

Corporation Franchise Tax

The Missouri corporation franchise tax was enacted effective June 18, 1917. The original tax rate was 0.0075 percent. The rate was reduced to $\frac{1}{10}$ of 1 percent in 1919 and further reduced to $\frac{1}{20}$ of 1 percent in 1921. The current rate of $\frac{1}{30}$ of 1 percent became effective January 1, 2000.

The base of the tax is the greater of:

- (1) the total assets of a corporation or
- (2) the value of its paid up capital stock (see Exhibit 13).

Shares without par value are considered as having a value of \$5 per share. For the tax year beginning after January 1, 1987 all domestic corporations and all foreign corporations engaged in business in Missouri who had paid-up stock in excess of \$200,000 were subject to the tax. Beginning January 1, 2000 the threshold was increased to \$1,000,000. Corporations not organized for profit, express companies, Industrial Development Authorities, financial institutions and insurance companies are exempt from the franchise tax. The tax is currently administered by the Missouri Department of Revenue but was under the auspices of the Missouri Secretary of State for the period of January, 1988 to 1999.

Corporation Franchise Tax

2006 Rank of portion of gross receipts: 7
2006 Tax Rate: 0.0333%

	2004	2005	2006
Gross Receipts			
General Fund	111.1	85.7	34.3
Other	0.0	0.0	0.0
Tax Expenditures			
Credits	7.9	16.9	10.0

Figures in millions of dollars

Prior to 1987, all domestic and every foreign corporation that engaged in any business in Missouri was subject to this tax. The minimum tax, or filing fee, was \$25. The current minimum filing fee is \$69. The effect of this change was to exempt all small corporations with a minimal liability. The estimated tax expenditure due to this change is approximately \$4 million per year. The current statute also authorizes several credits that cannot be utilized to offset Missouri corporation income tax liabilities.

*This table has been prepared by the
 The State & Regional Fiscal Policy Center
 University of Missouri*

Exhibit 13

Derivation of Missouri Taxable Income—Corporation Franchise

Greater of:

- A. Par value of issued and outstanding stock, or**
- B. Total adjusted assets**

[Multiplied by the Missouri allocation factor¹

equals

Missouri Taxable Income

equals

[Multiplied by tax rate (1/30 of 1%)

Gross Tax Due

minus

Credits

- ✓ Neighborhood assistance credit
- ✓ Seed capital credit
- ✓ New or expanded business credit
- ✓ Small business incubator credit
- ✓ Infrastructure development credit
- ✓ Enterprise zone credit
- ✓ Development & reserve credit
- ✓ Export finance credit
- ✓ Community bank investment credit
- ✓ Small business investment credit
- ✓ Low income housing credit
- ✓ Affordable housing credit
- ✓ Higher education scholarship credit
- ✓ Brownfield tax benefits credit
- ✓ Maternity home credit
- ✓ Domestic violence shelter credit
- ✓ Rebuilding communities credit
- ✓ Transportation development credit
- ✓ Agricultural product utilization contributor credit
- ✓ New generation cooperative incentive credit
- ✓ Remediation tax credit
- ✓ Historic preservation credit
- ✓ Mature worker child care credit
- ✓ Rebuilding community/neighborhood preservation credit
- ✓ Youth opportunities tax credit
- ✓ SBA Guaranty Fee credit
- ✓ Demolition tax credit
- ✓ Development tax credit
- ✓ Business Use Incentives
- ✓ New Enterprise Creation
- ✓ Qualified Research
- ✓ Development tax credit
- ✓ Residential Treatment Center
- ✓ Pregnancy Resource Center
- ✓ Family Farm Credit

equals

Net Tax Due²

✓ - Tax expenditure; ¹The franchise tax utilizes a single factor allocation formula which is defined as the portion of assets within Missouri divided by assets everywhere; ²Minimum tax is \$40.

Exhibit 14 Corporation Franchise Tax Expenditures 2001-2011

	2001	2002	2003 ^R	2004 ^R	2005 ^P	2006 ^F	2007 ^F	2008 ^F	2009 ^F	2010 ^F	2011 ^F
Missouri Credits											
B.01 Neighborhood Assistance	1.41	0.30	0.63	1.67	2.18	1.07	1.00	0.92	0.84	0.77	0.69
B.02 Seed Capital Credit	*	0.26	0.00	*	0.00	0.05	0.05	0.05	0.05	0.05	0.04
B.03 New or Expanded Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.04 Small Business Incubator	0.00	*	*	0.06	0.07	0.04	0.04	0.04	0.05	0.05	0.05
B.05 Infrastructure Development	0.93	0.32	0.79	0.79	3.58	1.88	2.01	2.13	2.26	2.39	2.51
B.06 Enterprise Zone	*	0.00	0.00	*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.07 Development and Reserve	*	0.00	0.25	0.60	2.21	0.00	0.00	0.00	0.00	0.00	0.00
B.08 Export Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.09 Community Bank Investment	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
B.10 Small Business Investment	*	*	0.00	*	0.00	-0.01	-0.01	-0.02	-0.02	-0.02	-0.03
B.11 Missouri Low Income Housing	0.17	0.87	3.11	1.50	4.29	3.19	3.57	3.95	4.33	4.71	5.08
B.12 Affordable Housing	0.46	0.01	0.04	0.66	0.92	0.55	0.59	0.63	0.66	0.70	0.74
B.13 Higher Education Scholarship	0.00	0.00	0.00	0.00	**	*	*	*	*	*	*
B.14 Brownfield Job/Investment Credits	0.00	0.00	0.01	0.00	0.07	0.06	0.07	0.09	0.10	0.11	0.13
B.15 Maternity Home	0.02	0.01	0.03	0.03	0.03	0.04	0.04	0.04	0.05	0.05	0.05
B.16 Shelter for Victims of Domestic Violence	0.02	0.01	0.01	0.03	0.03	0.03	0.03	0.03	0.04	0.04	0.04
B.17 Rebuilding Communities	*	*	0.01	0.09	0.47	0.22	0.25	0.28	0.31	0.34	0.37
B.18 Transportation Development	*	0.00	*	0.04	0.08	0.07	0.08	0.10	0.11	0.12	0.14
B.19 Agricultural Product Utilization Con	0.01	0.10	0.10	0.32	0.10	0.20	0.23	0.25	0.27	0.30	0.32
B.20 New Generation Cooperative Incentive	0.01	0.16	0.23	0.01	0.01	0.10	0.11	0.12	0.13	0.14	0.15
B.21 Remediation (Brownfield)	0.00	0.00	*	1.47	0.47	1.11	1.35	1.59	1.83	2.07	2.31
B.22 Historic Preservation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.23 Mature Worker Child Care	0.00	0.00	0.00	**	*	*	*	*	*	*	*
B.24 Neighborhood Preservation	0.00	*	*	0.06	0.24	0.22	0.27	0.37	0.38	0.43	0.49
B.25 Youth Opportunities	0.15	0.12	0.11	0.34	0.63	0.44	0.49	0.53	0.58	0.62	0.67
B.26 SBA Guaranty Fee	*	**	**	*	**	*	*	*	*	*	*
B.27 Demolition Tax Credit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.28 Development Tax Credit	0.00	*	0.00	0.00	0.63	0.00	0.00	0.00	0.00	0.00	0.00
B.29 BUILD	0.08	0.00	0.83	0.00	0.65	0.49	0.56	0.62	0.68	0.74	0.80
B.30 Enterprise Creation	0.25	0.20	*	0.22	0.23	0.24	0.27	0.29	0.32	0.35	0.37
B.31 Qualified Research	0.02	0.10	0.00	**	*	*	*	*	*	*	*
B.32 Family Development Account	0.00	0.00	*	0.00	*	*	*	*	*	*	*
B.33 Film Production	0.00	0.00	*	0.10	0.00	0.05	0.06	0.07	0.08	0.09	0.10
B.34 Wood Energy	0.00	0.15	0.00	0.00	0.00	0.03	0.03	0.04	0.04	0.04	0.04
B.35 Special Needs	0.00	0.00	0.00	*	*	0.00	0.00	0.00	0.00	0.00	0.00
B.36 Charcoal Producers	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00

Figures in millions of dollars; * = Not applicable; ** = Less than \$5,000; F = Forecasted numbers; P = Preliminary numbers; R = Revised numbers; ** = repealed or expired; NA = Not available