000. Taxpayers that are required to pay by EFT must register with the Treasurer of State.

## Disposition of Revenue

(R.C. 4981.09, 5733.12, 5733.122)

In House Bill 119, the FY 2008-2009 biennium budget bill enacted in 2007, the General Assembly revised the formula and the revenue accounting associated with the local government funds. Starting in January 2008, all franchise tax revenue was directed to the General Revenue Fund after deposits with the Attorney General Claims Fund and the Litter Control Tax Administration Fund. For details on the local government fund changes, see the **Local Government Funds** chapter.

## Administration

The corporation franchise tax is administered by the Department of Taxation. Some tax credits and grants are administered by the Ohio Department of Development. Tax payments are payable to the Treasurer of State but are received by the Department of Taxation.

## Ohio Revised Code Citations

Chapters 122, 1733, 4981, 5703, 5709, 5733, 5751 and 5915.

## Recent Legislation

**House Bill 1, 128th General Assembly (FY 2010-2011 biennium budget bill; budget provisions were effective July 17, 2009, other provisions have various effective dates)**

**Tax credits** – The bill significantly restructured the job creation and job retention tax credits, made important

changes to the historic building preservation and technology investment credits, and created a pair of new tax credits: a motion picture production tax credit and the new markets tax credit. For details, see the **Recent Legislation** section of the **Business Tax Credits** chapter.

**Internal Revenue Code (I.R.C.) conformity** – The bill amend-

ed the definition of “Internal Revenue Code as amended” found in R.C. 5701.11, thereby adopting the I.R.C. amendments enacted by Congress from Dec. 30, 2008 (the effective date of H.B. 458’s amendment to R.C. 5701.11) through Oct. 16, 2009 (the effective date of H.B. 1’s amendment of R.C. 5701.11).

**Table 1**

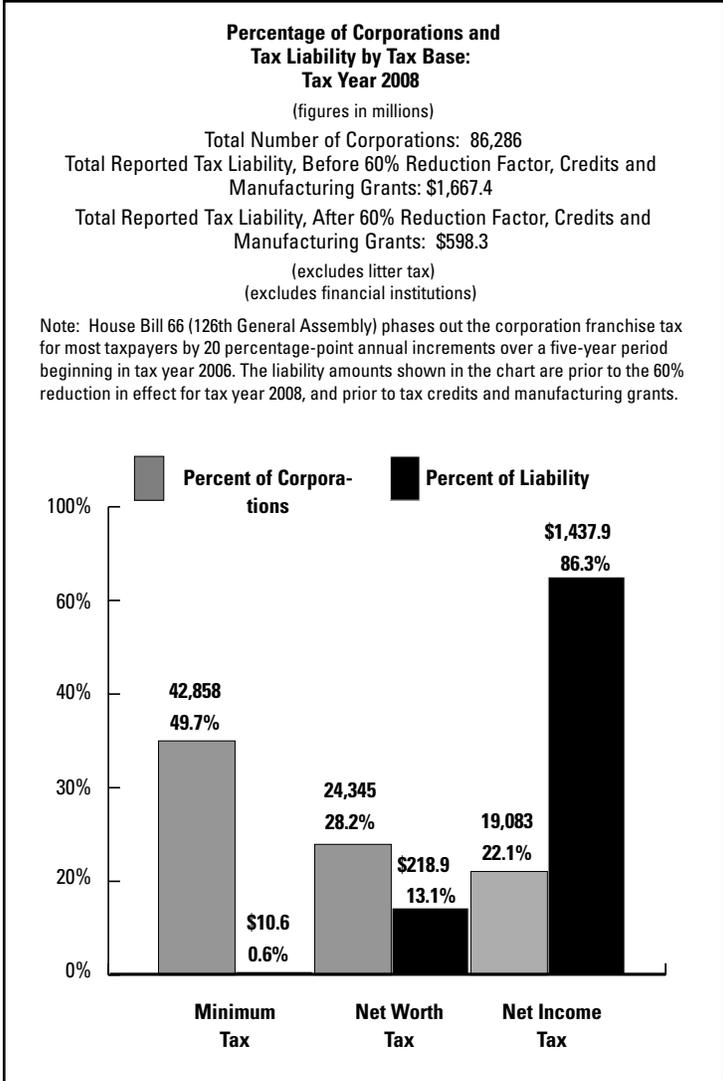
Corporation Franchise Tax Collections, Fiscal Years 2005-2009			
Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
2005	\$1,282,059,637	\$170,495,325	\$1,111,564,312
2006	1,309,521,936	203,658,836	1,105,863,100
2007	1,302,582,440	176,928,156	1,125,654,284
2008	963,244,229	208,611,265	754,632,965
2009	710,875,661	189,512,254	521,363,407

**Table 2**

<b>Corporation Franchise Tax Number of Corporation by Tax Base and Industry, Tax Year 2008</b>				
<b>Industry</b>	<b>Number of Corporations by Tax Base</b>			<b>Total</b>
	<b>Minimum</b>	<b>Net Worth</b>	<b>Net Income</b>	
Agriculture, Forestry, and Fishing	551	491	390	1,432
Mining	212	207	152	571
Utilities (excluding telecommunications)	95	68	58	221
Construction	4,068	2,588	1,725	8,381
Manufacturing	3,809	3,962	3,012	10,783
Wholesale Trade	2,390	2,057	1,809	6,256
Retail Trade	5,601	4,153	2,765	12,519
Transportation and Warehousing	1,750	843	678	3,271
Information (including telecommunications)	845	418	349	1,612
Finance & Insurance	2,395	1,063	1,039	4,497
Real Estate, and Rental & Leasing of Property	3,331	1,936	1,246	6,513
Professional, Scientific & Technical Services	3,865	1,470	1,478	6,813
Management of Companies (Holding Companies)	117	16	16	149
Administrative & Support Services, and Waste				
Management & Remediation Services	1,225	504	487	2,216
Education, Health Care and Social Assistance	3,902	1,474	1,234	6,610
Arts, Entertainment, and Recreation	288	96	82	466
Accommodation and Food Services	1,640	750	697	3,087
Other Services	1,735	1,122	767	3,624
Unclassified <sup>1</sup>	<u>5,039</u>	<u>1,127</u>	<u>1,099</u>	<u>7,265</u>
<b>TOTAL</b>	<b>42,858</b>	<b>24,345</b>	<b>19,083</b>	<b>86,286</b>

<sup>1</sup> Industry classification was not indicated by the taxpayer.

**Chart**



**Table 3**

<b>Corporation Franchise Tax                      Number of Corporations by Tax Base and                      Tax Liability Class:                      Tax Year 2008</b>						
<b>Tax Liability Class</b>			<b>Number of Corporations by Tax Base</b>			<b>Total</b>
			<b>Net Minimum</b>	<b>Net Worth</b>	<b>Net Income</b>	
Minimum			42,858	--	--	42,858
\$51 - 1,000			--	12,014	5,572	17,586
1,001 - 2,000			--	3,710	2,872	6,582
2,001 - 3,000			--	1,853	1,552	3,405
3,001 - 4,000			--	1,073	872	1,945
4,001 - 5,000			--	677	708	1,385
5,001 - 10,000			--	1,598	1,964	3,562
10,001 - 15,000			--	736	936	1,672
15,001 - 20,000			--	435	681	1,116
20,001 - 25,000			--	305	409	714
25,001 - 30,000			--	237	368	605
30,001 - 35,000			--	153	267	420
35,001 - 50,000			--	350	529	879
50,001 - 100,000			--	473	881	1,354
100,001 - 200,000			--	731	630	1,361
200,001 - 500,000			--	--	484	484
500,001 - 1,000,000			--	--	189	189
Over \$1,000,000			--	--	169	169
<b>TOTAL</b>			<b>42,858</b>	<b>24,345</b>	<b>19,083</b>	<b>86,286</b>

**Table 4**

**Corporation Franchise Tax  
Reported Tax Liability by Tax Base and Industry:  
Tax Year 2008**

Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 60% reduction in effect for tax year 2008.

	Tax Liability Before Litter Tax and Credits By Tax Base				Before 60% Reduction Factor Applicable to Most Taxpayers			After 60% Reduction Factor Applicable to Most Taxpayers	
	Minimum	Net Worth	Net Income	Total	Litter Tax <sup>1</sup>	Total Liability Before Credits and Grant	Total Non-Refundable and Tax Credits <sup>2</sup>	Manufacturing Grant	Tax Liability After Tax Credits and Grant <sup>2</sup>
Agriculture, Forestry, and Fishing	\$70,300	\$1,203,238	\$4,224,333	\$5,497,871	\$104,635	\$5,602,506	\$10,266	\$127,900	\$2,134,778
Mining	58,100	2,510,146	7,802,914	10,371,160	192,830	10,563,990	3,674	384,829	3,893,216
Utilities (excluding telecommunications)	40,850	2,504,133	174,830,473	177,375,456	106,322	177,481,778	19,660,605	5,095	63,148,258
Construction	891,200	10,438,045	30,664,138	41,993,383	860,550	42,853,933	205,260	79,717	17,463,557
Manufacturing	1,504,300	73,415,312	625,520,899	700,440,511	5,124,197	705,564,708	26,326,365	14,271,008	242,174,052
Wholesale Trade	827,250	16,366,089	119,420,522	136,613,861	1,826,438	138,440,299	2,782,593	2,769,849	50,683,607
Retail Trade	1,467,550	29,934,464	159,886,640	191,288,654	2,242,856	193,531,510	7,357,723	837,938	71,035,191
Transportation and Warehousing	547,300	5,993,245	39,682,741	46,223,286	473,248	46,696,534	1,365,942	169,673	17,818,113
Information (including telecommunications)	317,750	10,466,760	73,511,927	84,296,437	550,380	84,846,817	6,002,195	243,498	28,179,062
Finance & Insurance	596,650	11,209,213	38,954,021	50,759,884	678,004	51,437,888	3,300,528	313,959	19,146,196
Real Estate, and Rental & Leasing of Property	584,550	10,196,286	15,973,571	26,754,407	570,427	27,324,834	1,325,969	226,604	10,299,801
Professional, Scientific & Technical Services	976,050	12,781,962	69,177,818	82,935,830	1,004,175	83,940,005	4,372,740	488,826	30,075,089
Management of Companies (Holding Companies)	18,200	581,619	2,529,868	3,129,687	36,678	3,166,365	0	263,400	1,128,780
Administrative & Support Services, and Waste Management & Remediation Services	315,850	3,763,897	11,350,614	15,430,361	265,125	15,695,486	519,758	127,001	5,836,047
Education, Health Care and Social Assistance	690,050	6,193,455	21,205,186	28,088,691	513,715	28,602,406	237,755	38,583	11,575,031
Arts, Entertainment, and Recreation	60,950	751,898	779,844	1,592,692	35,178	1,627,870	3,945	50,300	636,454
Accommodation and Food Services	310,000	4,527,146	16,797,193	21,634,339	381,224	22,015,563	453,255	147,619	8,486,788
Other Services	274,850	3,611,412	9,742,836	13,629,098	266,176	13,895,274	225,637	182,380	5,328,174
Unclassified <sup>3</sup>	1,035,700	12,476,396	15,878,154	29,390,250	634,410	30,024,660	3,074,037	508,374	9,254,833
<b>TOTAL</b>	<b>\$10,587,450</b>	<b>\$218,924,716</b>	<b>\$1,437,933,692</b>	<b>\$1,667,445,858</b>	<b>\$15,866,568</b>	<b>\$1,683,312,426</b>	<b>\$71,228,247</b>	<b>\$21,236,595</b>	<b>\$598,297,027</b>

1. 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.  
 2. Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.  
 3. Industry classification was not indicated by the taxpayer.

**Table 5**

**Corporation Franchise Tax  
Reported Tax Liability by Tax Base and Tax Liability Class:  
Tax Year 2008**

Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 60% reduction in effect for tax year 2008.

Tax Liability Class	Tax Liability Before Litter Tax and Credits By Tax Base			Before 60% Reduction Factor Applicable to Most Taxpayers			After 60% Reduction Factor		
	Net Minimum	Net Worth	Net Income	Total	Litter Tax <sup>1</sup>	Total Liability Before Credits and Grant	Total Non-Refundable Tax Credits <sup>2</sup>	Manufacturing Grant	Total Non-Tax Liability After Tax Credits and Grant <sup>2</sup>
Minimum	\$10,587,450	--	--	\$10,587,450	--	\$10,587,450	\$9,319,715	\$51	\$1,255,541
\$51 - 1,000	--	\$4,247,306	\$2,294,426	6,541,732	\$206,210	6,747,942	79,294	11,930	2,733,153
1,001 - 2,000	--	5,315,218	4,181,697	9,496,915	271,961	9,768,876	764,521	37,077	3,224,140
2,001 - 3,000	--	4,538,846	3,727,682	8,266,528	233,446	8,499,974	49,321	42,731	3,327,894
3,001 - 4,000	--	3,701,716	3,036,880	6,738,596	194,461	6,933,057	272,629	57,144	2,465,569
4,001 - 5,000	--	3,020,708	3,179,942	6,200,650	178,157	6,378,807	23,222	63,691	2,486,821
5,001 - 10,000	--	11,193,786	14,064,758	25,258,544	716,518	25,975,062	321,726	262,023	9,948,966
10,001 - 15,000	--	9,080,889	11,463,023	20,543,912	567,199	21,111,111	2,636,634	245,039	5,801,763
15,001 - 20,000	--	7,948,920	11,797,077	19,345,997	532,434	19,878,431	296,511	201,092	7,947,175
20,001 - 25,000	--	6,826,033	9,124,540	15,950,573	429,290	16,379,863	711,995	224,488	5,794,395
25,001 - 30,000	--	6,475,635	10,075,614	16,551,249	452,283	17,003,532	568,288	318,428	6,099,387
30,001 - 35,000	--	4,974,748	8,676,409	13,651,157	370,817	14,021,974	396,764	200,805	5,095,470
35,001 - 50,000	--	14,654,907	22,098,163	36,753,070	963,081	37,716,151	590,320	583,743	14,252,307
50,001 - 100,000	--	33,503,004	61,711,361	95,214,365	2,645,155	97,859,520	2,743,993	1,692,982	35,708,441
100,001 - 200,000	--	103,843,000	89,464,969	193,307,969	4,577,638	197,885,607	15,471,289	5,729,626	62,449,597
200,001 - 500,000	--	--	148,384,409	148,384,409	2,081,438	150,465,847	8,354,207	3,699,357	49,519,629
500,001 - 1,000,000	--	--	132,481,674	132,481,674	763,226	133,244,900	6,006,737	2,881,999	45,881,828
Over \$1,000,000	--	--	902,171,068	902,171,068	683,254	902,854,322	28,621,081	4,984,389	334,704,951
<b>TOTAL</b>	<b>\$10,587,450</b>	<b>\$218,924,716</b>	<b>\$1,437,933,692</b>	<b>\$1,667,445,858</b>	<b>\$15,866,568</b>	<b>\$1,683,312,426</b>	<b>\$77,228,247</b>	<b>\$21,236,595</b>	<b>\$598,297,027</b>

1 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.  
2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.

**Table 6**

<b>Corporation Franchise Tax Number of Manufacturing Corporations, by Tax Base and Industry, Tax Year 2008:</b>				
<b>Industry</b>	<b>Number of Corporations by Tax Base</b>			<b>Total</b>
	<b>Net Minimum</b>	<b>Net Worth</b>	<b>Income</b>	
Food	233	203	175	611
Tobacco Manufacturers	6	2	5	13
Apparel and Other Textiles	77	56	33	166
Lumber and Wood Products	107	117	75	299
Paper	75	99	44	218
Printing and Publishing	198	191	116	505
Chemicals	304	281	226	811
Petroleum and Coal	37	36	47	120
Rubber and Plastics	243	237	197	677
Leather Products	8	13	8	29
Stone, Clay & Glass Products	110	140	100	350
Primary Metal	151	156	152	459
Fabricated Metal	703	929	656	2,288
Machinery (non-electrical)	440	388	343	1,171
Electrical Machinery	352	339	265	956
Transportation Equipment	148	173	119	440
Miscellaneous Manufacturing	617	602	451	1,670
<b>TOTAL</b>	<b>3,809</b>	<b>3,962</b>	<b>3,012</b>	<b>10,783</b>

**Table 7**

<b>Corporation Franchise Tax Number of Manufacturing Corporations, by Tax Base and Tax Liability Class: Tax Year 2008</b>				
<b>Tax Liability Class</b>	<b>Number of Corporations by Tax Base</b>			<b>Total</b>
	<b>Minimum</b>	<b>Net Worth</b>	<b>Net Income</b>	
Minimum	3,809	--	--	3,809
\$51 - 1,000	--	1,155	352	1,507
1,001 - 2,000	--	632	331	963
2,001 - 3,000	--	344	180	524
3,001 - 4,000	--	223	123	346
4,001 - 5,000	--	157	120	277
5,001 - 10,000	--	373	403	776
10,001 - 15,000	--	177	187	364
15,001 - 20,000	--	116	149	265
20,001 - 25,000	--	88	94	182
25,001 - 30,000	--	80	90	170
30,001 - 35,000	--	52	66	118
35,001 - 50,000	--	114	145	259
50,001 - 100,000	--	167	245	412
100,001 - 200,000	--	284	203	487
200,001 - 500,000	--	0	183	183
500,001 - 1,000,000	--	0	62	62
Over \$1,000,000	--	0	79	79
<b>TOTAL</b>	<b>3,809</b>	<b>3,962</b>	<b>3,012</b>	<b>10,783</b>

**Table 8**

**Corporation Franchise Tax  
Reported Tax Liability for Manufacturing Corporations:  
by Tax Base and Industry Classification:  
Tax Year 2008**

Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 60% reduction in effect for tax year 2008.

Industry	Tax Liability Before Litter Tax and Credits, By Tax Base			Before 60% Reduction Factor Applicable to Most Taxpayers			After 60% Reduction Factor		
	Net Minimum	Net Worth	Income	Total	Litter Tax <sup>1</sup>	Total Liability Before Credits and Grant	Total Non-Refundable Tax Credits <sup>2</sup>	Manufacturing Grant	Tax Liability After Tax Credits and Grant <sup>2</sup>
Food	\$11,400	\$4,691,590	\$39,883,033	\$44,886,023	\$407,215	\$45,093,238	\$896,725	\$2,307,750	\$14,670,893
Tobacco Manufacturers	3,150	150,900	10,107,451	10,261,501	34,076	10,295,577	0	26,104	4,045,276
Apparel and Other Textiles	27,600	599,336	1,298,241	1,925,177	49,311	1,974,488	72,455	6,161	770,828
Lumber and Wood Products	36,700	1,069,767	4,240,581	5,347,048	77,216	5,424,264	96,961	248,318	1,943,758
Paper	29,400	2,687,666	2,717,388	5,434,454	120,926	5,555,380	1,770,881	325,086	371,127
Printing and Publishing	58,350	1,465,502	3,912,543	5,436,395	112,420	5,548,815	103,052	206,983	1,980,840
Chemicals	140,600	11,692,821	150,594,953	162,428,374	656,448	163,084,822	2,820,548	1,254,604	56,786,825
Petroleum and Coal	17,050	1,455,760	205,888,687	207,361,497	157,328	207,518,825	404,215	536,343	82,138,817
Rubber and Plastics	101,450	4,521,640	13,511,855	18,134,945	364,168	18,499,113	872,542	1,394,772	4,930,874
Leather Products	4,200	439,411	576,887	1,020,498	22,163	1,042,661	0	0	419,584
Stone, Clay & Glass Products	38,750	2,622,729	5,365,279	8,026,758	159,221	8,185,979	586,731	298,362	2,604,857
Primary Metal	67,400	3,756,696	31,596,487	35,420,583	279,131	35,699,714	4,259,260	1,175,181	8,917,180
Fabricated Metal	195,700	7,817,923	47,216,625	55,230,248	770,493	56,000,741	1,309,378	1,927,225	19,914,098
Machinery (non-electrical)	193,950	5,351,227	17,478,169	23,023,346	402,870	23,426,216	948,649	413,533	8,237,527
Electrical Machinery	165,800	8,178,793	35,344,509	43,689,102	506,342	44,195,444	2,466,542	770,505	15,599,538
Transportation Equipment	68,200	6,606,237	20,225,449	26,899,886	366,370	27,266,256	6,803,300	2,556,767	3,171,485
Miscellaneous Manufacturing	244,600	10,307,314	35,562,762	46,114,676	638,499	46,753,175	2,915,126	823,316	15,670,544
<b>TOTAL</b>	<b>\$1,504,300</b>	<b>\$73,415,312</b>	<b>\$625,520,899</b>	<b>\$700,440,511</b>	<b>\$5,124,197</b>	<b>\$705,564,708</b>	<b>\$26,326,365</b>	<b>\$14,271,008</b>	<b>\$242,174,052</b>

1 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.  
2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.

**Table 9**

**Corporation Franchise Tax  
Reported Tax Liability for Manufacturing Corporations,  
by Tax Base and Tax Liability Class:  
Tax Year 2008**

Note: House Bill 66 (126th General Assembly) phases out the corporation franchise tax for most taxpayers by 20 percentage-point annual increments over a five-year period beginning in tax year 2006. Except for the last two columns, all amounts shown are prior to the 60% reduction in effect for tax year 2008.

Tax Liability Class	Tax Liability Before Litter Tax and Credits, By Tax Base				Before 60% Reduction Factor Applicable to Most Taxpayers				After 60% Reduction Factor		
	Minimum	Net Worth	Net Income	Total	Litter Tax <sup>1</sup>	Total Liability Before Credits and Grant	Total Non-Refundable Tax Credits <sup>2</sup>	Manufacturing Grant	Tax Liability After Tax Credits and Grant <sup>2</sup>	Manufacturing Grant	Tax Liability After Tax Credits and Grant <sup>2</sup>
Minimum (\$50 or \$1,000)	\$1,504,300	--	--	\$1,504,300	\$0	\$1,504,300	\$2,516,270	\$51	-\$1,015,543	\$51	-\$1,015,543
\$51 - \$1,000	--	\$463,123	\$158,000	621,123	21,202	642,325	38,546	8,129	221,706	8,129	221,706
1,001 - 2,000	--	914,541	494,131	1,408,672	41,318	1,449,990	99,458	31,073	488,630	31,073	488,630
2,001 - 3,000	--	844,551	434,743	1,279,294	37,822	1,317,116	16,003	34,907	484,430	34,907	484,430
3,001 - 4,000	--	769,443	427,247	1,196,690	35,395	1,232,085	22,037	40,553	442,557	40,553	442,557
4,001 - 5,000	--	708,272	535,346	1,243,618	36,323	1,279,941	17,169	44,940	457,117	44,940	457,117
5,001 - 10,000	--	2,652,422	2,917,267	5,569,689	168,846	5,738,535	174,728	193,334	2,009,534	193,334	2,009,534
10,001 - 15,000	--	2,208,901	2,318,805	4,527,706	126,747	4,654,453	299,512	134,792	1,552,701	134,792	1,552,701
15,001 - 20,000	--	2,027,138	2,560,374	4,587,512	130,473	4,717,985	63,644	139,975	1,708,294	139,975	1,708,294
20,001 - 25,000	--	1,979,752	2,108,720	4,088,472	110,675	4,199,147	396,658	137,111	1,214,434	137,111	1,214,434
25,001 - 30,000	--	2,185,181	2,478,656	4,663,837	136,774	4,800,611	235,056	188,633	1,588,443	188,633	1,588,443
30,001 - 35,000	--	1,688,918	2,141,047	3,829,965	105,407	3,935,372	282,678	159,705	1,152,121	159,705	1,152,121
35,001 - 50,000	--	4,841,740	5,981,921	10,823,661	302,211	11,125,872	183,515	409,082	3,926,969	409,082	3,926,969
50,001 - 100,000	--	12,056,626	17,094,357	29,150,983	794,839	29,945,822	1,344,187	1,056,580	10,060,335	1,056,580	10,060,335
100,001 - 200,000	--	40,074,704	29,025,780	69,100,484	1,720,578	70,821,062	9,638,440	3,967,138	17,094,217	3,967,138	17,094,217
200,001 - 500,000	--	--	56,849,081	56,849,081	781,903	57,630,984	3,937,300	2,162,417	17,626,665	2,162,417	17,626,665
500,001 - 1,000,000	--	--	43,343,898	43,343,898	235,541	43,579,439	2,728,285	2,252,080	13,059,582	2,252,080	13,059,582
Over \$1,000,000	--	--	456,651,526	456,651,526	338,143	456,989,669	4,332,879	3,310,509	170,121,859	3,310,509	170,121,859
<b>TOTAL</b>	<b>\$1,504,300</b>	<b>\$73,415,312</b>	<b>\$625,520,899</b>	<b>\$700,440,511</b>	<b>\$5,124,197</b>	<b>\$705,564,708</b>	<b>\$26,326,365</b>	<b>\$14,271,008</b>	<b>\$242,174,052</b>	<b>\$14,271,008</b>	<b>\$242,174,052</b>

1 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.  
2 Does not reflect nonrefundable credit for taxes paid by qualifying pass-through entities. In addition, refundable tax credits are not subject to the reduction factor.

Table 10

Corporation Franchise Tax  
Number of Financial Institutions and Reported Tax Liability,  
by Type of Institution:  
Tax Year 2008

Tax Liability Class Minimum (\$50 or \$1000)	Number of Corporations By Type				Tax Liability Before Credits By Type				Refundable & Nonrefundable Tax Credits
	Banks	Savings & Loans	Other <sup>1</sup>	Total	Banks	Savings & Loans	Other <sup>1</sup>	Total	
\$51 - 1,000	14	3	14	31	\$12,000	\$150	\$11,000	\$23,150	\$0
1,001 - 2,000	5	2	9	16	1,009	714	617	2,340	0
2,001 - 3,000	2	0	1	3	3,293	0	1,671	4,964	0
3,001 - 4,000	2	0	1	3	4,547	0	2,588	7,135	0
4,001 - 5,000	0	1	1	2	0	3,456	3,009	6,465	0
5,001 - 10,000	2	0	0	2	9,442	0	0	9,442	0
10,001 - 15,000	3	2	0	5	22,333	11,092	0	33,425	0
15,001 - 20,000	10	2	0	12	120,289	23,046	0	143,335	0
20,001 - 25,000	5	1	1	7	92,999	15,347	17,754	126,100	0
25,001 - 30,000	10	1	1	12	231,158	22,041	21,262	274,461	3,299
30,001 - 35,000	7	0	3	10	197,320	0	86,289	283,609	0
35,001 - 50,000	4	4	0	8	129,628	127,174	0	256,802	10,846
50,001 - 100,000	12	5	0	17	500,321	226,556	0	726,877	10,212
100,001 - 200,000	42	19	3	64	3,191,547	1,471,082	173,659	4,836,288	127,704
200,001 - 500,000	54	22	2	78	7,696,727	3,293,500	218,930	11,209,157	185,411
500,001 - 1,000,000	54	21	0	75	16,908,026	7,035,262	0	23,943,288	1,240,970
Over \$1,000,000	20	6	1	27	14,161,845	4,079,056	969,617	19,210,518	313,502
	14	7	1	22	65,767,283	17,421,051	2,277,955	85,466,289	9,151,268
<b>TOTAL</b>	<b>260</b>	<b>96</b>	<b>38</b>	<b>394</b>	<b>\$109,049,767</b>	<b>\$33,729,527</b>	<b>\$3,784,351</b>	<b>\$146,563,645</b>	<b>\$11,043,212</b>

<sup>1</sup> Primarily credit agencies that accept deposits.