

Franchise Tax and Moneys and Credits Tax

Tax Expenditure Committee – November 18, 2015

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Outline

- ▶ High-level review franchise and moneys and credits tax types
- ▶ Revenues from tax types
- ▶ Tax credit claims

Franchise Tax

- ▶ Tax levied for the privilege of operating in Iowa as a financial institution
- ▶ Authorized under Chapter 422, Division V
- ▶ Administered by the Iowa Department of Revenue
- ▶ Levied on financial institutions
 - State chartered banks
 - National banking associations
 - Federally chartered savings and loan associations
 - Not credit unions

Franchise Tax (cont)

- ▶ Tax equals 5% tax on net income
 - Income measured similarly to corporation income tax
 - Also includes earnings on government securities
- ▶ Subject to Iowa alternative minimum tax
- ▶ S corporations are subject to the franchise tax
 - Shareholders avoid double taxation through Franchise Tax Credit claims
- ▶ Annual returns and quarterly estimate payments required to meet tax liability
- ▶ Eligible to claim 13 current income tax credits

Moneys and Credits Tax

- ▶ Tax on savings institution
- ▶ Authorized under Chapter 533.329
- ▶ Imposed by the county board of supervisors and collected by the county treasurer
 - Administered similar to property taxes with biannual payments to meet tax liability
- ▶ Proceeds split between city, county, and State
 - Locations within city taxing jurisdictions: 30%, 20%, 50%
 - Other locations: 0%, 50%, 50%

Moneys and Credits Tax (cont)

- ▶ Tax equals one-half cent on each dollar of required reserves less \$40,000 exemption
 - Base is legal and special reserves required to be maintained by the credit union under 533.303
 - Tax tied to the value of the credit union deposits
- ▶ Eligible to claim 9 current income tax credits
 - Local governments effectively cover half of the cost of State tax credit claims

Academic Exercise to Compare Tax Rates and Bases

- ▶ Franchise Tax rate: 5% of income
- ▶ Moneys and Credits Tax rate: 0.5% of deposits
- ▶ If \$1.00 of deposits generates \$0.10 of income, then tax rates are equivalent
- ▶ Tax bases not equivalent
 - Bank income subject to deductions
 - Credit union special and legal reserves less than total deposits

Franchise and Moneys and Credits Taxpayers

- ▶ Since FY 2015, 461 unique entities have filed a Franchise Tax return
- ▶ IDR receives Moneys and Credits Tax payments from 34 counties
 - Counties are not required to report payments separately by credit union

Franchise Tax Revenues

Fiscal Year	Receipts	Refunds	Net
2011	\$36.3	\$4.9	\$31.5
2012	\$41.5	\$11.7	\$29.7
2013	\$42.9	\$5.4	\$37.5
2014	\$42.9	\$10.7	\$32.2
2015	\$46.9	\$10.8	\$36.2

Source: I3 Accounting System Receipts

- ▶ Cash receipts and refunds in millions
- ▶ Refunds reflect overpayments or refundable credits

Moneys and Credits Tax Revenues

Fiscal Year	General Fund	Local Funds	Total
2011	\$585.5	\$585.5	\$1,171.0
2012	\$630.0	\$630.0	\$1,260.0
2013	\$712.2	\$712.2	\$1,424.4
2014	\$753.1	\$753.1	\$1,506.3
2015	\$762.7	\$762.7	\$1,525.4

Source: I3 Accounting System Receipts

- ▶ Receipts in thousands
- ▶ Local funds estimated

Tax Credit Claims by Fiscal Year

Fiscal Year	Franchise Tax Credit Claims	Moneys and Credits Tax Credit Claims
2011	\$3.8	\$0.0
2012	\$12.4	\$0.0
2013	\$7.0	\$0.0
2014	\$14.9	\$0.0
2015	\$13.2	\$0.3

Source: IA 148 Tax Credits Schedule

- ▶ Other than AMT Credit, all awarded credits
- ▶ Credit unions first tax credit awards claimed in FY 2015

Tax Credit Claims by Type

Tax Credit Type	Franchise Tax				Moneys and Credits Tax	
	Counts	Direct Claims	Transfers	Transferred Claims	Counts	Direct Claims
Alternative Minimum	11	\$82,860	NA	NA	NA	NA
Endow Iowa	104	\$123,524	NA	NA	--	--
Film	0	\$0	19	\$2,771,593	0	\$0
Fund of Funds	0	\$0	51	\$3,255,728	0	\$0
Historic Preservation	19	\$1,861,384	74	\$40,036,101	NA	NA
Housing Investment	0	\$0	51	\$7,915,011	0	\$0
Innovation Fund	0	\$0	0	\$0	7	\$337,428
Investment	21	\$931,141	NA	NA	0	\$0
Redevelopment	0	\$0	9	\$2,018,838	0	\$0
Renewable Energy	0	\$0	61	\$4,732,021	NA	NA
Solar Energy System	5	\$74,702	NA	NA	0	\$0
Venture Capital	34	\$184,631	NA	NA	0	\$0
Wage-Benefit	30	\$9,992,810	NA	NA	0	\$0
Wind Production	0	\$0	0	\$0	NA	NA
Total	224	\$13,251,052	265	\$60,729,292	7	\$337,428

Source: IA 148 Tax Credits Schedule, tax years 2006–2014, 2014 is incomplete
 To protect taxpayer confidentiality, the claim made by one credit union for
 an Endow Iowa Tax Credit is not presented
 NA=Not applicable

Questions?