**Comparing Corporate Income Tax Systems**
Taxation of International Corporations Study
for the Revenue and Transportation Interim Committee
by Megan Moore, Research Analyst

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This report provides an overview of the taxation of corporate income in the states. The overview is divided into four main categories: tax base, additional factors related to combined reporting, apportionment formulas, and tax rates.

Montana is one of 44 states with a tax on corporate income. Nevada, South Dakota, Washington, and Wyoming do not levy a corporate income tax. Ohio imposes a corporate activity tax based on gross receipts and Texas has a franchise tax.

**Tax Base: Combined Reporting vs. Separate Reporting**

The first factor in determining corporate income tax liability is to identify which business activity is included in the tax base. Corporations in states with mandatary combined reporting report income and pay taxes based on the income of all entities in a unitary business, which includes subsidiaries and other related corporations with common ownership. The income for the combined group is then apportioned to the states in which the group does business. The theory of combined reporting provides that a combined group should have the same tax liability as if it operated as a single corporation. In practice this is often not the case because of differences among the states' corporate income tax laws.

In states with separate reporting, each corporate entity reports income and calculates tax liability separately. There is no need for apportionment because each corporation is treated as a separate entity. Separate accounting does not group interdependent corporations with common ownership, which complicates the tax treatment of transactions between related corporations that are separate legal entities.

Advocates of combined reporting assert that combined reporting prevents corporations from shifting income to out-of-state subsidiaries using intercompany transactions[1] while those favoring separate reporting believe that combined reporting "arbitrarily attribute[s] more income to a state than is justified by the level of a corporation's real economic activity in the state."[2]

[1]"Michael Mazerov, "State Corporate Tax Shelters and the Need for 'Combined Reporting,' Center on Budget and Policy Priorities, available at http://www.cbpp.org/research/state-corporate-tax-shelters-and-the-need-for-combined-reporting, accessed Oct. 7, 2015.

[2]Council on State Taxation, "Mandatory Unitary Combined Reporting Policy Position," available at: http://www.cost.org/uploadedFiles/About_COST/Policy_Statement/Mandatory%20Unitary%20Combined%20Reporting.pdf, accessed October 7, 2015.

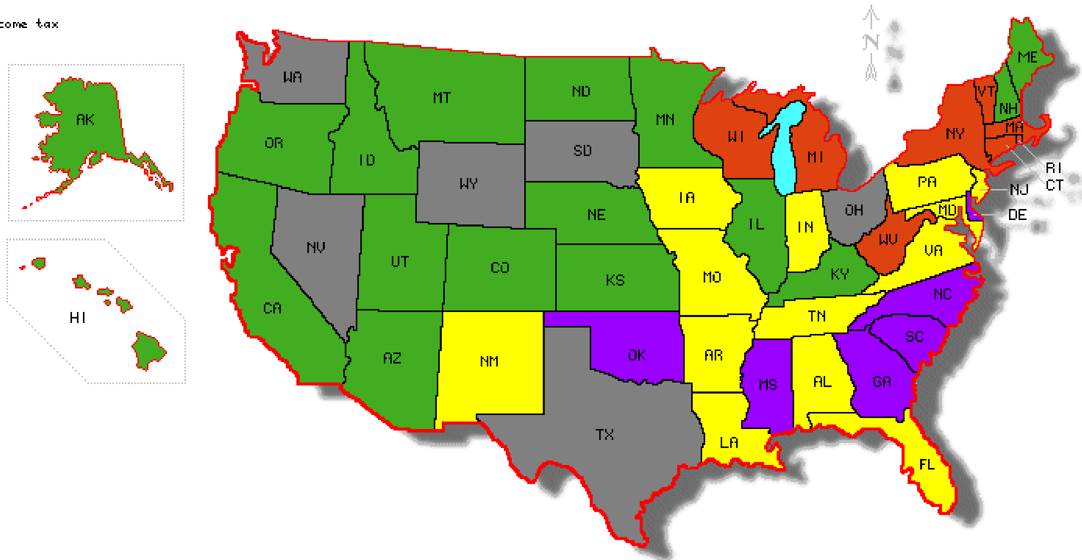
Growth of Mandatory Combined Reporting

Of the 44 states with a corporate income tax, 25 have mandatory combined reporting and there is a trend towards requiring combined reporting. Before 2006, 17 states mostly located in the western U.S. required combined reporting.[3] An additional eight states passed legislation in recent years to move to combined reporting and 13 states considered such legislation. The 19 states that allow separate reporting are largely located in the southeastern U.S.

The map below shows states with mandatory combined reporting based on the year of enactment, states that have considered mandatory combined reporting legislation since 2010, and states with separate reporting that have not recently considered mandatory combined reporting legislation.[4]

Growth of Combined Reporting

- Pre-2006 combined
- Post-2006 combined
- Legislation 2010-15
- Separate reporting
- No income tax



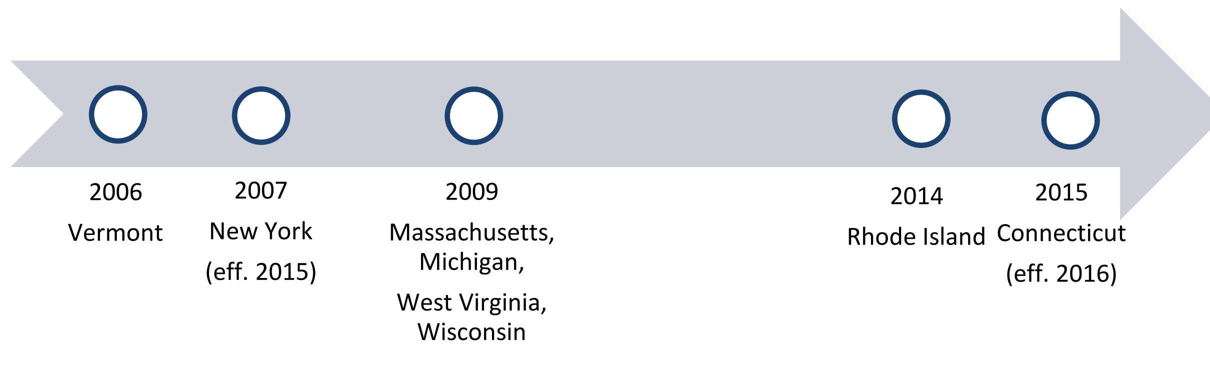

Source: diymaps.net (c)

The timeline below shows the year of enactment for states that recently adopted mandatory combined reporting.

[3]Ernst & Young, "State Corporate Income Tax - Emerging Issues," slide presentation to Federation of Tax Administrators 2011 Annual Meeting, slide 5.

[4]Map created from a combination of staff research, Ernst & Young slides, Bill Kramer, "List of Combined Reporting States Grows," *MultiState* Insider, Oct. 6, 2015, and Sutherland, "Combined Reporting Developments," slide presentation to Tax Executives Institute, June 3, 2014, slide 5.

**Year of Enactment for States Recently Adopting Mandatory Combined Reporting**




**Additional Considerations Related to Combined Reporting**

The following sections provide additional information about how states define the tax base for combined reporting.

Defining "Unitary"

The U.S. Supreme Court offers guidance on which corporations may be included in the combined group for corporate income tax purposes, but states still vary considerably in statutory definitions and application of the law. In *Butler Brothers v. McColgan*, 315 U.S. 501 (1942), the Supreme Court came up with the three unities test for defining a unitary group. Using the test, a unitary group consists of corporations with unity of ownership (usually ownership of 50 percent or more of the corporation), unity of operation (centralized services such as accounting, purchasing, and advertising), and unity of use (a central executive staff and operations systems). [5]

The Multistate Tax Commission has a proposed model statute for combined reporting that defines a "unitary business" as:

> a single economic enterprise that is made up either of separate parts of a single business entity or of a commonly controlled group of business entities that are sufficiently interdependent, integrated and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value to the separate parts.[6]

The Montana definition for unitary business is "one in which the business conducted within the state is dependent upon or contributory to the business conducted outside this state or if the units of the

[5] William F. Fox and LeAnn Luna, "Combined Reporting With the Corporate Income Tax: Issues for State Legislatures," report commissioned by NCSL Task Force on State & Local Taxation of Communications and Interstate Commerce, Nov. 2010, p. 12.

[6] Multistate Tax Commission, "Proposed Model Statute for Combined Reporting," as amended by the Multistate Tax Commission July 29, 2011.

business within and without this state are closely allied and not capable of separate maintenance as independent businesses."[7]

Even if states define a unitary business similarly in statute, whether or not the business is considered unitary could vary based on interpretations by the state revenue departments or state courts. This variation could result in a business that is considered unitary in one state and not considered unitary in another.

Treatment of International Affiliates

States with mandatory combined reporting vary in their treatment of international affiliates. There are two main approaches to foreign affiliates:

- Worldwide combined reporting, in which the unitary group includes all foreign affiliates. California, Idaho, Montana, and North Dakota have mandatory worldwide combined reporting. These states also offer a water's-edge election that is discussed in greater detail below.
- Water's-edge reporting, in which the unitary group generally only includes U.S. affiliates. All other mandatory combined reporting states use water's-edge reporting. Massachusetts, Utah, and West Virginia allow taxpayers to elect worldwide combined reporting.[8]

Water's-edge reporting does not entirely exclude foreign income or economic activity of foreign affiliates. Foreign source income of domestic firms is generally included in water's-edge reporting as is significant domestic activity of foreign affiliates. For example, foreign firms may be included even in a state with water's-edge reporting (West Virginia) or a state that allows a water's-edge election (California) if 20 percent or more of payroll, property, and sales are located in the U.S.[9] Montana law requires that a return under a water's-edge election include the income of a corporation incorporated outside the U.S. if over 50 percent of the voting stock is owned directly or indirectly by the taxpayer and more than 20 percent of the average of the payroll and property is assignable to a location inside the U.S. [10]

The four states that require worldwide combined reporting give taxpayers the option of making a water's-edge election.[11] In Montana, the tax rate for taxpayers making a water's-edge election is 7 percent, compared with 6.75 percent for taxpayers that do not make a water's-edge election.[12] Montana law also requires taxpayers making a water's-edge election to include the income and apportionment factors for corporations in a unitary relationship with the taxpayer that are incorporated in a listed tax haven.[13]

North Dakota similarly imposes a higher tax rate on corporations making a water's-edge election. There is a 3.5 percent surtax on taxable income that is in addition to the rate determined using North Dakota's

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[7] Section 15-31-312, MCA.
[8] Fox and Luna, p. 16.
[9] Fox and Luna, p. 17.
[10] Section 15-31-322, MCA.
[11] Peter Leonardis, Alysse McLoughlin, David Vistica, "Determining What's Unitary: Combined Filing Requirements and Options," The National Multistate Tax Symposium, Feb. 4-6, 2015, slide 2.
[12] Section 15-31-121, MCA.
[13] Section 15-31-322, MCA.

three-bracket rate structure with rates of 1.41 percent, 3.55 percent, and 4.31 percent.[14] California and Idaho do not use a different tax rate for taxpayers making a water's-edge election.

**Trends in Apportionment Formulas: Increased Weighting of the Sales Factor**

One of the challenges of mandatory combined reporting is apportioning income among the states in which a combined group operates. Efforts to alleviate the concern that states were taxing more than 100 percent of profits led to the adoption of model legislation known as the Uniform Division of Income for Tax Purposes Act (UDITPA). About half of the states with a corporate income tax have adopted UDITPA, which recommends an equally weighted three-factor apportionment formula based on property, sales, and payroll. The three factors are meant to approximate the combined group's profit in the state with the sales factor representing demand for the product and the payroll and property factors representing supply of the product.[15]

Over the past 20 years, states have shifted away from the three-factor apportionment formula in favor of an increased weighting of the sales factor. Some states double- or triple-weight the sales factor while others use an apportionment formula based only on sales. The following lists provide a summary of apportionment formulas used by the 25 states with mandatory combined reporting. [16]

| Single Sales Factor | Double-Weighted Sales | Three-Factor | Other[17] |
|---|---|---|---|
| California | Idaho | Alaska | Arizona |
| Colorado | Kentucky | Hawaii | Connecticut |
| Illinois | New Hampshire | Kansas | Massachusetts |
| Maine | Vermont | Montana | |
| Michigan | West Virginia | North Dakota[18] | |
| Minnesota | | | |
| Nebraska | | | |
| New York | | | |
| Oregon | | | |
| Rhode Island | | | |
| Utah | | | |
| Wisconsin | | | |

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[14] "Corporation Income," North Dakota Tax Department, available from: https://www.nd.gov/tax/business, accessed Oct. 26, 2015. The 2015 North Dakota Legislature reduced corporation income tax rates for tax year 2015 and beyond. The surtax rate remained unchanged at 3.5 percent.

[15] Institute on Taxation and Economic Policy, "Corporate Income Tax Apportionment and the 'Single Sales Factor,' August 2012.

[16] See page 8 for a full list of state apportionment formulas, including for states with optional combined reporting. Information compiled from Federation of Tax Administrators, "State Apportionment of Corporate Income," and NCSL Task Force on SALT slides, "Demystifying the States' Apportionment of Corporate Income & the Ramifications of Alternative Apportionment," Aug. 18, 2014, slide 10.

[17] These states allow the taxpayer to choose between a single sales factor or double-weighted sales formula or have additional guidance in administrative rule.

[18] Legislation adopted in 2015 allows a corporation to elect a phased-in single sales factor. If the election is made, the sales factor is double-weighted for tax years 2016 and 2017, triple-weighted for tax year 2018, and a single sales factor is used in tax year 2019 and after. Shona Ponda, James M. McNiff, Kathleen Rudis, Namrata Jhawer, and Dashrath Phulwary, "State Corporate Income Tax Updates: What's Happened During the 2015 Legislative Sessions?" State Tax Notes, Oct. 5, 2015, p. 53.

The state names printed in color changed their apportionment formulas between 1998 and 2015: the blue states from double-weighted sales and the red states from a three-factor formula.[19]

A single sales factor tends to benefit corporations with property and payroll in the state because those factors are not included in a single sales factor formula. Some argue that a three-factor apportionment formula serves as a disincentive to create jobs and invest in property. Moving to a single sales factor alleviates that concern but may distort a corporation's economic activity in the state. Corporations with many sales in the state but a small presence of workers and property will see more income apportioned to a state with a single sales factor than to a state with a three-factor apportionment formula.[20]

Nexus of Members of a Unitary Group: *Joyce* and *Finnigan* Rules

There are two different approaches to determining whether sales of a member of a unitary group are included in the group's sales factor, and they center around whether the entity has nexus with the state. Nexus is a connection between a taxpayer and a taxing jurisdiction that subjects the taxpayer to the tax laws of the state. For corporate income tax purposes, nexus generally requires some physical connection to the state such as employees or tangible property, and federal law prohibits taxation of businesses if the only connection is the sale of tangible personal property in the state.[21]

*Joyce* rules and *Finnigan* rules (named after two court cases) address which corporations' sales are included in the sales factor when some members of the group have individual nexus and others do not. Under *Finnigan* rules, sales into the state of all members of the unitary group are included in the sales factor numerator as long as one member of the unitary group has nexus with the state, even if some of the sales are from entities that would not be independently taxable in the state. States operating under *Joyce* rules, on the other hand, only include sales of members of the unitary group if the entity has individual nexus with the state.[22] *Joyce* rules are more common than *Finnigan* rules. Ten states use *Finnigan* rules: Arizona, California, Indiana, Kansas, Maine, Massachusetts, Michigan, New York, Utah, and Wisconsin.[23]

Amid the trend to weight the sales factor more heavily, the choice of rules for determining which sales are included in the sales factor has taken on a greater importance.

**Corporate Tax Rates in the States**

State corporate income tax rate structures vary considerably from state to state. However, most states are similar in that they begin the calculation with federal taxable income.[24] A table showing the tax rates and tax brackets for each state appears on page 9.

Most States Levy a Flat Tax

Of the 44 states with a corporate income tax, 31 states use a flat tax rate and 13 have more than one tax bracket and rate. Most of the states with more than one tax rate have two or three income tiers with

[19] Connecticut, Massachusetts, New York, and Rhode Island also changed their apportionment formulas between 1998 and 2015 but they are not highlighted above because the states did not have mandatory combined reporting in 1998.
[20] Cara Griffith, "Single Sales Factor Apportionment May Be Inevitable, But Is It Fair?" *Forbes*, Sept. 18, 2014.
[21] Fox and Luna, p. 2.
[22] Lisandra Ortiz, "*Joyce* v. *Finnigan*: Adoption of the "Best" Approach in Hopes of Some Uniformity," *Tax Lawyer, Vol. 67, No. 4*.
[23] Fox and Luna, p. 14.
[24] Fox and Luna, p. i.

corresponding tax rates, but Alaska has 10 brackets. Among states with mandatory combined reporting, 17 states levy a flat tax and eight have multiple brackets.

Range of Tax Rates

The states with a flat tax have rates that vary from a low of 4 percent in Kansas to a high of 9.9 percent in Pennsylvania. The highest rate in a mandatory combined reporting state with a flat tax is 9.8 percent in Minnesota.

For states with more than one tax bracket, Alaska has the lowest rate (0 percent) and the highest rate (9.4 percent) of states that require combined reporting. The top bracket tax rate is highest in Iowa, at 12 percent, but Iowa does not have mandatory combined reporting.

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## STATE APPORTIONMENT OF CORPORATE INCOME

(Formulas for tax year 2015 -- as of January 1, 2015)

| State | Formula | State | Formula |
|---|---|---|---|
| ALABAMA * | Double wtd Sales | NEBRASKA | Sales |
| ALASKA* | 3 Factor | NEVADA | No State Income Tax |
| ARIZONA * | Double wtd Sales/90% Sales, 5% Property & 5% Payroll | NEW HAMPSHIRE | Double wtd Sales |
| | | NEW JERSEY | Sales |
| ARKANSAS * | Double wtd Sales | NEW MEXICO * | 3 /Triple wtd Sales (3) |
| CALIFORNIA * | Sales | NEW YORK | Sales |
| COLORADO * | Sales | NORTH CAROLINA * | Double wtd Sales |
| CONNECTICUT | Double wtd Sales/Sales | NORTH DAKOTA * | 3 Factor |
| DELAWARE | 3 Factor | OHIO | N/A (2) |
| FLORIDA | Double wtd Sales | OKLAHOMA | 3 Factor |
| GEORGIA | Sales | OREGON | Sales |
| HAWAII * | 3 Factor | PENNSYLVANIA | Sales |
| IDAHO * | Double wtd Sales | RHODE ISLAND | Sales |
| ILLINOIS * | Sales | SOUTH CAROLINA | Sales |
| INDIANA | Sales | SOUTH DAKOTA | No State Income Tax |
| IOWA | Sales | TENNESSEE | Double wtd Sales |
| KANSAS * | 3 Factor | TEXAS | Sales |
| KENTUCKY * | Double wtd Sales | UTAH | Sales |
| LOUISIANA | 3 Factor | VERMONT | Double wtd Sales |
| MAINE * | Sales | VIRGINIA | Double wtd Sales/Sales |
| MARYLAND | Sales/Double wtd Sales | WASHINGTON | No State Income Tax |
| MASSACHUSETTS | Sales/Double wtd Sales | WEST VIRGINIA * | Double wtd Sales |
| MICHIGAN | Sales | WISCONSIN * | Sales |
| MINNESOTA | Sales | WYOMING | No State Income Tax |
| MISSISSIPPI | Sales/Other (1) | DIST. OF COLUMBIA | Sales |
| MISSOURI * | 3 Factor | | |
| MONTANA * | 3 Factor | | |

Source: Compiled by FTA from state sources.

Notes:
The formulas listed are for general manufacturing businesses. Some industries have a special formula different from the one shown.
* State has adopted substantial portions of the UDITPA (Uniform Division of Income Tax Purposes Act).
Slash (/) separating two formulas indicates taxpayer option or specified by state rules.
3 Factor = sales, property, and payroll equally weighted.
Double wtd Sales = 3 factors with sales double-weighted
Sales = single sales factor

(1) Mississippi provides different apportionment formulas based on specific type of business. A single sales factor formula is required if no specific business formula is specified.
(2) Ohio Tax Department publishes specific rules for situs of receipts under the CAT tax.
(3) New Mexcio is phasing in a single sales factor for manufacture business through 1/1/2018.

## RANGE OF STATE CORPORATE INCOME TAX RATES

(For tax year 2015 -- as of January 1, 2015)

| STATE | TAX RATE (percent) | TAX BRACKETS LOWEST | TAX BRACKETS HIGHEST | NUMBER OF BRACKETS | TAX RATE (a) (percent) FINANCIAL INST. | FEDERAL INCOME TAX DEDUCTIBLE |
|---|---|---|---|---|---|---|
| ALABAMA | 6.5 | ----Flat Rate---- | | 1 | 6.5 | Yes |
| ALASKA | 0 - 9.4 | 25,000 | 222,000 | 10 | 0 - 9.4 | |
| ARIZONA | 6.0 (b) | ----Flat Rate---- | | 1 | 6.0 (b) | |
| ARKANSAS | 1.0 - 6.5 | 3,000 | 100,001 | 6 | 1.0 - 6.5 | |
| CALIFORNIA | 8.84 (c) | ----Flat Rate---- | | 1 | 10.84 (c) | |
| COLORADO | 4.63 | ----Flat Rate---- | | 1 | 4.63 | |
| CONNECTICUT | 7.5 (d) | ----Flat Rate---- | | 1 | 7.5 (d) | |
| DELAWARE | 8.7 | ----Flat Rate---- | | 1 | 8.7-1.7 (e) | |
| FLORIDA | 5.5 (f) | ----Flat Rate---- | | 1 | 5.5 (f) | |
| GEORGIA | 6.0 | ----Flat Rate---- | | 1 | 6.0 | |
| HAWAII | 4.4 - 6.4 (g) | 25,000 | 100,001 | 3 | 7.92 (g) | |
| IDAHO | 7.4 (h) | ----Flat Rate---- | | 1 | 7.4 (h) | |
| ILLINOIS | 7.75 (i) | ----Flat Rate---- | | 1 | 7.75 (i) | |
| INDIANA | 7.0 (j) | ----Flat Rate---- | | 1 | 8.5 (j) | |
| IOWA | 6.0 - 12.0 | 25,000 | 250,001 | 4 | 5.0 | Yes (k) |
| KANSAS | 4.0 (l) | ----Flat Rate---- | | 1 | 2.25 (l) | |
| KENTUCKY | 4.0 - 6.0 | 50,000 | 100,001 | 3 | --- (a) | |
| LOUISIANA | 4.0 - 8.0 | 25,000 | 200,001 | 5 | 4.0 - 8.0 | Yes |
| MAINE | 3.5 - 8.93 | 25,000 | 250,000 | 4 | 1.0 (m) | |
| MARYLAND | 8.25 | ----Flat Rate---- | | 1 | 8.25 | |
| MASSACHUSETTS | 8.0 (n) | ----Flat Rate---- | | 1 | 9.0 (n) | |
| MICHIGAN | 6.0 | ----Flat Rate---- | | 1 | --- (a) | |
| MINNESOTA | 9.8 (o) | ----Flat Rate---- | | 1 | 9.8 (o) | |
| MISSISSIPPI | 3.0 - 5.0 | 5,000 | 10,001 | 3 | 3.0 - 5.0 | |
| MISSOURI | 6.25 | ----Flat Rate---- | | 1 | 7.0 | Yes (k) |
| MONTANA | 6.75 (p) | ----Flat Rate---- | | 1 | 6.75 (p) | |
| NEBRASKA | 5.58 - 7.81 | 100,000 | | 2 | --- (a) | |
| NEVADA | -- | No corporate income tax | | | | |
| NEW HAMPSHIRE | 8.5 (q) | ----Flat Rate---- | | 1 | 8.5 (q) | |
| NEW JERSEY | 9.0 (r) | ----Flat Rate---- | | 1 | 9.0 (r) | |
| NEW MEXICO | 4.8 - 6.9 (s) | 500,000 | 1 million | 3 | 4.8 - 6.9 (s) | |
| NEW YORK | 7.1 (t) | ----Flat Rate---- | | 1 | 7.1 (t) | |
| NORTH CAROLINA | 5.0 (u) | ----Flat Rate---- | | 1 | 6.0 (t) | |
| NORTH DAKOTA | 1.48 - 4.53 | 25,000 | 50,001 | 3 | 7 (b) | Yes |
| OHIO | (v) | | | | --- (v) | |
| OKLAHOMA | 6.0 | ----Flat Rate---- | | 1 | 6.0 | |
| OREGON | 6.6 - 7.6 (w) | 1 million | | 2 | 6.6 - 7.6 (w) | |
| PENNSYLVANIA | 9.99 | ----Flat Rate---- | | 1 | --- (a) | |
| RHODE ISLAND | 7.0 (c) | ----Flat Rate---- | | 1 | 7.0 (c) | |
| SOUTH CAROLINA | 5.0 | ----Flat Rate---- | | 1 | 4.5 (x) | |
| SOUTH DAKOTA | -- | No corporate income tax | | | 6.0-0.25% (b) | |
| TENNESSEE | 6.5 | ----Flat Rate---- | | 1 | 6.5 | |
| TEXAS | (y) | | | | (y) | |
| UTAH | 5.0 (c) | ----Flat Rate---- | | | 5.0 (c) | |
| VERMONT | 6.0 - 8.5 (c) | 10,000 | 25,000 | 3 | --- (a) | |
| VIRGINIA | 6.0 | ----Flat Rate---- | | 1 | 6.0 | |
| WASHINGTON | -- | No corporate income tax | | | | |
| WEST VIRGINIA | 6.5 | ----Flat Rate---- | | 1 | 6.5 | |
| WISCONSIN | 7.9 | ----Flat Rate---- | | 1 | 7.9 | |
| WYOMING | -- | No corporate income tax | | | | |
| DIST. OF COLUMBIA | 9.4 (c) | ----Flat Rate---- | | 1 | 9.4 (c) | |

Source: Compiled by FTA from various sources.

Footnotes on next page.

## RANGE OF STATE CORPORATE INCOME TAX RATES (footnotes)

Source: Compiled by FTA from various sources
(a) Rates listed are the corporate income tax rate applied to financial institutions or excise taxes based on income. Some states have other taxes based upon the value of deposits or shares.
(b) Arizona minimum tax is $100. Tax rate is scheduled to decrease to 5.5% in tax years 2016.
(c) Minimum tax is $800 in California, $100 in District of Columbia, $50 in North Dakota (banks), $500 in Rhode Island, $200 per location in South Dakota (banks), $100 in Utah, $250 in Vermont.
(d) Connecticut's tax is the greater of the 7.5% tax on net income, a 0.31% tax on capital stock and surplus (maximum tax of $1 million), or $250 (the minimum tax). Plus, an additional 20% surtax applies for tax years 2012 and 2016.
(e) The Delaware Bank marginal rate decreases over 4 brackets ranging from $20 to $650 million in taxable income. Building and loan associations are taxed at a flat 8.7%.
(f) An exemption of $50,000 is allowed. Florida's Alternative Minimum Tax rate is 3.3%.
(g) Hawaii taxes capital gains at 4%. Financial institutions pay a franchise tax of 7.92% of taxable income (in lieu of the corporate income tax and general excise taxes).
(h) Idaho's minimum tax on a corporation is $20. The $10 Permanent Building Fund Tax must be paid by each corporation in a unitary group filing a combined return. Taxpayers with gross sales in Idaho under $100,000, and with no property or payroll in Idaho, may elect to pay 1% on such sales (instead of the tax on net income).
(i) The Illinois rate of 7.75% is the sum of a corporate income tax rate of 5.25% plus a replacement tax of 2.5%.
(j) The Indiana tax rate is scheduled to decrease to 6.5% on July 1, 2015.
(k) 50% of the federal income tax is deductible.
(l) In addition to the flat 4% corporate income tax, Kansas levies a 3.0% surtax on taxable income over $50,000. Banks pay a privilege tax of 2.25% of net income, plus a surtax of 2.125% (2.25% for savings and loans, trust companies, and federally chartered savings banks) on net income in excess of $25,000.
(m) The state franchise tax on financial institutions is either (1) the sum of 1% of the Maine net income of the financial institution for the taxable year, plus 8¢ per $1,000 of the institution's Maine assets as of the end of its taxable year, or (2) 39¢ per $1,000 of the institution's Maine assets as of the end of its taxable year.
(n) Business and manufacturing corporations pay an additional tax of $2.60 per $1,000 on either taxable Massachusetts tangible property or taxable net worth allocable to the state (for intangible property corporations). The minimum tax for both corporations and financial institutions is $456.
(o) In addition, Minnesota levies a 5.8% tentative minimum tax on Alternative Minimum Taxable Income.
(p) Montana levies a 7% tax on taxpayers using water's edge combination. The minimum tax per corporation is $50; the $50 minimum applies to each corporation included on a combined tax return. Taxpayers with gross sales in Montana of $100,000 or less may pay an alternative tax of 0.5% on such sales, instead of the net income tax.
(q) New Hampshire's 8.5% Business Profits Tax is imposed on both corporations and unincorporated associations with gross income over $50,000. In addition, New Hampshire levies a Business Enterprise Tax of 0.75% on the enterprise base (total compensation, interest and dividends paid) for businesses with gross income over $150,000 or base over $75,000.
(r) In New Jersey small businesses with annual entire net income under $100,000 pay a tax rate of 7.5%; businesses with income under $50,000 pay 6.5%. The minimum Corporation Business Tax is based on New Jersey gross receipts. It ranges from $500 for a corporation with gross receipts less than $100,000, to $2,000 for a corporation with gross receipts of $1 million or more.
(s) New Mexico tax rates are scheduled to decrease for tax year 2016.
(t) New York's General business corporate rate shown. Corporations may also be subject to a capital stocks tax, which is being phased out through 2021. A minimum tax ranges from $25 to $200,000, depending on receipts ($250 minimum for banks). Certain qualified New York manufacturers pay 0%. Small business taxpayers in New York pay rates of 6.5%, 7.1%, and 4.35% on 3 brackets of entire net income up to $390,000.
(u) In North Carolina financial institutions are also subject to a tax equal to $30 per one million in assets. Tax rate is scheduled to decrease to 4% in tax year 2016, if certain revenue targets are met.
(v) Ohio no longer levies a tax based on income (except for a particular subset of corporations), but instead imposes a Commercial Activity Tax (CAT) equal to $150 for gross receipts sitused to Ohio of between $150,000 and $1 million, plus 0.26% of gross receipts over $1 million. Banks continue to pay a franchise tax of 1.3% of net worth. For those few corporations for whom the franchise tax on net worth or net income still applies, a litter tax also applies.
(w) Oregon's minimum tax for C corporations depends on the Oregon sales of the filing group. The minimum tax ranges from $150 for corporations with sales under $500,000, up to $100,000 for companies with sales of $100 million or above.
(x) South Carolina taxes savings and loans at a 6% rate.
(y) Texas imposes a Franchise Tax, otherwise known as margin tax, imposed on entities with more than $1,030,000 total revenues at rate of 1%, or 0.5% for entities primarily engaged in retail or wholesale trade, on lesser of 70% of total revenues or 100% of gross receipts after deductions for either compensation or cost of goods sold.