

North Carolina

**Corporation Income and Business
Franchise Taxes**

Tax Year 2009

Statistics and Trends



**Policy Analysis and
Statistics Division**

North Carolina

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**Policy Analysis and Statistics Division
North Carolina Department of Revenue**

July 2012

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INTRODUCTION

This report contains statistics concerning business franchise and income taxes imposed on corporations and limited liability companies under the Revenue Laws of North Carolina. It is designed to provide legislators, public officials, tax professionals, researchers, and other interested citizens of North Carolina with information about the characteristics of corporate taxpayers and how those taxpayers contribute to the State's tax revenues. The report includes both historical series of data and detailed reports for tax year 2009 (TY09). It was prepared by the Department of Revenue's Policy Analysis and Statistics Division.

This report is based upon data submitted by corporations and limited liability companies on the CD-405, CD-401S, and CD-425 forms. Not all of the information on the forms is scanned into the Department's Integrated Tax Administration System (ITAS), so the amount of information available for the report was limited. Because taxpayers file these forms on a schedule related to the period of their fiscal year, and because they may file for an extension, not all of the forms for tax year 2009 were processed until October 2011.

The data for this report were retrieved from ITAS on December 19, 2011. Some of the forms upon which the report data were based had been audited by that time, but others had not yet been subject to audit. As such, the data may reflect errors made by taxpayers. The Policy Analysis and Statistics Division did examine the downloaded data in order to correct data errors that resulted from scanning the returns into ITAS.

Questions regarding this report may be directed to Robert Bowles, Economist, Policy Analysis and Statistics Division, at (919) 733-4548.

TAXES COVERED BY THIS REPORT

The following descriptions of the General Business Franchise Tax and Corporation Income Tax reflect the tax law in effect for 2009. These descriptions are not official interpretations of the Revenue Laws and should not be relied upon as representing the position of the Secretary of Revenue.

FRANCHISE TAX

The general business franchise tax is levied on business corporations doing business in the State (including those electing S-corporation status). The tax is imposed on the largest of three alternate asset bases. These bases are (a) the amount of the capital stock, surplus, and undivided profits apportioned to the State (using the apportionment formula for corporation income); (b) 55% of appraised value of property in the State subject to local taxation; or (c) the book value of real and tangible personal property in the State, less any debt outstanding which was created to acquire or improve real property in the State. The tax is \$1.50 per \$1,000 of taxable assets.

Limited Liability Companies (LLC's) that elect to be taxed as corporations for federal income tax purposes became liable for franchise tax beginning in 2007 (as reported on TY2006 returns). Those LLC's that chose to file as S-corporations in North Carolina became liable for tax beginning in 2009 (due on TY2008 returns). Electric power, water, and sewer utility companies pay a franchise tax based on their gross receipts and are exempt from the business franchise tax to the extent that their utilities franchise tax payments exceed their business franchise tax liability. The utilities franchise tax is not covered by this publication.

The minimum franchise tax for companies covered by the tax is \$35. The tax on holding companies that receive 80% of their gross income from subsidiaries is capped at \$75,000 if the company uses the capital stock, surplus, and undivided profits base.

CORPORATION INCOME TAX

The corporation income tax applies to companies that do business in North Carolina and that do not elect S-corporation status. The calculation of taxable income begins with Federal Taxable Income before Net Operating Loss, less Special Deductions. Additions to income are required for items including taxes based on income, capital loss carry-over, certain royalties paid to related members, contributions, and expenses attributable to income not taxed. Deductions from income are allowed for items including U.S. obligation interest, capital loss not deducted on the Federal return, and certain royalty payments from related members.

The portion of this adjusted income that is subject to apportionment, less contributions to donees in other States, is apportioned to North Carolina based upon North Carolina's share of the corporation's property, payroll, and sales, with sales double-weighted in the formula. For several types of industries (utilities, construction contractors, securities dealers, loan companies, and corporations that receive more than 50% of their ordinary gross income from intangible property), apportionment is based only on the sales factor. Special apportionment rules apply to interstate carriers, railroads, and air and water transportation corporations. The Secretary of Revenue has the authority to approve an alternative method of apportionment if the taxpayer can establish evidence that the statutory formula operates to subject a greater portion of the corporation's income to tax than is attributable to its business in the State. Income not subject to apportionment is allocated to North Carolina if the business activity generating the income is located in North Carolina.

**SECTION I
FRANCHISE TAX**

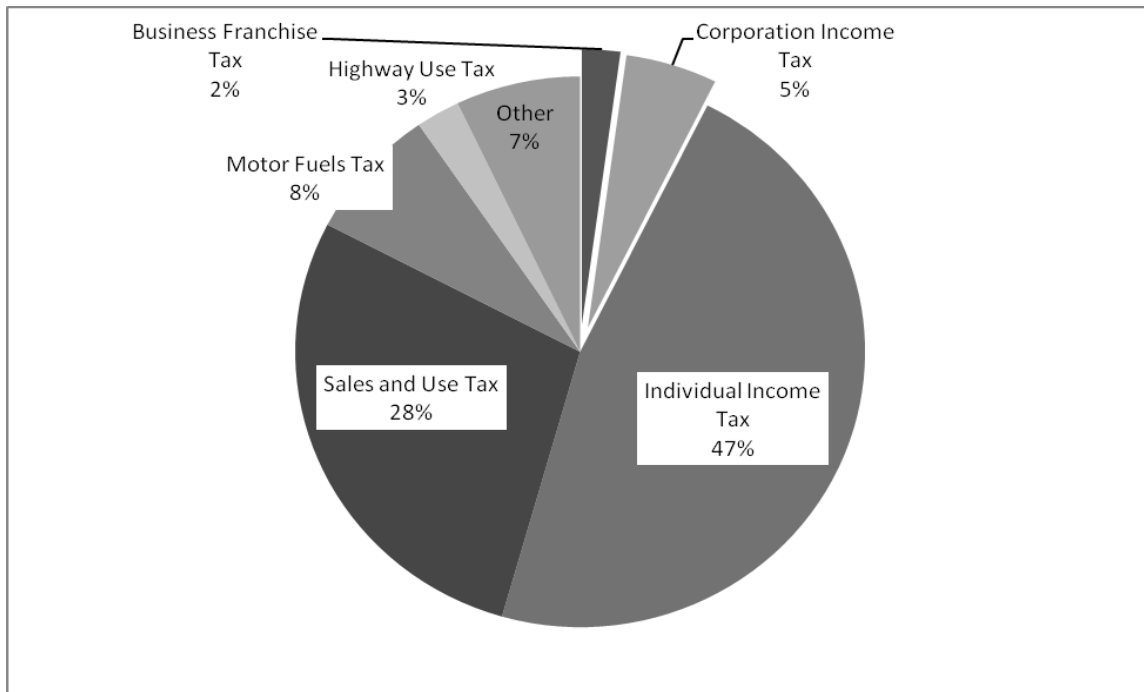
Total income allocated to North Carolina may be reduced by the value of net economic loss, percentage depletion over cost depletion, and contributions to North Carolina donees. The net taxable income is taxed at a rate of 6.9%. For Tax Years 2009 and 2010, a surcharge of 3% of the tax due is added to the taxpayer's tax liability.

S-corporations also must file returns at the corporation level, but the income tax is paid by shareholders through the individual income tax. S-corporations do sometimes make payments on behalf of nonresident shareholders, and these payments are treated as corporation income tax. As a result, information concerning the income and tax liabilities of S-corporations also is included in this report.

The following chart gives an idea of the relative importance of corporation tax revenues to overall State tax revenues. Net revenues from each tax type for Fiscal Year 2010-11 were compiled from the Department of Revenue's financial statistics (Highway Use Tax revenues were obtained from the Division of Motor Vehicles). Gross collections were decreased by refunds and distributions to local governments. The total amount excludes fees and licenses.

As the chart indicates, 7.4% of State tax revenues were attributable to the Business Franchise Tax and the Corporation Income Tax combined. Corporation taxes are the fourth largest category of revenues for the State government, surpassing the insurance gross premium tax, highway use taxes, alcoholic beverage taxes and tobacco products taxes. Only the individual income tax, the sales & use tax and the motor fuels tax generated more revenue.

Composition of Net State Tax Revenues by Tax Category, FY10-11



C-CORPORATIONS

For a distributional analysis in this report, franchise tax statistics have been broken out into 7 groupings of the franchise taxable amount. The first category (\$0 to \$23,667) represents those taxpayers that had the minimum \$35 amount of tax due or were exempt from the franchise tax.

Because of the low franchise tax rate, the amount of tax due by a given company was generally modest. After we excluded filers with zero due (9,803 returns), the average amount due from the remaining 67,350 returns was \$5,830. Half of these taxpayers owed \$70 or less; and 99% of taxpayers owed less than \$95,000 each.

Table 1.1 shows the distribution of returns based on which franchise tax base was used to calculate the taxable amount. The capital stock, surplus and undivided profits base was used on 44% of the 2009 tax year returns, followed by investment in tangible property base (14%), and appraised values in property base (8%). Thirty-four percent of the returns listed no assets because: 1) the taxpayer was exempt from franchise tax; 2) the 2009 tax year return was a final return; or 3) the taxpayer incorrectly completed the form.

**Table 1.1
C-Corporation Returns by Tax Base Utilized
Tax Year 2009**

Franchise Taxable Amount	Number of C-Corporation Returns				Total
	No Assets Listed	Stock, Surplus & Profits	Investment in Tangible Property in N.C.	Appraised Value of Property in N.C.	
\$0-\$23,667	26,166	7,977	2,427	1,880	38,450
\$23,668-\$100,000	-	6,373	2,601	1,653	10,627
\$100,001-\$1,000,000	-	11,740	3,586	2,209	17,535
\$1,000,001-\$5,000,000	-	4,343	1,140	499	5,982
\$5,000,001-\$20,000,000	-	1,932	567	125	2,624
\$20,000,001-\$40,000,000	-	568	171	31	770
\$40,000,001+	-	910	227	28	1,165
Total	26,166	33,843	10,719	6,425	77,153

Notes: Figures are based on both audited and unaudited returns. In cases where the bases were equal, the base listed earlier in the table (and on the return) was assigned

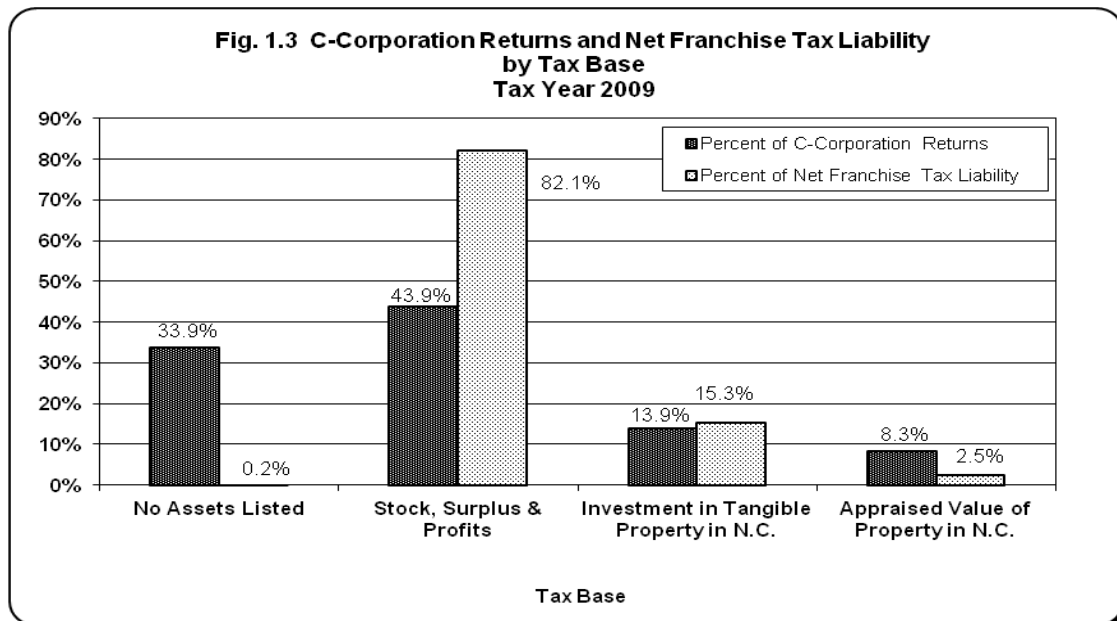
**SECTION I
FRANCHISE TAX**

Table 1.2 and Figure 1.3 provide the number of C-corporation returns and net franchise tax liability by tax base utilized. The greatest share of tax paid (82%) was under the capital stock, surplus and undivided profits base. Taxpayers using the investment in tangible property base paid 15% of the franchise tax, while the appraised value in property base represented only 2.5% of the net tax liability.

**Table 1.2
C-Corporation Net Franchise Tax Liability by Tax Base Utilized
Tax Year 2009**

Franchise Taxable Amount	Net Tax Liability (\$)				Total
	No Assets Listed	Stock, Surplus & Profits	Investment in Tangible Property in N.C.	Appraised Value of Property in N.C.	
\$0-\$23,667	617,753	275,258	83,412	62,969	1,039,392
\$23,668-\$100,000	-	516,718	204,536	123,902	845,156
\$100,001-\$1,000,000	-	6,209,620	1,762,648	1,059,456	9,031,724
\$1,000,001-\$5,000,000	-	14,704,468	3,782,111	1,500,994	19,987,573
\$5,000,001-\$20,000,000	-	28,754,114	8,228,776	1,726,851	38,709,741
\$20,000,001-\$40,000,000	-	22,645,056	6,236,709	1,251,902	30,133,667
\$40,000,001+	-	249,386,272	39,622,559	3,898,123	292,906,954
Total	617,753	322,491,506	59,920,751	9,624,197	392,654,207

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.



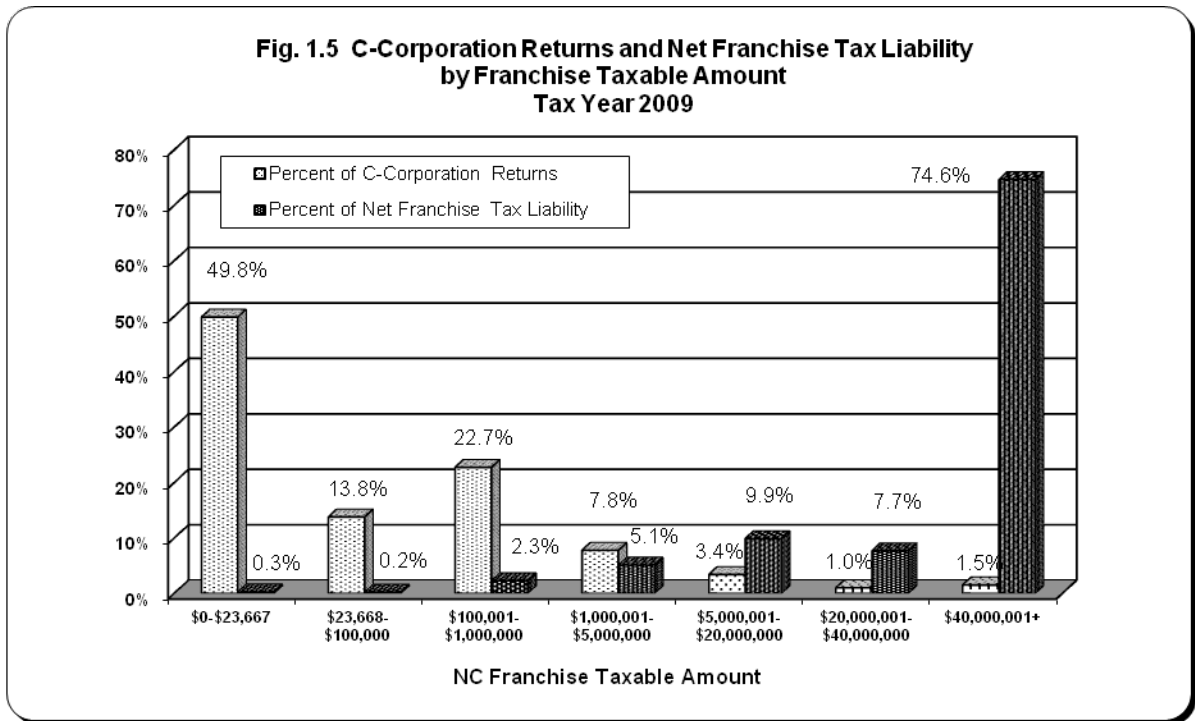
**SECTION I
FRANCHISE TAX**

Table 1.4 and Figure 1.5 provide the distribution of C-corporation returns and net franchise tax liability by taxable amount. Taxpayers with franchise taxable amount over \$40 million made up only 1.5% of the returns, but paid 74.6% of net franchise tax.

**Table 1.4
C-Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount
Tax Year 2009**

Franchise Taxable Amount	Number of Returns		Net Franchise Tax Liability (\$)	
	Number of Returns	Percent	Liability (\$)	Percent
\$0-\$23,667	38,450	49.8%	1,039,392	0.3%
\$23,668-\$100,000	10,627	13.8%	845,156	0.2%
\$100,001-\$1,000,000	17,535	22.7%	9,031,724	2.3%
\$1,000,001-\$5,000,000	5,982	7.8%	19,987,573	5.1%
\$5,000,001-\$20,000,000	2,624	3.4%	38,709,741	9.9%
\$20,000,001-\$40,000,000	770	1.0%	30,133,667	7.7%
\$40,000,001+	1,165	1.5%	292,906,954	74.6%
Total	77,153	100.0%	392,654,207	100.0%

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.



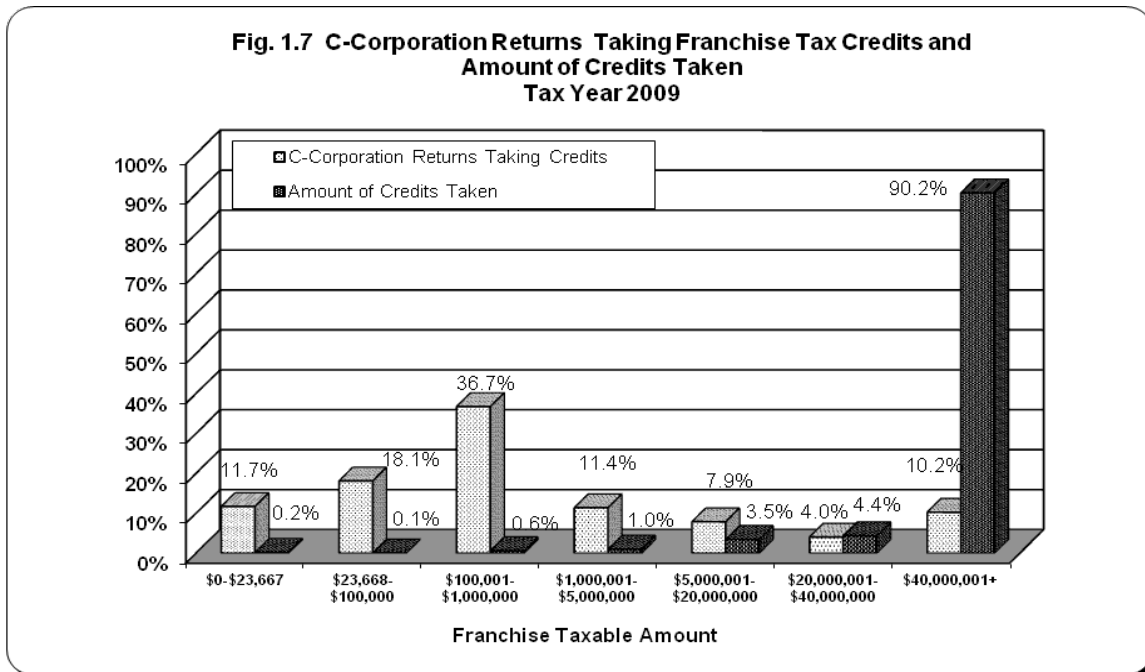
**SECTION I
FRANCHISE TAX**

Table 1.6 and Figure 1.7 show the number of returns taking franchise tax credits and amount of credits taken. Of the 67,405 returns with positive tax liability before credits, only 3,153 (4.7%) took credits. Returns with franchise taxable amount greater than \$40 million comprised only 10.2% of the returns taking credits, but 90.2% of the credits taken.

**Table 1.6
C-Corporation Returns Taking Franchise Tax Credits and Amount of Credits Taken
Tax Year 2009**

Franchise Taxable Amount	Number of Returns		Amount of Credits	
	Taking Credits	Percent	Taken (\$)	Percent
\$0-\$23,667	368	11.7%	120,628	0.2%
\$23,668-\$100,000	570	18.1%	27,228	0.1%
\$100,001-\$1,000,000	1,158	36.7%	312,649	0.6%
\$1,000,001-\$5,000,000	359	11.4%	503,704	1.0%
\$5,000,001-\$20,000,000	248	7.9%	1,734,216	3.5%
\$20,000,001-\$40,000,000	127	4.0%	2,179,763	4.4%
\$40,000,001+	323	10.2%	45,115,279	90.2%
Total	3,153	100.0%	49,993,467	100.0%

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.



**SECTION I
FRANCHISE TAX**

Table 1.8 shows the amount of franchise tax credits by credit type and franchise taxable amount. On average, credits offset 11.9% of tax liability for taxpayers whose taxable amount was above \$5 million and 3.0% for those with lower taxable amounts.

**Table 1.8
C-Corporation Franchise Tax Credits Taken by Credit Type and Franchise Taxable Amount
Tax Year 2009**

Income Tax Credits	All Returns		Taxable Amount <\$5,000,001		Taxable Amount \$5,000,001+	
	Number of Credits	Amount Claimed (\$)	Number of Credits	Amount Claimed (\$)	Number of Credits	Amount Claimed (\$)
Short Period Credit for Change in Income Year	242	6,991,771	165	211,676	77	6,780,095
+ Other Credits Claimed*	180	29,769,675	150	33,965	30	29,735,710
- Other Credits Not Taken **	--	(24,705,000)	--	(9,936)	--	(24,695,064)
+ Credits Subject to 50% Limit Taken	2,746	37,937,021	2,150	728,504	596	37,208,517
= Credits Taken	3,153	49,993,467	2,455	964,209	698	49,029,258

* This category includes Major Computer Manufacturing Facility, Historic Mill Rehabilitation, Expenses Related to Dividends, Investing in Recycling Facility, and Piped Natural Gas credits.

** Credits were not taken against tax because taxpayer's liability was less than the amount of credits claimed or because of taxpayer error.

Note: Confidentiality prevents the disclosure of the individual credits and credit amounts. Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding or taxpayer error.

S-CORPORATIONS

Table 1.9 shows the distribution of S-corporation returns by franchise tax base. The capital stock, surplus and undivided profits base was used on 40% of 2009 tax year returns, followed by investment in tangible property base (21%), and appraised values in property (15%). Twenty-three percent of the returns listed no assets because: 1) the taxpayer was exempt from franchise tax; 2) the 2009 tax year return was a final return; or 3) the taxpayer incorrectly completed the form.

**Table 1.9
S-Corporation Returns by Tax Base Utilized
Tax Year 2009**

Franchise Taxable Amount	Number of S-Corporation Returns				Total
	No Assets Listed	Stock, Surplus & Profits	Investment in Tangible Property in N.C.	Appraised Value of Property in N.C.	
\$0-\$23,667	34,519	26,478	10,750	8,788	80,535
\$23,668-\$100,000	-	15,046	9,878	5,802	30,726
\$100,001-\$1,000,000	-	14,122	9,050	6,249	29,421
\$1,000,001-\$5,000,000	-	2,690	1,380	1,364	5,434
\$5,000,001-\$20,000,000	-	511	294	208	1,013
\$20,000,001-\$40,000,000	-	64	30	18	112
\$40,000,001+	-	32	21	11	64
Total	34,519	58,943	31,403	22,440	147,305

Note: Figures are based on both audited and unaudited returns. In cases where the bases were equal, the base listed earlier in the table (and on the return) was assigned

Table 1.10 and Figure 1.11 provide the number of S-corporation returns and net franchise tax liability by tax base utilized. The greatest share of tax paid (50%) was under the capital stock, surplus and undivided profits base.

**Table 1.10
S-Corporation Net Franchise Tax Liability by Tax Base Utilized
Tax Year 2009**

Franchise Taxable Amount	Net Tax Liability (\$)				Total
	No Assets Listed	Stock, Surplus & Profits	Investment in Tangible Property in N.C.	Appraised Value of Property in N.C.	
\$0-\$23,667	978,957	909,620	369,349	301,507	2,559,433
\$23,668-\$100,000	-	1,166,293	769,361	444,433	2,380,087
\$100,001-\$1,000,000	-	6,523,601	3,948,311	3,064,843	13,536,755
\$1,000,001-\$5,000,000	-	8,281,506	4,360,056	4,050,340	16,691,902
\$5,000,001-\$20,000,000	-	6,761,157	3,634,675	2,623,510	13,019,342
\$20,000,001-\$40,000,000	-	2,484,237	1,078,668	746,674	4,309,579
\$40,000,001+	-	3,819,748	2,785,525	1,069,582	7,674,855
Total	978,957	29,946,162	16,945,945	12,300,889	60,171,953

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.

**SECTION I
FRANCHISE TAX**

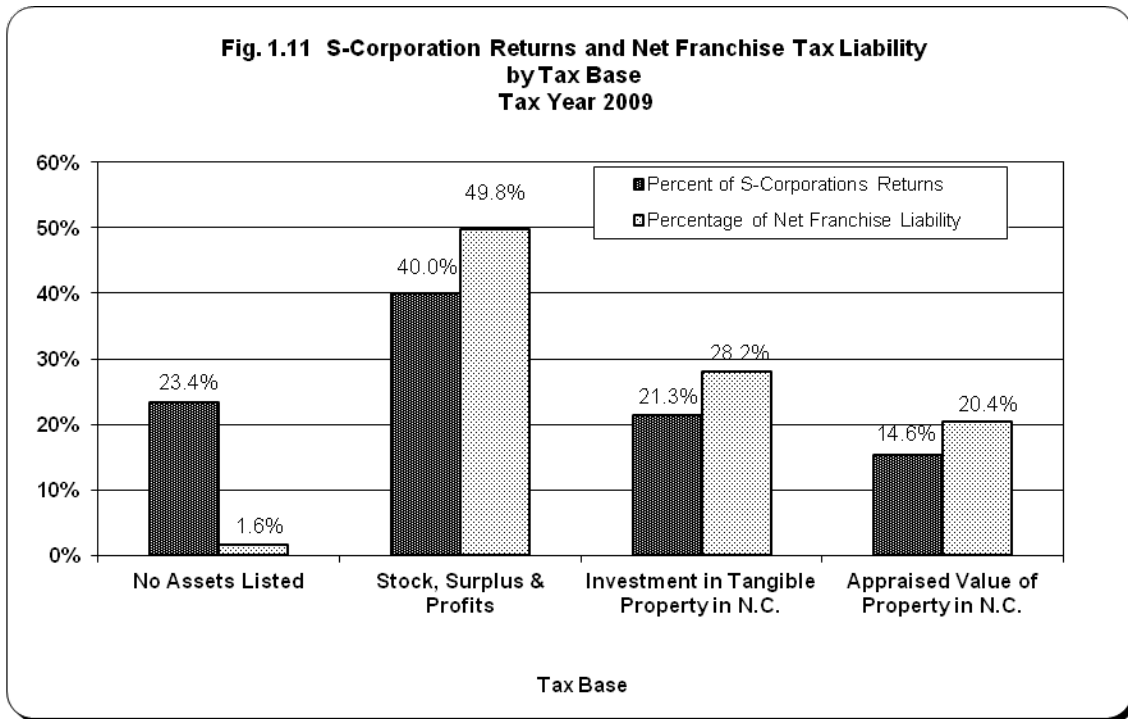


Table 1.12 and Figure 1.13 provide the distribution of S-corporation returns and net franchise tax liability. The top 1% of returns, by taxable amount, paid 41% of the tax. Taxpayers with franchise taxable amount between \$1 million and \$5 million paid the largest share of net franchise tax.

**Table 1.12
S-Corporation Returns and Net Franchise Tax Liability by Franchise Taxable Amount
Tax Year 2009**

Franchise Taxable Amount	Number of Returns		Net Franchise Tax Liability (\$)	
	Number of Returns	Percent	Liability (\$)	Percent
\$0-\$23,667	80,535	54.7%	2,559,433	4.3%
\$23,668-\$100,000	30,726	20.9%	2,380,087	4.0%
\$100,001-\$1,000,000	29,421	20.0%	13,536,755	22.5%
\$1,000,001-\$5,000,000	5,434	3.7%	16,691,902	27.7%
\$5,000,001-\$20,000,000	1,013	0.7%	13,019,342	21.6%
\$20,000,001-\$40,000,000	112	0.1%	4,309,579	7.2%
\$40,000,001+	64	0.0%	7,674,855	12.8%
Total	147,305	100.0%	60,171,953	100.0%

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.

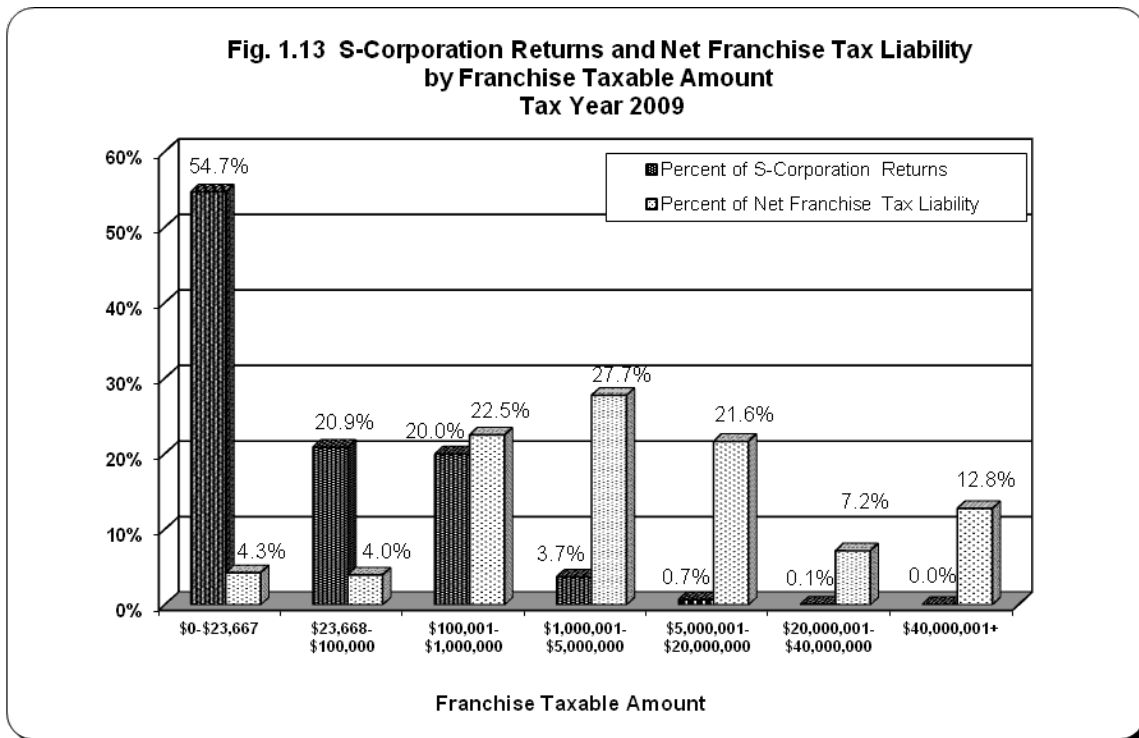


Table 1.14 and Figure 1.15 show the number of returns taking franchise tax credits and amount of credits taken. Returns with a franchise taxable amount greater than \$40 million comprised 0.3% of the returns taking credits and 25.2% of the credits taken.

**Table 1.14
S-Corporation Returns Taking Franchise Tax Credits and Amount of Credits Taken
Tax Year 2009**

Franchise Taxable Amount	Number of Returns Taking Credits		Amount of Credits Taken (\$)	
		Percent		Percent
\$0-\$23,667	968	28.1%	31,654	1.9%
\$23,668-\$100,000	810	23.5%	49,524	2.9%
\$100,001-\$1,000,000	1,225	35.6%	281,368	16.6%
\$1,000,001-\$5,000,000	319	9.3%	294,507	17.4%
\$5,000,001-\$20,000,000	95	2.8%	410,229	24.2%
\$20,000,001-\$40,000,000	15	0.4%	202,297	11.9%
\$40,000,001+	10	0.3%	427,061	25.2%
Total	3,442	100.0%	1,696,640	100.0%

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.

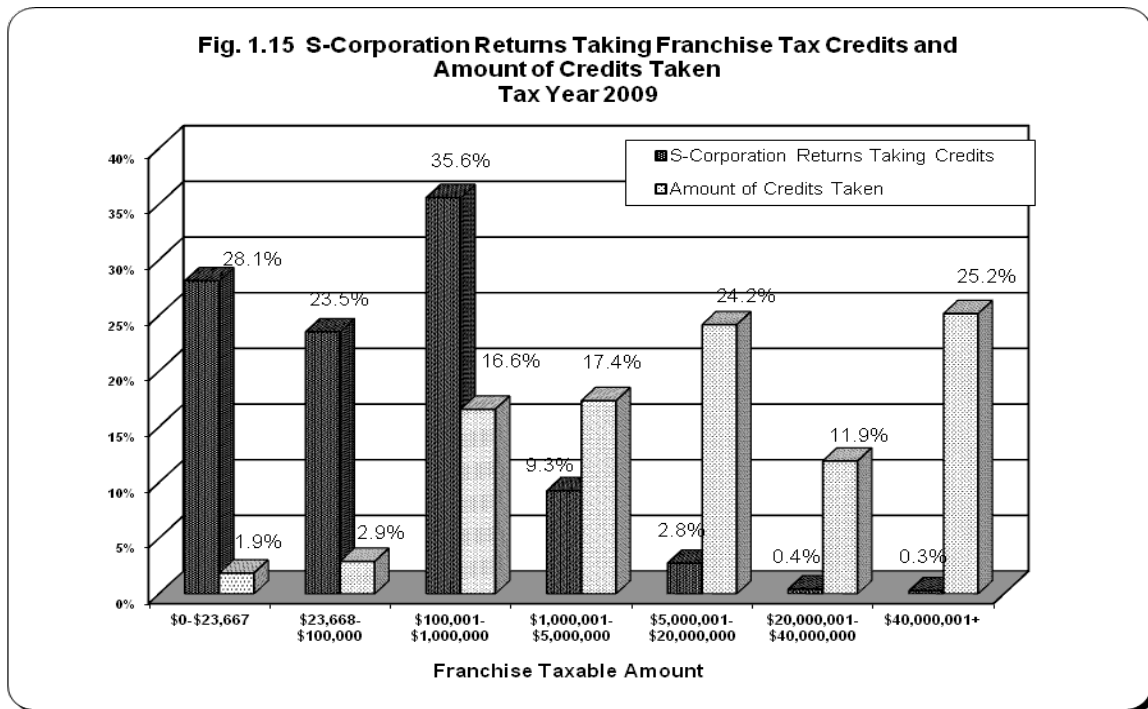


Table 1.16 shows the amount of franchise tax credits by credit type and franchise taxable amount.

**Table 1.16
S-Corporation Franchise Tax Credits Taken by Credit Type and Franchise Taxable Amount
Tax Year 2009**

Income Tax Credits	All Returns		Taxable Amount <\$5,000,001		Taxable Amount \$5,000,001+	
	Number of Credits*	Amount Claimed (\$)	Number of Credits	Amount Claimed (\$)	Number of Credits	Amount Claimed (\$)
Short Period Credit for Change in Income Year	148	87,880	139	27,382	9	60,498
Credits Subject to 50% Limit	1,717	1,442,135	1,624	485,295	93	956,840
Others**	1,598	299,208	1,578	276,959	20	22,249
Credits Claimed	3,463	1,829,223	3,341	789,636	122	1,039,587
Credits Not Taken ***	--	132,583	--	132,583	--	-
Credits Taken	--	1,696,640	--	657,053	--	1,039,587

* The total number of credits does not equal to the total number of returns claiming credits stated in Table 1.14 because several taxpayers took credits from multiple categories in this table.

** This category include Piped Natural Gas, and Other Non-Limited Franchise Credits

*** Credits were not taken against tax because taxpayer's liability was less than the amount of credits claimed or because of taxpayer error.

Note: Confidentiality prevents the disclosure of the individual credits and credits amount. Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding or taxpayer error.

C & S CORPORATIONS COMBINED

Figure 1.17 shows the number of returns and net franchise tax liability for all C and S corporations combined. The largest amount of net franchise tax was paid by the returns having capital stock, surplus and profits as the tax base. Twenty-seven percent of the returns listed no assets because: 1) the taxpayer was exempt from franchise tax; 2) the 2009 tax year return was a final return; 3) or the taxpayer incorrectly completed the form.

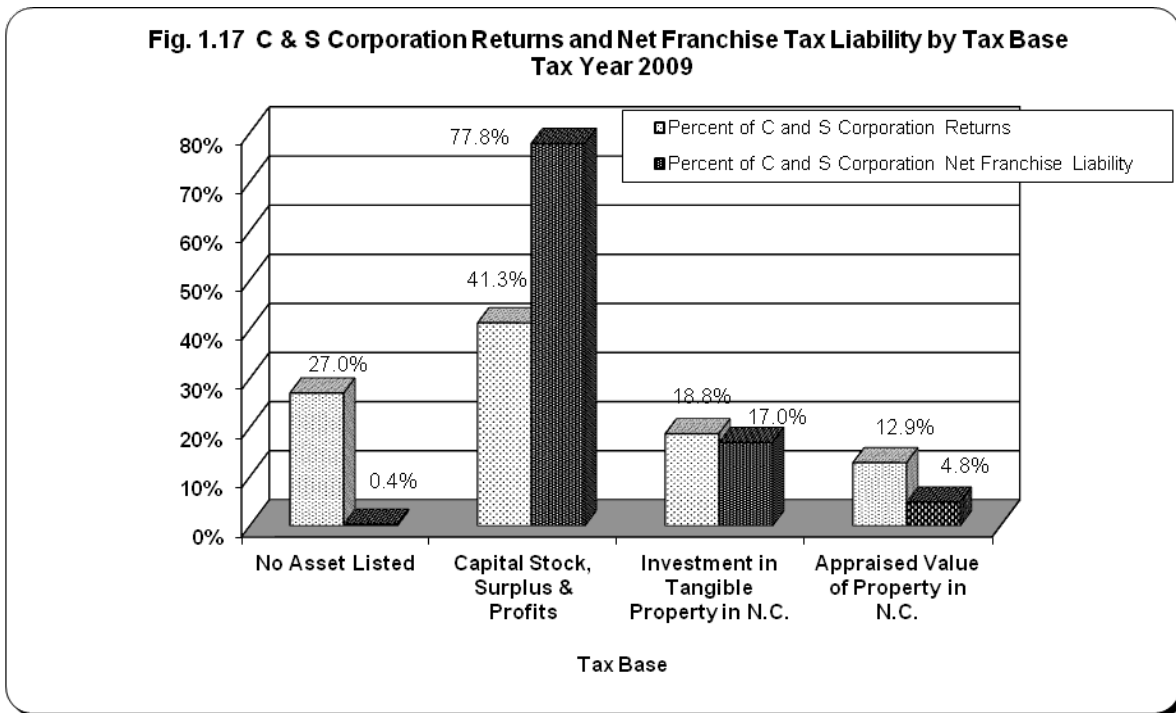
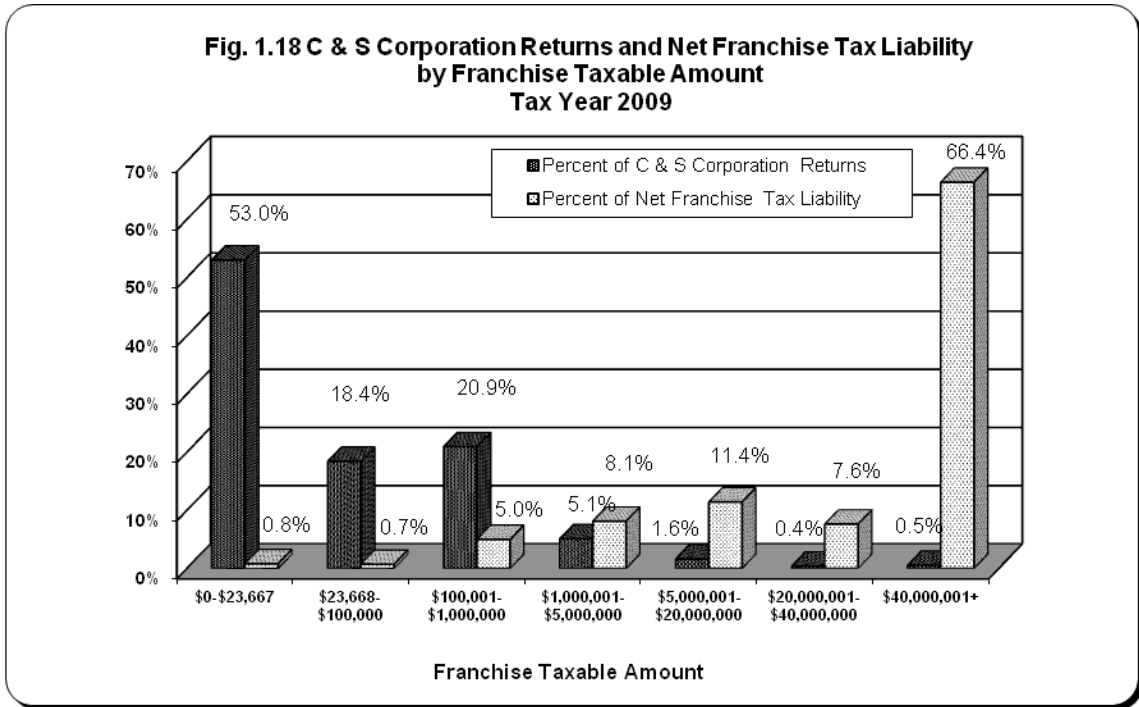
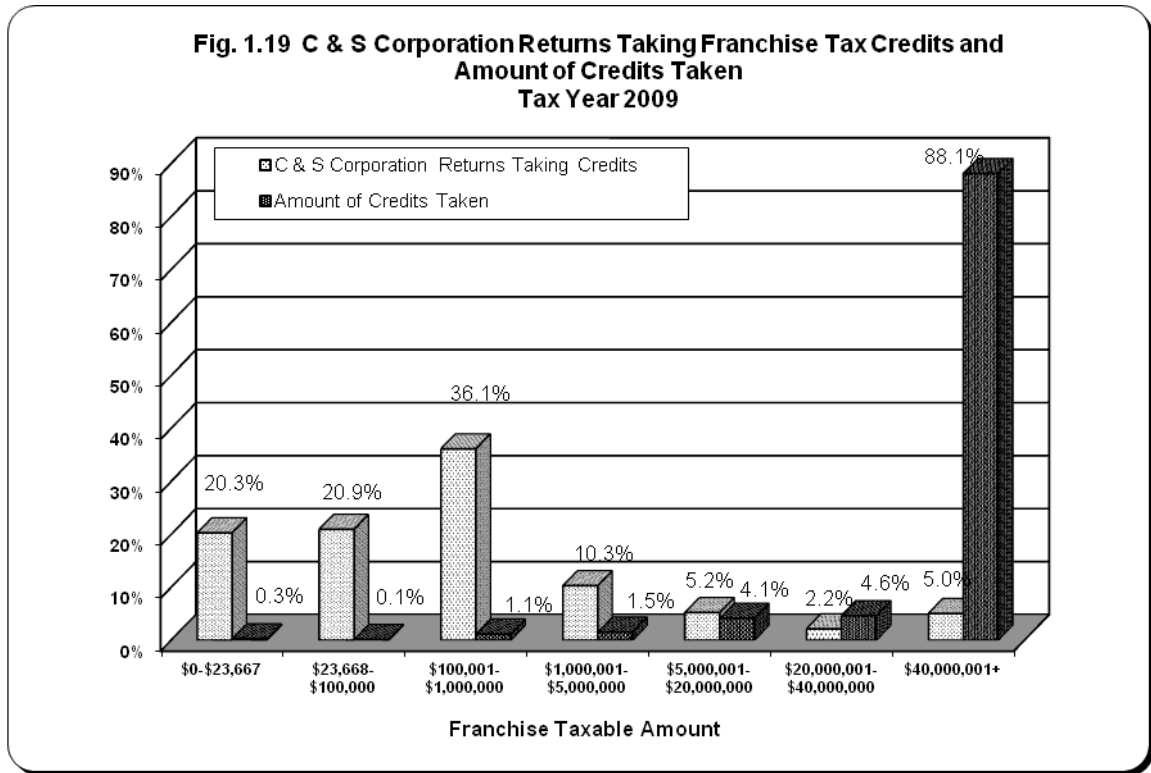


Figure 1.18 shows the number of C and S corporation returns and net franchise tax liability. The top 2.6% of returns, by taxable amount, paid 85.4% of the tax. Taxpayers with franchise taxable amount over \$20 million made up less than 1% of the returns, but paid 74% of net franchise tax.



**SECTION I
FRANCHISE TAX**

Figure 1.19 shows the distribution of C and S corporation returns that took franchise tax credits and the amount of credits taken. Only 6,595 of the 224,458 corporations took credits in tax year 2009. Corporations with over \$40 million as their franchise tax base took 88% of credits.



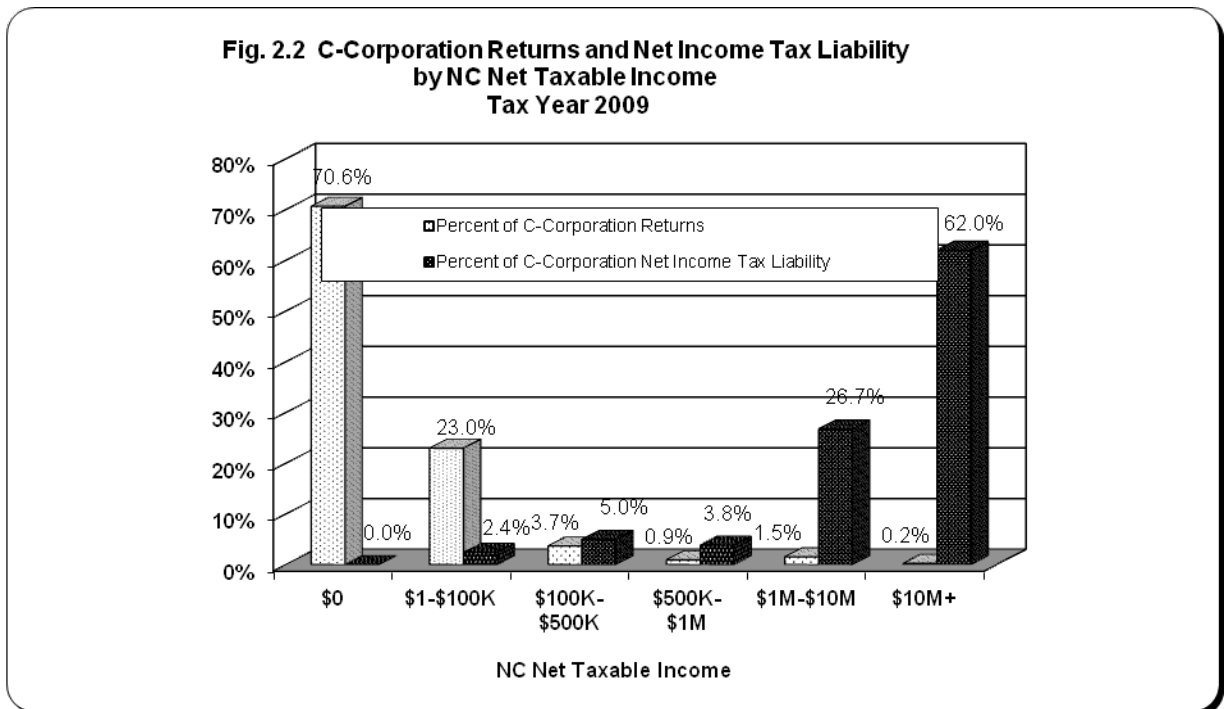
C-CORPORATIONS

Table 2.1 and Figure 2.2 show the distribution of returns and net income tax liability by NC net taxable income (as calculated on Line 25 of Form CD-405). Although 77,153 C-corporations filed a tax return for tax year 2009, only 22,439 of them (less than 30%) actually had a net tax liability (i.e., a tax liability after credits were applied).

**Table 2.1
C-Corporation Returns and Net Income Tax Liability by NC Net Taxable Income
Tax Year 2009**

NC Net Taxable Income	Number of Returns	Percent	Cumulative Percent	Net Income Tax Liability [\$]	Percent	Cumulative Percent
\$0 or less	54,493	70.63%	70.63%	--	--	--
\$1-\$15,000	11,413	14.79%	85.42%	3,230,257	0.35%	0.35%
\$15,001-\$30,000	2,435	3.16%	88.58%	3,688,821	0.40%	0.76%
\$30,001-\$50,000	1,788	2.32%	90.90%	4,900,221	0.54%	1.30%
\$50,001-\$100,000	2,081	2.70%	93.59%	10,321,549	1.13%	2.43%
\$100,001-\$500,000	2,841	3.68%	97.28%	45,482,350	4.99%	7.42%
\$500,001-\$1,000,000	717	0.93%	98.20%	34,993,946	3.84%	11.26%
\$1,000,001-\$10,000,000	1,194	1.55%	99.75%	243,821,192	26.75%	38.00%
\$10,000,001+	191	0.25%	100.00%	565,133,329	62.00%	100.00%
Total	77,153	100.00%	--	911,571,665	100.00%	--

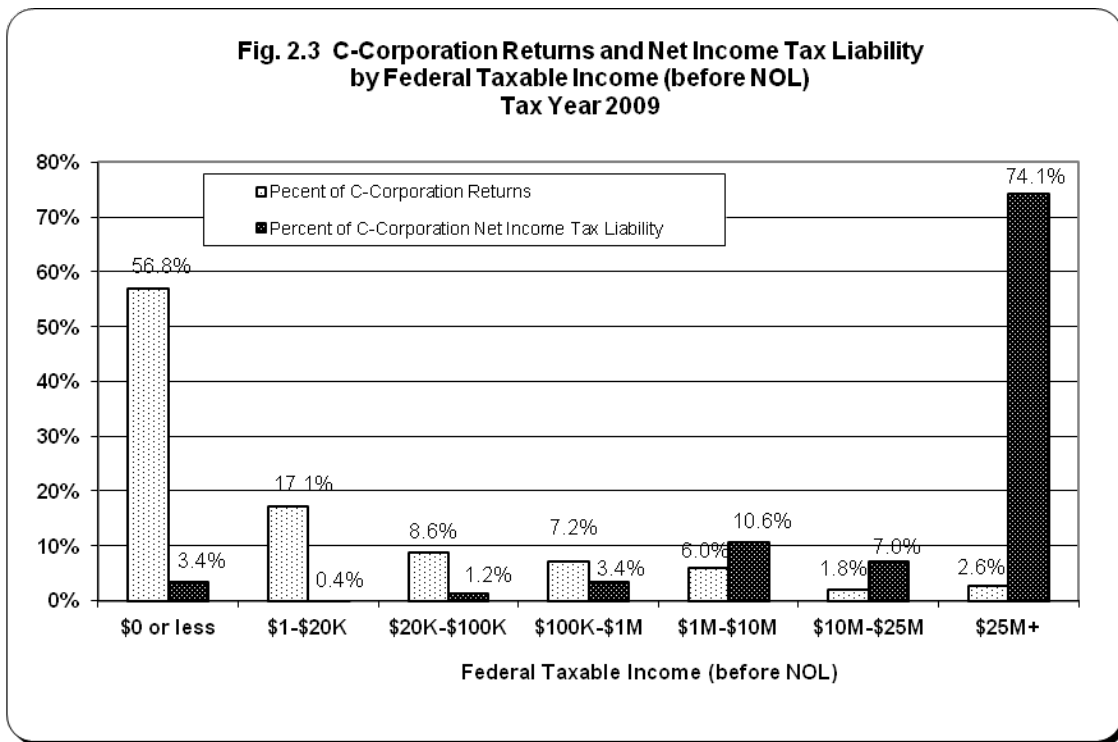
Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.



Among those C-corporations that did have a tax liability, 78% had NC Taxable Income of \$100,000 or less. This group of corporations paid only 2.4% of total net income tax. At the other end of the spectrum, C-corporations with a North Carolina Taxable Income of over \$1 million represented 88.7% of the C-corporation income tax liability, but made up less than 2% of the corporations filing returns. Sixty-two percent of the total corporation income tax liability was attributable to the 191 corporations with North Carolina Taxable Income of over \$10 million.

Figure 2.3 provides the distribution of returns and tax liability by federal taxable income *before Net Operating Loss carryforwards*. Therefore, this distribution gives a break-down of income based on a company's current-year national income.

As shown in Figure 2.3, corporations with federal taxable income (before NOL) over \$25 million paid over 74% of NC net income tax.



**SECTION II
INCOME TAX**

Table 2.4 shows the distribution of returns by apportionment percentage and federal taxable income. A corporation's apportionment percentage is used to determine how much of the corporation's national income may be taxed by North Carolina. For most types of companies, the percentage is based on how much of the corporation's property, payroll, and sales are in North Carolina, with sales being given a double weight.

**Table 2.4
C-Corporation Returns by Federal Taxable Income (Before NOL) and
Apportionment Percentage
Tax Year 2009**

Federal Taxable Income (before NOL)	NC Apportionment Percentage					Total
	<5%	5% - 24%	25% - 49%	50% - 99%	100%	
\$0 or less	12,340	1,895	677	1,117	27,788	43,817
\$1 - \$20,000	898	188	95	225	11,753	13,159
\$20,001 - \$100,000	1,170	307	146	329	4,706	6,658
\$100,001 - \$ 1,000,000	2,717	611	242	402	1,551	5,523
\$1,000,001 - \$10,000,000	3,440	586	188	178	223	4,615
\$10,000,001-\$25,000,000	1,177	143	37	30	11	1,398
\$25,000,001+	1,741	194	30	14	4	1,983
Total	23,483	3,924	1,415	2,295	46,036	77,153

Note: Figures are based on both audited and unaudited returns.

**Table 2.5
C-Corporation Net Income Tax Liability by Federal Taxable Income (Before NOL) and
Apportionment Percentage
Tax Year 2009**

Federal Taxable Income (before NOL)	NC Apportionment Percentage					Total
	<5% [\$]	5% - 24% [\$]	25% - 49% [\$]	50% - 99% [\$]	100% [\$]	
\$0 or less	14,697,465	2,713,699	9,306,835	3,375,955	448,611	30,542,565
\$1 - \$20,000	13,541	15,876	24,944	131,963	3,024,928	3,211,252
\$20,001 - \$100,000	72,160	150,374	126,590	749,975	10,020,370	11,119,469
\$100,001 - \$ 1,000,000	1,027,808	1,782,242	1,904,060	6,494,556	19,715,604	30,924,270
\$1,000,001 - \$10,000,000	12,415,037	15,412,780	14,480,205	23,117,323	31,439,627	96,864,972
\$10,000,001-\$25,000,000	15,289,535	12,192,863	11,759,401	14,805,159	9,715,152	63,762,110
\$25,000,001+	270,224,973	226,070,256	112,831,113	54,881,495	11,139,190	675,147,027
Total	313,740,519	258,338,090	150,433,148	103,556,426	85,503,482	911,571,665

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.

Table 2.5 and Figure 2.6 show the net income tax liability by apportionment percentage and federal taxable income. C-corporations that operate exclusively within North Carolina, and so apportion all of their income to the state, made up 60% of the returns filed for tax year 2009. These corporations accounted for only 9% of the corporation income tax liability, however, largely because the majority of them started out with Federal Taxable Income of zero or less.

The State receives a significant portion of its corporation income taxes from a small number of large multi-state firms. Fifty-four percent of corporation income tax was attributable to 1,423 corporations with Federal Taxable Income of over \$25 million that apportioned less than 25% of their income to North Carolina. The economic success, sales patterns, and tax planning decisions of this relatively small number of large, multi-state companies can significantly affect North Carolina's corporation income tax revenues.

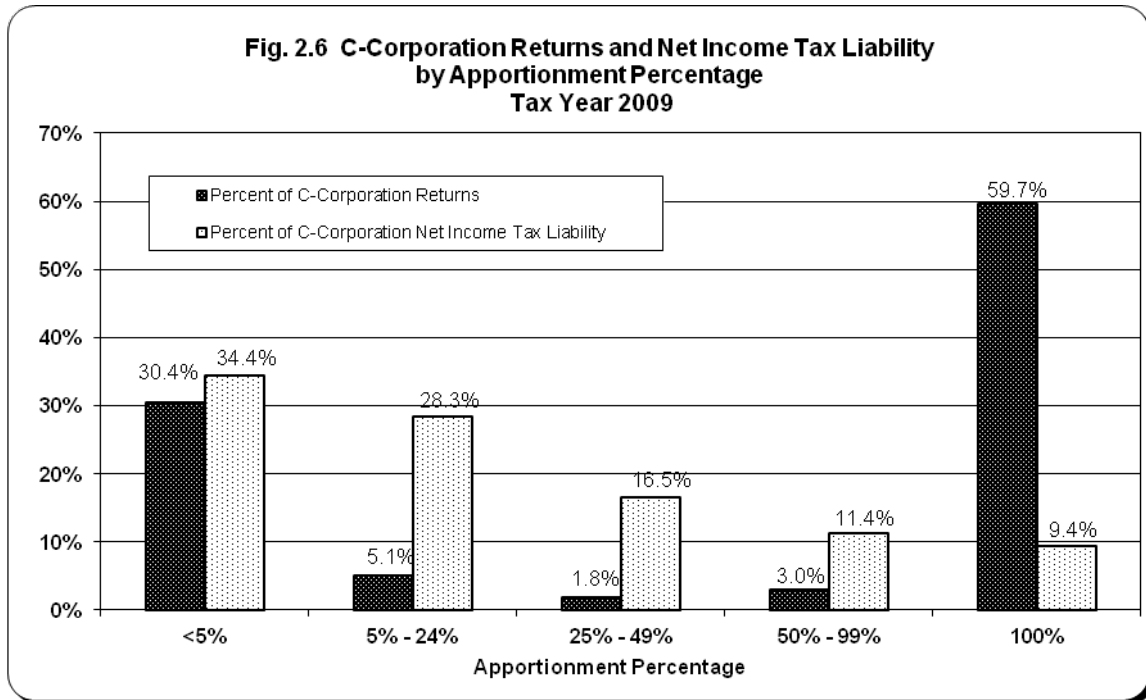


Table 2.7 on the next page shows the income tax calculation detail, based on groupings by federal taxable income. Out of 77,153 returns, 29% were taxable returns and 71% were nontaxable returns. Taxable returns with a federal taxable income over \$25 million made up only 1.9% of the returns but accounted for 94% of the federal taxable income before NOL and 74% of the tax liability.

Of the 43,817 returns with federal taxable income of zero or less, 1,093 had a North Carolina tax liability as a result of adjustment to income or the allocation of nonapportionable income to North Carolina. Of the remaining 33,336 returns that did show a federal taxable income, 11,990 did not have a net North Carolina liability. One can trace through the calculations in Table 2.7 to see how these companies reduced their tax liability. From federal taxable income of \$150.8 billion, there was a reduction of \$14.9 billion due to adjustments, a reduction of \$126.3 billion due to apportioning income to North Carolina, and a reduction of \$6.4 billion due to Net Economic Loss carryforwards.

Some corporations have no federal taxable income but pay North Carolina taxes because provisions of the State tax code require that they add back certain amounts. One of those addbacks in 2009 was for the bonus depreciation allowance created by the American Recovery and Reinvestment Act of 2009 at the federal level. As such, these addbacks are only a temporary addition to tax, as they will be offset by future deductions.

The 3% surtax enacted for tax years 2009 and 2010 increased tax liability by \$28.5 million.

Finally, North Carolina tax credits for businesses reduced overall C-Corporation tax liabilities by \$65.9 million.

**SECTION II
INCOME TAX**

**Table 2.7
C-Corporation Income Tax Calculation Detail by Federal Taxable Income (Before NOL)
Tax Year 2009**

FIT of Corporation	Number of Returns	Federal Taxable Income, Before NOL [\$]	(+) Adjustments to Federal Income [\$]	(-) Contributions to Donees Outside NC [\$]	(-) Nonapportionable Income [\$]	(-) Reduction Due To Apportionment [\$]	(=) Income Apportioned to NC [\$]
Taxable Returns							
\$0 or less	1,093	(6,466,643,660)	15,013,066,983	82,890,554	12,654,478	8,005,073,448	445,804,894
\$1-\$20,000	7,890	45,385,880	15,018,307	308,340	262,327	9,923,127	49,910,393
\$20,001-\$100,000	4,321	205,797,677	34,138,410	929,209	1,455,018	63,595,925	173,955,935
\$100,001-\$1,000,000	3,495	1,307,250,950	280,508,020	8,077,354	18,731,500	1,082,969,739	477,980,377
\$1,000,001-\$10,000,000	3,151	12,054,045,038	2,656,636,058	58,845,161	81,897,655	13,096,849,831	1,473,088,426
\$10,000,001-\$25,000,000	1,020	16,049,454,184	2,522,812,438	76,319,832	29,115,826	17,445,771,069	1,021,059,872
\$25,000,001+	1,469	372,252,060,393	(4,132,968,486)	2,499,072,884	1,673,383,162	353,185,362,896	10,761,272,215
Total, Taxable	22,439	395,447,350,462	16,389,211,730	2,726,443,334	1,817,499,966	392,889,546,035	14,403,072,112
Nontaxable Returns							
\$0 or less	42,724	(393,966,661,650)	44,676,120,088	24,210,805	4,999,480,127	(339,284,773,223)	(15,029,461,341)
More than \$0	11,990	150,814,594,108	(14,903,805,447)	366,558,803	7,743,619,985	126,276,591,695	1,524,018,676
Total, Nontaxable	54,714	(243,152,067,542)	29,772,314,641	390,769,608	12,743,100,112	(213,008,181,528)	(13,505,442,665)

FIT of Corporation	(+) Nonapportionable Income Allocated to NC [\$]	(-) Percentage Depletion Over Cost Depletion [\$]	(-) Net Economic Loss [\$]	(-) Contributions to NC Donees [\$]	(=) Net Taxable Income [\$]	Computed Income Tax [\$]	(+) Surtax [\$]	(-) Tax Credits [\$]	(=) Net Tax Liability [\$]
Taxable Returns									
\$0 or less	8,126,175	3,314	5,581,229	637,127	447,709,399	30,891,929	926,733	1,276,097	30,542,565
\$1-\$20,000	124,551	2,152	3,792,359	384,088	45,856,345	3,164,144	94,839	47,718	3,211,252
\$20,001-\$100,000	775,290	79	13,384,140	1,511,718	159,835,288	11,028,645	330,844	239,853	11,119,469
\$100,001-\$1,000,000	4,796,795	181,463	37,785,415	3,249,839	441,560,455	30,467,686	914,046	456,481	30,924,270
\$1,000,001-\$10,000,000	15,150,083	27	63,795,823	5,037,154	1,419,405,505	97,939,003	2,938,192	4,012,223	96,864,972
\$10,000,001-\$25,000,000	1,905,763	178,153	55,098,064	2,590,786	965,098,632	66,591,815	1,997,757	4,827,462	63,762,110
\$25,000,001+	2,645,020	6,922,423	422,025,785	60,132,041	10,274,836,986	708,963,767	21,268,910	55,085,650	675,147,027
Total, Taxable	33,523,677	7,287,611	601,462,815	73,542,753	13,754,302,610	949,046,989	28,471,321	65,945,484	911,571,665
Nontaxable Returns									
\$0 or less	(70,506,885)	63,644,163	9,255,554,574	79,709,357	(24,498,876,320)	w	w	w	-
More than \$0	(14,811,368)	21,053,667	6,391,698,395	4,004,337	(4,907,549,091)	w	w	w	-
Total, Nontaxable	(85,318,253)	84,697,830	15,647,252,969	83,713,694	(29,406,425,411)	83,929	2,517	86,446	-

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding or taxpayer error. A "w" indicates that the number is withheld to protect confidentiality.

**SECTION II
INCOME TAX**

Tables 2.8 and 2.9 show the distribution of taxable returns and income tax credits taken by tax credit as a percentage of tax and federal taxable income. Ninety-six percent of the 22,660 returns with positive tax liability before credits did not take any income tax credit. Fifty-three percent of the 890 returns taking credits had over 40% of their tax relieved by the income tax credits. As shown in Table 2.9, these returns accounted for nearly 53% of the total credits taken.

**Table 2.8
Number of C-Corporation Returns Taking Credits as a Percentage of Tax Liability
Tax Year 2009**

NC Taxable Income	Income Tax Credits as a Percentage of Tax					Total
	0%	0.1% -9.9%	10% -19.9%	20% -39.9%	40% +	
\$1-\$15,000	11,202	5	3	22	181	11,413
\$15,001-30,000	2,349	1	9	14	62	2,435
\$30,001-\$50,000	1,706	12	8	19	43	1,788
\$50,001-\$100,000	1,980	19	14	23	45	2,081
\$100,001-\$500,000	2,713	43	26	20	39	2,841
\$500,001-\$1,000,000	653	16	6	6	36	717
\$1,000,001-\$10,000,000	1,042	52	22	21	57	1,194
\$10,000,001+	113	35	15	9	19	191
Total	21,758	183	103	134	482	22,660

Note: Calculations are based on both audited and unaudited returns. The table does not include the 54,493 returns that had zero taxable income.

**Table 2.9
Amount of C-Corporation Tax Credits Taken as a Percentage of Tax Liability
Tax Year 2009**

NC Taxable Income	Income Tax Credits as a Percentage of Tax					Total
	0% [\$]	0.1% -9.9% [\$]	10% -19.9% [\$]	20% -39.9% [\$]	40% + [\$]	
\$1-\$15,000	-	186	188	4,315	33,162	37,851
\$15,001-30,000	-	35	2,181	7,385	41,843	51,444
\$30,001-\$50,000	-	2,148	3,394	13,730	60,282	79,554
\$50,001-\$100,000	-	6,239	10,548	35,598	103,848	156,233
\$100,001-\$500,000	-	29,725	53,658	87,151	367,834	538,368
\$500,001-\$1,000,000	-	33,445	41,348	63,563	855,942	994,298
\$1,000,001-\$10,000,000	-	452,348	892,135	1,428,006	6,542,153	9,314,642
\$10,000,001+	-	5,493,614	16,147,223	6,420,138	26,798,565	54,859,540
Total		6,017,740	17,150,675	8,059,886	34,803,629	66,031,930

Note: Figures are based on both audited and unaudited returns. Detail may not add to totals due to rounding.

Figure 2.10 shows the average amount of tax liability offset by tax credits for the various taxable income groups. The offset was greater for taxpayers with at least \$10 million in federal taxable income.

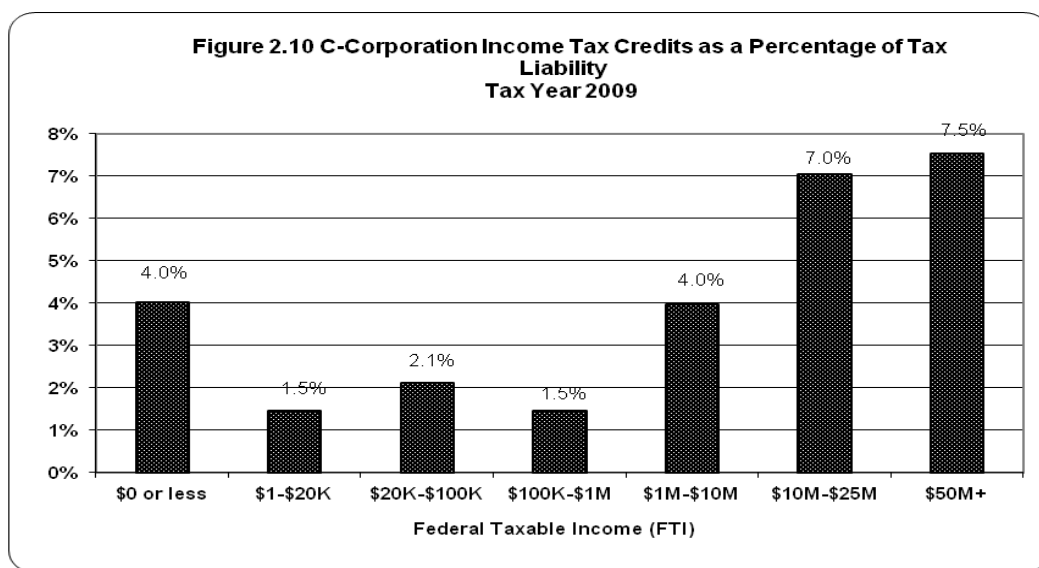


Table 2.11 provides the distribution of income tax credits by credit type and NC net taxable income. This breakdown shows that most of the credits taken were those limited to 50% of the company's tax liability. Most of these are the business incentive tax credits in Articles 3A through 3K of Chapter 105 of the General Statutes.

**Table 2.11
C-Corporation Income Tax Credits by Credit Type and NC Taxable Income
Tax Year 2009**

Income Tax Credits	All Returns		NCTI up to \$1,000,000		NCTI>\$1,000,000	
	Number of Credits*	Amount (\$)	Number of Credits	Amount (\$)	Number of Credits	Amount (\$)
Rehabilitating an Income-Producing Historic Structure	10	23,774,157	6	22,210,055	4	1,564,102
Certain Real Property Donation	4	99,330	4	99,330	-	-
Savings and Loan Supervisory Fees	6	260,916	w	w	w	w
Other Non-Limited Credits	25	8,318,658	17	5,481,237	8	2,837,421
Credit Carryover from Previous Years	13	603,845	13	603,845	-	-
Tax Credit Subject to 50% of Tax Limit (Taken only)	865	66,257,591	649	1,828,645	216	64,428,946
Others **	6	3,086,681	w	w	w	w
Credits Claimed	928	102,401,178	689	30,223,112	228	68,830,469
Credits Not Taken ***	--	36,369,248	--	28,365,364	--	4,656,287
Credits Taken	902	66,031,930	672	1,857,748	230	64,174,182

* A given taxpayer may be counted in more than one category.

** This category include Rehabilitating a Non-Income Producing Historic Structure, Major Computer Manufacturing Facilities, and Reinvestment by Major Recycling Facilities.

*** Credits were not taken against tax because taxpayer's liability was less than the amount of credits claimed or because of taxpayer error.

Note: Calculations are based on both audited and unaudited returns. Detail may not add to totals due to rounding. A "w" indicates that the number is withheld to protect confidentiality.

S-CORPORATIONS

S-corporations pass their income tax liability along to shareholders, who pay tax on the income according to the individual income tax rate schedule. S-corporations that have shareholders who are not North Carolina residents may pass the tax liability to those shareholders only if the nonresidents sign an agreement to pay North Carolina taxes on their share of the corporation's income. For nonresident shareholders who fail to sign such an agreement, the S-corporations must file a composite return and pay the tax for the shareholders. The tax for nonresidents filing composite is calculated according to the individual income tax rate schedule, but the collections are considered corporate income tax receipts.

Table 2.12 and Figure 2.13 show the number of returns and net income tax liability by North Carolina taxable income. Corporations with taxable income of \$1 million or more accounted for 64% of the tax liability.

The total net tax liability of \$53.6 million shown in Table 2.12 belies the importance of taxation of the net income of S-corporations since most taxable income is passed to shareholders.

**Table 2.12
S-Corporation Returns and Net Income Tax Liability by NC Taxable Income
Tax Year 2009**

NC Taxable Income	Number of Returns	Percent	Number With Tax Due for Nonresidents	Net Tax Liability [\$]	Percent
\$0 or less*	64,798	43.99%	23	11,397	0.02%
\$1-\$15,000	30,711	20.85%	2,120	576,459	1.08%
\$15,001-30,000	13,854	9.40%	517	632,315	1.18%
\$30,001-\$50,000	10,721	7.28%	397	911,467	1.70%
\$50,001-\$100,000	11,929	8.10%	460	1,875,994	3.50%
\$100,001-\$500,000	12,403	8.42%	672	9,432,317	17.59%
\$500,001-\$1,000,000	1,611	1.09%	123	5,653,718	10.55%
\$1,000,001-\$10,000,000	1,226	0.83%	138	21,252,918	39.64%
\$10,000,001+	52	0.04%	9	13,261,923	24.74%
Total	147,305	100.00%	4,459	53,608,508	100.00%

*The Net Tax Liability in this bracket is positive due to taxpayer error.

Note: Calculations are based on both audited and unaudited returns. Detail may not add to totals due to rounding.

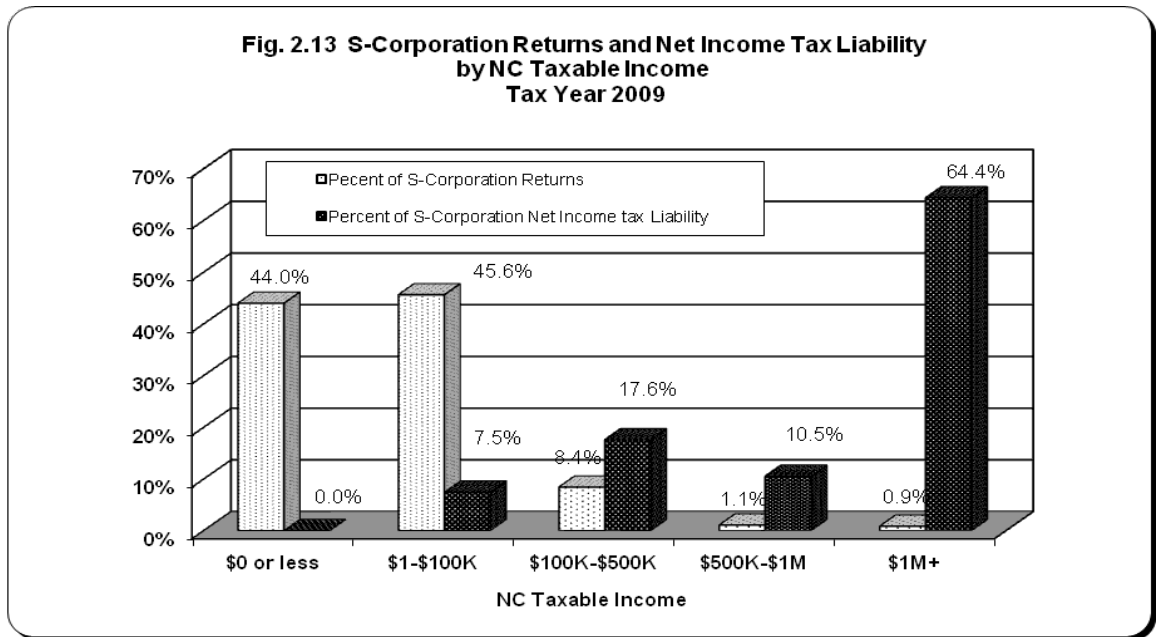
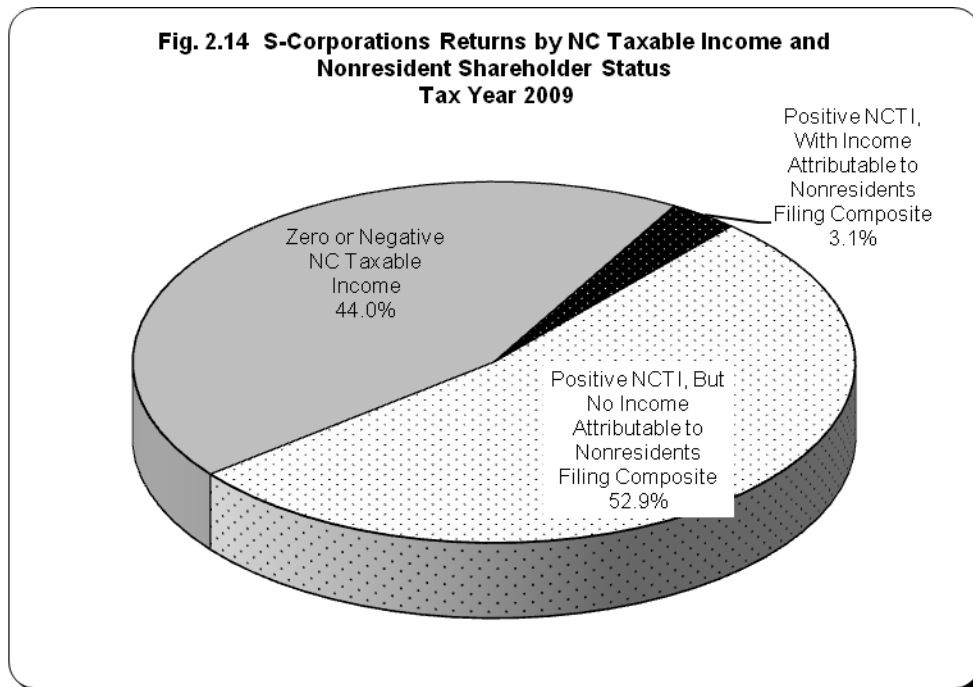


Figure 2.14 shows the distribution of returns by North Carolina taxable income and nonresident shareholder filing status. Only 3.1% of S-corporation returns had a tax liability attributable to nonresidents.



**SECTION II
INCOME TAX**

**Table 2.15
S-Corporation Income Tax Calculation Detail
Tax Year 2009**

NC Taxable Income	Number of Returns	(+) Federal Corporation Income [\$]	(+) Adjustments to Federal Income [\$]	(-) Nonapportionable Income [\$]	(-) Reduction Due To Apportionment [\$]	(=) Income Apportioned to NC [\$]	(+) Nonapportionable Income Allocated to NC [\$]
Zero or Negative	64,798	46,027,386	(81,108,025)	3,646,128,563	(745,357,420)	(2,935,851,782)	(29,468,470)
Positive, But No Income Attributable to Nonresidents Filing Composite	77,964	22,196,503,935	4,739,350,933	287,097,845	18,099,279,808	8,549,477,215	127,627,342
Positive, With Income Attributable to Nonresidents Filing Composite	4,543	25,905,088,446	1,336,398,528	381,517,837	25,948,428,998	911,540,139	9,628,444
Total	147,305	48,147,619,767	5,994,641,436	4,314,744,245	43,302,351,386	6,525,165,572	107,787,316

NC Taxable Income	(=) NC Net Taxable Income [\$]	(+) Adjustment for Shareholders Paying Tax on Shares [\$]	(=) Taxable Income Attributable to Nonresidents Filing [\$]	Separately Stated Income Attributable to Nonresidents	Computed Income Tax [\$]	(+) Surtax [\$]	(-) Tax Credits [\$]	(=) Net Tax Liability [\$]
Zero or Negative	(2,965,320,252)	2,878,875,039	(86,445,213)	815,081	11,397	-	-	11,397
Positive, But No Income Attributable to Nonresidents Filing Composite	8,677,104,557	(8,728,463,300)	(51,358,743)	486,162	21,117	46	-	21,163
Positive, With Income Attributable to Nonresidents Filing Composite	921,168,583	(207,489,773)	713,678,810	1,274,630	51,942,244	2,429,233	795,557	53,575,948
Total	6,632,952,888	(6,057,078,034)	575,874,854	2,575,873	51,974,758	2,429,279	795,557	53,608,508

Note: Calculations are based on both audited and unaudited returns. Detail may not add to totals due to rounding or taxpayer error. A “w” indicates that the number is withheld to protect confidentiality.

**SECTION II
INCOME TAX**

Table 2.15 on the previous page provides summary data for the main components of the progression from taxpayers' federal taxable income to North Carolina net tax liability.

Table 2.16 shows the income tax credits by credit type and taxable income. Corporations with taxable income over \$100,000 took 99% of the credits. Note that these reported credits are only those taken for shareholders filing a composite return; other tax credits have been passed through to the shareholders who can apply these credits against their individual income tax liability.

**Table 2.16
S-Corporation Income Tax Credits by Credit Type and NC Taxable Income
Tax Year 2009**

Income Tax Credits	All Returns		Taxable Income <\$100,001		Taxable Income \$100,001+	
	Number of Credits	Amount (\$)	Number of Credits	Amount (\$)	Number of Credits	Amount (\$)
Credits Claimed	56	844,445	27	35,110	29	809,335
Credits Not Taken *	--	48,888	--	27,258	--	21,630
Credits Taken	40	795,557	14	7,852	26	787,705

*Credits were not taken against tax because taxpayer's liability was less than the amount of credits claimed or because of taxpayer error.

Note: Total number of credits is unavailable for Credits Not Taken. Confidentiality prevents the disclosure of the individual credits and credits amounts.

C-CORPORATIONS

In this section, we look at the trends in the number of tax returns and the amount of net tax liability for tax years 2005 through 2009. For years prior to these, see the “Tax Year 2005” edition of this publication. Due to staffing shortages, the 2006 and 2007 data were not analyzed in detail, but we have included those years for total returns and tax liabilities in this report.

Table 3.1 compares the number of C-corporation returns by tax year. In general, there has been a recent decline in the number of returns. The drop-off in the number of filers for tax years 2008 and 2009 may have a business cycle component. The number of first-time filers, as reported on the tax form, was 3,884 in 2009. This was a decrease from 4,095 in 2008, which was itself approximately 1,000 fewer than the average for the prior 3 years.

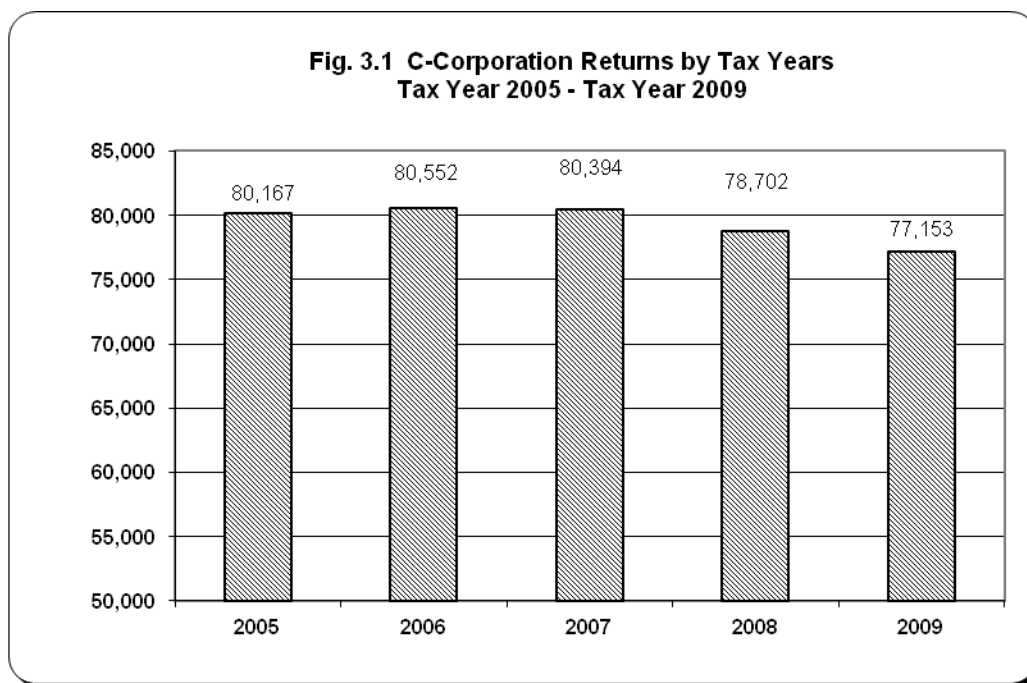


Figure 3.2 shows the net tax liability for both the franchise tax and the corporation income tax from 2005 through 2009. Although the income tax is of a greater magnitude than the franchise tax, the income tax exhibits more cyclical behavior. The income tax liability fell 21% from its peak in tax year 2006 to tax year 2009 (even with the surtax for TY09). The franchise tax, meanwhile, had only a \$5 million drop off its high in the prior year.

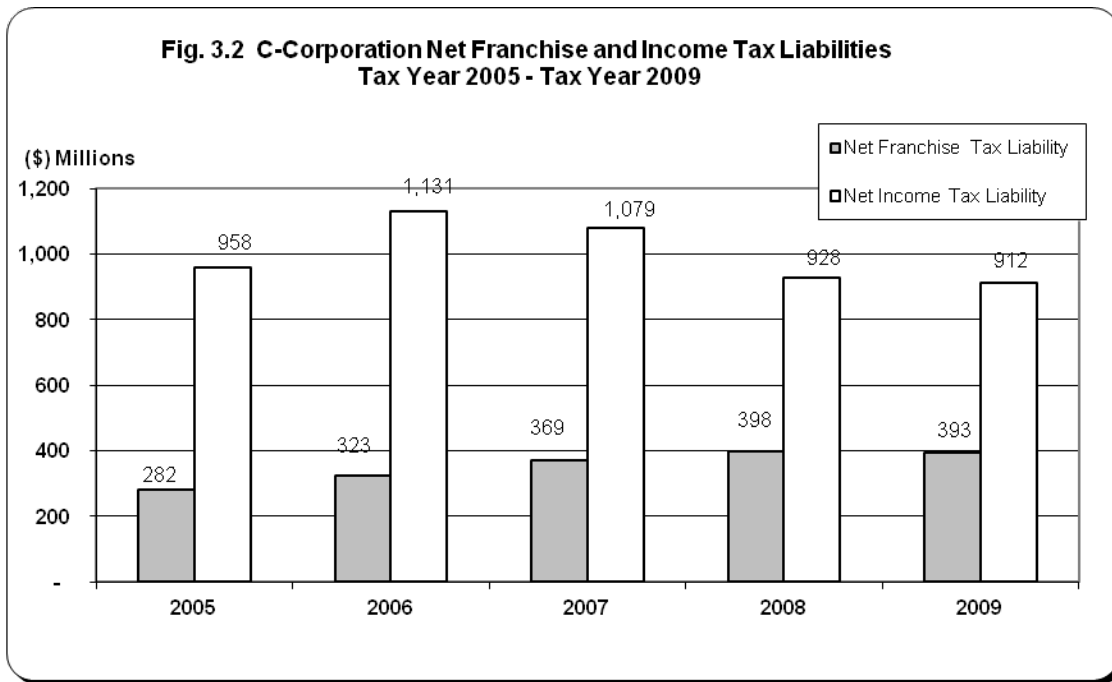
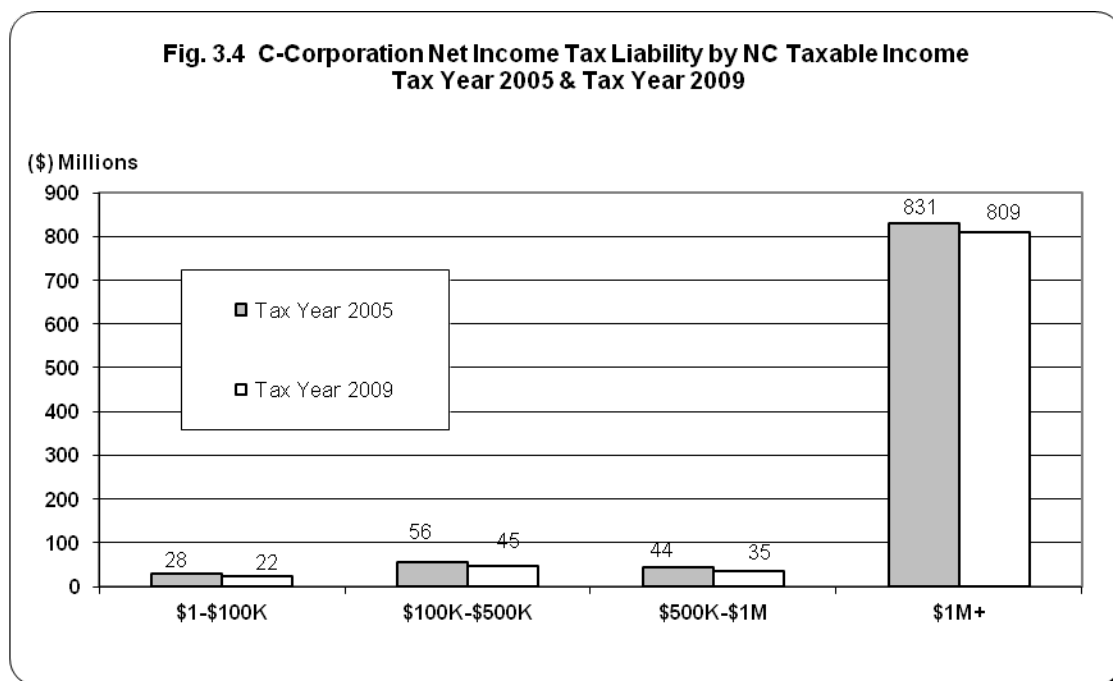


Table 3.3 and Figure 3.4 compare the net income tax liability of C-corporations in tax year 2005 and tax year 2009 by Taxable Income groupings. The only group that has shown an increase in tax liability is those with a taxable income in excess of \$10 million.

**Table 3.3
C-Corporation Net Income Tax Liability by NC Taxable Income
Tax Year 2005 & Tax Year 2009**

NC Taxable Income	Net Income Tax Liability TY 2005	Net Income Tax Liability TY 2009	% Difference
\$0 or less	--	--	--
\$1-\$15,000	3,821,962	3,230,249	-15.48%
\$15,001-\$30,000	4,635,939	3,688,821	-20.43%
\$30,001-\$50,000	6,466,202	4,900,221	-24.22%
\$50,001-\$100,000	13,493,716	10,321,549	-23.51%
\$100,001-\$500,000	55,861,177	45,482,350	-18.58%
\$500,001-\$1,000,000	43,581,032	34,993,946	-19.70%
\$1,000,001-\$10,000,000	289,061,484	243,821,192	-15.65%
\$10,000,001+	541,560,825	565,133,329	4.35%
Total	958,482,337	911,571,657	-4.89%

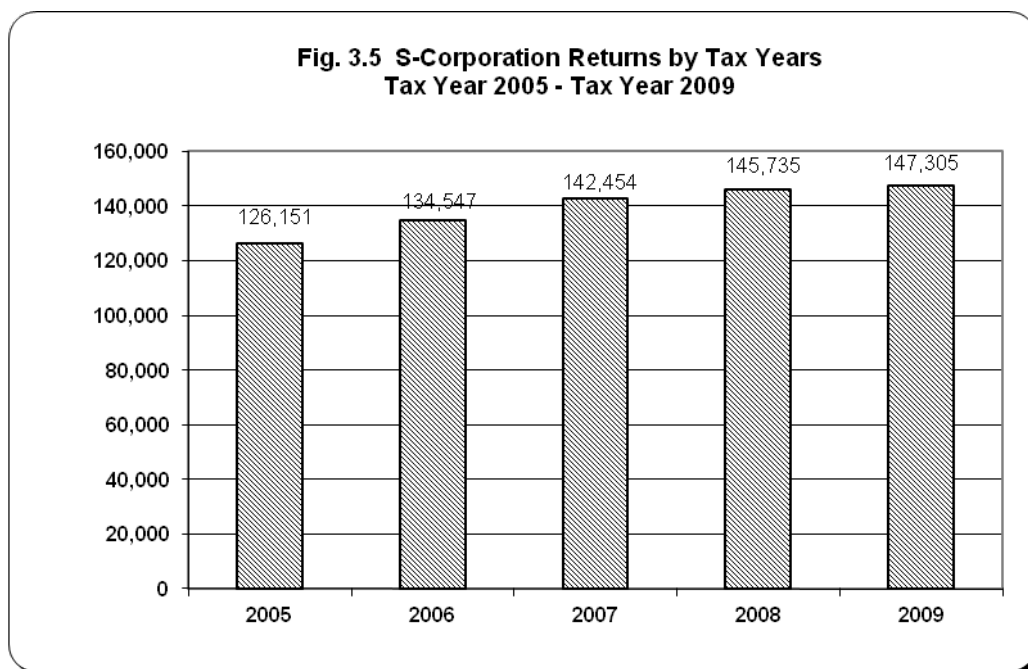
Note: Calculations are based on both audited and unaudited returns.



S-CORPORATIONS

Table 3.5 compares the number of S-corporation returns by tax year. Unlike the C-corporations, the number of S-corporation returns continued to grow in recent years. However, the growth rate from 2007 to 2009 was slightly below that of the two prior years.

There is a small but steady conversion of C-corporations into S-corporations in each of the last few years. There are also a larger number of initial filers each year among S-corporations. In tax year 2009, there were 8,046 new filers. However, this is below the average of over 11,000 new filers for the prior 4 years.



Note: Calculations are based on both audited and unaudited returns.

Figure 3.6 illustrates the relative amounts of net tax liabilities for 2005 through 2009 for S-corporations. As discussed in Section II, the income tax liability for S-corporations only includes taxes paid for shareholders filing a composite return. Even so, the trend exhibits the business cycle effects similar to those for C-Corporations -- income tax liability for tax year 2009 was 8% below the peak in 2006.

The trend in the franchise tax liability is also consistent with that shown for C-corporations. The franchise tax has been increasing each year up through 2008. There was a slight decline of \$1.8 million for tax year 2009.

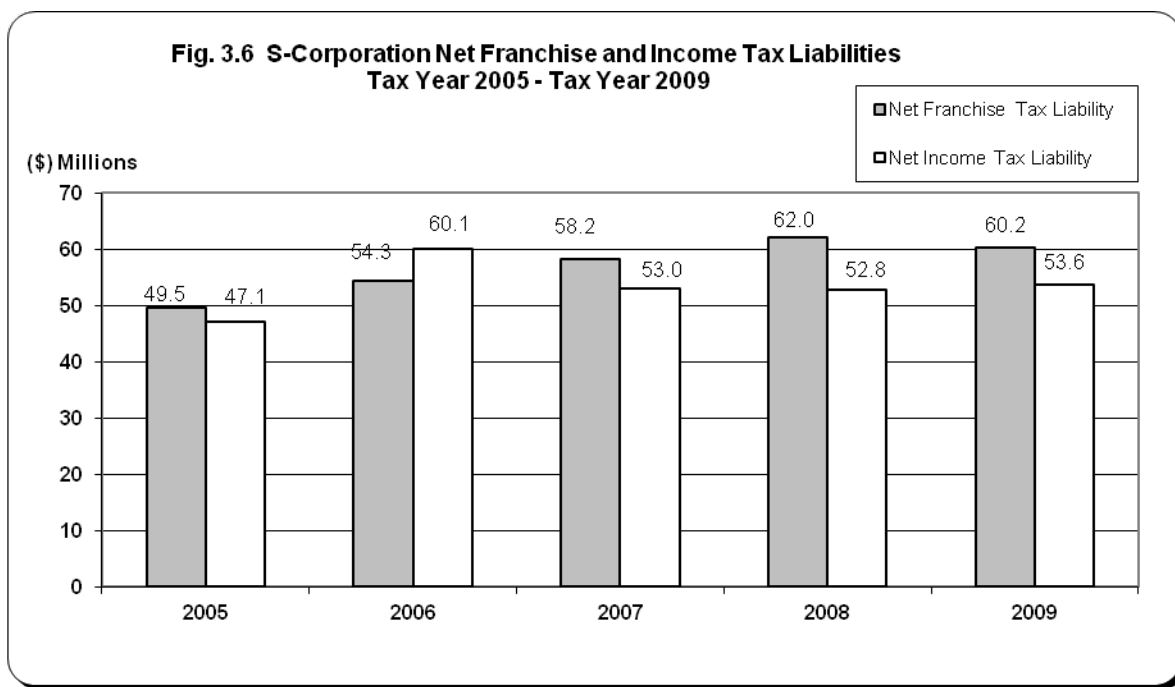
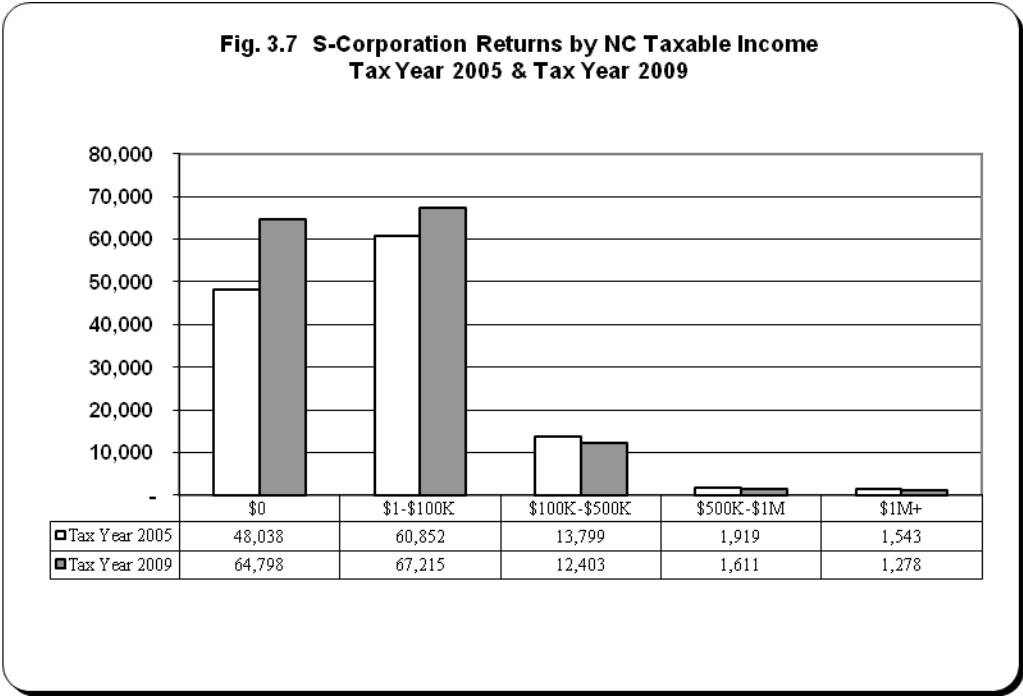


Figure 3.7 compares the number of S-corporation returns in tax years 2005 and 2009 by taxable income brackets. Although the number of returns had grown, a larger proportion of taxpayers were in the smallest taxable income categories.



**SECTION IV
INDUSTRY SECTORS**

C-CORPORATIONS

Table 4.1 shows franchise and income tax liabilities by major industry sector. The manufacturing sector had the largest tax liability for both the franchise tax and the income tax, paying approximately one-third of the total amount. Other sectors with relatively high shares of tax liability include finance and insurance, retail, and information.

**Table 4.1
C-Corporation Franchise Tax and Income Tax Liability by Industry Sector
Tax Year 2009**

Industry Sector	All Returns	Franchise Tax		Income Tax	
	Number of returns	Number	Amount (\$)	Number	Amount (\$)
Agriculture, Forestry, Fishing and Hunting	1,223	1,191	2,091,449	396	4,457,414
Mining	138	136	2,095,707	41	798,680
Utilities	196	168	1,017,537	53	39,123,587
Construction	7,199	6,996	7,219,106	1,740	18,257,408
Manufacturing	7,774	7,550	128,447,250	2,596	321,157,335
Wholesale	5,032	4,851	23,914,053	1,890	63,853,524
Retail	6,272	6,075	30,516,031	1,895	111,910,022
Transportation	2,016	1,935	5,242,404	679	13,873,778
Couriers and Warehousing	179	164	577,328	76	1,587,997
Information	1,841	1,760	35,023,996	553	80,480,548
Finance and Insurance	5,552	5,277	90,243,090	1,475	93,988,520
Real Estate and Rental & Leasing	10,506	6,352	18,881,212	2,363	30,185,753
Professional, Scientific and Technical Services	8,892	8,561	16,896,608	2,989	69,537,432
Management of Companies / see note	1,503	1,414	12,653,563	374	11,483,923
Administration & Support and Waste Management & Remediation Services	2,671	2,301	5,052,593	882	12,079,747
Educational Services	361	347	435,890	130	4,509,161
Health Care and Social Assistance	3,611	3,444	4,711,548	1,012	16,753,205
Arts, Entertainment and Recreation	907	808	1,378,637	277	1,089,365
Accommodations and Food Services	1,955	1,875	4,035,391	630	9,070,576
Other Services	3,394	2,888	1,585,830	1,033	4,986,768
Unidentifiable	5,931	3,257	635,293	1,355	2,386,922
Total	77,153	67,350	392,654,516	22,439	911,571,665

Note: Calculations are based on both audited and unaudited returns. In some cases, revisions were made to the NAICS codes reported by taxpayers. If it was evident that a taxpayer reported an old NAICS or SIC code, these were converted to newer codes. Also, holding companies often listed their NAICS code as "Management of Companies." Eighty-four of these taxpayers were reassigned to other industries based on information concerning the main business of these companies.

**SECTION IV
INDUSTRY SECTORS**

S-CORPORATIONS

Table 4.2 shows franchise and income tax liabilities by major industry sector for S-corporations. Industry sectors that pay a relatively high share of the franchise tax include (1) real estate and rental & leasing; (2) construction; (3) retail; and (4) manufacturing.

As mentioned in prior sections of this report, the income tax liability only includes the tax liability of certain nonresident shareholders. An alternative measure of relative tax liability is shown on the following page.

**Table 4.2
S-Corporation Franchise Tax and Income Tax Liability by Industry Sector
Tax Year 2009**

Industry Sector	All Returns	Franchise Tax		Income Tax	
	Number of returns	Number	Amount (\$)	Number	Amount (\$)
Agriculture, Mining & Utilities	3,473	3,367	2,487,230	39	398,115
Construction	24,070	22,892	8,482,412	583	8,054,150
Manufacturing	6,354	6,077	8,242,583	587	12,677,365
Wholesale	6,061	5,763	5,214,879	440	4,401,205
Retail	15,505	14,662	8,468,404	204	1,923,343
Transportation	3,810	3,630	1,085,784	144	897,820
Couriers and Warehousing	368	343	198,786	17	636,925
Information	2,122	2,000	599,903	110	665,110
Finance and Insurance	5,598	5,322	2,056,060	239	7,002,077
Real Estate and Rental & Leasing	16,158	15,371	10,004,369	328	1,577,317
Professional, Scientific and Technical Services	21,391	20,217	2,744,656	912	3,469,589
Management of Companies	694	634	1,219,892	99	3,771,066
Administration & Support and Waste Management & Remediation Services	6,023	5,688	969,586	262	3,778,485
Educational Services	808	762	114,966	27	1,388,131
Health Care and Social Assistance	8,794	8,441	1,748,358	60	1,093,582
Arts, Entertainment and Recreation	3,093	2,909	1,104,253	145	409,791
Accommodations and Food Services	6,951	6,614	2,562,509	81	704,658
Other Services	10,230	9,748	1,319,570	111	397,992
Unidentifiable	5,802	5,418	1,547,753	71	361,787
Total	147,305	139,858	60,171,953	4,459	53,608,508

Note: Calculations are based on both audited and unaudited returns. In some cases, revisions were made to the NAICS codes reported by taxpayers. If it was evident that a taxpayer reported an old NAICS or SIC code, these were converted to newer codes. Agriculture, Mining and Utilities were reported as one sector to protect confidentiality of taxpayers.

**SECTION IV
INDUSTRY SECTORS**

Table 4.3 shows the North Carolina net taxable income of S-corporations in tax year 2009 by industry sector. This is the income that is passed through to shareholders who then report this income on their individual income tax returns. The industry sectors with the largest net taxable income are (1) professional, scientific and technical services; (2) health care and social assistance; (3) manufacturing; and (4) wholesale trade.

**Table 4.3
S-Corporation NC Net Taxable Income by Industry Sector
Tax Year 2009**

Industry Sector	Net Taxable Income		
	Number of taxpayers	Amount (\$)	Share of total amount
Agriculture, Forestry, Fishing and Hunting	3,057	129,935,982	2.0%
Mining	99	5,053,513	0.1%
Utilities	140	3,142,275	0.0%
Construction	21,963	591,900,088	8.9%
Manufacturing	5,855	764,829,873	11.5%
Wholesale	5,604	760,048,725	11.5%
Retail	14,715	538,711,509	8.1%
Transportation	3,525	169,139,849	2.5%
Couriers and Warehousing	340	26,323,782	0.4%
Information	1,923	52,522,450	0.8%
Finance and Insurance	4,823	446,095,262	6.7%
Real Estate and Rental & Leasing	14,721	126,011,228	1.9%
Professional, Scientific and Technical Services	19,717	1,008,695,417	15.2%
Management of Companies / see note	552	112,084,652	1.7%
Administration & Support and Waste Management & Remediation Services	5,548	226,566,682	3.4%
Educational Services	764	43,629,245	0.7%
Health Care and Social Assistance	8,424	900,389,367	13.6%
Arts, Entertainment and Recreation	2,835	175,685,694	2.6%
Accommodations and Food Services	6,622	197,042,052	3.0%
Other Services	9,773	204,293,497	3.1%
Unidentifiable	4,140	150,851,746	2.3%
Total	135,140	6,632,952,888	

Note: Calculations are based on both audited and unaudited returns. In some cases, revisions were made to the NAICS codes reported by taxpayers. If it was evident that a taxpayer reported an old NAICS or SIC code, these were converted to newer codes.