

**CF - CREDITS:  
CORPORATION FRANCHISE TAX**



Table CF - Credits  
No. 56 (2007)  
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**Refundable and Nonrefundable Tax Credits  
Claimed, Tax Year 2006**

The attached corporate franchise tax table is a supplement to the CF1-5 tax data series for tax year 2006. It provides detail on the tax credits claimed by general (non-financial institution) corporate franchise taxpayers.

Due to tax reform legislation enacted in 2005, the corporate franchise tax phases out for most corporations, in 20 percent increments, over a five-year period starting in tax year 2006. The phase-out worked as follows in tax year 2006. Corporations computed their regular corporation franchise tax liability, and then reduced such liability by any allowable nonrefundable credits (excluding the pass-through entity tax credit); the resulting net tax liability was then reduced by 20 percent. This means that, for all intents and purposes, just 80 percent of the full, claimable nonrefundable tax credits (other than the pass-through entity tax credit) could be realized in tax year 2006, which is fully consistent with the fact that just 80 percent of the full, pre-credit tax liability was payable in tax year 2006. In addition, the manufacturing grant was subject to the 20 percent phase-out factor for tax year 2006. This manufacturing grant replaces the former credit for purchases of new manufacturing machinery and equipment (the new manufacturing grant and concomitant repeal of the manufacturing tax credit were enacted in 2005 by Am. Sub. House

Bill 66). Finally, note that the pass-through entity tax credit and the refundable job creation tax credit were not subject to the 20 percent phase-out factor.

Both refundable and nonrefundable credits are shown in the table, as is the manufacturing grant. Values are shown on both a pre phase-out factor and a post phase-out factor basis. The job creation tax credit is the only refundable credit in tax year 2006; there were 223 corporate franchise taxpayers claiming this credit, amounting to \$43.6 million.

The nonrefundable tax credits shown include the manufacturing investment credit (this is the final year of the tax credit, consisting of those taxpayers whose taxable year ended prior to July 1, 2005), the coal credit for electric companies, the job training credit, the research credit, the small telephone company credit, and other miscellaneous credits (see the table for a complete list). There were 1,507 nonrefundable credits claimed amounting to \$81.3 million (after the phase-out factor).

The data shown on these tables were compiled from returns filed for tax year 2006 with the Ohio Department of Taxation.

**CORPORATION FRANCHISE TAX:  
REPORTED REFUNDABLE AND NONREFUNDABLE TAX CREDITS  
AND NONREFUNDABLE MANUFACTURING GRANT,  
CLAIMED IN TAX YEAR 2006  
(Excludes Credits Claimed by Financial Institutions)**

<u>Type of Tax Credit (a)</u>	<u>Number of Taxpayers Claiming the Credit (b)</u>	<u>Amount Claimed, Before 20% Phaseout Factor (c)</u>	<u>Amount Claimed, After 20% Phaseout Factor (c)</u>
7.5%/13.5% Manufacturing Investment Credit (d)	966	\$42,765,345	\$34,212,276
Ohio Coal Credit	8	33,384,038	26,707,230
Job Training Credit	193	11,411,259	9,129,007
Research Credit	179	8,743,079	6,994,463
Small Telephone Company Credit	10	510,545	408,436
Other Nonrefundable Tax Credits (e)	<u>151</u>	<u>4,831,516</u>	<u>3,865,213</u>
<b>Total Nonrefundable Tax Credits</b>	<b>1,507</b>	<b>\$101,645,782</b>	<b>\$81,316,626</b>
Refundable Job Creation Tax Credit (f)	<u>223</u>	<u>43,592,194</u>	<u>43,592,194</u>
<b>Total Tax Credits</b>	<b>1,730</b>	<b>\$145,237,976</b>	<b>\$124,908,820</b>

  

	<u>Number of Taxpayers Claiming the Grant</u>	<u>Amount Claimed, Before 20% Phaseout Factor (g), (h)</u>	<u>Amount Claimed, After 20% Phaseout Factor (h)</u>
<b>Nonrefundable Manufacturing Grant</b>	1,061	\$52,500,213	\$42,000,170

- (a) Excludes the credit for taxes paid by a pass-through entity.
- (b) This column reflects the number of taxpayers claiming each credit. However, some taxpayers claimed more than one credit. A total of 1,531 taxpayers claimed at least one tax credit.
- (c) Nonrefundable credit amounts have been adjusted to reflect that the amount claimed may not exceed tax liability.
- (d) Only taxpayers with a taxable year ending before July 1, 2005 could claim the credit in tax year 2006.
- (e) Comprised of the following credits:  
 Credit for qualifying affiliated groups;  
 Credit for recycling and litter prevention donations;  
 Credit for maintaining railroad crossing warning devices;  
 Credit for job retention;  
 Credit for eligible new employees in an enterprise zone;  
 Credit for eligible costs associated with a voluntary brownfield site clean-up action;  
 Credit for employers that establish an on-site daycare center;  
 Credit for an investment in an ethanol plant;  
 Credit for grape production property;  
 Credit for 9-1-1 telephone system;  
 Credit for programs to aid the communicatively impaired;  
 Edison Center credit for research and development investors;  
 Enterprise zone day-care and training credits; and  
 Research & development loan repayment credit.
- (f) The job creation tax credit is not subject to the HB 66 phaseout percentage.
- (g) Taxpayers claim a manufacturing grant net of the phaseout factor. This figure was computed for this table using each taxpayer's reported post-phaseout grant information.
- (h) Nonrefundable grant figures have been adjusted to reflect that the amount claimed may not exceed tax liability.