Corporation Franchise Tax

Ohio first imposed a corporation franchise tax in 1902 at a rate of one mill (.001) on the value of capital stock (net worth) in Ohio. That rate remained until 1959 when it was raised to three mills, followed by one-mill increases in 1967 and 1969. This five-mill net worth tax was joined in 1971 by an alternate tax on net income in Ohio. The current corporation franchise tax requires taxpayers to compute the tax on both net worth and net income and pay on the base that produces the highest tax. However, for most taxpayers the franchise tax is now being phased out over a five-year period (see **Franchise Tax Phase-Out**).

During the 1980s and 1990s there were many changes to the corporation franchise tax, but rates settled from 1988-98 at 5.82 mills on net worth with tax on net income staying at 5.1 percent on the first $50,000 of income and 8.9 percent on remaining net income.

In 1999, the corporation franchise tax was significantly changed, including rate cuts on net worth to four mills and net income to 8.5 percent. In addition, the net worth tax was capped at $150,000 for non-financial institutions and the formula for determining how net worth is established (apportioned) for tax purposes was replaced with a new apportionment formula for net income (see **Exhibits 1** and **2** for details on the apportionment formula).

The corporation franchise tax applies differently to financial institutions than it does to general corporations. Financial institutions are subject only to a net worth tax with a rate of 13 mills and must apply a different apportionment formula than applies to general corporations.

All corporations, except family farm corporations and financial institutions, are also subject to a litter tax which is likewise determined using the net worth and net income bases.

In Fiscal Year 2006, the corporation franchise tax generated just under $1,105.9 million in total revenue (for all funds, and includes some payments for previous year(s) liabilities). Prior to its phase-out this tax was the third largest source of revenue among taxes supporting Ohio's General Revenue Fund (just ahead of the cigarette tax).

Most of the FY 2006 revenue, amounting to $1,054.9 million, or 95.4 percent, was distributed to the General Revenue Fund. The Local Government Fund received $41.5 million or 3.8 percent; and $5.9 million or 0.5 percent was distributed to the Local Government Revenue Assistance Fund. The amount distributed to each fund was established by House Bill 66, the biennium budget bill for FY 2006-2007.

The tables in this chapter provide data from tax year 2005 taken from reports due and filed in 2005. For all corporations except financial institutions, the reported tax liability (including litter tax) before credits was $1,044.8 million. After tax credits, liability was $845.3 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 $149.7 million for tax year 2005.

Of the total tax liability before credits for general corporations, about 81 percent came from net income taxpayers. Of all corporation franchise taxpayers, approximately 21 percent paid tax on net income, 30 percent paid tax on net worth, and the remaining 49 percent paid the minimum tax.

Of financial institutions, banks filed 66 percent of all returns and paid 76 percent of the total tax liability. Savings and loans filed 26 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 is phasing out (see also **Recent Legislation**) at the rate of 20 percent per year over each of the five franchise tax years 2006 through 2010 (taxable years ending in 2005 through 2009). During the same period Ohio's new commercial activity tax (CAT) is phasing in. As a result of the phase-out, the 2009 franchise tax report (based on the taxpayer's taxable year ending in 2008) will be the last franchise tax report for most taxpayers. The franchise tax phase-out does not apply to: (1) financial institutions and certain affiliates of financial institutions when such affiliates are engaged in financial institution-type activities; (2) certain affiliates of insurance companies when such affiliates are engaged in insurance-type activities; and (3) securitization companies. Those entities remain subject to the franchise tax if not otherwise exempt under Ohio Revised Code 5733.09 and are not subject to the CAT.

Taxpayer (Ohio Revised Code 5733.01):

The Ohio corporation franchise tax is imposed on both domestic and foreign corporations for the privilege of doing business in Ohio. It is paid by corporations that:

- 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.

Unless exempted, both domestic and foreign for-profit corporations and nonprofit agricultural cooperatives (i.e., Chapter 1729 or like corporations) are subject to the corporation franchise tax. Business trusts defined in R.C. 1746.01 and having nexus with Ohio are also subject to the corporation franchise tax.

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 corporation must determine the value of that stock under both the net income and net worth base, and pay on the base that produces the greater tax.

Financial institutions are not subject to the tax on net income but are subject to the tax on the net worth base at a higher rate than other taxpayers.

EXHIBIT 1 - CORPORATION FRANCHISE TAX NET WORTH TAX BASE

Ohio
Taxable = Net Value
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.

** Net income base apportionment ratio adjusted to include nonbusiness property, payroll, and sales excluded from the net income base apportionment factors.

EXHIBIT 2 - CORPORATION FRANCHISE TAX NET INCOME TAX BASE (DOES NOT APPLY TO FINANCIAL INSTITUTIONS

Ohio Taxable Income*	=	Business Income Apportioned to Ohio	+	Nonbusiness Income Allocated to Ohio	—	Ohio Net Operating Loss Carry Forward 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. Net Income Apportionment Formula:

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

2. The factors are computed as follows (a):

Property Factor (b) = Average cost of owned or rented real and tangible personal property used in business in Ohio / Average cost of such property used everywhere

Payroll Factor (c) = Total compensation paid in Ohio / Total compensation paid everywhere

Sales Factor (d) = Sales in Ohio / Sales everywhere

(a) The net income base factors do not include property, payroll, or sales relating to nonbusiness income.

(b) Excludes from both the numerator and the denominator the original cost of:

(1) property within Ohio with respect to which the state has issued an Air Pollution, Noise Pollution, or an Industrial Water Pollution Control Certificate; and

(2) property used exclusively during the taxable year for qualified research. Excludes from only the numerator 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.

(c) Excludes from both the numerator and the denominator compensation paid in Ohio to employees engaged in qualified research. Excludes from only the numerator 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.

(d) 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 purchaser received the benefit of that which was purchased. Sales derived from nonbusiness allocable income are not included in this factor. Interest and dividends likewise are not included in the sales factor.

Qualifying holding companies and certain high-tech start-up companies pay tax on the net income base only.

1. 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 those items excluded by statute (see **Exemptions and Exclusions**). The tax is calculated by multiplying the taxpayer's adjusted net worth by the net worth apportionment ratio by the net worth tax rate of four mills (.004). 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 of 13 mills (.013). (* 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**). The adjusted income is then allocated (nonbusiness income) or apportioned (business income) in and outside Ohio.

Allocable Income (for taxable years ending after June 25, 2003)(R.C. 5733.051):
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.

Apportionable Income (for taxable years ending after June 25, 2003):
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 **Exhibit 2**).

Net Income:
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.
(* See **Exhibit 2**).

Rates (R.C. 5733.06):

1. Franchise Tax Rates:

Net Worth –
Net worth taxable value is taxed at the rate of four mills (.004). The maximum tax on the net worth base is $150,000 per taxpayer (non-financial institutions).

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

For franchise tax report years 2006, 2007, 2008, 2009, and 2010 franchise taxpayers that are subject to the phase-out will pay 80 percent, 60 percent, 40 percent, 20 percent, and 0 percent, respectively, of the franchise tax after nonrefundable credits that they would otherwise be required to pay. Nevertheless, the nonrefundable credit for tax paid by a qualifying pass-through entity is not subject to the phase-out percentages and thus this credit remains recoverable at 100 percent over the course of the phase-out.

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 (adjusted net worth) of the corporation, or

Net Income – 0.11 percent (.0011) on the first $50,000 of Ohio taxable income plus 0.22 percent (.0022) 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 applies to taxpayers that manufacture or sell litter stream products in Ohio. The rates are:

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

Net Income – 0.22 (.0022) 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.

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).

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):

(a) Nonprofit corporations (except certain agricultural and consumer cooperatives);
(b) Municipal corporations;
(c) Public utilities subject to public utility excise tax;

(d) Credit unions;
(e) Dealers in intangibles;
(f) Corporations required to file annual reports with the Ohio Superintendent of Insurance;
(g) 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.);
(h) Corporations electing treatment as an "S" corporation under the I.R.C. and their qualified subchapter S subsidiaries (QSSS);
(i) Limited liability companies (LLCs), if treated as a partnership for federal tax purposes; and
(j) 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.

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

Add to book net worth (assets minus liabilities) the "qualifying amount" (see R.C. 5733.05 (D) (1)) (does not apply to financial institutions).
Deduct from book net worth:
(a) Certified Ohio civil defense structures;
(b) Land in Ohio devoted exclusively to agriculture;
(c) Qualified improvements to property located in an enterprise zone (generally does not apply to financial institutions); and
(d) Appreciation and goodwill (applies only to financial institutions).

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

(a) Deduct certain income from sources outside the United States;
(b) Deduct I.R.C. section 243 dividends received deduction;
(c) 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 as described by statute (receipts from these companies are eliminated in determining the sales factor for apportioning net income and net worth);
(d) 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;
(e) 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);
(f) 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;
(g) Deduct net interest income on federal government obligations;
(h) Deduct Ohio net operating loss carried forward from the prior 20 years (there is no Ohio net operating loss carry back provision);
(i) Deduct amounts contributed to an individual development account program;
(j) 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);
(k) Deduct taxable temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses (beginning July 1, 2005; see R.C. section 5751.53 (H) (3));
(l) Add 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;
(m) Add interest and intangibles expense paid to certain related members;
(n) Add income (and deduct losses) earned by a transferor corporation that merges into the taxpayer in a tax-free reorganization;
(o) Add 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 1/5 of this add back in each of the five subsequent years. Deduct any miscellaneous federal tax adjustments as required;
(p) Add distributive or proportionate share of pass-through entity expenses paid to, losses incurred from transactions with, and excess inventory costs paid to related members for taxable years ending after June 29, 2005; and
(q) Add deductible temporary differences in connection with the commercial activity tax credit for franchise tax net operating losses (beginning July 1, 2005; see R.C. section 5751.53 (H) (2)).

Credits and Grant:

1. Credit for 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 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 nonrefundable 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; or
(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 nonrefundable 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).

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 nonrefundable credit equal to the corporation's proportionate share of the tax paid by the qualifying pass-through entity.

5. 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 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.

6. Credit for Grape Production Property (R.C. 5733.32):
A taxpayer may claim a nonrefundable credit equal to 10 percent of the cost of purchasing and installing or constructing qualifying property used to produce grapes in Ohio.

7. 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 nonrefundable credit for each taxable year covered under the enterprise zone agreement during which the eligible employee is employed by the taxpayer.

8. Technology Investment Tax Credit (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 nonrefundable 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.

9. Grant for Purchases of New Manufacturing Machinery and Equipment:
For taxable years ending on or after July 1, 2005, the manufacturer's credit converts to a grant administered by the Ohio Department of Development. Because the taxable year for the 2007 franchise report and reports thereafter will end after July 1, 2005, only the grant will be available on the franchise tax form for tax years 2007 and thereafter. The qualifying purchase period for the credit and the grant ended on June 30, 2005. (Under prior law the credit would have applied to qualifying purchases of new manufacturing machinery and equipment through December 31, 2015.) So, franchise taxpayers may not claim a grant for new manufacturing machinery and equipment purchased after June 30, 2005.

The nonrefundable grant equals 7.5 percent of the amount by which the cost of qualifying equipment purchased during a calendar year for use in an Ohio county exceeds the taxpayer's "base investment" for that county. The grant rate for investments in certain eligible areas (inner city areas, distressed areas, labor surplus areas, situational distress areas, and certain Ohio counties) is 13.5 percent. One-seventh of the credit/grant may be claimed in each of the seven tax years following the purchase year. For those taxpayers that are subject to the franchise tax phase-out, the grant will end with their final (2009) franchise tax report because the unused 1/7 grant amounts cannot be applied against the CAT.

10. Day Care Credit (R.C. 5733.37):
A nonrefundable tax credit equal to 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 (the maximum credit is $100,000) may be claimed for tax years 1999 through 2003. No new credit is generated for tax year 2004 and thereafter. Unused credits may be carried forward for five taxable years.

11. Credit for 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 $5.0 million).

12. Job Training Credit (R.C. 5733.42):
This temporary nonrefundable credit applies to franchise taxpayers for tax years 2004, 2005, and 2006 that incurred "eligible training costs" and received a tax credit certificate from the Ohio Director of Job and Family Services with respect to an "eligible training program" for "eligible employees." The credits cannot exceed $20 million per calendar year and are granted to qualified applicants through means of a lottery-based allocation.

13. Credit for Maintaining Railroad Crossing Warning Devices (R.C. 5733.43):
Railroad companies can claim a nonrefundable 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 annual maintenance costs for each active grade-crossing warning device in Ohio and cannot exceed $200 for each device.

14. Job Retention Credit (R.C. 5733.0610(B)):
This nonrefundable credit applies to manufacturers that make a capital investment of at least $200 million (or under certain conditions $100 million) at a single Ohio site during three consecutive calendar years in the period beginning January 1, 2002 and ending December 31, 2006. To qualify, the taxpayer must employ an average of 1,000 full-time

employees at the site during each of the 12 months preceding application. In addition, the taxpayer must retain at least 1,000 full-time employees at the site for the entire term of the credit agreement.

The credit is determined in an agreement between the taxpayer and the Ohio Tax Credit Authority and equals a percentage (not to exceed 75 percent) of the Ohio income tax withheld from the wages paid to the taxpayer's employees at the project site. The credit began in tax year 2003 and is limited to a term of ten years.

For those franchise taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise report year for which the R.C. 5733.0610 (B) nonrefundable job retention credit applies is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT for tax periods beginning on or after July 1, 2008 for the remaining years of the taxpayer's agreement with the Ohio Tax Credit Authority.

15. Ethanol Plant Investment Credit (R.C. 5733.46 and 901.13):
This nonrefundable credit equals 50 percent of the taxpayer's investment in a R.C. 901.13 certified ethanol plant in the calendar year preceding the tax year. The credit is limited to $5,000 per taxpayer per plant. The credit began in tax year 2003.

16. Credit for Qualified Research Expense (R.C. 5733.351):
For years 2004 and thereafter this nonrefundable credit equals 7.0 percent of the amount by which the taxpayer's "qualified research expense" (see I.R.C. section 41) in Ohio during the taxable year exceeds the taxpayer's average annual qualified research expenses for the three preceding years. For those franchise taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise report year for which the nonrefundable credit for qualified research expense will apply is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT and any unused franchise tax credit carry forward can be applied toward the CAT for tax periods beginning after June 30, 2008, provided that the total number of carry forward years under the franchise tax and the CAT does not exceed seven.

17. Lottery Commission Withholding Credit (R.C. 5747.062 (B) (2)):
This refundable credit equals the amount the Ohio Lottery Commission withheld from payments to the taxpayer.

18. Credit for Small Telephone Companies (R.C. 5733.57):
For tax years 2005 through 2009 certain small telephone companies can claim a credit equal to a percentage of the amount by which the telephone company's tax before credits exceeds the public utility gross receipts tax that would have been charged had the public utility gross receipts tax continued to apply to the taxpayer.

19. Nonrecurring 9-1-1 Charges Credit for Telephone Companies (R.C. 5733.55):
Beginning in tax year 2005, a telephone company is allowed a nonrefundable credit equal to the amount of the company's eligible nonrecurring 9-1-1 charges. A telephone company must claim this credit for the taxable year in which the 9-1-1 service becomes available for use.

20. Credit for Providing Programs to Aid the Communicatively Impaired (R.C. 5733.56):
Beginning in tax year 2005, a telephone company can claim a nonrefundable credit if it provides a telephone service to aid the communicatively impaired in accessing the telephone network under R.C. 4905.79. The credit equals the cost of providing the program during the taxable year, excluding any costs incurred prior to July 1, 2004. The R.C. 5733.56 credit for providing programs to aid the communicatively impaired can be claimed as a refundable credit only for tax years 2006, 2007, and 2008. The credit is nonrefundable for report year 2005 and for amounts carried forward from 2005 to 2006 and/or 2007 (see R.C. 5733.56 as amended by Amended Substitute House Bill 530, 126th Ohio General Assembly, effective June 30, 2006). This credit is substantially the same as the credit granted under the public utility excise tax (compare R.C. 5733.56 to R.C. 5727.44).

21. Research and Development Loan Repayment Credit (R.C. 5733.352):
The amount of the credit equals the borrower's qualified research and development loan payments during the calendar year immediately preceding the tax year. The payments include principal and interest on a loan made to the borrower from Ohio's research and development fund administered by the Ohio Department of Development. For those taxpayers that are subject to the franchise tax phase-out and the CAT phase-in, the last franchise tax report year for which the nonrefundable research and development loan repayment credit will apply is the 2008 report. The franchise tax credit then automatically converts to a nonrefundable credit against the CAT for tax periods beginning on or after January 1, 2008, and any unused franchise tax credit carry forward can be applied toward the CAT as provided in R.C. section 5751.52.

1. Corporations ceasing business in Ohio may be subject to an "exit tax" on unreported Ohio net income earned in the two calendar years prior to the tax year (see R.C. 5733.06 (H)).
2. 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 (see R.C. 5733.053).

3. A corporation claiming 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 LLCs treated as a partnership for federal income tax purposes) doing business in or having nexus with Ohio:
   - are required to pay tax on the qualifying investors' share of the entity's Ohio profits.
   - are subject to a 5.0 percent withholding tax on the sum of the (individual's) distributive shares of the entity's Ohio income and gain.
   - are subject to an 8.5 percent tax on the sum of the (non-individual's) distributive shares of Ohio income and gain. For the pass-through entity's taxable year ending in 2006, the pass-through entity's tax rate on its Ohio income that passes through to its qualifying investors that are subject to the franchise tax phase-out is 5.1 percent. The tax is due only if the adjusted qualifying amount exceeds $1,000 (see R.C. 5733.40, 5733.41, 5733.04 (I) (14), 5733.0611, 5747.41through 5747.453, 5747.01 (A) (16) and 5747.059).
5. The net worth tax for financial institutions differs substantially from the net worth tax for regular corporations (see R.C. 5733.056).
6. Each 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 (see R.C. 5733.057).
7. If more than half of a taxpayer's capital stock (with voting rights) is owned or controlled 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 nondividend income from Ohio sources. This election may not be changed by the taxpayer without the Tax Commissioner's consent. Combination provisions do not apply to 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).

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

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

March 31:
By March 31, the corporation must either file its franchise tax report and pay the remaining tax due or the corporation must file a request for extension (form FT 1120 ER) and pay the second one-third of its estimated tax liability.

May 31:
By May 31, a corporation must either file the annual report and pay the remaining tax due or file a request for additional extension (form FT 1120 EX) 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.

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 2006, the rate was 6.0 percent. The rate increases to 8.0 percent in calendar year 2007.

Disposition of Revenue (R.C. 4981.09, 5733.12, 5733.122):

After 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 0.6 percent, and the General Revenue Fund receives 95.2 percent of franchise tax collections.

This distribution has been temporarily replaced, however (see the chart **Distribution of Revenue from Corporation Franchise Tax** for the FY 2006 distribution). An uncodified provision of House Bill 66, the FY 2006-2007 biennium budget bill, froze FY 2006 and FY 2007 local government fund distributions at FY 2005 levels. The FY 2005 levels were set by H.B. 95, 125th General Assembly, the FY 2004-2005 biennium budget bill, which continued a freeze on local government funds that began in 2002 and froze the funds at their FY 2001 levels. For each month of FY 2006, the Local Government Fund and Local Government Revenue Assistance Fund received the same amount they received for the corresponding month of the July 2004 - June 2005 period.

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.

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.

Taxpayers are required to pay by electronic funds transfer (EFT) if for the second preceeding 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 through the Treasurer of State.

Ohio Revised Code Citations:

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

Amended Substitute House Bill 530 (House Bill 530), 126th Ohio General Assembly (effective march 30, 2006):

Among other provisions this new law enacted a new Ohio Revised Code section 5701.11 which for all of Title 57 of the Ohio Revised Code defines the term “Internal Revenue Code ‘as amended’” as being the Internal Revenue Code existing on the effective date of R.C. 5701.11 as enacted by H.B. 530 (R.C. 5701.11 became effective on March 30, 2006). By enacting R.C. 5701.11, the Ohio General Assembly adopted for franchise tax purposes all the changes to the Internal Revenue Code enacted by Congress since the General Assembly last amended R.C. 5733.04 (R.C. 5733.04 was last amended December 30, 2004).

Amended Substitute H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005 for taxable years ending on or after July 1, 2005).

Phase-Out of the Corporation Franchise Tax:

The corporation franchise tax phases out for most corporations over a five-year period starting in 2006. A corporation will continue to compute its corporation franchise tax liability during that five years, but will pay a smaller percentage of the tax computed each year until the tax is totally phased out in 2010. A corporation will pay either the minimum tax ($50 for small companies and $1,000 for large companies), or its computed tax, whichever is greater. In calculating its corporation franchise tax, a corporation will take any nonrefundable credits first (except for the pass-through entity tax credit). Then, the corporation will reduce its remaining liability by a percentage: 20 percent for 2006, 40 percent for 2007, 60 percent for 2008, and 80 percent for 2009. The pass-through entity tax credit and the refundable tax credits are then taken after making that calculation. For most corporations, there will be no franchise tax payable for tax year 2010 and forward.

Most corporations will continue to claim any unused net operating loss carry forwards on their franchise tax report during the phase-out period. However, certain companies with Ohio net operating losses in excess of $50 million will be allowed to claim a portion of their unused net operating losses and other net deferred tax assets as a credit against the commercial activity tax. That portion of the net operating losses on which the taxpayer claims the CAT credit cannot be deducted on the franchise report.

Certain corporations will continue to pay the franchise tax. These include: banks and other financial institutions (and their majority-owned affiliates engaged in financial institution-type activities), and securitization types of companies. The franchise tax for these companies will be based on the law prior to its amendment by H.B. 66 (no phase-out).

Ohio law allows businesses to take a credit (now a grant) against their franchise tax for purchases of new manufacturing machinery and equipment. This credit/grant is no longer available for purchases of qualifying equipment made after June 30, 2005. In addition, the qualifying machinery and equipment purchased prior to July 1, 2005 must be installed by June 30, 2006. The law also clarifies an existing requirement that a “Notice of Intent” must be filed with the Ohio Department of Development. For taxable years ending after June 30, 2005, the credit is replaced by a grant administered by the Ohio Department of Development. The same eligibility requirements applicable to the former credit for new manufacturing machinery and equipment also apply to the grant. The terms and conditions for the new grants are essentially the same as those for the former credit. Any benefits that could be taken under the credit must now be taken under the grant.

Additionally, taxpayers that are subject to the franchise tax phase-out and the CAT phase-in may not claim their unused nonrefundable franchise tax credits or credit carry forwards as a credit against the CAT. Exceptions to that general rule include the following three nonrefundable credits: the job retention credit, the credit for qualified research expense, and the research and development loan repayment credit.

H.B. 66 amended R.C. 5733.98 changing the order in which nonrefundable franchise tax credits are recovered for report years 2006 and thereafter. For franchise tax years 2006 and thereafter, the credit for tax paid by a qualifying pass-through entity is deducted after all other nonrefundable credits and the research and development loan repayment credit is deducted immediately before the credit for tax paid by a qualifying pass-through entity. The credit for tax paid by a qualifying pass-through entity is not subject to the phase-out and therefore is recoverable at 100 percent.

Credit for Losses on Loans to the Ohio Venture Capital Program:

If the taxpayer elected to claim the credit as a refundable credit and the amount of the credit as shown on the tax credit certificate issued by the Ohio Venture Capital Authority is less than or equal to the franchise tax (including the litter taxes) after all nonrefundable credits are deducted, then the taxpayer can claim a refundable credit equal to the amount shown on the credit certificate.

If the taxpayer elected to claim the credit as a refundable credit and the amount of the credit as shown on the tax credit certificate issued by the Ohio Venture Capital Authority is greater than the franchise tax (including the litter taxes) after all nonrefundable credits are deducted, then the taxpayer can claim a refundable credit equal to the sum of: (1) the franchise tax (including the litter taxes) after all nonrefundable credits are deducted; and (2) 75 percent of the amount by which the refundable credit exceeds the tax after all nonrefundable credits.

Caution: This credit may not be claimed until the beginning of the fifth year after the authority establishes its investment policy. The authority established its investment policy on June 13, 2004. Thus, this credit cannot be claimed on the 2007 franchise tax report and is not included on the tax form.

***Daimler Chrysler Corp. v. Cuno,* 547 U.S. (2006).** The United States Supreme Court held that the plaintiffs had not established their standing to challenge the 7.5 percent-13.5 percent credit. Because the plaintiffs had no standing to challenge the credit, the lower courts erred by considering the plaintiffs' claims on the merits. Because of this decision, taxpayers can continue to claim the 7.5 percent-13.5 percent credit/grant as provided by Ohio law. (For taxable years ending on or after July 1, 2005 the 7.5 percent-13.5 percent manufacturer's credit converts to a nonrefundable grant. The Court's decision here does not convert the grant back to a credit. Taxpayers claiming the grant must file the grant request form with their tax return or with an amended return filed within the refund statute of limitations.)

***Federated Department Stores v. Wilkins,* 107 Ohio St.3d 165, 2005-Ohio-6181 (December 7, 2005).** Agreeing with the taxpayer and the earlier decision of the Board of Tax Appeals, the Ohio Supreme Court held that following the taxpayer's emergence from Chapter 11 bankruptcy reorganization, the taxpayer properly reflected on its 1993 franchise tax report (for the taxable year February 1, 1991 to January 31, 1992) the taxpayer's February 1, 1992 lower net worth "pre-fresh-start" values (as opposed to the taxpayer's higher net worth fresh-start values applicable subsequent to the taxpayer's emergence from bankruptcy) because the date when all material conditions precedent to Federated's reorganization were resolved and the earliest date that Federated could have adopted fresh-start reporting was February 4, 1992 – the date it emerged from Chapter 11 reorganization. (On its 1993 franchise tax report Federated reported the lower pre-fresh-start values. But, on its form 10-K filed with the Securities and Exchange Commission and on its annual report to shareholders, Federated showed the higher fresh-start values and expressly stated that Federated adopted fresh-start reporting on February 1, 1992.)

PERCENTAGE OF CORPORATIONS AND TAX LIABILITY BY TAX BASE, TAX YEAR 2005

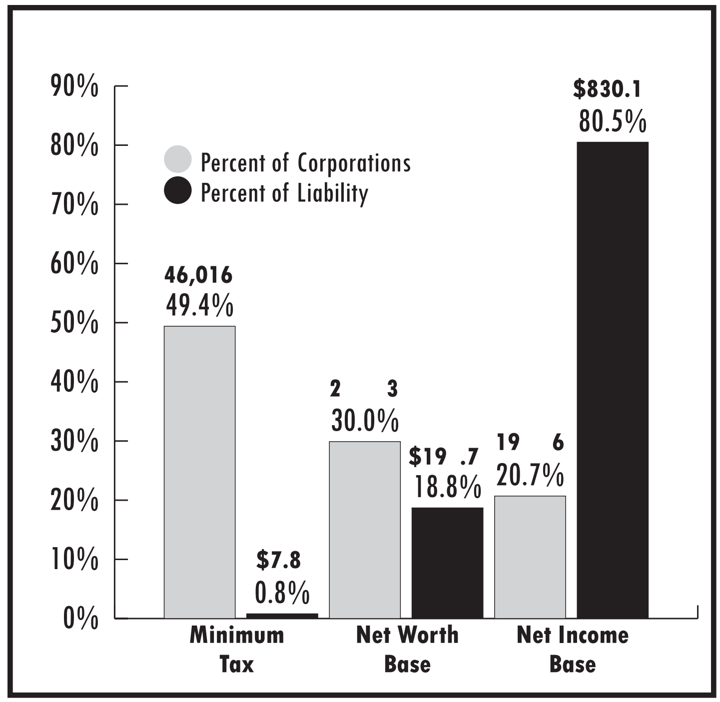
Total Number of Corporations 93,225

Total Reported Tax Liability $1,031.6 million

(figures in millions)

(excludes litter tax)

(excludes financial institutions)

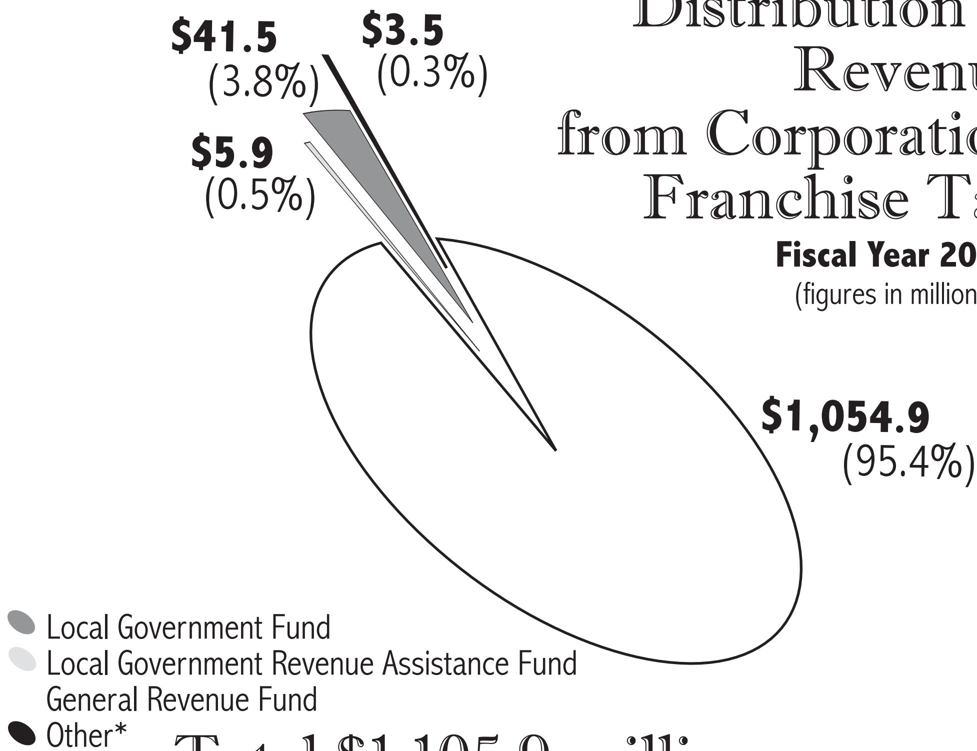


***National City Bank, Cleveland (n/k/a National City Bank), c/o National City Corporation v. Zaino* (*July 22, 2005*), BTA Case No. 2003-A-1328.** The taxpayer appealed this decision to the Ohio Supreme Court where at this writing the matter is still pending. The Board of Tax Appeals affirmed the commissioner's findings in determining that increases in the cash surrender values (CSV) of the taxpayer's bank-owned life insurance (BOLI) contracts are not considered appreciation and therefore should not be excluded in computing the taxpayer's net worth subject to franchise tax.

Distribution of Revenue from Corporation Franchise Tax

Fiscal Year 2006

(figures in millions)



Total $1,105.9 million

* Includes litter fund and Attorney General revenues.

TABLE 1
CORPORATION FRANCHISE TAX COLLECTIONS, FISCAL YEARS 2002 - 2006

Fiscal Year	Gross Tax Collections	Refunds	Net Tax Collections
2002	$1,011,443,330	$237,075,921	$774,367,410
2003	1,015,027,341	206,770,271	808,257,070
2004	1,060,594,780	190,009,406	870,585,374
2005	1,282,059,637	170,495,325	1,111,564,312
2006	1,309,521,936	203,658,836	1,105,863,100

Table 2
Corporation Franchise Tax
Number of Corporations by Tax Base and Industry, Tax Year 2005

Industry	Number of Corporations by Tax Base Minimum	Net Worth	Net Income	Total
Agriculture & Forestry	558	514	321	1,393
Mining	278	256	138	672
Construction	4,234	2,978	1,635	8,847
Manufacturing	3,639	4,250	2,423	10,312
Transport, Communication, Utility	2,367	1,323	1,106	4,796
Wholesale Trade	2,414	2,413	1,646	6,473
Retail Trade	5,966	4,470	2,767	13,203
Finance, Insurance, Real Estate	6,697	3,666	2,615	12,978
Services	15,635	7,145	5,696	28,476
Unknown*	4,228	918	929	6,075
TOTAL	**46,016**	**27,933**	**19,276**	**93,225**

* Industry classification was not indicated by the taxpayer.

Table 3
Corporation Franchise Tax
Number of Corporations by Tax Base and Tax Liability Class, Tax Year 2005

Tax Liability Class			Number of Corporations by Tax Base Minimum	Net Worth	Net Income	Total
		Minimum	46,016	--	--	46,016
$51	-	1,000	--	14,625	6,205	20,830
1,001	-	2,000	--	4,579	3,252	7,831
2,001	-	3,000	--	2,049	1,689	3,738
3,001	-	4,000	--	1,093	806	1,899
4,001	-	5,000	--	764	690	1,454
5,001	-	10,000	--	1,666	1,886	3,552
10,001	-	15,000	--	743	948	1,691
15,001	-	20,000	--	378	563	941
20,001	-	25,000	--	273	359	632
25,001	-	30,000	--	209	290	499
30,001	-	35,000	--	176	249	425
35,001	-	50,000	--	329	501	830
50,001	-	100,000	--	450	707	1,157
100,001	-	200,000	--	599	469	1,068
200,001	-	500,000	--	--	406	406
500,001	-	1,000,000	--	--	141	141
Over		$1,000,000	--	--	115	115
TOTAL			**46,016**	**27,933**	**19,276**	**93,225**

Table 4
Corporation Franchise Tax
Reported Tax Liability by Tax Base and Industry
Tax Year 2005

Industry	Tax Liability Before Litter Tax and Credits By Tax Base: Minimum	Net Worth	Net Income	Total	Litter Tax (a)	Liability Before Tax Credits	Tax Credits	Liability After Tax Credits
Agriculture & Forestry	$50,700	$856,147	$1,901,285	$2,808,132	$63,405	$2,871,537	$75,776	$2,795,761
Mining	45,250	1,657,690	6,824,345	8,527,285	136,866	8,664,151	3,639,125	5,025,026
Construction	659,150	8,674,023	24,517,264	33,850,437	623,634	34,474,071	1,452,476	33,021,595
Manufacturing	904,900	61,385,425	273,827,659	336,117,984	3,870,984	339,988,968	106,776,168	233,212,800
Transport, Communication, Utility	471,750	16,136,247	181,268,399	197,876,396	1,018,315	198,894,711	40,096,532	158,798,179
Wholesale Trade	465,550	14,780,061	80,708,071	95,953,682	1,312,324	97,266,006	8,771,938	88,494,068
Retail Trade	1,114,350	22,611,156	88,238,911	111,964,417	1,771,028	113,735,445	8,229,224	105,506,221
Finance, Insurance, Real Estate	1,020,750	23,835,133	53,464,054	78,319,937	1,396,795	79,716,732	13,174,402	66,542,330
Services	2,364,450	36,118,408	109,894,008	148,376,865	2,540,388	150,917,253	15,442,008	135,475,245
Unknown (b)	679,750	7,682,670	9,439,525	17,801,945	449,805	18,251,750	1,824,385	16,427,365
Total	**$7,776,600**	**$193,736,960**	**$830,083,521**	**$1,031,597,081**	**$13,183,544**	**$1,044,780,624**	**$199,482,034**	**$845,298,590**

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

Table 5
Corporation Franchise Tax
Reported Tax Liability by Tax Base and Tax Liability Class
Tax Year 2005

Tax Liability Class	Tax Liability Before Litter Tax and Credits By Tax Base: Minimum	Net Worth	Net Income	Total	Litter Tax*	Liability Before Tax Credits	Tax Credits	Liability After Tax Credits
Minimum	$7,776,600	--	--	$7,776,600	--	$7,776,600	$5,351,224	$2,425,376
$51 - 1,000	--	$4,996,461	$2,478,790	7,475,250	$229,829	7,705,079	139,136	7,565,943
1,001 - 2,000	--	6,197,217	4,539,442	10,736,659	305,434	11,042,093	459,211	10,582,882
2,001 - 3,000	--	4,854,837	4,014,639	8,869,476	254,854	9,124,330	498,106	8,626,224
3,001 - 4,000	--	3,654,952	2,738,069	6,393,021	187,399	6,580,420	454,788	6,125,632
4,001 - 5,000	--	3,303,786	3,024,902	6,328,688	180,411	6,509,099	685,583	5,823,516
5,001 - 10,000	--	11,357,211	13,162,334	24,519,545	691,937	25,211,482	2,364,595	22,846,888
10,001 - 15,000	--	8,763,636	11,364,733	20,128,369	571,762	20,700,131	2,007,206	18,692,925
15,001 - 20,000	--	6,283,418	9,540,832	15,824,250	444,145	16,268,395	1,908,217	14,360,178
20,001 - 25,000	--	5,916,826	7,783,255	13,700,081	378,436	14,078,517	1,716,890	12,361,627
25,001 - 30,000	--	5,561,100	7,775,764	13,336,864	358,730	13,695,594	1,505,665	12,189,929
30,001 - 35,000	--	5,577,083	7,874,869	13,451,952	368,602	13,820,554	1,431,953	12,388,601
35,001 - 50,000	--	13,471,437	20,510,439	33,981,876	898,622	34,880,498	4,660,231	30,220,267
50,001 - 100,000	--	30,327,066	48,861,962	79,189,028	2,055,165	81,244,193	12,746,680	68,497,513
100,001 - 200,000	--	83,471,930	63,886,136	147,358,066	3,483,193	150,841,259	44,655,368	106,185,891
200,001 - 500,000	--	-	124,911,660	124,911,660	1,775,830	126,687,490	27,196,534	99,490,956
500,001 - 1,000,000	--	-	99,651,662	99,651,662	558,830	100,210,492	19,478,966	80,731,526
Over $1,000,000	--	-	397,964,033	397,964,033	440,365	398,404,398	72,221,681	326,182,717
TOTAL	**$7,776,600**	**$193,736,960**	**$830,083,521**	**$1,031,597,081**	**$13,183,544**	**$1,044,780,624**	**$199,482,034**	**$845,298,590**

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

Table 6
Corporation Franchise Tax
Number of Manufacturing Corporations, by Tax Base and Industry
Tax Year 2005

Industry	Number of Corporations by Tax Base			
	Minimum	Net Worth	Net Income	Total
Food	188	206	157	551
Tobacco Manufacturers	4	2	5	11
Apparel and Other Textiles	73	63	39	175
Lumber and Wood Products	129	154	82	365
Paper	78	102	46	226
Printing and Publishing	256	284	133	673
Chemicals	250	306	215	771
Petroleum and Coal	40	39	27	106
Rubber and Plastics	232	267	163	662
Leather Products	9	11	4	24
Stone, Clay and Glass Products	108	158	91	357
Primary Metal	153	152	99	404
Fabricated Metal	789	1,066	546	2,401
Machinery (non-electrical)	379	448	208	1,035
Electrical Machinery	316	336	173	825
Transportation Equipment	130	140	106	376
Miscellaneous Manufacturing	505	516	329	1,350
TOTAL	**3,639**	**4,250**	**2,423**	**10,312**

TABLE 7
CORPORATION FRANCHISE TAX
NUMBER OF MANUFACTURING CORPORATIONS, BY TAX BASE AND TAX LIABILITY CLASS
TAX YEAR 2005

	Number of Corporations by Tax Base			
Liability Class	Minimum	Net Worth	Net Income	Total
Minimum	3,639	--	--	3,639
$51 - 1,000	--	1,357	335	1,692
1,001 - 2,000	--	782	317	1,099
2,001 - 3,000	--	380	165	545
3,001 - 4,000	--	216	96	312
4,001 - 5,000	--	173	92	265
5,001 - 10,000	--	367	296	663
10,001 - 15,000	--	188	164	352
15,001 - 20,000	--	117	109	226
20,001 - 25,000	--	80	73	153
25,001 - 30,000	--	66	61	127
30,001 - 35,000	--	42	47	89
35,001 - 50,000	--	115	96	211
50,001 - 100,000	--	136	182	318
100,001 - 200,000	--	231	141	372
200,001 - 500,000	--	--	142	142
500,001 - 1,000,000	--	--	59	59
Over $1,000,000	--	--	48	48
TOTAL	**3,639**	**4,250**	**2,423**	**10,312**

Table 8
Corporation Franchise Tax
Reported Tax Liability for Manufacturing Corporations, by Tax Base and Industry Classifacations
Tax Year 2005

Industry	Tax Liability Before Litter Tax and Credits by Tax Base				Litter Tax*	Liability Before Tax Credits	Tax Credits	Liability After Tax Credits
	Minimum	Net Worth	Net Income	Total				
Food	$57,850	$4,114,645	$34,846,371	$39,018,866	$337,832	$39,356,698	$8,318,915	$31,037,783
Tobacco Manufacturers	200	163,982	9,016,701	9,180,883	34,373	9,215,256	917,476	8,297,780
Apparel and Other Textiles	19,800	579,450	1,167,775	1,767,025	42,667	1,809,692	72,318	1,737,374
Lumber and Wood Products	23,550	1,115,019	3,538,802	4,677,371	81,840	4,759,211	1,615,431	3,143,780
Paper	21,000	2,461,419	1,901,546	4,383,965	101,678	4,485,643	3,346,000	1,139,643
Printing and Publishing	40,350	2,218,900	6,872,462	9,131,712	147,734	9,279,446	2,711,507	6,567,939
Chemicals	96,100	9,132,497	73,050,002	82,278,599	547,888	82,826,487	10,707,068	72,119,419
Petroleum and Coal	12,450	1,079,749	12,275,097	13,367,296	60,004	13,427,300	4,837,226	8,590,074
Rubber and Plastics	57,200	3,902,048	7,732,350	11,691,598	260,555	11,952,153	3,958,304	7,993,849
Leather Products	4,250	177,022	29,312	210,584	6,924	217,508	6,199	211,309
Stone, Clay and Glass Products	25,350	2,626,913	4,954,492	7,606,755	149,351	7,756,106	4,148,625	3,607,481
Primary Metal	39,950	3,200,064	14,673,232	17,913,246	193,565	18,106,811	9,752,276	8,354,535
Fabricated Metal	157,250	7,415,577	25,300,901	32,873,728	540,436	33,414,164	10,766,133	22,648,031
Machinery (non-electrical)	103,500	5,278,326	8,627,705	14,009,531	286,054	14,295,585	4,258,832	10,036,753
Electrical Machinery	86,100	5,855,722	18,788,125	24,729,947	344,642	25,074,589	7,866,404	17,208,185
Transportation Equipment	44,500	5,200,200	29,450,099	34,694,799	310,409	35,005,208	27,731,189	7,274,019
Miscellaneous Manufacturing	115,500	6,863,892	21,602,687	28,582,079	425,032	29,007,111	5,762,265	23,244,846
TOTAL	**$904,900**	**$61,385,425**	**$273,827,659**	**$336,117,984**	**$3,870,984**	**$339,988,968**	**$106,776,168**	**$233,212,800**

*Tier I of litter tax is paid by all corporations. Tier II of litter tax is paid only by "litter stream" corporations.

Table 9
Corporation Franchise Tax
Reported Tax Liability for Manufacturing Corporations, by Tax Base and Tax Liability Class
Tax Year 2005

Tax Liability Class	Tax Liability Before Litter Tax and Credits By Tax Base				Litter Tax*	Liability Before Tax Credits	Tax Credits	Liability After Tax Credits
	Minimum	Net Worth	Net Income	Total				
Minimum	$904,900	--	--	$904,900	--	$904,900	$639,192	$265,708
$51 - 1,000	--	$529,518	$135,799	665,317	$21,185	686,502	61,940	624,562
1,001 - 2,000	--	1,054,746	445,568	1,500,314	44,650	1,544,964	205,141	1,339,823
2,001 - 3,000	--	899,759	392,888	1,292,647	39,704	1,332,351	196,541	1,135,810
3,001 - 4,000	--	726,309	326,013	1,052,322	32,374	1,084,696	212,429	872,267
4,001 - 5,000	--	748,811	403,301	1,152,112	34,414	1,186,526	293,951	892,575
5,001 - 10,000	--	2,517,216	2,067,372	4,584,588	137,143	4,721,731	1,007,860	3,713,871
10,001 - 15,000	--	2,200,427	1,953,206	4,153,633	122,278	4,275,911	1,086,208	3,189,703
15,001 - 20,000	--	1,936,441	1,870,740	3,807,181	111,174	3,918,355	1,000,014	2,918,341
20,001 - 25,000	--	1,722,948	1,606,224	3,329,172	93,209	3,422,381	950,632	2,471,749
25,001 - 30,000	--	1,745,415	1,645,680	3,391,095	97,209	3,488,304	652,339	2,835,965
30,001 - 35,000	--	1,335,437	1,483,787	2,819,224	80,087	2,899,311	621,979	2,277,332
35,001 - 50,000	--	4,673,986	4,013,234	8,687,220	245,877	8,933,097	2,093,065	6,840,032
50,001 - 100,000	--	9,247,976	12,663,115	21,911,091	558,506	22,469,597	6,296,128	16,173,469
100,001 - 200,000	--	32,046,436	19,394,658	51,441,094	1,264,768	52,705,862	29,629,475	23,076,387
200,001 - 500,000	--	--	44,783,993	44,783,993	576,964	45,360,957	16,566,543	28,794,414
500,001 - 1,000,000	--	--	43,442,123	43,442,123	219,508	43,661,631	13,297,979	30,363,652
Over $1,000,000	--	--	137,199,958	137,199,958	191,934	137,391,892	31,964,752	105,427,140
TOTAL	**$904,900**	**$61,385,425**	**$273,827,659**	**$336,117,984**	**$3,870,984**	**$339,988,968**	**$106,776,168**	**$233,212,800**

*Combines Tier I litter tax, which is paid by all corporations, and Tier II litter tax, which is paid only by "litter stream" corporations.

Table 10
Corporation Franchise Tax
Number of Financial Institutions and Reported Tax Liability, by Type of Institution
Tax Year 2005

	Number of Corporations By Type				Tax Liability Before Credits By Type				
Tax Liability Class	Banks	Savings & Loans	Other *	Total	Banks	Savings & Loans	Other *	Total	Tax Credits
Minimum ($50 or $1000)	9	1	1	11	$6,150	$50	$50	$6,250	$95,133
$51 - 1,000	1	3	11	15	91	1,379	1,551	3,021	3,243
1,001 - 2,000	2	1	9	12	2,689	1,000	9,040	12,729	1,954
2,001 - 3,000	3	2	1	6	7,198	4,878	2,158	14,234	--
3,001 - 4,000	4	--	--	4	12,944	--	--	12,944	--
4,001 - 5,000	2	--	--	2	8,940	--	--	8,940	--
5,001 - 10,000	4	--	--	4	25,609	--	--	25,609	--
10,001 - 15,000	11	1	--	12	129,870	11,459	--	141,329	--
15,001 - 20,000	5	1	3	9	88,454	17,869	52,743	159,066	41,642
20,001 - 25,000	4	--	--	4	84,982	--	--	84,982	--
25,001 - 30,000	7	1	2	10	191,465	29,168	56,550	277,183	4,056
30,001 - 35,000	4	1	--	5	133,057	33,029	--	166,086	--
35,001 - 50,000	13	10	2	25	557,626	424,618	76,006	1,058,250	57,624
50,001 - 100,000	49	21	1	71	3,588,398	1,619,891	51,623	5,259,912	237,183
100,001 - 200,000	65	24	--	89	9,303,875	3,437,766	--	12,741,641	250,054
200,001 - 500,000	47	22	1	70	14,837,525	7,108,343	202,922	22,148,790	844,630
500,001 - 1,000,000	19	8	--	27	12,612,757	5,731,598	--	18,344,355	558,593
Over $1,000,000	12	6	--	18	72,768,384	16,489,666	--	89,258,050	22,625,240
TOTAL	**261**	**102**	**31**	**394**	**$114,360,014**	**$34,910,714**	**$452,643**	**$149,723,371**	**$24,719,352**

* Primarily credit agencies that accept deposits.