Division of Research and Policy
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Wisconsin Corporate and Franchise Income Tax[1]

Introduction

Corporations doing business in Wisconsin are subject to either the corporate income tax or the corporate franchise tax. The corporate income tax is a tax on the net income of corporations doing business in the state. The corporate franchise tax is a tax on the privilege of doing business in the state. Corporate net income is used as the measure, or base, for the franchise tax. The distinction between the two taxes is subtle, relating primarily to the restrictions under federal law on the types of income that states can tax with an income tax (e.g., interest from U.S. obligations).

The vast majority of corporations pay the franchise tax. The income tax applies to corporations whose business in Wisconsin consists entirely of foreign or interstate commerce and to corporations that are filing their final return before dissolution. Because both levies employ the same 7.9% rate and the same general rules for determining corporate net income (although certain types of income cannot be taxed under the income tax), the two taxes are usually considered as one.

Corporate tax collections in state fiscal year (FY) 2023 were $2.75 billion, or 13.3% of total general purpose revenue (GPR) taxes of $20.7 billion, a decrease of $211 million (7.15%) from FY 2022.

Computation of net income

Computation of net income is federalized; that is, based primarily on the Internal Revenue Code (IRC). The starting point for computing Wisconsin net income is federal gross income, subject to certain modifications. Conformity to the IRC is not automatic in Wisconsin but generally requires adoption by statute of each federal law change. The exceptions are Section 179 expensing and depletion, in which case any federal changes are automatically in effect for Wisconsin for all tax years beginning on or after January 1, 2014. Wisconsin applies federal regulations, rules, and court cases interpreting the IRC, when applicable, in determining the proper treatment of an item. For taxable years beginning after December 31, 2013, for purposes of computing amortization and depreciation, Wisconsin follows IRC as of January 1, 2014.

Certain items that are exempt under federal law are taxable in Wisconsin. These items of income must be added back to federal taxable income to arrive at Wisconsin taxable income. These items include: interest income from state and municipal obligations, state taxes accrued or paid, expenses related to nontaxable income, and federal depreciation or amortization in

[1] The information in this report is current as of October 27, 2023 and through 2023 Wisconsin Act 36. Laws enacted after that date, new administrative rules, and subsequent court decisions may change the interpretations provided in this publication.

excess of Wisconsin amounts. In general, the amount of Wisconsin credits computed in the tax year is also added back to income to avoid double counting of the credit amount. Some credits based on investment in assets require a basis adjustment instead of an addition to income.

For tax years beginning on or after January 1, 2008, interest and rental expenses paid by a corporation to a related entity as defined under Section 267 of the IRC must be added back to income. For tax years beginning on or after January 1, 2009, intangible expenses and management fees paid to a related entity must also be added back to income.

Wisconsin also subtracts from income some items that are taxable at the federal level but exempt under Wisconsin law. These items include dividends that are taxed federally but qualify for the Wisconsin dividends received deduction, certain subpart F income from controlled foreign corporations, certain other federally taxable interest, and the amount of the Wisconsin depreciation deduction that exceeds federal amounts. The resulting amount, after all pre-apportionment additions and subtractions are made, is multiplied by the apportionment factor to arrive at apportioned income. To this is added the Wisconsin portion of non-apportionable income. Combined group members may subtract capital losses that are not related to group income and pre-2009 losses. Insurance companies must make an adjustment to deduct dividends received from the calculation of business losses. Finally, Wisconsin net business loss carryforwards are subtracted to arrive at net taxable income.[2]

TABLE 1 **COMPUTATION OF NET INCOME**
Federal Income under the IRC
+ *Wisconsin pre-apportionment additions*
- *Wisconsin pre-apportionment subtractions*
- *Non-apportionable income*
Income Base
x apportionment factor
Wisconsin apportioned Income +*Wisconsin non-apportionable income* - *Capital loss adjustment for combined groups* + *Loss adjustment for insurance companies*
-*Net business loss carryforwards*
Net Taxable Income

For tax years beginning on or after January 1, 2009, corporate groups with common ownership are required to file a combined tax return. Income and deduction items, with inter-company transactions removed, are summed for all members to arrive at the group's income that is apportioned to each member based on the member's sales in Wisconsin.

Apportionment of income

Corporations that conduct business in more than one state must apportion their net income among the states with jurisdiction to tax the income, in other words, determining their apportionment factor. For most types of corporations, the numerator of the factor is comprised

[2] Non-apportionable income is income derived from the sale of non-business real or tangible personal property or from rentals and royalties from non-business real or tangible personal property.

of sales in Wisconsin, while the denominator is total sales without regard to location. For members of corporate groups that are required to file a combined report, each member determines its sales both within Wisconsin as well as total sales. Sales between members of the same corporate group are disregarded. The total sales for each member are summed to derive a common denominator for the sales factor for all members. Total group income is apportioned to each member based on the member's Wisconsin sales as a share of total group sales everywhere. Members with no sales in Wisconsin will have no apportionable income that is taxable to Wisconsin.[3]

In calculating the sales factor under the multi-state apportionment formula, taxpayers are required to treat certain "throwback" sales as being the equivalent of Wisconsin sales. Throwback sales are shipments of tangible personal property originating in Wisconsin to the federal government or to customers located in states where the seller is not subject to tax because of nexus standards defined by federal law (P.L. 86-272) and further clarified by the Wisconsin Administrative Code (Chapter Tax 2.82).[4]

Under the nexus standards, a corporation must have some type of economic activity in a state before its income can be taxed by that state. A corporation cannot be taxed by a state in which it does not have nexus. The purpose of the throwback rule is to ensure that 100% of a multi-jurisdictional corporation's income is apportioned to states with *jurisdiction* to tax it, regardless of if the state actually imposes a corporate income or franchise tax. In the absence of a throwback rule, sales to destinations where the seller does not have nexus would not be included in the numerator of the sales factor of any state. This would result in a portion of a company's income not being subject to tax in any state.

Like most states, Wisconsin uses special apportionment formulas for certain industries. The following table shows the special industry factors used in the apportionment formula. Each factor measures the share of Wisconsin activity to total activity, e.g., Wisconsin payroll to total payroll. In each case where multiple factors are listed, the apportionment percentage for the specific industry is the arithmetic average of the factors listed in Table 2. For corporations in any of the special industry classifications that are members of a combined group, an additional calculation is required to convert the special apportionment factor into a modified sales factor so that it’s numerator and denominator can be combined with those of the other members of the group.

[3] More information on Wisconsin's combined reporting law can be found at https://www.revenue.wi.gov/Pages/Combrept/home.aspx.

[4] For tax years beginning on or after January 1, 2009, throwbacks sales of computer software, services, royalties, and intangibles were repealed.

TABLE 2 SPECIAL INDUSTRY APPORTIONMENT FACTORS	
Industry	**Factors**
Interstate Pipeline Companies	Three equally-weighted factors – property, payroll, and traffic units
Interstate Financial Institutions	Single receipts factor
Interstate Telecommunications Companies	Three equally-weighted factors – property, payroll, and sales
Insurance Companies	Single premiums factor
Interstate Air Carriers	Three equally-weighted factors – revenue tons, originating revenues, and arrivals and departures
Interstate Motor Carriers	Two equally-weighted factors – gross receipts and ton miles of carriage
Interstate Railroads	Two equally-weighted factors – gross receipts and revenue ton miles
Interstate Broker-Dealers, Investment Advisers, Investment Companies, and Underwriters	Single receipts factor
Air Freight Forwarders	Three equally-weighted factors – aircraft arrivals and departures scheduled by the affiliated direct air carrier, revenue tons handled by the affiliated direct air carrier, and the air freight forwarder's revenue
Interstate Broadcasters	Single receipts factor

Economic development surcharge

Wisconsin imposes an economic development surcharge on all corporations and insurance companies that pay the income and franchise tax with gross receipts exceeding $4 million. For C-corporations and insurance companies. The surcharge is equal to 3% of gross tax liability. For S-corporations the surcharge is equal to 0.2% of net Wisconsin income. The maximum surcharge is $9,800 and the minimum is $25. The surcharge does not apply to entities not required to file an income tax return. Non-refundable income and franchise tax credits cannot be applied to reduce the amount of the economic development surcharge. Revenues are deposited in a segregated economic development fund and are used to fund the economic development programs of the Wisconsin Economic Development Corporation (WEDC). The economic development surcharge generated $45.7 million in revenue in FY 2023.

Credits

A credit is an amount subtracted directly from the taxpayer's Wisconsin gross tax liability (i.e., the amount determined by applying the Wisconsin tax rate to Wisconsin taxable income) to determine Wisconsin net tax liability. A nonrefundable credit only reduces the amount of tax otherwise due. Claimant may carryforward nonrefundable credit that exceeds their tax liability for the year to instead offset tax liabilities in future years, generally up to the next fifteen years. In contrast, a refundable credit is used to offset current taxes due, and the amount of credit in excess of tax due is refunded to the taxpayer. The taxpayer may also choose to apply some or all of any excess refundable credit amount to the following year's tax liability. The descriptions below note whether the credit is refundable or non-refundable.

Credits fit into one of five general categories: industry-specific credits, research credits, zone-based credits, credits for economic development, and agricultural credits.[5] In tax year 2020, 2,382 taxpayers claimed $1.06 billion in tax credits. Of that $1.06 billion dollars, 1,283 taxpayers used $241.8 million to offset their tax liability.

Industry-specific credits

Manufacturing and Agriculture Credit. For taxable years beginning after December 31, 2012, a non-refundable manufacturing and agriculture credit is available.[6] The credit is equal to a specified percentage of the claimant's qualified production activities income that is derived from property assessed as manufacturing or agricultural property in Wisconsin, as defined under state property tax law. Insurance companies may not claim the credit.

"Qualified production activities income" is the amount of the claimant's gross receipts for the taxable year that exceeds the direct and indirect costs that are allocable to such receipts multiplied by the gross receipts factor. "Qualified production activities income" does not include any of the following:

a. income from film production;
b. income from producing, transmitting, or distributing electricity, natural gas, or potable water;
c. income from constructing real property;
d. income from engineering or architectural services performed with respect to constructing real property;
e. income from the sale of food and beverages prepared by the claimant at a retail establishment; or
f. income from the lease, rental, license, sale, exchange, or other disposition of land.

Under the corporate income and franchise tax, the credit would be the lesser of 7.5% of the claimant's:

- eligible qualified production activities income;
- income apportioned to Wisconsin for state corporate income and franchise tax purposes; or
- taxable income for corporate income and franchise tax purposes.

Claimants who have been approved to be classified as manufacturers but are not eligible to be listed on the department's manufacturing roll until January of the following year may claim the credit when approved by the Department.

Unused tax credit amounts may be carried forward for up to 15 years to offset future tax liabilities.

Manufacturing Investment Credit. The manufacturer's sales tax credit was repealed for tax years beginning after December 31, 2005. For tax years beginning on or after January 1, 2008, firms that had more than $25,000 of unused manufacturer's sales tax credit as of December 31,

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[5] More information on Wisconsin's tax incentives for businesses is available at https://www.revenue.wi.gov/Pages/Businesses/Incentives.aspxf

[6] More information on the manufacturing and agriculture credit may be found at https://www.revenue.wi.gov/Pages/faqs/ise-manufagr.aspx

2005 may claim a new nonrefundable manufacturing investment credit equal to the total unused manufacturers' sales tax credit carryforwards held before the credit was repealed.[7] The unused credit must be amortized equally over 15 years. Unused credits can be carried forward for 15 years. Companies are allowed to take the credit beginning in 2008 only if they were certified by the former Department of Commerce to have met one of the following criteria:

- retention of 100% of the full-time (at least 35 hours per week) jobs employed by the company as of December 23, 2003; or
- average annual investment since January 1, 2003 equal to 2% of total book value of the company's depreciable assets in Wisconsin-based plants/facilities or $5 million.

Credit for Insurance Security Fund Assessments. Chapter 646, Wisconsin Statutes, provides a credit against state taxes, including the corporate income and franchise tax, for certain assessments levied on insurance companies by the Wisconsin Insurance Security Fund. The fund is designed to protect policyholders in cases where their insurance company has failed and is in the process of liquidation. Where the available assets and reserves of failed insurers are inadequate to meet claims, the fund may assess insurance companies doing business in the state, with some exceptions (e.g., fraternal benefit societies). Such assessments are eligible for a 100% tax credit if they cannot be recovered through higher premiums. This can occur if premiums are fixed for a particular line of business. The tax credit is nonrefundable and must be claimed in equal installments over a five-year period, beginning with the year following the one in which the assessment is made.

Community Rehabilitation Program Credit. A community rehabilitation program tax credit that equals 5% of the amount the claimant pays in a tax year to a community rehabilitation program to perform work for the claimant's business is available for tax years beginning on or after July 1, 2011. The maximum tax credit that can be claimed is $25,000 for each community rehabilitation program that the claimant enters into a contract with, and unused credit amounts can be carried forward up to 15 years to offset future tax liabilities. In order to claim a credit, the claimant is required to submit with the claimant's tax return verification that the claimant has entered into a contract with a community rehabilitation program and that the program has received payment from the claimant for work provided by the program.

Research credits

To encourage corporations to carry out research and development (R&D) activities in the state, three tax credits are available: a credit for R&D-related non-capital expenditures, an engine research credit, and an energy efficient products research credit.[8]

Research Expenditure Credit. A nonrefundable research expenditure credit for non-capital expenditures related to research activities conducted in Wisconsin is available to corporations. The credit applies only to research expenditures that are undertaken to discover information that is technological in nature and intended to be useful in the development of a new or improved business component. Expenses must be incurred in connection with research conducted in Wisconsin in order to qualify for the credit. Qualifying expenditures are defined by reference to

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[7] Firms that had less than $25,000 in manufacturer's sales tax credit carryforwards as of December 31, 2005 were allowed to claim 50% of the amount in tax year 2006 and 50% in tax year 2007.

[8] More information on Wisconsin's research credits can be found in Publication 131, "Tax Incentives for Conducting Qualified Research in Wisconsin," available at https://www.revenue.wi.gov/DOR%20Publications/pb131-2020.pdf

the rules established under Section 41 of the IRC with certain exceptions. Qualified research expenses cover in-house expenses for the taxpayer's own research (wages, supplies, and computer use charges) and 65% of amounts paid or incurred for qualified research done by a person other than an employee of the taxpayer.

The credit is equal to 5.75% of the amount by which the claimant's qualified research expenses for the taxable year exceed 50% of the average qualified research expenses for the 3 taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the 3 taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 2.875% of the qualified research expenses for the taxable year for which the credit is claimed.

Expenses under the research expenditure credit are not eligible for the engine research credit or the energy efficient products research credit. Unused amounts of the credit can be carried forward for up to 15 years. Effective for tax years beginning on or after January 1, 2018, the research expenditure credit is partially refundable. For tax years beginning on or after January 1, 2024, the research credit is 25% refundable. The remaining unused tax credit may still be carried forward for up to 15 years.

Engine Research Credit. For tax years starting after December 31, 2014, a credit equal to 11.5% of qualifying research relating to internal combustion engines including research related to designing vehicles powered by such engines is available. If the claimant had no qualified research expenses in any of the 3 taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 5.75% of the qualified research expenses for the taxable year for which the credit is claimed.

Expenses under the engine research credit are not eligible for the regular research expenditure credit. Effective for tax years beginning on or after January 1, 2018, the research credit is partially refundable. For tax years beginning on or after January 1, 2023, the research credit is 25% refundable. Unused credits may be carried forward for 15 years.

Energy Efficient Products Research Credit. For taxable years beginning after December 31, 2014, the credit for expenses is equal to 11.5% of the amount by which the claimant's qualified research expenses for the taxable year exceed 50% of the average qualified research expenses for the 3 taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the 3 taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 5.75% of the qualified research expenses for the taxable year for which the credit is claimed.

Expenses under the energy efficient products research credit are not eligible for the regular research expenditure credit. Effective for tax years beginning on or after January 1, 2018, the research credit is partially refundable. For tax years beginning on or after January 1, 2023, the research credit is 25% refundable. Unused credits may be carried forward for 15 years.

Zone-based credits

Prior to the passage of 2009 Act 2, Wisconsin had seven zone-based programs to encourage economic development in certain areas of the state: the Development Zone, Airport Development Zone, Agricultural Development Zone, Enterprise Development Zone, Technology

Zone, Development Opportunity Zone, and the Enterprise Zone Jobs credit programs. Act 2 repealed the Development Zone, Airport Development Zone, Agricultural Development Zone, Technology Zone, and Enterprise Development Zone programs and replaced them with a single Economic Development Credit (see the discussion below of the Economic Development Credit), but left in place the Development Opportunity Zone and Enterprise Zone Jobs credits.

Enterprise Zone Jobs Tax Credit. A refundable enterprise zone jobs credit is available for certified businesses located in a designated enterprise zone. The Wisconsin Economic Development Corporation (WEDC) may certify a business for tax credits that begins operations in an enterprise zone if the business offers compensation and benefits to its employees working in the zone for the same type of work that are at least as favorable as those offered to its employees working outside the zone. WEDC may also certify a business that expands operations in an enterprise zone, if the business will increase its personnel by at least 10% or the business makes a capital investment in property located in the enterprise zone equal to at least 10% of the business' gross revenues in the preceding tax year attributable to business activities in Wisconsin. Finally, WEDC may certify a business that retains existing jobs in an enterprise zone if the business makes a significant capital investment in property located in the zone, and at least one of the following applies: (1) the business is an original equipment manufacturer with a significant supply chain in Wisconsin, as determined by WEDC; or (2) more than 500 full- time employees are employed by the business in the enterprise zone.

WEDC is authorized to designate no more than 30 enterprise zones, with three of the zones being areas comprising political subdivisions whose population totals less than 5,000 and at least two areas comprising political subdivisions whose population is greater than 5,000 but less than 30,000. A designation may be in effect for no more than 12 years. In determining whether to designate an area as an enterprise zone, WEDC must consider indicators of the area's economic need, infrastructure and energy support, the rate of business development, existing resources available to the area, and the effect of designation on other initiatives and programs to promote economic and community development in the area, such as job training and the creation of high-paying jobs. As of the publication date of this paper, WEDC has designated a total of 31 zones. Three have been terminated, and one has been completed.

The credit has five components:

1) A credit based on changes in the claimant's zone payroll over a base year, up to 7% of the base change. Eligible wages are those paid to new employees whose annual wages are greater than the amount determined either by multiplying $2,080 by 150% of the federal minimum wage in a Tier I county or municipality or if the employee's annual wages are greater than $30,000 in a Tier II county or municipality.
2) An additional credit based on up to 7% of wages paid to existing zone employees. Eligible wages are those paid to employees whose annual wages meet the parameters described above for new employees. The total number of employees must be equal to or greater than the number of employees in the base year. Credit claims are limited to five consecutive years.
3) A credit based on the amount paid for training to upgrade the job-related skills of full-time employees who work in the enterprise zone;
4) A credit of up to 10% of significant capital expenditures in the zone.
5) For taxable years beginning after December 31, 2009, a credit equal 1% of the amount the claimant paid in the taxable year for goods or services from Wisconsin vendors, not including capital expenditures for which the credit is claimed.

An additional credit for one financial service corporation is based on whether a claimant has retained the minimum number of full-time employees and maintained average zone payroll for the taxable year equal to or greater than the base year. The amount of the credit is a percentage, as determined by WEDC, of the claimant's zone payroll paid in the 12 months prior to the certification date to the claimant's full-time employees in the enterprise zone. No more than one financial service technology business may receive this credit.

Electronics and Information Technology Manufacturing Zone Credit. A refundable electronics and information technology manufacturing zone credit is available. Calculation of the credit is based on 17% of the claimant's payroll. An additional credit may be allowed for up to 15% of the claimant's significant capital expenditures in the zone in the taxable year. Eligible payroll includes full-time employees who make between $30,000 and $100,000 a year. WEDC may not certify more than $1.5 billion in credits related to payroll and no more than $1.35 billion in credits related to capital expenditures.

In order to claim these credits, the claimant must be certified by WEDC. The designation of the electronics and information technology zone shall remain in effect for no more than 15 years. A copy of the certification must be included with the claimant's Wisconsin income tax return. The amount of the credit computed must be added to the claimant's income in the year the credit is computed. The credit must be claimed within four years of the unextended due date on which the tax return was due.

Credits for economic development

Business Development Credit. For taxable years beginning on or after January 1, 2016, a refundable business development tax credit is available. The credit replaces the non-refundable Economic Development and refundable Jobs Tax credits. The Business Development Credit is equal to all of the following, as determined by WEDC:

1) The amount of wages the claimant paid to an eligible employee in the taxable year, not to exceed 10% of such wages.
2) In addition to any amount claimed for an eligible employee under 1., the amount of wages that the claimant paid to the eligible employee in the taxable year, not to exceed 5% of such wages, if the eligible employee is employed in an economically distressed area.
3) An amount equal to up to 50% of the claimant's training costs incurred to undertake activities to enhance an eligible employee's general knowledge, employability, and flexibility in the workplace; to develop skills unique to the claimant's workplace or equipment; or to develop skills that will increase the quality of the claimant's product.
4) The amount of the personal property investment, not to exceed 3% of such investment, and the amount of the real property investment, not to exceed 5% of such investment, in a capital investment project that involves a total capital investment of at least $1,000,000 or, if less than $1,000,000, involves a capital investment equal to at least $10,000 per eligible employee employed on the project.
5) An amount equal to a percentage of the wages that the claimant paid to an eligible employee in the taxable year, provided that the position was created or retained in connection with the claimant’s location or retention of the claimant’s corporate headquarters in Wisconsin and the job duties performed are headquarters functions

WEDC may certify a person to receive tax benefits if the person is operating or intends to operate a business in Wisconsin and the person applies and enters into a contract with WEDC.

The certification may remain in effect for no more than 10 cumulative years. A person is eligible to receive tax benefits if, in each year for which the person claims tax benefits, the person increases net employment in Wisconsin in the person's business above the net employment in Wisconsin in the person's business during the year before the person was certified, as determined by WEDC under its policies and procedures.

Subject to a reallocation of early stage seed investment credits (see below), WEDC may allocate up to $17,000,000 in tax benefits in 2016 and up to $22,000,000 per year thereafter. The $17 million may be exceeded by an additional $10 million with approval from the Joint Committee on Finance. Any unused allocation may be carried forward. WEDC may require a person to repay any tax benefits the person claims for a year in which the person failed to employ an eligible employee required by an agreement.

***Early Stage Seed Investment Credit*.** Effective for taxable years beginning after 2004, an early stage seed investment credit is available equal to 25% of investments paid to a fund manager that invests the funds in qualified new business ventures that are certified by WEDC. The credit may be claimed against the income and franchise tax as well as against the insurance premiums tax. The maximum total amount that can be claimed by all claimants of the Early Stage Seed Credit and the Angel Investment Credit (which is not available to corporations) is a combined $30 million per calendar year. If the investment is held for less than three years, any previously claimed credits must be repaid to the Department of Revenue, unless during the three-year period the investment becomes worthless as determined by WEDC, or if a bona fide liquidity event occurs after the investment has been held for 12 months. In addition, if the investor has invested in the business prior to the business being certified as a qualified new business venture, investments after certification by this investor are not eligible for credit. WEDC may reallocate unused credits in any calendar year, through 2015, to the Jobs Tax Credit. For calendar years 2016 and after, WEDC may reallocate unused credits to the Business Development Credit, subject to approval of the Joint Committee on Finance.

A claimant may transfer unused credits to another entity. The transferor will be required to obtain prior authorization from the fund manager, and the fund manager would be required to notify the Department of Revenue and WEDC.

In order to receive investments that are eligible for the credit, a qualified new business venture, at the time of certification, must have its headquarters in the state; have less than 100 employees, at least 51% of whom are employed in the state; have been in business for not more than ten consecutive years; must not have received aggregate private equity investments in cash of more than $10 million; and must not receive more than $12 million in investments that have qualified for tax credits. A qualified new business venture must also be engaged in one of the following:

- manufacturing;
- biotechnology;
- nanotechnology;
- communications;
- agriculture;
- clean energy creation or storage technology;
- processing or assembling products, including medical devices, pharmaceuticals, computer software, computer hardware, semiconductors, any other innovative

technology products, or other products that are produced using manufacturing methods that are enabled by applying differentiating technology;

- pre-commercialization activity related to differentiating technology that includes conducting research, developing a new product or business process; or
- developing a service that is principally reliant on applying differentiating technology.

The business may not be primarily engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians or health care consultants, wholesale or retail trade, leisure, hospitality, transportation, or construction, except construction of power production plants that derive energy from a renewable resource.

Supplement to the Federal Historic Rehabilitation Credit. A nonrefundable credit is available to encourage the rehabilitation of certified historic structures in Wisconsin.[9] This supplement to the federal historic rehabilitation credit can be claimed only for projects that are eligible for the federal historic rehabilitation credit. The rehabilitation work must meet historic preservation standards and the expenditures must exceed the taxpayer's adjusted basis in the building. Unused amounts of the credit can be carried forward for up to 15 years. Beginning in July 1, 2018, the Wisconsin Economic Development Corporation may not certify a person to claim more than a total of $3,500,000 in supplement to the federal historic rehabilitation tax credits for all projects undertaken on the same parcel.

The credit is equal to 20% of the qualified rehabilitation expenditures if the cost of the expenditures is at least $50,000, the property is placed in service after December 31, 2013, and the claimant is certified by WEDC. To be certified by WEDC, the claimant must submit evidence to WEDC that the rehabilitation was recommended by US Secretary of the Interior before physical work of construction, or destruction in preparation for construction, began and the rehabilitation was approved by the state historic preservation officer.

Credits certified for taxable years beginning on or after January 1, 2014 may be sold or transferred to any other Wisconsin taxpayer if the transferor notifies the Department in writing and submits a copy of the transferring documents. The Department must certify ownership of the credit with each transfer. Non-profit entities may be awarded credits and may transfer those credits to other entities with a Wisconsin tax liability.

Low-Income Housing Credit. For tax years beginning after December 31, 2017, a nonrefundable low-income housing credit is available. Claimants may claim a credit for the amount certified by the Wisconsin Housing and Economic Development Authority (WHEDA). A taxpayer is eligible for the credit if their tenants' income is less than 60% of the county's median income. Claimants must apply through WHEDA. The credit must be claimed within four years of the date in which the tax return was due. Unused credits may be carried forward for 15 years. The maximum amount of credits WHEDA may certify in a year equals $42,000,000.

Employee College Savings Account Contribution Credit. This credit is a nonrefundable credit for employers who contribute to employees' college savings accounts. The maximum amount of the credit is 25% of the employer contributions. This amount may not exceed 25% of the maximum amount that an individual contributor may deduct as a contribution into a college savings account. Taxpayers may carry forward unused credits for 15 years.

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[9] The credit applies to rehabilitation projects begun after December 31, 1988, and for rehabilitated property placed in service after June 30, 1989.

Agricultural credits

Farmland Preservation Credit, 2010 and Beyond. Beginning in tax year 2010, a refundable per-acre farmland preservation credit is available under which a claimant may claim as a credit against income taxes an amount calculated by multiplying the claimant's qualifying acres by one of the following amounts:

- $10 if the qualifying acres are located in a farmland preservation zoning district and are also subject to a farmland preservation agreement that is entered into after July 1, 2009;
- $7.50 if the qualifying acres are located in a farmland preservation zoning district but are not subject to a farmland preservation agreement that is entered into after July 1, 2009; or
- $5 if the qualifying acres are subject to a farmland preservation agreement that is entered into after July 1, 2009 but are not located in a farmland preservation zoning district.

Pass-through entities

Wisconsin provides for differential tax treatment of business income depending on the form of organization under which a business operates. The owners (shareholders, partners, or members) of the business report and pay taxes on their individual income tax returns for the business income of S-corporations, partnerships, and limited liability companies that choose to be treated as partnerships.

Wisconsin law permits the formation of Subchapter S-corporations and limited liability companies. Both of these entities combine the benefits of limited liability offered to corporations, with pass-through of income to the individual owners. Thus, these entities generally pay no tax at the entity level, which applies a rate of 7.9%. Instead, income is passed through to the individual shareholders or members, who pay tax on the income at the lower individual income tax rates, ranging from 4.0% to 7.65%. This flow-through aspect of income also avoids the double taxation of C-corporation dividends that occurs when profits are first taxed at the corporate level and then again at the individual level when profits are distributed as dividends to individual shareholders.

Subchapter S-corporations[10]

Wisconsin has federalized its treatment of Subchapter S-corporations. Subchapter S, or "tax-option" corporations, elect to have their income exempted from the corporate income tax. The net profit or loss of these companies, with certain exceptions, is instead attributed to stockholders on a prorated basis and taxed under the individual income tax. Interest income on debt issued by federal, state, and municipal governments is taxable at the entity level. In addition, S-corporations with more than $4 million in gross receipts are also subject to the

[10] For more information on Wisconsin's tax treatment of S-corporations, see Publication 102, "Wisconsin Tax Treatment of Tax-option (S) Corporations and Their Shareholders," available at http://www.revenue.wi.gov/pubs/pb102.pdf

economic development surcharge. Finally, S-corporations are subject to a tax on certain built-in gains (gains on sale of assets held at the time of conversion to an S-corporation).

Typically, "tax-option" corporations are small businesses with fairly simple capital structures. The IRC restricts the number of shareholders to a maximum of 100. It also imposes a number of other limitations, such as the amount of passive investment income that can be earned and the types of stock that can be issued.

Tax liability is determined as of the end of each stockholder's tax year and must be paid regardless of whether or not the corporate income has been distributed. A major impact of exempting S-corporation income at the entity level is that capital gains realized by the S-corporation qualify for the state net capital gain exclusion for individuals when the gains are passed through to the shareholders. Up until tax year 2009, this exclusion was 60% for long term gains; 2009 Act 28 reduced the exclusion to 30%. Long-term capital gains of farm assets retain the 60% exclusion. Farm assets include farm livestock, farm real property, farm depreciable property, or farm equipment.

Beginning in tax year 2018, S-corporations may elect to be taxed at the entity level, rather than the individual level. If the election is made, shareholders of a tax-option (S) corporation may not include in their Wisconsin adjusted gross income their proportionate share of all items of income, gain, loss, or deduction of the tax-option (S) corporation. The tax-option (S) corporation must pay tax on items that would otherwise be taxed if this election was not made.

The election must be made by shareholders who hold an aggregate of more than 50 percent of the shares of a tax-option (S) corporation on the day of the election. The election may be revoked if the revocation is made by shareholders who hold an aggregate of more than 50 percent of the shares of a tax-option (S) corporation on the date of the revocation.

Limited liability companies[11]

Like S-corporations, owners (called members) of limited liability companies (LLCs) are taxed on the flow-through income of the company at lower individual income tax rates rather than at the higher corporate rate.

LLCs allow for greater flexibility than S-corporations in the way they can be structured. For example, while S-corporations allow only individuals to be owners, LLC members can include corporations, partnerships, foreign entities, trusts, and charitable organizations, as well as individuals. An LLC can have an unlimited number of members as owners, and profits and losses can be more freely allocated among the members.

An LLC may be classified for federal income tax purposes as a partnership, a corporation, or as an entity disregarded as a separate entity from its owner. If an LLC is classified as a partnership for federal income tax purposes, it is treated as a partnership for Wisconsin purposes. An LLC classified as a corporation for federal income tax purposes is treated as a corporation by Wisconsin. An LLC with a single owner may elect to be disregarded as a separate entity for federal income tax purposes and any income or loss from the disregarded LLC would be included on the return of the owner. If the LLC elects to be disregarded for federal tax purposes, it is also disregarded as a separate entity for Wisconsin income tax

[11] For more information on Wisconsin's tax treatment of LLCs, see Publication 119, "Limited Liability Companies (LLCs)," available at https://www.revenue.wi.gov/DOR%20Publications/pb119.pdf

purposes. LLCs with over $4 million in gross receipts that are treated as corporations for tax purposes are subject to the economic development surcharge.

Partnerships

A partnership is an association of two or more persons to carry on as co-owners a trade or business for profit. The term "partnership" includes a limited partnership, registered limited liability partnership, syndicate, group, pool, joint venture, or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and is not within the meaning of the Wisconsin income tax law, a corporation, trust, estate, or sole proprietorship.

As with S-corporations and LLCs that elect to be treated as partnerships for tax purposes, partnership pass through income and losses to the partners, and the partners report on their individual returns. Starting in tax year 2019, partnerships may make an election to pay tax at the entity level in a manner similar to S-corporations (see the discussion above). Partnerships are exempt from the economic development surcharge.

History of the corporate tax

Wisconsin enacted both the corporate and individual income tax in 1911. Since enactment, the basic features of the corporate tax have remained fairly constant, with a number of noteworthy changes, including: a shift from graduated rates to a flat rate in 1981; federalization of the tax base in 1987; imposition of a recycling surcharge in 1992 (renamed the economic development surcharge for FY 2012 and beyond); changing from three-factor apportionment to a single sales factor in 2008; and implementation of combined reporting for corporate groups in 2009.

Imposition of a flat rate

Chapter 20, Laws of 1981, replaced the series of rates and brackets—ranging from 2.3% on taxable income of less than $1,000 to 7.9% on income exceeding $6,000—with a single flat rate of 7.9%. This step signaled the end of nearly 70 years of reliance on a graduated corporate rate structure (see Table 3). Graduated rates sought to make the corporate tax progressive in its application. However, the growth in business earnings resulting from the dramatic growth in the size and scope of corporations operating in Wisconsin, along with the effects of economic growth and inflation, essentially eliminated the degree of progressivity in the rate structure, since nearly all corporate profits were taxable at the top 7.9% rate. The 7.9% flat rate has remained constant since 1981, except for 10% surtax during the 1982 and 1983 tax years.

TABLE 3
HISTORICAL CORPORATE TAX RATES

Taxable Income	1913-1953	1954-1970	1971	1972-80	1981 Through Present
First $1,000	2.0%	2.0%	2.1%	2.3%	Flat Rate of 7.9%
Second $1,000	2.5	2.5	2.7	2.8	
Third $1,000	3.0	3.0	3.2	3.4	
Fourth $1,000	3.5	4.0	4.3	4.5	
Fifth $1,000	4.0	5.0	5.3	5.6	
Sixth $1,000	5.0	6.0	6.4	6.8	
More than $6,000	6.0	7.0	7.4	7.9	

Federalization of the tax base

1987 Wisconsin Act 27 federalized the determination of net taxable income for the state corporate tax. Until then, the amount of income subject to the state corporate tax was, for the most part, determined independently of federal law. The previous state statutes paralleled federal law in many respects regarding the deductions allowed in determining net taxable income. However, in a number of areas, such as depreciation, there were significant differences between state and federal law. This pattern in the state corporate tax was in contrast to the individual income tax, which closely paralleled federal law. Under the federalized state corporate tax in effect since 1987, corporate taxpayers are subject to tax on the Wisconsin apportioned share of their federal net taxable income, with a limited number of adjustments for the remaining federal/state law differences and the ongoing effects of previous law differences.

Economic development surcharge

Beginning in state fiscal year 2012, Wisconsin imposed an economic development surcharge on corporations that file an income or franchise tax return with gross receipts exceeding $4 million. The maximum surcharge is $9,800 and the minimum is $25. The revenues are deposited in a segregated economic development fund and are used to fund economic development programs of WEDC. The surcharge generated $45.7 million for the economic development fund in fiscal year 2023.

Tax-option corporations pay the economic development surcharge at the corporate level, unless delinquent, in which case the tax-option corporation's owners assume liability at the individual level.

Single sales factor apportionment

For taxable years 2007 and before, the Wisconsin portion of taxable income for businesses that operated in multiple states was determined by using a formula that had three factors – sales, payroll, and property. For tax years 2008 and after, a single sales factor formula is used, with the numerator being Wisconsin sales (including throwback sales) and the denominator being total sales without regard for location.

The change to a single sales factor did not affect equally all corporations with income apportionable to Wisconsin. Individual companies could have had a tax increase or a tax decrease depending on the organization of their business compared to prior law.

Combined reporting [12]

Effective for taxable years beginning on or after January 1, 2009, Wisconsin law requires groups of corporations with common ownership that are engaged in a unitary business to file a single return (referred to as a combined report) to compute their Wisconsin taxable income. In brief, the corporations required to use combined reporting are those which are both commonly controlled (generally speaking, this means 50% common ownership), and engaged in the same unitary business.

[12] More information on combined reporting can be found on the Department of Revenue website at https://www.revenue.wi.gov/Pages/Combrept/home.aspx

Only regular "C" corporations are required to use combined reporting. Tax-option (S) corporations and individuals must file separate returns. Income earned by a pass-through entity such as a partnership, limited liability company, estate, or trust is included in a combined report to the extent the income passes through to a member corporation. However, the pass-through entities are not considered members of the group.

"Unitary business" is defined as a single economic enterprise made up of one or multiple related entities which are sufficiently interdependent, integrated, and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value to the separate parts. Entities are presumed to be a unitary business if they have unity of ownership, operation, and use as indicated by the presence of one or more specific factors. These factors include (but are not limited to):

- centralized management, executive force, purchasing, advertising, or accounting;
- inter-corporate sales or leases;
- inter-corporate services, including administrative, employee benefits, human resources, legal, financial, or cash management services;
- inter-corporate debts;
- inter-corporate use of proprietary materials; and
- inter-locking directorates or corporate officers.

The income and deductible expenses that are related to the operation of the unitary business are summed for all members to arrive at the group's unitary business income. Intercompany transactions between members of a combined group are generally eliminated for the purposes of determining the combined group's income. Each corporation in the group multiplies the combined group's unitary business income by an apportionment fraction. The numerator of the fraction is, generally speaking, equal to the member's Wisconsin sales. The denominator of the fraction is the sum of the denominators of all group members' sales everywhere.

Corporate group members that use special multiple-factor formulas use the multiple-factor apportionment formula to derive a modified sales factor.[13] The denominator of the modified sales factor is total company sales, which is determined in the same manner as corporations that do not use special apportionment factors. The numerator is determined by applying the multi-factor apportionment percentage as if they were not a member of a combined group to the member's total sales.

For taxable years beginning after December 31, 2008 and before January 1, 2012, business loss carryforwards from tax years before combined reporting was implemented could only be used to offset the income of the individual group member that generated the losses. For taxable years beginning after December 31, 2011, 5% of any business loss carryforward prior to the enactment of combined reporting was implemented and not used in a tax year prior to January 1, 2012, may be shared with other combined group members each year, for up to 20 years (5% x 20 years = 100% utilization of trapped losses).

New credit claims and credit carryforwards from previous years may only be used to offset the tax liability of the individual group member that generated the credits, with the exception of the

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[13] The industries required to use special multiple-factor apportionment formulas are interstate pipeline companies, interstate telecommunication companies, interstate air carriers, interstate motor carriers, and interstate railroads.

research expenditure credit, engine research credit, and the energy efficient products research credit. A combined group may use both new and carried forward credits from the excepted group above to offset liability of all members of the combined group. A designated agent of each group, generally the parent company, is responsible for the filing of tax returns for all members of the group.

Corporate tax collections

Corporate tax collections as a percent of total general purpose revenue (GPR) have fluctuated over the last 30 fiscal years. As shown in Table 4, corporate tax revenues represented 8.9% of GPR in fiscal year 1988 and reached a low of 5% of GPR in fiscal year 2002. Most recently, the percentage of GPR represented by corporate tax revenue was 13.3% in fiscal year 2023.

TABLE 4
CORPORATE TAX COLLECTIONS

Fiscal Year	Corporate Tax Collections ($000s)	Total GPR Collections ($000s)	Corp. % of GPR	Fiscal Year	Corporate Tax Collections ($000s)	Total GPR Collections ($000s)	Corp. % of GPR
1987-88	461,369	5,173,665	8.90%	2005-06	780,300	12,030,100	6.50%
1988-89	448,367	5,536,443	8.10%	2006-07	890,100	12,617,900	7.10%
1989-90	436,562	5,649,481	7.70%	2007-08	837,800	13,042,900	6.40%
1990-91	440,917	6,072,955	7.30%	2008-09	629,500	12,113,200	5.20%
1991-92	437,689	6,339,599	6.90%	2009-10	834,500	12,131,700	6.90%
1992-93	492,015	6,871,018	7.20%	2010-11	852,863	12,911,985	6.60%
1993-94	541,284	7,277,553	7.40%	2011-12	906,600	12,514,600	6.70%
1994-95	631,750	7,778,422	8.10%	2012-13	925,400	14,085,600	6.60%
1995-96	636,010	8,209,483	7.70%	2013-14	967,200	13,948,100	6.90%
1996-97	643,822	8,804,011	7.30%	2014-15	1,004,900	14,541,200	6.90%
1997-98	627,024	9,528,237	6.60%	2015-16	963,000	15,097,500	6.40%
1998-99	635,203	9,948,408	6.40%	2016-17	920,900	15,517,600	5.90%
1999-00	644,625	10,945,898	5.90%	2017-18	893,900	15,943,000	5.60%
2000-01	537,159	10,063,439	5.30%	2018-19	1,338,100	17,132,000	7.80%
2001-02	503,008	10,020,183	5.00%	2019-20	1,607,900	17,300,500	9.29%
2002-03	526,545	10,199,739	5.20%	2020-21	2,560,100	19,357,200	13.2%
2003-04	650,526	10,739,319	6.10%	2021-22	2,960,000	20,312,500	14.6%
2004-05	764,053	11,396,650	6.70%	2022-23	2,748,500	20,737,100	13.3%

Wisconsin C-corporation filers by industry and net income

The following tables show Wisconsin C-corporation tax collections by industry and by size of business for tax year 2020, the latest data available.[14] Table 5 shows the number of

[14] Because corporations can have a fiscal year that differs from the calendar year, and because corporations typically are granted extensions on the due date for filing returns, there is a considerable delay before complete statistics for a given tax year are available. For example, the extended due date for the tax year 2020 return for a corporation with a fiscal year that ran from December 1, 2020 through November 30, 2021 would be October 15, 2022.

corporations and the amount of net tax liability by two-digit NAICS code. For combined groups, the information is aggregated using group members' individual NAICS code. This approach provides a better picture of the income and tax liability derived from each industry than using the single NAICS code entered by the group's designated agent on Form 4, since members of a single group may be operating in a diverse range of industries. Aggregating at the member level results in different totals for number of returns and net income in Table 5 compared to Table 6.

Table 6 shows the tax collections by size of the corporation, as measured by the amount of net income of the corporation. The data in Tables 5 and 6 do not include S-corporations, because very few S-corporations pay tax at the entity level. Instead, S-corporations pass through income to the individual owners of the corporation who also pay related taxes.

As shown in Table 5, the finance and insurance sector accounted for approximately 24% of net corporate tax liability reported in tax year 2020, the highest proportion for that tax year. The manufacturing sector accounted for approximately 21% of net tax liability. The retail trade sector was the third-largest sector by net tax liability, accounting for approximately 12% of total net tax liability. These three sectors accounted for more than half of the total net tax liability in tax year 2020.

TABLE 5 TAX YEAR 2020 WISCONSIN C-CORPORATION INCOME AND FRANCHISE TAX LIABILITY BY TWO-DIGIT NAICS CLASS									
			Net Income			Total Corporate Tax Liability			
Industry	NAICS Class	# of Corps.	# with Income	Net Income ($000's)	% of Total	# with Liability	Net Tax ($000's)	% of Total	
Agriculture	11	1,728	436	67,011	0.35%	350	3,228	0.26%	
Mining	21	728	41	19,790	0.10%	339	365	0.03%	
Utilities	22	628	47	208,642	1.10%	44	16,262	1.30%	
Construction	23	4,536	1,128	344,103	1.81%	1,104	23,428	1.87%	
Manufacturing	31-33	13,875	4,380	5,421,631	28.58%	4,022	269,840	21.49%	
Wholesale Trade	42	7,325	2,325	1,555,923	8.20%	2,282	113,232	9.02%	
Retail Trade	44-45	5,558	1,475	2,085,327	10.99%	1,463	155,377	12.37%	
Transportation and Warehousing	48-49	3,571	848	509,006	2.68%	829	40,017	3.19%	
Information	51	7,466	1,145	1,554,460	8.20%	1,128	121,305	9.66%	
Finance and Insurance	52	13,200	2,639	4,166,867	21.97%	2,600	301,864	24.04%	
Real Estate and Leasing	53	7,113	1,243	315,079	1.66%	1,207	24,638	1.96%	
Professional, Scientific, and Technical Services	54	15,628	3,146	854,328	4.50%	3,082	58,485	4.66%	
Management of Companies	55	14,773	921	1,156,543	6.10%	882	72,170	5.75%	
Administrative, Support, and Waste Management	56	4,331	721	302,248	1.59%	710	23,758	1.89%	
Educational Services	61	572	89	15,560	0.08%	89	1,229	0.10%	
Health Care and Social Assistance	62	6,893	504	147,451	0.78%	499	11,479	0.91%	
Arts, Entertainment, and Recreation	71	1,388	190	24,006	0.13%	185	1,885	0.15%	
Accommodation and Food Services	72	2,587	385	60,243	0.32%	385	4,789	0.38%	
Other Services (except Public Administration)	81	2,337	593	80,332	0.42%	576	6,324	0.50%	
Other/Unknown	99	1,189	309	78,172	0.41%	292	5,955	0.47%	
Totals		115,426	22,565	18,966,724	100%	21,768	1,255,599	100.00%	

Source: Aggregate statistics compiled by the Department of Revenue

As shown in Table 6, C-corporations reported net taxable income of $18.9 billion for tax year 2020 and net tax liability of $1.25 billion. Of the 41,808 corporate returns filed in tax year 2020, 27,303 (65.3%) showed no taxable income or reported a net loss and thus reported no net tax liability. A small number of combined groups had a total group net income of zero or less but had a member or members with a positive net tax liability, which accounts for the difference

between the net income amount shown in Table 5 (aggregated at the group-member level) and Table 6 (aggregated at the total group level).

TABLE 6 TAX YEAR 2020 C-CORPORATION NET INCOME AND TAX LIABILITY BY NET INCOME CLASS				
WI Net Income	**Number of Returns**	**Total WI Income (In 000s)**	**Number of Returns**	**Net Tax Liability (In 000s)**
Zero or Less	27,303	0	241	117
$1 to $10,000	4,408	14,569	4,250	1,134
10,001 to 25,000	1,891	31,349	1,866	2,431
25,001 to 50,000	1,605	57,483	1,573	4,406
50,001 to 100,000	1,469	105,909	1,442	8,049
100,001 to 250,000	1,717	277,558	1,666	20,644
250,001 to 500,000	958	342,521	928	25,260
500,001 to 1,000,000	755	527,005	725	37,889
1,000,001 to 5,000,000	1,064	2,449,127	1,013	171,430
5,000,001 to 10,000,000	284	2,010,236	267	135,851
Over 10,000,000	354	13,145,990	330	847,459
Totals	41,808	18,961,749	14,301	1,254,672

Source: Wisconsin Department of Revenue Aggregate Statistics

Other states

Table 7 shows the tax rates and standard apportionment formulas for all 50 states for tax year 2023. Four states (Nevada, South Dakota, Washington, and Wyoming) have no general corporate income tax. Special industry apportionment formulas, such as those used for financial institutions, insurance companies, or utilities, are not included in the table.

Also, in some states the tax rates for special entities, such as S-corporations or financial institutions, are different than the rates for other entities. These special rates are not included in the table.

"Double-weight" (or "triple-weight") indicates that the apportionment is based on three factors, but the sales factor is double-weighted (or triple-weighted). States have been trending towards an apportionment based on a single sales factor for over a decade.

TABLE 7 STATES' TAX RATES AND APPORTIONMENT FORMULAS, TAX YEAR 2023		
State	**Apportionment**	**Tax Rates**
Alabama	Single Sales Factor	6.5%; taxpayers with $100,000 or less of gross sales within the state may pay 0.25% on such sales
Alaska	Evenly-weighted 3-Factor.	0% on $25k, up to 9.4% over $222k
Arizona	3-factor formula with double-weighted sales factor or one-factor sales formula	4.90%
Arkansas	Single Sales Factor	1% on $3k up to 6.2% over $100k
California	Single Sales Factor	8.84%
Colorado	Single Sales Factor	4.40%
Connecticut	Single-Factor gross receipts formula.	7.5%, minimum tax of $250. 10% surcharge if gross income is $100 million or more and tax liability exceeds minimum tax
Delaware	Single Sales Factor	8.70%
District of Columbia	Single Sales Factor	8.25%
Florida	3-Factor formula with double-weighted sales factor.	Greater of 5.5% or alternative minimum tax, minus a $50,000 exemption
Georgia	Single Sales Factor	5.75%
Hawaii	Evenly-weighted 3-Factor	4.4% on $25k up to 6.4% over $100k; or taxpayers with $100,000 or lesser of gross sales within the state may pay 0.5% on such sales
Idaho	Single Sales Factor	5.8% plus $20; or taxpayers with $100,000 or less of gross sales within the state may pay 1% on such sales
Illinois	Single Sales Factor	7% plus 2.5% personal property replacement tax
Indiana	Single Sales Factor	4.9%
Iowa	Single Sales Factor	5.5% on $25k up to 8.4% over $100k
Kansas	Evenly-weighted 3-Factor	4% plus 3% surtax on income over $50k;
Kentucky	Single factor receipts formula	5%
Louisiana	Single Sales Factor	3.5% on $50k to 7.5% over $150k
Maine	Single Sales Factor	3.5% on $350k to 8.93% over $3.5m
Maryland	Single Sales Factor phase-in, ending 2022. Three factor formula with quintuple-weighted sales factor (2020), sextuple-weighted sales factor (2021)	8.25%

TABLE 7
STATES' TAX RATES AND APPORTIONMENT FORMULAS, TAX YEAR 2023

State	Apportionment	Tax Rates
Massachusetts	3-factor formula with double-weighted sales factor	Greater of 8% on apportioned income, $2.60 per $1,000 of tangible personal property, or minimum tax of $456
Michigan	Single Sales Factor	6%
Minnesota	Single Sales Factor	9.8%; corporations are subject to an additional minimum tax ranging from $0 to $10,810 depending on in-state property, payroll, and sales or receipts
Mississippi	General apportionment factor is Single Sales; Most industries have special factors	Income between $5k and $10k: 4%. Income greater than $10k: 5%
Missouri	Single Sales Factor	4%
Montana	Three-factor formula with double-weighted receipts factor.	6.75%; taxpayers with $100,000 or less of gross sales within the state may pay 0.5% on such sales.; 7% for water's edge combined groups
Nebraska	Single Sales Factor	5.58% on $100k to 7.25% plus $5,580 over $100k
Nevada	Not Applicable	Not Applicable
New Hampshire	Single sales factor	7.5% if gross income over $103,000
New Jersey	Single Sales Factor	**Greater of:** $0-$50,000: 6.5%; $50,001-$100,000: 7.5%; $100,001 or more: 9%; **or** alternative minimum; **or** fixed dollar minimum of $500 up to $2,000
New Mexico	Evenly-weighted 3-Factor	4.8% up to $500k; 5.9% over $500k
New York	Single Factor Receipts Formula	6.5% for income under $5 million, 7.25% for business income over $5 million (0% for qualified in-state manufacturers and 4.875% for qualified emerging tech companies); may be required to use alternative minimum calculation or fixed dollar minimum
North Carolina	Single sales factor	2.5%
North Dakota	Evenly-weighted 3-Factor, or elective single sales factor	$0-$25,000: 1.41%; $25,001-$50,000:3.55%; $50,001 or more: 4.31%; 3.5% additional for combined groups
Ohio	No general apportionment formula	**Commercial activity tax on gross receipts:** $150k -1 million: $150; over $1 million: $150 plus 0.26%
Oklahoma	3-Factor, or Double-weight if meets investment criteria	4%
Oregon	Single Sales Factor	Greater of: 6.6% on first $1 million, 7.6% on income over $1m; or fixed dollar amount based on Oregon sales.
Pennsylvania	Single Sales Factor	8.99%
Rhode Island	Single Sales Factor	**Greater of:** net income tax of 7%; **or** minimum tax of $400.

TABLE 7 STATES' TAX RATES AND APPORTIONMENT FORMULAS, TAX YEAR 2023		
State	**Apportionment**	**Tax Rates**
South Carolina	Single Sales Factor	5%
South Dakota	Not Applicable	Not Applicable
Tennessee	Three-factor formula with sales factor weighted five times. 2024: Three factor, sales weighted 11 times. 2025: Single sales factor fully phased in.	6.50%
Texas	Single Gross Receipts Factor	0.75% for most entities. 0.375% for qualifying wholesalers and retailers. 0.331% for entities with $20 million or less in annualized total revenue
Utah	Singles sales factor. Evenly-weighted three factor optional	4.65%
Vermont	Single Sales Factor	$0-$10,000: 6%; $10,001-$25,000: 600 plus 7%; $25,001 and over: $1,650 plus 8.5%
Virginia	Double-weighted Sales Factor	6%
Washington	Not Applicable	Not Applicable
West Virginia	Single Sales Factor	6.5%
Wisconsin	Single Sales Factor	7.90%
Wyoming	Not Applicable	Not Applicable

Source: CCH Multi-state Corporate Income Tax Guide

As shown in Table 8, there are 28 states that required combined reporting for affiliated groups of corporations in tax year 2023 (combined reporting is also required in Washington, D.C.). An additional three states permit combined reporting or require it only in certain cases or for certain corporate groups. Sixteen states have no combined reporting requirement. As previously noted, four states do not have a corporate income tax, and those states are not shown in Table 8.

TABLE 8
TAX YEAR 2023 REPORTING REQUIREMENTS, BY STATE

State	Reporting Requirement	State	Reporting Requirement
Alabama	Single-entity reporting	Mississippi	Single-entity reporting
Alaska	Combined reporting	Missouri	Single-entity reporting
Arizona	Combined reporting	Montana	Combined reporting
Arkansas	Single-entity reporting	Nebraska	Combined reporting
California	Combined reporting	New Hampshire	Combined reporting
Colorado	Combined reporting	New Jersey	Combined reporting
Connecticut	Combined reporting	New Mexico	Combined reporting
Delaware	Single-entity reporting	New York	Combined reporting
District of Columbia	Combined reporting	North Carolina	Single-entity reporting
Florida	Single-entity reporting	North Dakota	Combined reporting
Georgia	Single-entity reporting	Ohio	Combined reporting
Hawaii	Combined reporting	Oklahoma	Single-entity reporting
Idaho	Combined reporting	Oregon	Single-entity reporting
Illinois	Combined reporting	Pennsylvania	Single-entity reporting
Indiana	Single-entity reporting	Rhode Island	Combined reporting
Iowa	Single-entity reporting	South Carolina	Single-entity reporting
Kansas	Combined reporting	Tennessee	Combined reporting may be required
Kentucky	Combined reporting	Texas	Combined reporting
Louisiana	Single-entity reporting	Utah	Combined reporting
Maine	Combined reporting	Vermont	Combined reporting
Maryland	Single-entity reporting	Virginia	Combined reporting permitted
Massachusetts	Combined reporting	West Virginia	Combined reporting
Michigan	Combined reporting permitted	Wisconsin	Combined reporting
Minnesota	Combined reporting		

Source: CCH Multi-state Corporate Income Tax Guide