

Per current LDR annual report:

\$549.7 million of pre-credit franchise tax liability.

-\$ 81.4 million of non-refundable credits were taken against this liability
\$55.6m of this was the nonrefundable portion of ITC.

-\$391.5 million of refundable credits were taken against CIFT.

Absent a change in law, these amounts would still be paid out as refunds irrespective of CIT liability; \$369.3 million of the refundable credits are for various ad valorem taxes. Note: A separate \$131.4 million of refundable credits were taken against individual taxes (including \$41 million for ad valorem).

Straight Repeal

The net effect of CFT repeal (with no other changes in law) would be a SGF reduction of \$468.3 million per year.

Repeal of CFT and ad valorem credits and/or taxes

A repeal of CFT coupled with a repeal of all of the ad valorem tax credits and/or ad valorem taxes would result in a SGF reduction of \$58.3 million per year.

Other States

When repealing its capital stock tax Kentucky implemented a 0.95 of 1% gross receipts tax (sales under \$3m pay a flat \$175). The amount of this tax is a credit on CIT, so it operates as a minimum tax. In the most recent FY it raised a net of \$105m.

Mississippi repealed its capital stock tax by phasing it out over 10 years with no specific revenue replacement.

Pennsylvania phased out its capital stock tax between 2013 and 2016 and enacted a variety of provisions that only partially replaced the revenue (market based sourcing, disallowance of deductions of interest or intangible expenses paid to affiliates).

Kentucky and Mississippi are the most recent states to try to move away from the taxing of inventory at the local level. In both states their answer was to allow a non-refundable and non-transferable credit to be phased in to relieve the burden of inventory tax.