REPEAL THE ANTI-GROWTH FRANCHISE TAX

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Oklahoma's franchise tax is levied on a business' net worth. Levied *in addition* to the corporate income tac, businesses pay the franchise tax regardless of where or not they turned a profit that year. In essence, the franchise tax is a fee imposed for the privilege of doing business in Oklahoma (it's even been called a privilege tax in other states).

As a result, the franchise tax typically hits new businesses hardest, as they often are not profitable in the first few years. Likewise, all businesses suffer during economic downturns, when many companies can least afford it. It is a double tax, levied on businesses in addition to the corporate income tax.

WHY DOES THE BUSINESS COMMUNITY CARE?

The franchise tax is a direct tax on capital investment. Currently, Oklahoma's franchise tax is 0.125% per $1,000 of a corporation's net worth. Out of the 400,000 plus businesses in the state only nearly 70,000 businesses pay this tax.

Oklahoma caps its franchise tax at $20,000 per business, which makes its continued existence even less justified: it discourages capital investment while failing to raise significant revenue.[1] Additionally, Oklahoma is one of only 16 states that still has a franchise tax, a distinction that holds back economic growth.[2]

- Functionally, the franchise tax penalizes businesses that make capital investments, which is the opposite of what you would do if you wanted to grow the economy, expand jobs and ease inflationary pressures associated with limited supply of goods and services.
- For example, purchasing a piece of equipment or acquiring capital assets will increase the value of the company's net worth. However, it also increases its franchise tax liability. But capital investment is exactly what leads to economic growth and job expansion.

Repealing the franchise tax would boost business investments, create jobs, and reduce tax compliance costs for businesses, all with a limited impact to state revenue collections.

REFORM OPTION

Eliminating the franchise tax will reduce financial burdens on business and increase the likelihood of capital investments in the state.

States with more significant franchise tax revenue have eliminated the tax through scheduled rate reductions. With a fiscal impact to the state of less than one percent on revenue collections, a full repeal of the franchise tax should not go virtually unnoticed, and may well be recouped by increased revenues from business activity that would ensue.

Fiscal Impact: FY 2020: $55 million; .05% of state taxes collected

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[1]Fiscal impact: FY20 $55 million; 0.05% of state tax collections
[2]States with a franchise tax: Alabama, Arkansas, Connecticut, Delaware, Georgia, Illinois, Louisiana, Massachusetts, Mississippi, Nebraska, North Carolina, New York, Oklahoma, South Carolina, Tennessee, Wyoming (Table 11, p. 49, TF Study)