



2023-2024 General Assembly

HOUSE BILL 259: 2023 Appropriations Act, Sec. 42.6A: Cap the Franchise Tax on First One Million Dollars of C Corp Tax Base

Committee:
Introduced by:
Analysis of: Sec. 42.6A of S.L. 2023-134

Date: November 29, 2023
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Staff Attorney

OVERVIEW: Section 42.6A of S.L. 2023-134 caps the franchise tax at a maximum of \$500 for the first one million dollars of a C Corporation's tax base.

This section is effective for taxable years beginning on or after January 1, 2025, and applicable to the calculation of franchise tax reported on the 2024 and later corporate income tax return.

CURRENT LAW: The franchise tax is imposed on C corporations and S corporations for the privilege of engaging in business in this State. The tax does not apply to a business organized as a limited liability company, unless the LLC elects to be taxed as a corporation for franchise tax purposes, or to a general partnership or sole proprietorship. The rate of tax is \$1.50 per \$1,000, subject to a minimum tax of \$200. For an S Corporation, the tax is capped at \$200 for the first \$1 million of its tax base, but there is currently no similar cap for C Corporations. For both types of corporations, the tax rate applies to the entity's net worth as computed in accordance with generally accepted accounting principles.

BILL ANALYSIS: This section caps the tax at \$500 for the first \$1 million of a C corporation's tax base, plus \$1.50 per \$1,000 of its tax base that exceeds \$1 million.

EFFECTIVE DATE: For taxable years beginning on or after January 1, 2025, and applicable to the calculation of franchise tax reported on the 2024 and later corporate income tax return.

Jeffrey Hudson
Director



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