Legislation enacted during 2002 included the following key Franchise tax provisions (a summary of the Franchise tax portion of the legislation is found at the end of this chapter):

- Job retention credit;
- Net worth exemption for high-tech start-up companies;
- Credit for investment in certified ethanol plants;
- Bonus depreciation adjustment;
- Codification of the Department of Taxation's policy and interpretation of disregarded entities;
- Codification of a uniform application for refund procedure applicable to Franchise tax and various other taxes;
- Codification of a uniform petition for reassessment procedure applicable to Franchise tax and various other taxes;
- Revision of the late payment penalty including a penalty safe-harbor for estimated payments; and
- Extension of the Ohio net operating loss carry-over consistent with federal law.

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 to pay the higher of the two tax calculations.

During the 1980s and 1990s many changes were made to the Corporation Franchise tax rates, and the litter tax and a (now-repealed) surtax were enacted.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 an 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 four mills) and the top net income tax rate (to 8.5 percent). Among the many other changes that took effect in 1999 was 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 1 and 2** for further details 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 2002, the Corporation Franchise tax generated just under $774.4 million 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, 5.5 percent or $42.7 million was distributed to the Local Government Fund, 0.8 percent or $6.1 million to the Local Government Revenue Assistance Fund, and 91.9 percent or $712.3 million was distributed to the General Revenue Fund. This distribution was in accordance with the provisions of House Bill 94, the Fiscal Year 2002/2003 Biennial Budget Bill.

The tables in this section provide tax year 2001 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 2001, with the bulk of the taxes collected between January and May 2001 (Fiscal Year 2001).

For all Corporate Franchise taxpayers except financial institutions, the reported liability before credits, not including Tier I and Tier II litter taxes, was $807.8 million, but refundable and non-refundable tax credits reduced the liability to $705.1 million.

About 77 percent of the total tax liability before credits was based on net income. In contrast, only about 24 percent of the corporations paid the tax on net income. About 32 percent of the corporations paid the tax based on net worth and another 44 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 $177.0 million for tax year 2001. 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, 5733.056):

The Franchise tax is levied on the value of a corporation's issued and outstanding shares of stock. Generally a taxpayer corporation must determine the value of its issued and outstanding shares of stock under both the net income base and the net worth base, and pay the tax on the base that produces the greater tax. However, different rules apply to financial institutions, qualifying holding companies and certain high-tech start-up companies:

- Financial institutions are not subject to the tax on the net income base but are subject to the tax on the net worth base at a higher rate than other taxpayers;
- Qualifying holding companies and certain high-tech start-up companies are not subject to the tax on the net worth base but are subject to the tax on the net income base.

1. Net Worth Base (R.C. 5733.05(C):

The net worth base value of issued and outstanding shares of stock is determined from the books of the corporation as of the beginning of the taxpayer's annual accounting period that includes the first day of January of the tax year. Net worth is determined by subtracting from book net worth those items excluded by statute (see **Exemptions and Exclusions** section). For taxpayers other than financial institutions, qualifying holding companies and high-tech start-up companies, the tax on the net worth base is calculated by multiplying the corporation's adjusted net worth by the corporation's apportionment ratio by the net worth tax rate for general taxpayers. For financial institutions, the tax is determined by multiplying the taxpayer's adjusted net worth by the taxpayer's Ohio apportionment ratio by the net worth rate for financial institutions. Qualifying holding companies and certain high-tech start-up companies are not subject to tax on the net worth base (see **Exhibit 1**).

2. 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 before net operating loss deductions and special deductions for the taxable year (see **Exemptions and Exclusions** section). The adjusted income is then allocated or apportioned within and without Ohio, depending on its source. The net income base does not apply to financial institutions.

Allocable Income (R.C. 5733.051) —

Unless the Tax Commissioner requires an alternative method of allocation or unless the Tax Commissioner approves the taxpayer's requested alternative method, income from the following sources is allocated within or without Ohio:

1) Net rents and royalties from real property and tangible personal property;
2) Capital gains and losses from the sale or other disposition of real property, tangible personal property, and dividend producing intangible property;
3) Dividends;
4) Net patent and copyright royalties (not representing principal source of gross receipts);
5) Technical assistance fees (not representing principal source of gross receipts); and
6) State lottery income.

Income from the sources listed is allocable regardless of whether that income is business income or non-business income. Ohio Franchise tax law makes no distinction between business and non-business income.

Apportionable Income —

Unless the Tax Commissioner approves or requires an alternative method of apportionment, income from all non-allocable sources is apportioned to Ohio according to a weighted three-factor property, payroll and sales formula. The formula and the three weighted factors are shown in **Exhibit 2.**

Net Income —

The sum of the income allocated and apportioned to Ohio less Ohio net operating losses carried forward from an earlier year equals Ohio taxable income to which the net income tax rate is applied.

TAX RATES (R.C. 5733.06):

1. Franchise Tax Rates:

Taxpayers must determine the value of issued and outstanding shares of stock under both the net income base and the net worth base and pay the tax on the base that produces the greater tax. The net income base does not apply to financial institutions and the net worth base does not apply to qualifying holding companies and high-tech start-up companies.

Net Worth –

Net worth taxable value is taxed at the rate of 4.00 mills (.004). The maximum tax on the net worth base is $150,000 per taxpayer corporation.

Net Income –

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.

Minimum fee -

The minimum tax liability for each taxpayer is $50.

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

Tier I litter tax applies to all corporations except family farm corporations and financial institutions. The rates are:

Net Worth – 0.14 mills (.00014) 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 Tier I litter tax charged any taxpayer or group of

Exhibit 1

Corporation Franchise Tax Net Worth Tax Base

Ohio Taxable Value = Net Value of Stock* X [(Property factor x .20) + (Payroll Factor x .20) + (Sales Factor x .60)]

*Excludes value of pollution control, coal conversion, and energy conversion facilities property, qualified property in an enterprise zone, and land devoted exclusively to agriculture. See Exhibit 2 for explanation of factors.

combined taxpayers is limited to $5,000.

Tier II litter tax applies to taxpayers that manufacture or sell litter stream products in Ohio. The Tier II litter tax rates are:

Net Worth – 0.14 mills (.00014) on the taxable value of the corporation, or

Net Income – 0.22 percent on the Ohio taxable income in excess of $50,000.

The additional Tier II tax charged any taxpayer or group of combined taxpayers is limited to $5,000.

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):

Financial institutions are subject to tax on the net worth base at a rate of 13 mills (.013). Financial institutions are not subject to tax on the net income base.

EXEMPTIONS, EXCLUSIONS, DEDUCTIONS AND ADDITIONS:

1. Corporations not Subject to the Franchise Tax (R.C. 1733.43, 5733.01, 5733.04, 5733.06, 5733.09, and 5733.10):

1) Non-profit 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;
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 an "S" corporation under the Internal Revenue Code and their Qualified Subchapter S Subsidiaries (QSSS);
9) Limited liability companies, if treated as a partnership for federal tax purposes;
10) Corporations in Chapter 7 bankruptcy proceedings are not subject to the Franchise tax except for the portion of the current tax year such corporation had the power to exercise its corporate franchise unimpaired by such proceedings.

2. Deductions in Determining Net Worth (R.C. 5709.25, 5709.35, 5709.50, 5709.65, 5915.29, 6111.36 and 5733.056):

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

Exhibit 2 – Corporation Franchise Tax
Net Income Tax Base (does not apply to financial institutions)

Ohio Taxable Income* = **Allocable Income Within Ohio** + **Ohio Apportioned Net Income** — **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:

Ohio Apportioned Net Income = Apportionable Income x [(Property Factor x.20) + (Payroll Factor x.20) + (Sales Factor x.60)]

3. The factors are computed as follows:

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

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

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

* 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 only. 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.

6) Land in Ohio devoted exclusively to agriculture. In addition to the net worth deductions listed above, financial institutions may claim a net worth deduction for appreciation and goodwill.

3. Adjustments in Determining Ohio Net Income (R.C. 5709.35, 5733.04, 5733.042, 5733.053, 5733.054, 5733.055, and 5733.058):

1) Deduct certain income from sources outside the United States;
2) Deduct I.R.C. section 243 dividends received deduction;
3) To the extent not otherwise deducted, deduct 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) Deduct gains and add 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;
5) Deduct 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) Deduct 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);
7) Deduct wage and salary expense not otherwise deducted for federal tax purposes because of the targeted jobs tax credit and/or the work opportunity tax credit;
8) Deduct net interest income on obligations of the federal government;
9) Deduct Ohio net operating loss carried forward from prior years (there is no Ohio net operating loss carry-back provision);
10) Deduct amounts contributed to an individual development account program;
11) Deduct 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);
12) Add the amount claimed as a credit for taxes paid by a qualify ing pass-through entity to the extent that the amount was deducted or excluded from the corporation's federal taxable income;
13) Add interest and intangibles expense paid to certain related members;
14) Add income (and deduct losses) earned by a transferor corporation that merges into the taxpayer in a tax- free reorganization; and
15) Add (and later deduct) depreciation expense adjustment for I.R.C. section 168(k) bonus depreciation.

CREDITS:

1. Credit for Recycling and Litter Prevention Donations (R.C. 5733.064):

Taxpayers may claim a 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 the litter tax rates.

2. Enterprise Zone Day Care and Training Credits (R.C. 5709.65(A)):

Taxpayers that locate in an enterprise zone and hold a tax incentive qualification certificate issued by the Ohio Department of Development may claim a credit equal to:

1) The amount reimbursed to specified employees for the cost of day care services up to a maximum of $300 per child;
2) the amount reimbursed to specified employees for training costs up to a maximum of $1,000 per employee.

3. Credit for Savings and Loan Association Fees (R.C. 5733.063):

Savings and loan associations are permitted a credit against the total tax due equal to the amount of the annual assessment the association paid during the taxable year 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 in the case of a savings and loan association not insured by the Federal Savings and Loan Insurance Corporation, the amount it would have paid if insured.

4. Credit for Taxes Paid by a Qualifying Pass-Through Entity (R.C. 5733.0611):

A corporation that is a qualifying investor in a qualifying pass-through entity can claim a non-refundable credit equal to the corporation's proportionate share of the tax paid by the qualifying pass-through entity.

5. Export Sales Credit (R.C. 5733.069):

Corporations that increased export sales and increased Ohio payroll or property are allowed a credit. For tax years 2001 through 2005, only unused amounts carried forward from prior years are allowed.

6. New Jobs Credit (R.C. 5733.0610):

A taxpayer may claim a refundable credit for new jobs created pursuant to an agreement with the Tax Credit Authority created under R.C. 122.17. The credit equals a designated percentage of the total amount of Ohio income tax withheld from new employees during the taxable year. The percentage is established by agreement between the taxpayer and the Tax Credit Authority. The credit is permitted for a period of up to ten years.

7. Credit for Grape Production Property (R.C. 5733.32):

A taxpayer may claim a credit equal to 10 percent of the cost of purchasing and installing or constructing qualifying property used to produce grapes in Ohio.

8. Credit for Eligible New Employees in an Enterprise Zone (R.C. 5709.66):

A taxpayer that is issued a tax credit certificate for an eligible employee may claim a $1,000 non-refundable credit for each taxable year covered under the enterprise zone agreement during which the eligible employee is employed by the taxpayer.

9. Edison Center Credit for Research and Development Investors (R.C. 5733.35):

Investors that provide capital to certain qualifying small, Ohio-based research and development or technology transfer companies may be eligible for a non-refundable credit equal to 25 percent of the taxpayer's at-risk investment. The credit must be approved by the State Industrial Technology and Enterprise Board. The maximum cumulative value of credits granted to all taxpayers cannot exceed $10 million.

10. Credit for Eligible Costs Associated with a Voluntary Action (R.C. 5733.34):
Taxpayers may claim a non-refundable credit for costs incurred in completing a voluntary clean-up of a contaminated site pursuant to an agreement with the state Development Director. The credit is aimed at restoring contaminated industrial sites. The credit equals the lesser of $500,000 or 10 percent of the eligible costs incurred in performing the voluntary clean-up. If the clean-up action is undertaken in certain "economically disadvantaged" areas, the credit equals the lesser of $750,000 or 15 percent of the eligible costs. The maximum cumulative value of credits granted to all taxpayers cannot exceed $30 million.

11. Credit for Purchases of New Manufacturing Machinery and Equipment—7.5 Percent/13.5 Percent Credit (R.C. 5733.33):
New manufacturing machinery and equipment purchased by manufacturers between July 1, 1995 and December 31, 2005 for installation in Ohio is eligible for an investment tax credit. The credit equals 7.5 percent of the amount by which the cost of qualifying equipment purchased during a calendar year qualifying period for use in an Ohio county exceeds the taxpayer's "base investment" for that county. The credit rate for investments in certain eligible areas (inner city areas, distressed areas, labor surplus areas, and situational distress areas) is 13.5 percent (rather than 7.5 percent). One-seventh of the credit may be claimed in each of the seven tax years following the purchase year.

12. Day Care Credits (R.C. 5733.36, 5733.37 and 5733.38):
Three separate 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.

13. Credit for Qualifying Affiliated Groups (R.C. 5733.068):
If as a result of 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).

14. Credit for Purchases of Lights and Reflectors for Tractors (R.C. 5733.44):
A taxpayer may claim a non-refundable 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 R.C. 4513.111. The credit equals the lesser of $1,000 or 50 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.

15. Credit for Maintaining Railroad Crossing Warning Devices (R.C. 5733.43):
Railroad companies can claim a credit for maintaining signs, signals, gates and other electrical warning devices at public highway-railway crossings in Ohio at common grade. The credit equals 10 percent of the sum of the annual maintenance expenditures for each active grade crossing warning device in Ohio for which such expenditures were made during the taxable year. The credit may not exceed $200 for each device in Ohio for which such expenditures were made during the taxable year.

16. Job Retention Credit (R.C. 5733.0610(B)):
This credit applies to taxpayer-manufacturers that make a capital investment of at least $200 million at a single Ohio project site during three consecutive calendar years in the period January 1, 2002 and ending December 31, 2006. As a prerequisite, the taxpayer must employ an average of 1,000 full-time employees at the project site during each of the twelve months preceding application. In addition, the taxpayer must retain at least 1,000 full-time employees at the project site for the entire term of the credit agreement. The credit equals a percentage of the Ohio income tax withheld from the taxpayer's employees at the project site as set forth in the agreement between the taxpayer and the Ohio Tax Credit Authority. The credit begins in tax year 2003 and is limited to a term of ten years.

17. Ethanol Plant Investment Credit (R.C. 5733.46 and 901.13):
This non-refundable credit equals 50 percent of the amount of money that the taxpayer invests in R.C. 901.13 certified ethanol plants in the calendar year preceding the tax year. The credit is limited to $5,000 per taxpayer per certified ethanol plant regardless of the number of years in which the taxpayer makes such investments. The credit applies to tax years 2003 through 2013.

SPECIAL PROVISIONS:

1. Although a corporation that dissolves its Ohio charter or surrenders its license to conduct business in Ohio prior to January 1 of the tax year is not subject to the Franchise tax, the corporation may be subject to an "exit tax" on its unreported Ohio net income. Any income earned by an exiting corporation 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. The exit tax is not computed on the net worth base and does not apply to financial institutions (see R.C. 5733.06(H)).

2. A transferee corporation that receives substantially all the assets of a transferor 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 (see R.C. 5733.053).

3. 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 (see R.C. 5733.04(I)(14)).

4. 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' share of the pass-through entity's Ohio profits. Among the investors excluded from the definition of "qualifying investors" are individual investors who are Ohio residents; non-resident 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 pass-through entity is subject to a 5 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 share of Ohio income and gain. No tax is due if Ohio income and gain do not exceed $1,000 (see R.C.5733.40, 5733.41,5733.04(I)(14) and 5733.0611, and R.C. income tax sections 5747.41 through 5747.453, 5747.01(A)(16), and 5747.059).

5. Companies defined as "financial institutions" under R.C. 5725.01 are subject to a net worth based Franchise tax that differs substantially from the net worth base tax for regular corporations (see R.C. 5733.056).

6. Each taxpayer must 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 (see R.C. 5733.057).

7. If more than half of the capital stock, with voting rights, of the taxpayer is owned or controlled by another corporation, the Tax Commissioner may permit or require the combining of net income for purposes of calculating the tax base. In addition, two or more corporations subject to the tax which meet the above ownership requirements may elect to file a combined report if each of the corporations has non-dividend income from sources within Ohio. Once made, this election may not be changed by the taxpayer without the Tax Commissioner's consent. The combination provisions apply only to the net income base, not the net worth base (see R.C. 5733.052).

8. Intangible expenses and costs paid to certain related members are added to income (see R.C. 5733.042).

TAXPAYER (R.C. 5733.01):

The Ohio Corporation Franchise tax is imposed on both domestic and foreign corporations organized for profit for the privilege of doing business in Ohio, owning capital or property in Ohio, holding a charter or certificate of compliance authorizing the corporation to do business in Ohio, or otherwise having nexus with Ohio during the calendar year in which the tax is payable.

Unless an exemption applies, each for-profit domestic corporation (a corporation organized for-profit under the laws of Ohio) and each Chapter 1729 corporation (agricultural cooperative) organized not-for-profit under the laws of Ohio, is subject to the Ohio Franchise tax. In addition, unless an exemption applies, each foreign corporation (a corporation organized under the laws of another state, a possession or instrumentality of the United States, or a foreign country) organized for-profit, and each not-for-profit foreign agricultural cooperative organized or operating in the same or similar manner as a Chapter 1729 agricultural cooperative, for the privilege of doing business in Ohio, owning or using part or all of its capital or property in Ohio, holding a certificate of compliance with the laws of Ohio authorizing it to do business in Ohio, or otherwise having nexus with Ohio under the Constitution of the United States, is subject to the Franchise tax. Business trusts defined in R.C. 1746.01 having nexus with Ohio are also subject to Corporate Franchise tax.

FILING AND PAYMENT DATES (R.C. 5733.02, 5733.021, 5733.022 and 5733.13):

January 31 –
If by this date the corporation does not file the annual report and make full payment of the tax due, then the corporation must file an estimated report and pay one-third of that estimated liability. If the estimated tax liability is the $50 minimum fee, the corporation must make full payment of $50 by January 31.

March 31 –
By this date the corporation must either file its franchise tax report and pay the remaining tax due or the corporation must file a request for extension and pay the second one-third of its estimated tax liability.

May 31 –
By this date, a corporation which by March 31 filed a request for extension and paid the second one-third of its estimated tax due, must either file the annual report and pay the remaining tax due or file a request for additional extension and pay the remaining one-third of its estimated Franchise tax liability. 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 extended due date for filing its federal corporation income tax return.

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. For calendar year 2003, the rate is 6 percent.

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

After making any necessary deposits to the Attorney General Claims Fund, the Litter Control Tax Administration Fund, and the Recycling and Litter Prevention Fund, the Local Government Fund receives 4.2 percent, the Local Government Revenue Assistance Fund receives 0.8 percent, and the General Revenue Fund receives 91.9 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. For 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. The annual amount credited to the Recycling and Litter Prevention Fund equals the litter tax liability in the second preceding year.

OHIO REVISED CODE CITATIONS:

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

ADMINISTRATION:

The Corporation Franchise tax is administered by the Department of Taxation. However, certain Franchise tax credits are administered by the Department of Development. Tax payments are payable to the Treasurer of State but are received by the Department of Taxation. Certain large taxpayers are required to pay by electronic funds transfer (EFT). Taxpayers that are required to pay by EFT must register through the Treasurer of State.

RECENT LEGISLATION:

Substitute Senate Bill 226, 124th General Assembly; Effective September 17, 2002. R.C. 3770.072(B), 5747.062(B)(2), 5747.20, 5733.051(H) and 5733.98(A)(27) —
The law permits the transfer of lottery prize installments upon prior approval of a court and establishes certain procedures for filing an application for approval of the transfer with the court.
For Franchise tax purposes the new law requires the allocation to Ohio of "the amounts described in division (B)(5) of section 5747.20 of the Revised Code" (see R.C. 5733.051(H) as enacted by this new law). Income described in R.C. 5747.20(B)(5) includes the following: (1) amounts paid by the Ohio Lottery Commission to the prize winner and (2) a transferee's "earnings, profit, income and gain from the sale, exchange or other disposition of lottery prize awards," earned as a result of a transfer from a transferor/winner the right to receive the future installments of an Ohio lottery prize. Similar amounts from other states are allocable outside Ohio. Such income is allocable whether the income is non-business or business income.

Substitute Senate Bill 200 (Taxpayer Services II), 124th General Assembly; Effective September 6, 2002.
This new law enacts several provisions in various Revised Code sections —

- **Uniform application for refund procedure (R.C. 5703.70):**
  Establishes the following uniform application for refund procedure applicable to Franchise tax and various other taxes: (1) If the Tax Commissioner determines that the amount of the refund to which the applicant is entitled is less than the amount claimed, the Commissioner must notify the applicant in writing of the lesser refund amount; (2) The applicant has sixty days from the date the Commissioner mails the notice to provide additional information or to request a hearing; (3) If within the sixty-day period the applicant neither requests a hearing nor provides additional information, the Commissioner will take no further action, and the amount denied becomes final; (4) If within the sixty-day period the applicant requests a hearing, the Commissioner must assign a time and place for the hearing. After the hearing, the Commissioner may adjust the refund and must issue a final determination; (5) If within the sixty-day period the applicant does not request a hearing, but provides additional information, the Commissioner will review the information, make such adjustments to the refund as the Commissioner finds proper and issue a final determination; (6) The taxpayer may appeal the Commissioner's final determination to the Board of Tax Appeals pursuant to R.C. 5717.02.

- **Uniform petition for reassessment procedure (R.C. 5703.60):**
  Establishes a uniform petition for reassessment procedure and a uniform assessment correction procedure applicable to Franchise tax and various other taxes. If the taxpayer has properly filed a Franchise tax petition for reassessment, this law permits the Tax Commissioner, upon receipt of additional information from the taxpayer, to correct an assessment without issuing a final determination and without a hearing. In addition, this law permits the Commissioner to correct an assessment even if the taxpayer has not filed a petition for reassessment or has not filed a proper petition for reassessment.

- **Late payment penalty (R.C. 5733.28 and 5733.021(C):**
  If a taxpayer fails to pay the amount of tax required by the date prescribed, the Tax Commissioner may impose a penalty not to exceed 15 percent of the delinquent payment. (Under prior law the R.C. 5733.28(A)(2) penalty for late payment could not exceed twice the interest charged under R.C. 5733.26(A)).

- **Penalty safe-harbor for estimated payments (R.C. 5733.021(C)):**
  - For purposes of determining the R.C. 5733.28(A)(2) failure to pay penalty for any period of delinquency ending prior to the first day of June of the tax year, the Commissioner may charge a penalty on the delinquent portion of the estimated tax. Estimated tax means the lesser of 100 percent of last year's tax or 90 percent of this year's tax.
  - For purposes of determining the R.C. 5733.28(A)(2) failure to pay penalty for any period of delinquency commencing the first day of June of the tax year and concluding on the extended due date, the Commissioner may charge a penalty on the delinquent portion of the estimated tax. Estimated tax means 90 percent of this year's tax.

- **Ohio net operating losses (R.C. 5733.04(I)(1)):**
  For Ohio net operating losses incurred in taxable years beginning on or after August 6, 1997, the designated carry-over period is twenty consecutive taxable years following the taxable year in which the net operating loss occurs. Ohio net operating losses may not be carried back.

- **Refund statute of limitations (R.C. 5733.12):**
  For purposes of the refund statute of limitations, payments made before the due date or extended due date for filing the report to which the payment relates, are deemed to have been made on the due date or extended due date.

Amended Substitute Senate Bill 261, 124th General Assembly; Effective June 5, 2002. This law enacts Franchise tax changes in several sections of the Revised Code –

- **Bonus depreciation (R.C. 5733.04(I)(17) and (I)(18):** Taxpayers whose taxable year ended on or after June 5, 2002 are required to add back 5/6 of their I.R.C. section 168(k) bonus depreciation. Then, for each of the succeeding five tax years the taxpayer must deduct 1/5 of the amount previously added back. (The Department of Taxation refers to this provision as the 5/6 – 1/5 rule).

Taxpayers that claimed bonus depreciation for the taxable year ending before June 5, 2002 must apply one of two options for that year:
Option A — Elect to apply the 5/6 –1/5 rule to assets acquired during the taxable year ending after September 10, 2001 and before June 5, 2002.
Option B – Recompute federal depreciation expense as it would have been without enactment of I.R.C. section 168(k) and add to federal taxable income the difference between the taxpayer's depreciation expense actually deducted for the taxable year and the recomputed depreciation expense.

- **Disregarded entities (R.C. 5733.01(F)):** For purposes of the Franchise tax, the term "disregarded entity" means an entity that for its taxable year is by default, or has elected to be, disregarded as an entity separate from its owner pursuant to 26 Code of Federal Regulations 301.7701-3. A corporation's ownership interest in a disregarded entity is treated as ownership of the assets and liabilities of the disregarded entity itself and a disregarded entity's income, including gains or losses, is included in the owner's Chapter 5733 net income. Any sale or other disposition of an interest in a disregarded entity is treated as a sale or other disposition of the disregarded entity's underlying assets and liabilities and the gain or loss from such sales is included in the corporation's Chapter 5733 net income. A disregarded entity's property, payroll and sales are included in the owner's property, payroll and sales. If the disregarded entity has nexus with Ohio, then the corporate owner has nexus with Ohio.

Amended Substitute Senate Bill 144, 124th General Assembly; Effective March 21, 2002.
Credit for investment in certified ethanol plants (R.C. 5733.46 and 901.13) —
This credit allows Franchise taxpayers to claim a non-refundable credit equal to 50 percent of the amount of money that the taxpayer invests in R.C. 901.13 certified ethanol plants in the calendar year preceding the tax year. The credit is limited to $5,000 per taxpayer per certified ethanol plant regardless of the number of years in which the taxpayer makes such investments. The credit applies to tax years 2003 through 2013.

Amended Substitute House Bill 405, 124th General Assembly; Effective December 13, 2001.
Enacts the following Franchise tax changes in the cited Revised Code sections—

- **Job retention credit (R.C. 122.171 and 5733.0610(B)):** The purpose of this credit is to encourage large Ohio manufacturers to retain jobs in Ohio. The credit applies to taxpayer-manufacturers that make a capital investment of at least $200 million at a single Ohio project site during three consecutive calendar years in the period beginning January 1, 2002 and ending December 31, 2006. The taxpayer must apply to the Ohio Tax Credit Authority, and the Authority must approve the taxpayer's capital investment project. As a prerequisite, the taxpayer must employ an average of 1,000 full-time employees at the project site during each of the twelve months preceding application. The credit equals a percentage of the Ohio income tax withheld from the taxpayer's employees at the project site as set forth in the agreement between the taxpayer and the Ohio Tax Credit Authority. The credit begins in tax year 2003 and is limited to a term of ten years.

- **Net worth base exemption for high-tech start-up companies (R.C. 122.15 and 5733.06(C)):** A corporation that is organized not more than three years prior to the March 31 unextended due date of the 2003, 2004, 2005, 2006 or 2007 Franchise tax reports and that is primarily engaged in research and development may be exempt from the net worth base for the first three years of its existence if the corporation meets all of the following criteria:
- It conducts business during its entire taxable year as a "qualified trade or business" (defined below);
- It uses more than 50 percent of its assets located in Ohio (based on net book value) solely to conduct activities that constitute a qualified trade or business; and
- During the taxable year it is not a related member (as defined in R.C. 5733.042 and modified by R.C. 5733.06(C)(2)(d)) to another person treated as a corporation.

"Qualified trade or business" means any trade or business that primarily involves research and development, technology transfer, biotechnology, information technology, or the application of new technology developed through research and development or acquired through technology transfer.

RECENT SIGNIFICANT COURT DECISIONS:

International Business Machines Corp. v. Thomas M. Zaino, Tax Commissioner (2002), 94 Ohio St. 3d 152.
The Ohio Supreme Court held that the amount of the assessment that may be contested and refunded by filing a petition for reassessment is limited to the amount of the assessment that the taxpayer paid (in this instance the taxpayer paid no portion of the assessment). No portion of the amount paid with the filing of the Franchise tax report is available for refund under the R.C. 5733.11 petition for reassessment statute because there is no provision within R.C. 5733.11 which grants the Tax Commissioner the authority to refund any amount greater than the amount that the taxpayer paid toward the assessment. The fact that the taxpayer raises additional objections to the assessment prior to the Commissioner's final determination and the fact that the taxpayer

mentions in those objections that the taxpayer is overpaid with respect to amounts paid with the original report, does not convert a petition for reassessment into a timely filed refund claim with respect to amounts paid with the original report.

RECENT INFORMATION RELEASES:

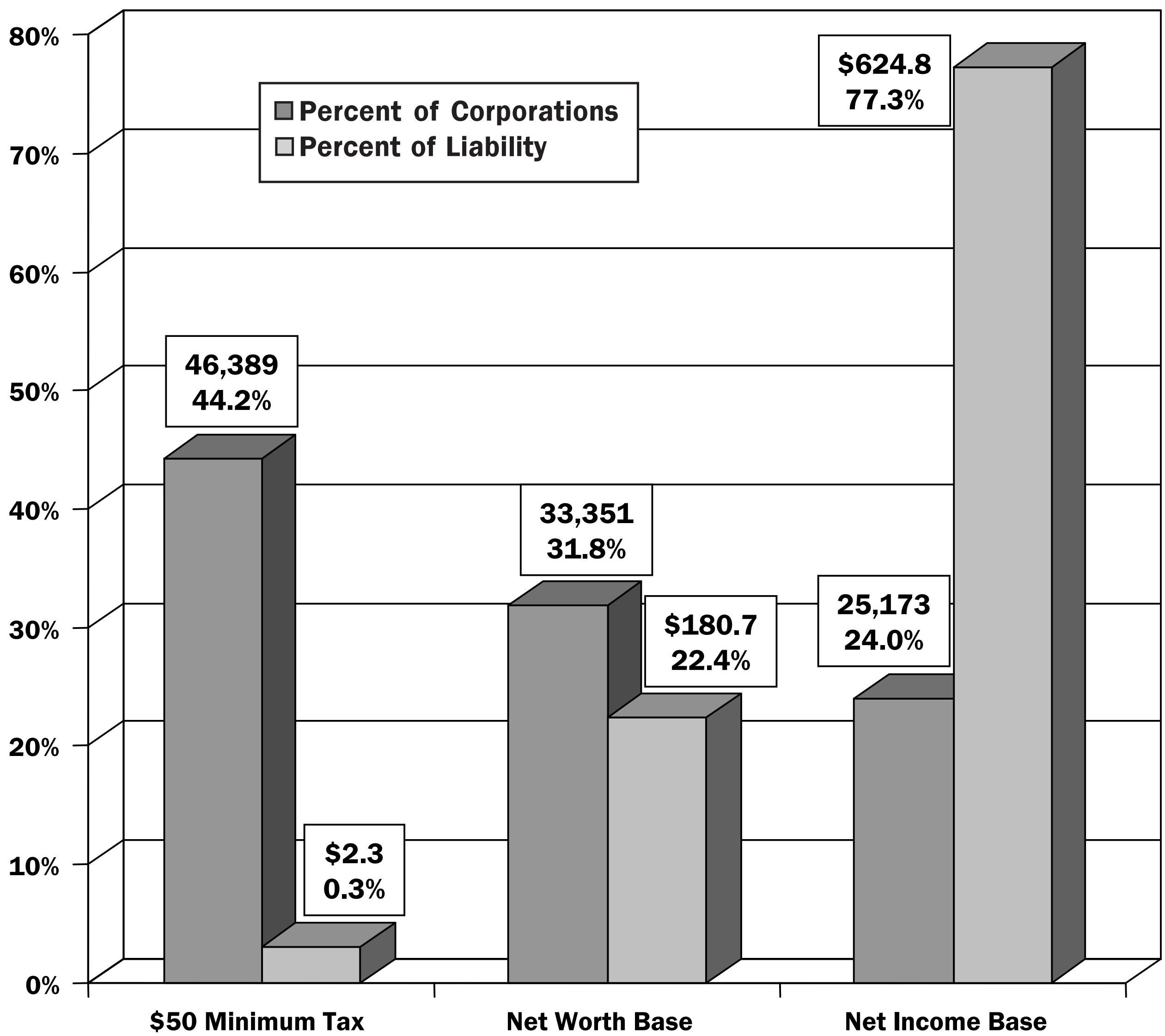
- **G 2002 - 01 —**"Modified Appeal Procedures – Corrected Assessments," Dec. 16, 2002.
- **PI & CFT 2002 - 02 —** "Ohio Bonus Depreciation Adjustment and the Internal Revenue Code's Passive Activity Loss, Basis Limitation and At-Risk Rules," Nov. 7, 2002.
- **PI & CFT 2002-01 —**"Recently-Enacted Ohio Legislation Affects Depreciation Deductions for Taxable Years Ending in 2001 and Thereafter,"July 31, 2002.
- **PIT 2001-03 —**"Pass-through Entity Tax: Certain Estimated Tax Payments Due September 16, 2002," July 3, 2002.

Percentage of Corporations and Tax Liability by Tax Base, Tax Year 2001

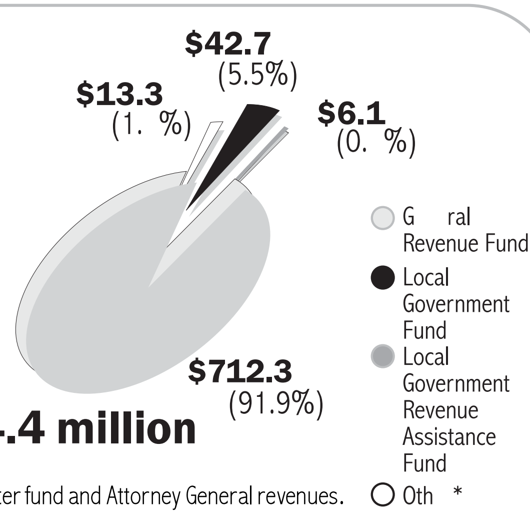
Total Number of Corporations — 104,913

Total Reported Tax Liability — $807.8 million

(excludes financial institutions)



Distribution of Revenues from Corporate Franchise Tax
Fiscal Year 2002



Total: $774.4 million

* Includes litter fund and Attorney General revenues.

Table 1
Corporate Franchise Tax Collections, Fiscal Years 1998 - 2002

Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
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
2002	1,011,443,330	237,075,921	774,367,410

Source: Ohio Office of Budget and Management.

Table 2
Number of Corporations by Tax Base and Industry
Tax Year 2001

Industry	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Agriculture & Forestry	342	472	341	1,155
Mining	286	334	134	754
Construction	2,594	2,699	2,162	7,455
Manufacturing	3,159	4,995	3,232	11,386
Transport, Communication, Utility	1,359	1,254	823	3,436
Wholesale Trade	1,919	2,808	2,064	6,791
Retail Trade	3,251	4,196	2,637	10,084
Finance, Insurance, Real Estate	4,171	3,139	2,292	9,602
Services	10,731	7,110	4,988	22,829
Unknown*	18,577	6,344	6,500	31,421
TOTAL	46,389	33,351	25,173	104,913

*Industry classification was not indicated by taxpayer.

Table 3
Number of Corporations By Tax Base and Tax Liability Class, Tax Year 2001

Tax Liability Class	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Minimum	46,389	--	--	46,389
$51 - $1,000	--	19,787	9,325	29,112
1,001 - 2,000	--	4,623	4,092	8,715
2,001 - 3,000	--	2,184	2,379	4,563
3,001 - 4,000	--	1,236	1,148	2,384
4,001 - 5,000	--	762	890	1,652
5,001 - 10,000	--	1,741	2,354	4,095
10,001 - 15,000	--	764	1,057	1,821
15,001 - 20,000	--	371	659	1,030
20,001 - 25,000	--	299	420	719
25,001 - 30,000	--	195	331	526
30,001 - 35,000	--	181	234	415
35,001 - 50,000	--	309	537	846
50,001 - 100,000	--	417	749	1,166
100,001 - 200,000	--	482	454	936
200,001 - 500,000	--	0	328	328
500,001 - 1,000,000	--	0	124	124
Over $1,000,000	--	0	92	92
TOTAL	46,389	33,351	25,173	104,913

Table 4
Corporate Franchise Tax —
Reported Tax Liability by Tax Base and Industry, Tax Year 2001

Industry	Tax Liability Before Litter Tax and Credits by Tax Base: Minimum	Net Worth	Net Income	Total	Litter Tax (a)	Nonrefundable Tax Credits	Liability After Nonrefundable Tax Credits and Litter Tax	Refundable Tax Credits
Agriculture & Forestry	$17,100	$873,854	$1,769,523	$2,660,477	$54,605	$2,715,082	$38,160	$2,676,922
Mining	14,300	2,375,387	5,475,368	7,865,055	162,922	8,027,977	1,660,150	6,367,827
Construction	129,700	4,641,174	24,560,412	29,331,286	626,608	29,957,894	267,554	29,690,340
Manufacturing	157,950	60,427,713	250,057,281	310,642,944	4,470,593	315,113,537	78,681,852	236,431,685
Transport, Communication, Utility	67,950	11,489,044	54,259,624	65,816,618	698,359	66,514,977	1,329,678	65,185,299
Wholesale Trade	95,950	14,542,542	56,052,515	70,691,007	1,359,670	72,050,677	7,027,894	65,022,783
Retail Trade	162,550	12,444,670	71,957,999	84,565,219	1,153,295	85,718,515	2,701,538	83,016,977
Finance, Insurance, Real Estate	208,550	17,940,365	40,043,599	58,192,514	1,079,104	59,271,618	6,482,501	52,789,117
Services	536,550	20,426,481	48,822,972	69,786,003	1,503,326	71,289,329	5,467,092	65,822,237
Unknown (b)	928,850	35,526,762	71,756,395	108,212,007	2,216,692	110,428,698	12,326,608	98,102,090
Total	$2,319,450	$180,687,992	$624,755,688	$807,763,130	$13,325,174	$821,088,304	$115,983,027	$705,105,277

(a) 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.
(b) Industry classification was not indicated by taxpayer.

Table 5
Corporate Franchise Tax — Reported Tax Liability
By Tax Base and Tax Liability Class, Tax Year 2001

Tax Liability Class	Tax Liability Before Litter Tax and Credits By Tax Base: Minimum	Net Worth	Net Income	Total	Litter Tax*	Liability Before Credits	Non-Refundable and Refundable Tax Credits	Liability After All Tax Credits
Minimum	$2,319,450	—	—	$2,319,450	0	$2,319,450	$4,914,351	($2,594,901)
$51 - $1,000	—	$7,303,495	$3,859,404	11,162,899	$323,133	11,486,032	142,141	11,343,891
1,001 - 2,000	—	6,367,349	6,027,131	12,394,480	356,632	12,751,112	330,877	12,420,235
2,001 - 3,000	—	5,320,612	5,649,245	10,969,857	313,646	11,283,503	443,768	10,839,735
3,001 - 4,000	—	4,126,286	3,904,280	8,030,566	231,793	8,262,359	396,442	7,865,917
4,001 - 5,000	—	3,447,195	3,893,148	7,340,343	211,240	7,551,583	364,109	7,187,474
5,001 - 10,000	—	12,018,698	16,236,095	28,254,793	794,838	29,049,631	2,469,241	26,580,390
10,001 - 15,000	—	9,089,019	12,724,024	21,813,043	618,321	22,431,364	1,233,181	21,198,183
15,001 - 20,000	—	6,200,741	11,227,532	17,428,273	486,757	17,915,030	2,151,316	15,763,714
20,001 - 25,000	—	6,452,364	9,643,902	16,096,266	449,154	16,545,420	1,184,323	15,361,097
25,001 - 30,000	—	5,185,191	8,807,796	13,992,987	389,664	14,382,651	1,546,486	12,836,165
30,001 - 35,000	—	5,660,706	7,320,347	12,981,053	366,197	13,347,250	1,287,789	12,059,461
35,001 - 50,000	—	12,651,636	21,722,333	34,373,969	946,388	35,320,357	3,812,933	31,507,424
50,001 - 100,000	—	28,837,512	51,998,433	80,835,945	2,144,384	82,980,329	8,707,629	74,272,700
100,001 - 200,000	—	68,027,188	61,703,869	129,731,057	3,258,086	132,989,143	28,081,093	104,908,050
200,001 - 500,000	—	—	97,218,266	97,218,266	1,451,652	98,669,918	16,235,926	82,433,992
500,001 - 1,000,000	—	—	84,289,981	84,289,981	568,740	84,858,721	15,192,752	69,665,969
Over $1,000,000	—	—	218,529,902	218,529,902	414,549	218,944,451	27,488,670	191,455,781
TOTAL	$2,319,450	$180,687,992	$624,755,688	$807,763,130	$13,325,174	$821,088,304	$115,983,027	$705,105,277

*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 6
Number of Manufacturing Corporations By Tax Base and Industry Tax Year 2001

Industry	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Food	157	242	180	579
Tobacco Manufacturers	6	4	6	16
Apparel and Other Textiles	102	102	61	265
Lumber and Wood Products	137	216	149	502
Paper	104	161	90	355
Printing and Publishing	270	373	252	895
Chemicals	224	371	237	832
Petroleum and Coal	29	56	20	105
Rubber and Plastics	223	300	212	735
Leather Products	9	16	3	28
Stone, Clay & Glass Products	115	210	157	482
Primary Metal	90	158	84	332
Fabricated Metal	582	1,172	774	2,528
Machinery (non-electrical)	348	579	322	1,249
Electrical Machinery	284	343	216	843
Transportation Equipment	116	150	114	380
Miscellaneous Manufacturing	363	542	355	1,260
TOTAL	3,159	4,995	3,232	11,386

Table 7
Number of Manufacturing Corporations
By Tax Base and Tax Liability Class
Tax Year 2001

Tax Liability Class	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Minimum	3,159	---	---	3,159
$51 - $1,000	----	1,941	533	2,474
1,001 - 2,000	----	791	385	1,176
2,001 - 3,000	----	434	257	691
3,001 - 4,000	----	252	145	397
4,001 - 5,000	----	176	132	308
5,001 - 10,000	----	455	362	817
10,001 - 15,000	----	196	209	405
15,001 - 20,000	----	99	132	231
20,001 - 25,000	----	81	117	198
25,001 - 30,000	----	55	71	126
30,001 - 35,000	----	57	49	106
35,001 - 50,000	----	104	158	262
50,001 - 100,000	----	147	247	394
100,001 - 200,000	----	207	184	391
200,001 - 500,000	----	0	149	149
500,001 - 1,000,000	----	0	59	59
Over - $1,000,000	----	0	43	43
-	3,159	4,995	3,232	11,386

Table 8
Corporate Franchise Tax — Reported Tax Liability for Manufacturing Corporations, by Tax Base and Industry Classification, Tax Year 2001

Industry	Tax Liability Before Litter Tax and Credits By Tax Base				Litter Tax*	Liability Before Credits	Non-Refundable and Refundable Tax Credits	Liability After All Tax Credits
	Minimum	Net Worth	Net Income	Total				
Food	$7,850	$4,286,905	$29,956,175	$34,250,930	$413,138	$34,664,068	$5,958,076	$28,705,992
Tobacco Manufacturers	300	21,957	13,477,826	13,500,083	38,683	13,538,766	0	13,538,766
Apparel and Other Textiles	5,100	588,857	1,504,352	2,098,309	57,550	2,155,859	202,303	1,953,556
Lumber and Wood Products	6,850	1,399,348	5,209,746	6,615,944	121,173	6,737,117	1,210,677	5,526,440
Paper	5,200	2,697,381	4,990,198	7,692,779	169,602	7,862,381	2,925,131	4,937,250
Printing and Publishing	13,500	2,432,057	16,883,655	19,329,212	239,526	19,568,738	2,988,822	16,579,916
Chemicals	11,200	8,734,595	36,170,375	44,916,170	553,918	45,470,088	9,708,993	35,761,095
Petroleum and Coal	1,450	1,558,301	4,221,916	5,781,667	72,440	5,854,107	1,876,463	3,977,644
Rubber and Plastics	11,150	3,046,079	10,709,784	13,767,013	260,436	14,027,449	3,791,237	10,236,212
Leather Products	450	225,235	30,588	256,273	8,649	264,922	1,372	263,550
Stone, Clay & Glass Products	5,750	2,659,672	7,317,856	9,983,278	185,901	10,169,179	3,843,109	6,326,070
Primary Metal	4,500	3,976,669	4,764,890	8,746,059	190,567	8,936,626	4,579,798	4,356,828
Fabricated Metal	29,100	7,775,420	33,143,114	40,947,634	711,206	41,658,840	10,975,242	30,683,598
Machinery (non-electrical)	17,400	4,906,310	12,107,111	17,030,821	351,181	17,382,002	3,135,087	14,246,915
Electrical Machinery	14,200	5,738,145	22,527,688	28,280,033	397,837	28,677,870	4,383,168	24,294,702
Transportation Equipment	5,800	4,111,023	30,759,359	34,876,182	285,482	35,161,664	19,379,357	15,782,307
Miscellaneous Manufacturing	18,150	6,269,759	16,282,648	22,570,557	413,304	22,983,861	3,723,017	19,260,844
Total	$157,950	$60,427,713	$250,057,281	$310,642,944	$4,470,593	$315,113,537	$78,681,852	$236,431,685

*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 9
Corporate Franchise Tax— Reported Tax Liability For Manufacturing Corporations, by Tax Base and Tax Liability Class, Tax Year 2001

	Tax Liability Before Litter Tax and Credits By Tax Base							
Tax Liability Class	Minimum	Net Worth	Net Income	Total	Litter Tax*	Liability Before Credits	Non-Refundable and Refundable Tax Credits	Liability After All Tax Credits
Minimum	$157,950	—	—	$157,950	0	$157,950	$1,114,190	(-)($956,240)
$51 - $1,000	—	$867,466	$250,460	1,117,926	$33,327	1,151,253	84,045	1,067,208
1,001 - 2,000	—	1,098,541	555,281	1,653,822	50,354	1,704,176	212,685	1,491,491
2,001 - 3,000	—	1,029,138	615,045	1,644,183	52,983	1,697,166	332,444	1,364,722
3,001 - 4,000	—	842,608	501,931	1,344,539	40,540	1,385,079	195,167	1,189,912
4,001 - 5,000	—	762,981	579,581	1,342,562	39,935	1,382,497	223,293	1,159,204
5,001 - 10,000	—	3,245,789	2,554,759	5,800,548	166,014	5,966,562	1,826,195	4,140,367
10,001 - 15,000	—	2,353,250	2,581,561	4,934,811	139,443	5,074,254	689,804	4,384,450
15,001 - 20,000	—	1,629,320	2,356,882	3,986,202	108,357	4,094,559	761,136	3,333,423
20,001 - 25,000	—	1,760,811	2,555,620	4,316,431	125,564	4,441,995	770,571	3,671,424
25,001 - 30,000	—	1,451,237	1,887,924	3,339,161	96,839	3,436,000	713,990	2,722,010
30,001 - 35,000	—	1,787,833	1,549,748	3,337,581	99,924	3,437,505	807,916	2,629,589
35,001 - 50,000	—	4,256,896	6,423,751	10,680,647	297,742	10,978,389	2,485,843	8,492,546
50,001 - 100,000	—	10,220,562	18,067,211	28,287,773	733,632	29,021,405	5,558,534	23,462,871
100,001 - 200,000	—	29,121,281	25,409,221	54,530,502	1,365,331	55,895,833	18,971,097	36,924,736
200,001 - 500,000	—	—	45,060,245	45,060,245	649,043	45,709,288	10,203,009	35,506,279
500,001 - 1,000,000	—	—	40,194,032	40,194,032	280,748	40,474,780	10,424,905	30,049,875
Over $1,000,000	—	—	98,914,029	98,914,029	190,817	99,104,846	23,307,028	75,797,818
TOTAL	$157,950	$60,427,713	$250,057,281	$310,642,944	$4,470,593	$315,113,537	$78,681,852	$236,431,685

*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 10
Number of Financial Institutions and Reported Tax Liability, By Type of Institution
Tax Year 2001

Tax Liability Class	Number of Corporations By Type				Tax Liability By Type			
	Banks	Savings & Loans	Other*	Total	Banks	Savings & Loans	Other*	Total
$51 - $1,000	12	7	16	35	$2,463	$672	$841	$3,976
1,001 - 2,000	0	0	0	0	0	0	0	0
2,001 - 3,000	0	0	2	2	0	0	5,551	5,551
3,001 - 4,000	2	0	1	3	6,695	0	3,405	10,100
4,001 - 5,000	0	0	0	0	0	0	0	0
5,001 - 10,000	5	3	0	8	30,509	24,349	0	54,858
10,001 - 15,000	3	1	2	6	36,124	13,431	24,364	73,919
15,001 - 20,000	5	2	0	7	88,606	30,203	0	118,809
20,001 - 25,000	4	2	1	7	87,383	47,531	23,425	158,339
25,001 - 30,000	2	2	1	5	54,656	52,211	28,068	134,935
30,001 - 35,000	7	4	1	12	231,068	130,024	31,918	393,010
35,001 - 50,000	16	8	3	27	668,283	329,141	132,017	1,129,441
50,001 - 100,000	53	28	1	82	3,870,900	1,969,967	75,886	5,916,753
100,001 - 200,000	49	28	1	78	6,956,211	3,960,459	130,336	11,047,006
200,001 - 500,000	38	33	1	72	11,526,329	9,546,356	205,807	21,278,492
500,001 - 1,000,000	18	5	0	23	12,085,212	2,855,427	0	14,940,639
Over $1,000,000	17	7	1	25	102,792,212	17,610,038	1,284,606	121,686,856
TOTAL	231	130	31	392	$138,436,651	$36,569,809	$1,946,224	$176,952,684

*Primarily credit agencies that accept deposits.