

Department of

IOWA  **REVENUE**

Franchise Tax Credit

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Tax Expenditure Committee
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The Iowa Franchise Tax

- The Iowa Franchise Tax is imposed on financial institutions conducting business in Iowa.
- The amount of the tax is 5% of net income.

Policy Goal of the Franchise Tax Credit

- Banks organized as S corporations are taxed on the same income that is distributed to shareholders.
- The goal of the Franchise Tax Credit is to prevent double taxation of bank income.
- The Franchise Tax Credit went into effect on January 1, 1997.

Credit Rules

- The tax credit is an administrative tax credit that is passed through from banks to their shareholders.
- The credit can be taken against corporate and individual income taxes.
- The credit is nonrefundable, cannot be transferred, and cannot be carried forward.
- The credit equals the smaller of Iowa tax liability on the pass-through bank income or the shareholder's share of franchise tax paid.

Franchise Tax Credit Claims by Tax Year and Tax Type

Tax Year	Corporate Income Tax		Individual Income Tax		Total	
	Number of Claims	Total of Claims	Number of Claims	Total of Claims	Number of Claims	Total of Claims
2006	17	\$24,834	2,124	\$10,966,840	2,141	\$10,991,674
2007	17	\$18,646	2,470	\$12,154,499	2,487	\$12,173,145
2008	4	\$8,760	2,550	\$11,571,598	2,554	\$11,580,358
2009	5	\$9,970	2,508	\$12,001,587	2,513	\$12,011,557
2010*	4	\$8,252	2,400	\$14,505,530	2,404	\$14,513,782
Average	9	\$14,092	2,410	\$12,240,011	2,420	\$12,254,103

Source: IA 148 Tax Credits Schedule which was introduced in tax year 2006.

*Incomplete Tax Year

Franchise Tax Credits Claims Compared to Net Franchise Tax Revenues

	<u>Net Franchise Tax Revenues</u>		<u>Franchise Tax Credit Claims</u>	<u>Percent of Revenues Claimed as Credits</u>
FY 2007	\$31,932,477	TY 2006	\$10,991,674	34.4%
FY 2008	\$33,742,962	TY 2007	\$12,173,145	36.1%
FY 2009	\$28,190,845	TY 2008	\$11,580,358	41.1%
FY 2010	\$26,891,549	TY 2009	\$12,011,557	44.7%
FY 2011	\$31,461,594	TY 2010*	\$14,513,782	46.1%
Average	\$30,443,885		\$12,254,103	40.3%

*Incomplete Tax Year

Franchise Tax Credits Available and Claimed by Tax Year

Tax Year	Franchise Tax Credits Available	Franchise Tax Credit Claims	Franchise Tax Credits Expired	Percent Expired
2006	\$12,398,756	\$10,991,674	\$1,415,867	11.4%
2007	\$13,625,361	\$12,173,145	\$1,466,816	10.8%
2008	\$13,759,221	\$11,580,358	\$2,158,743	15.7%
2009	\$13,508,177	\$12,011,557	\$1,596,055	11.8%
2010*	\$15,754,547	\$14,513,782	\$1,258,024	8.0%
Average	\$13,809,212	\$12,254,103	\$1,579,101	11.4%

*Incomplete Tax Year

Franchise Tax Credit Claims by Income Tax Classes

Iowa Adjusted Gross Income	2009		
	Count of Households	Total of Claims	Average Claim
Less than \$20,000	61	\$11,506	\$189
\$20,001 to \$30,000	67	\$21,079	\$315
\$30,001 to \$40,000	68	\$28,929	\$425
\$40,001 to \$50,000	95	\$64,704	\$681
\$50,001 to \$60,000	96	\$76,598	\$798
\$60,001 to \$70,000	81	\$76,131	\$940
\$70,001 to \$80,000	79	\$73,847	\$935
\$80,001 to \$90,000	91	\$114,689	\$1,260
\$90,001 to \$100,000	86	\$88,462	\$1,029
\$100,001 to \$125,000	182	\$221,526	\$1,217
\$125,001 to \$150,000	148	\$174,077	\$1,176
\$150,001 to \$175,000	115	\$236,216	\$2,054
\$175,001 to \$200,000	97	\$174,325	\$1,797
\$200,001 to \$250,000	137	\$474,398	\$3,463
\$250,001 to \$500,000	307	\$1,848,594	\$6,021
\$500,001 to \$1,000,000	179	\$2,630,721	\$14,697
\$1,000,001 or More	123	\$5,404,318	\$43,938
Total	2,012	\$11,720,120	\$5,825

Franchise Tax Credit Claims by Resident Status

Tax Year	Resident Status	Number of Households	Amount of Claims	Percent of Claims	Percent of Claim Dollars
2006	Nonresident	365	\$2,610,544	21.0%	24.3%
	Resident	1,372	\$8,115,548	79.0%	75.7%
2007	Nonresident	418	\$2,676,242	21.0%	22.5%
	Resident	1,577	\$9,242,566	79.0%	77.5%
2008	Nonresident	408	\$2,513,514	19.9%	21.9%
	Resident	1,646	\$8,953,282	80.1%	78.1%
2009	Nonresident	374	\$2,580,578	18.6%	22.0%
	Resident	1,638	\$9,143,466	81.4%	78.0%
Average	Nonresident	391	\$2,595,220	20.1%	22.7%
	Resident	1,558	\$8,863,716	79.9%	77.3%

Questions?