WYOMING LEGISLATIVE SERVICE OFFICE

Memorandum

DATE	May 3, 2017
TO	Joint Revenue Committee
FROM	Matthew Sackett, Senior Fiscal Analyst
SUBJECT	Primer on Gross Receipts Tax

The beginning of this primer provides a general discussion of gross receipt taxes including a summary of states with gross receipt taxes in place, as well as some recent trends and states currently looking at adopting a gross receipt taxes. In addition, a broad estimate of how much revenue a Wyoming gross receipt tax may be expected to generate is included, noting the actual revenue will be dependent on the structure of the gross receipts tax in Wyoming.

The remainder of the memo is composed of state snapshots which include the five states with a broad-based gross receipts tax and then four states that generally represent the other main areas of gross receipts tax. For each state, the information below generally tries to outline a basic description of their tax, the industries and gross receipt tax rates, any kind of deductions, exemption, exclusions, and credits the state may have, revenues raised and disbursement of those revenues if available, any kind of administrative information, and other tax rates in the state.

This is intended to be a beginning, high level, discussion as specifics for each state's gross receipt tax can be extremely nuanced, depending on the composition of the tax. Further, more detailed, information can be provided on these states or other states of interest in the future. States varied in their response to LSO inquiries so some states have provided more information than others. All of the information below is from discussion with state staff or state revenue department websites.

Gross Receipt Tax Attributes:

- Imposes a low tax rate, generally 1.5 percent or less.
- Generally designed for few deductions on a broad tax base.
- Gross revenue per transaction is taxed.
- Tax is assessed on the seller of goods and services, not the consumer.
    - The tax is not included separately on the invoice.
- Tax is apportioned: Tax expense is generally based on percentage of sales in the taxing state.

The tax is generally computed along these lines:

- Calculate a taxpayer's apportioned gross revenue, which includes a taxpayer's gross revenue after certain exclusions.
- Subtract any deductions, exemptions, or credits from gross income.
- Multiply that amount by the tax rate applicable to the taxpayer's business category.

Gross Receipt Taxes versus Sales and Use Taxes:
In general, gross receipt taxes were the genesis of what later became the sales and use tax. There is a range of taxes that fall somewhere in between a true gross receipt tax and a sales and use tax. A number of states still have what they call gross receipt taxes, but in actual function the tax more closely resembles a sales and use tax so most policy analysts consider them to functionally be sales and use taxes. This is usually because of the tax rate and industries taxed, which typically have high rates and do not tax all transactions. This list would include, but not be limited to: Arizona, Arkansas, Hawaii, New Mexico, and South Dakota.

Summary:

- Five states have a broad based gross receipts tax on all industries within their state (Delaware, Nevada, Ohio, Texas, and Washington) although Texas is more of a modified gross receipts tax.
    - All five states have an out-of-state provision regarding nexus which requires out-of-state businesses that sell into their state to submit gross receipts taxes for the business's sales in the taxing state. What qualifies as nexus for each state varies.
- A number of states have taxes with some form of a gross receipts tax, either being allowed at the local level, or for very specific industries. Several are included as specific representations of a certain form of gross receipt tax. (Indiana - utilities, Montana- construction, Virginia - local, and West Virginia – utilities and local).

Recent Trends:
<u>Recent adoptions and repeals:</u> In the early to mid 2000's five states adopted a gross receipts tax and one state adopted a gross receipt tax in 2015. Three of them have since repealed their tax.

- New Jersey (Adopted 2002; Repealed 2006)
- Kentucky (Adopted 2005; Repealed 2006)
- Michigan (Adopted 2008; Repealed 2011)
- Ohio (Adopted 2005 through current)
- Texas (Adopted 2006 through current)
- Nevada (Adopted 2015 through current)

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According to the Tax Foundation, four other states are currently considering a gross receipts tax:

- Oklahoma – just recently defeated a proposal for a gross receipt tax.
- Louisiana – proposal resembles the Ohio CAT.
- Oregon – a ballot proposal was defeated in November 2016 (Measure 97) which would have adopted a 2.5% across the board gross receipts tax. Current legislation is proposed for a lower rate (around 0.7%) gross receipts tax.
- West Virginia – has a current proposal which started at a 0.2% gross receipts tax but current suggested rates are closer to 0.045%.

Wyoming Revenue Estimate:
A revenue estimate for a Wyoming gross receipt tax is difficult because of a variety of unknown elements. These elements are mainly the tax rate and what industries are to be taxed, but may also include any type of deductions, minimum limits, and other tax parameters. A reasonable state for a base comparison may be Ohio, which has a relatively simple gross receipts tax. Ohio's Commercial Activity Tax has a set tax rate of 0.26% on all industries with some general deductions and exemptions. When comparing Ohio's gross receipts tax revenues to their gross domestic product the values were very close in terms of percentage. Converting that to a comparison for Wyoming, the total gross receipts tax revenue raised in Wyoming may be around $90 to $100 million dollars. Again, it is important to note the estimated Wyoming gross receipts tax revenue number is based on a single rate and taxing all industries, with some general deductions and exemptions. The actual revenue raised by a Wyoming gross receipts tax would be dependent on the actual structure of the tax Wyoming imposed.

State Snapshots

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Delaware

Description

Gross Receipts Tax – The gross receipts tax is a tax on the total gross revenue of a business regardless of their source of income. The tax applies to all businesses located in Delaware. There are no deductions for the cost of goods or property sold, material or labor costs, interest expense, discounts paid, delivery costs, state or federal taxes paid, or any other expenses. Exclusions in gross receipts of between $100,000 and $1,250,000 per month are allowed depending on business type.

Industries and Rates

The current rates range from 0.1006% to 0.7543% depending on the type of business activity. The tax is generally applied to all businesses that can be taxed.

Deductions, Credits, Exemptions or Exclusions

Exclusions:

Most businesses are entitled to some type of exclusion, which are dependent on the industry and sub-industry they are in.

In addition, there is an exclusion of between $100,000 up to $1,250,000 per month, depending on the industry. This exclusion exempts that amount from counting in the company's gross receipts for each month.

Administrative Complexity

Changes in rates:

Rates have changed numerous times and at least as recently as 2009.

Other Taxes

Property Tax: 0.55% (Ranked 44th by Tax Foundation)
Corporate Income Tax: 8.7%
Individual Income Tax: 2.2% to 6.6%
Sales Tax: 0.00% (Ranked 46th by Tax Foundation)

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Nevada

Description

Commerce Tax – The Commerce Tax was imposed in July 2015 and is an annual tax imposed on the Nevada gross receipts of each business entity engaged in business in Nevada. There is no deduction for cost of goods sold or other expenses incurred. However, the business does not owe any tax liability if their gross receipts are below $4 million.

Industries and Rates

Tax rates vary from 0.051% to 0.331% depending on the industry in which the business entity is primarily engaged. There are 26 different NAICS categories all with a specific tax rate.

A Business is defined as any activity engaged in or caused to be engaged in with the object of gain, benefit or advantage, either direct or indirect, to any person or governmental entity.

A "business entity" means a corporation, S-corporation, partnership, proprietorship, limited liability company, business association, joint venture, limited-liability partnership, business trust, professional association, joint stock company, holding company and any other person engaged in a business

Deductions, Credits, Exemptions or Exclusions

Deductions:

Generally, the tax base is gross receipts (revenue) apportioned to Nevada with a $4,000,000 standard deduction. However, there is no deduction for cost of goods sold or other expenses incurred.

Other deductions are shown here:

- Dividends and distributions.
- Industry specific deductions.
    - Gaming, mining, liquor suppliers, insurance companies, health care, employee leasing companies, entity that manages or operates a property owned or leased by federal government or that houses military personnel.
- Receipts from a passive entity in which the business entity has an ownership interest;
- Pass-through revenue.
- Dividends and interest from federal and state bonds or securities.
- Bad debts, returns or refunds to customers, sale of accounts receivable if the underlying debts were included in revenue calculation.

Exclusions:

- Intellectual property revenue from the sale or exchange of the right to use trademarks, trade names, patents, copyrights, or other similar property.
- Value of cash discounts.
- Value of goods and services to a customer on a complimentary basis.

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- Amounts realized from certain tax free transactions under the Internal Revenue Code.
- Amounts indirectly realized from a reduction of an expense.
- The value of property or service donated to an organization under for 501(c)(3)s.
- Amounts not considered revenue under GAAP.

Exemptions:

- Natural person unless it is required to file a 1040 form C, E or F.
- Governmental entity.
- 501(c) or Chapter 82 or 84 nonprofit.
- Credit Union.
- Certain non-business trusts including REITs and REMICs as defined in IRS Code.
- Passive entities.
- Entities organized solely to manage intangible investments.
- Entity participating in exhibition in Nevada that is not required to obtain a business license.

Credits:

There is a Commerce Tax Credit which is a non-refundable credit applied toward a Modified Business Tax liability for businesses. A business, which pays the Commerce Tax and the Modified Business Tax, is eligible for the Commerce Tax credit. It equals 50% of the Commerce Tax paid.

The Modified Business Tax is a tax on total gross wages minus employee health care benefits paid by the employer. There are generally two rates 1.475% for general businesses and 2% for financial institutions.

Other Taxes

Property Tax: 0.71% (Ranked 37th by Tax Foundation)
Corporate Income Tax: 0.00%
Individual Income Tax: 0.00%
Sales Tax: 7.98% (Ranked 13th by Tax Foundation)

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Ohio

Description

Commercial Activity Tax – The Commercial Activity Tax (CAT) is imposed on the privilege of doing business in Ohio and is measured by gross receipts. The tax was enacted in 2005. This tax applies to all types of businesses, regardless of form: e.g., retailers, service providers (such as lawyers, accountants, and doctors), manufacturers, and other types of businesses. The tax also applies whether the business is located in Ohio or is located out-of-state if the taxpayer has enough business contacts in Ohio. Certain receipts are not taxable receipts, such as interest income. The tax does have limited exclusions for certain types of businesses, such as financial institutions, insurance companies and some public utilities if those businesses pay specific other Ohio taxes. There are no deductions for the cost of goods sold.

Industries and Rates

There is an annual minimum tax based on size of the total gross receipts and then 0.26% above $4 million in gross receipts. The breakdown of the annual minimum tax is listed below:

- $150 for filers with more than $150,000 but less than or equal to $1 million taxable gross receipts in the previous calendar year.
- $800 for filers with more than $1 million but less than or equal to $2 million taxable gross receipts in the previous calendar year.
- $2,100 for filers with more than $2 million but less than or equal to $4 million taxable gross receipts in the previous calendar year.
- $2,600 for filers with more than $4 million taxable gross receipts in the previous calendar year, plus 0.26% on any gross receipts above $4 million.

Nexus

Applies to all out of state businesses if they:

- Have at least $500,000 in taxable gross receipts in Ohio.
- Have at least $50,000 in property in Ohio.
- Expend at least $50,000 of payroll in Ohio.
- Have at least 25 percent of their total property, payroll or gross receipts in Ohio.
- Are domiciled in Ohio.

Ohio staff indicated previously they had a division dedicated to nexus when the CAT was first implemented, but now their Audit Division uses data analytics to identify potential out-of-state CAT taxpayers.

Deductions, Credits, Exemptions or Exclusions

Deductions:

- Retailer coupons
- Cash discounts
- Returns and allowances

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- Bad debts

Credits:
Eligible taxpayers are able to claim the following credits against the CAT:

- The nonrefundable jobs retention credit.
- The nonrefundable credit for qualified research expenses.
- The nonrefundable credit for a borrower's qualified research and development loan payments.
- The nonrefundable credit for calendar years 2010 to 2029 for unused corporate franchise tax net operating losses.
- The refundable motion picture production credit.
- The refundable jobs creation credit or the refundable job retention credit.
- The refundable credit for calendar year 2030 for unused corporate franchise tax net operating losses.
- The Ohio historic preservation tax credit (on a temporary basis).

Exemptions:
The CAT does not apply to:

- Nonprofit organizations.
- Financial institutions and certain affiliates of financial institutions, which pay the financial institutions tax.
- Insurance companies that pay the Ohio premiums tax.
- Certain receipts of public utilities that are subject to the public utility excise tax.

Exclusions:
The CAT is not levied on excluded persons who include:

- Any person with not more than $150,000 in taxable gross receipts during the calendar year, except for a person that is a member of a consolidated elected taxpayer.
- A public utility that paid the public utility excise tax, except with regard to certain receipts of a public utility that is a combined company.
- A financial institution that paid the financial institutions tax (FIT) based on one or more taxable years that include the entire tax period under CAT.
- A person directly or indirectly owned by one or more financial institutions.
- A domestic or foreign insurance company that pays the Ohio insurance premiums tax.

Disposition of Revenue

All collections from the tax are deposited in the Commercial Activity Tax Receipts Fund. From that fund, 0.85 percent is dedicated to the Revenue Enhancement Fund and is used to defray the costs incurred by the department in administering the tax and in implementing tax reform measures. The remainder is

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first credited to the Commercial Activity Tax Motor Fuel Receipts Fund and then to the General Revenue Fund, to the School District Property Tax Replacement Fund, and to the Local Government Property Tax Replacement Fund in the following percentages:

- 50 percent of the revenue to the General Revenue Fund.
- 35 percent of the revenue to the School District Property Tax Replacement Fund.
- 15 percent of the revenue to the Local Government Property Tax Replacement Fund.

FY2016 collection:

- $1.6895 billion in total:
    - $1.255 billion in the General Revenue Fund.
    - $334.8 million in the School District Property Tax Replacement Fund.
    - $83.7 million in the Local Government Property Tax Replacement Fund.
    - $14.9 million Revenue Enhancement Fund (administrative deduction 0.85%).
    - $723,299 Commercial Activity Tax Motor Fuel Receipts Fund.

Administrative Complexity

Administrative staff size - About 25 people are involved in day-to-day operations (registration, filings, billings & assessments, refunds, taxpayer questions & taxpayer support) which does not include the management staff.

<u>Changes in rates:</u>

In FY2016, there were 6 court cases heard regarding the CAT and around 13 pieces of legislation to change the CAT. The tax has been successfully changed by legislation at least 7 times since 2005.

Other Taxes

Property Tax: 1.58% (Ranked 8th by Tax Foundation)
Corporate Income Tax: 0.00%
Individual Income Tax: 0.495% to 4.997%
Sales Tax: 7.14% (Ranked 19th by Tax Foundation)

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Washington

Description

Business and Occupation (B&O) Tax – Is a gross receipts tax that is measured on the value of products, gross proceeds of sales, or gross income of the business. There are no deductions for labor, materials, taxes, or other costs of doing business, but there are a number of credits that are allowed.

Local B&O tax

In addition to the state B&O tax, many cities also tax businesses on their gross income. There is no connection between the state and local B&O taxes.

Industries and Rates

The major classification rates are:

- Retailing: 0.471%
- Wholesaling: 0.484%
- Manufacturing: 0.484%
- Service and Other Activities: 1.5%

It should be noted there are numerous other specialized rates outside of the major classifications and these rates can change independently. There are around 31 other specialized rates. For example, the gross receipts tax rate on radioactive waste disposal is 3.3%.

Nexus

If your business earns income attributable to Washington that would be taxable under an apportionable B&O classification and your business is organized or commercially domiciled in Washington or met one of the following thresholds during the prior calendar year, you have economic nexus with Washington:

- More than $267,000 of gross receipts from Washington.
- More than $53,000 of payroll in Washington.
- More than $53,000 of property in Washington.
- From apportionable or wholesaling activities.
- At least 25 percent of your total property, payroll, or receipts in/from Washington.

Washington staff indicated out-of-state payers self-report the taxes, although staff will audit out-of-state business for compliance.

Deductions, Credits, Exemptions or Exclusions

Deductions:

- Bad debts: Previously reported income not received–written off in your accrual-based account books for federal income tax purposes. Applies to all classifications.
- Cash and trade discounts: The amount of bona fide discounts from the selling price that are included in the gross amount reported. Applies to all classifications.

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- Interstate and foreign sales: Amounts received for items delivered by the seller or by a common carrier to out-of-state locations are deductible.
- Returns and allowances: When the buyer returns items purchased and the entire selling price is refunded or credited, the seller may deduct the selling price previously reported. Applies to all classifications.
- Freight on out-of-state deliveries: Manufacturers, processors, and extractors may take a deduction for actual transportation costs from the point of origin in Washington to the point of delivery outside Washington. Applies to manufacturing, processing for hire, and extracting classifications.
- Casual sales: A casual sale is a sale of tangible personal property by a person who is not engaged in the business of selling the type of property involved.

Exemptions:

According to a 2016 tax exemption study report, Washington's B&O tax has 190 specific exemptions. Major exemptions groups are listed below:

Nonprofit and social service organizations: In Washington, nonprofit organizations are subject to tax like any for-profit business, but the organization may qualify for exemptions or deductions.
Qualifying activities include:

- Fundraising activities by qualified nonprofit organizations. This does not include the regular operation of a business enterprise such as a bookstore, thrift shop, or restaurant.
- Auctions conducted by public benefit organizations.
- Child care provided by churches and child care resource and referral income.

Government:

- County, city, school, and fire district income, except utility or enterprise operations in competition with other businesses, which are more than 50 percent funded by user fees.
- State and federal grants received by political subdivisions when no significant services are performed in return.
- Labor and services in preparing sand and gravel taken from pits that are owned or leased by a city or county, and used by the city or county for road construction and repair.
- Printing done by cities, counties, and school districts for their own purposes.

Financial:

- International banking facilities.
- Federally chartered credit unions.

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Farming:
Certain farming activities are exempt from B&O tax. Some examples are:

- Farmers making wholesale sales of agricultural products produced by them, on land owned or leased by them.
- Raising and selling plantation Christmas trees at wholesale ▪ Processing hops into extract, pellets, or powder sold to out-of-state buyers.

Miscellaneous exemptions:

- Sale or rental of real estate other than lodging.
- Small timber harvesters whose gross income is less than $100,000 per year.

Credits:
The major tax credits are:
Rural County B&O Credit for New Employees - provides a credit against the B&O tax for each new employment position filled and maintained by qualified businesses located in a rural county or Community Empowerment Zone. The Program Provides a $2,000 credit for each new qualified employment position with annual wages and benefits of $40,000 or less; or $4,000 credit for each new employment position with wages and benefits of more than $40,000 annually. To be granted the credit, the business's average qualified employment positions at the specific facility must increase by at least 15 percent over the following four calendar quarters from the period in which the employee was hired.

Small Business B&O Tax Credit - Businesses whose B&O tax liability is below a certain level are entitled to a credit. The credit varies depending on the amount of B&O tax due (the total of all classifications) after all other B&O tax credits have been taken.

Multiple Activities Tax Credit - When a business performs more than one taxable activity for the same product, it reports each activity under the proper classification, but takes the MATC credit so B&O tax is not paid twice on the same amount. For instance, a business that both manufactures and sells a product at wholesale in Washington does not pay both manufacturing and wholesaling B&O tax. A credit is allowed so that B&O tax is paid only once. This also applies to a business that has paid a gross receipt tax to another state

Credit for Hiring Unemployed Veterans - Businesses hiring unemployed veterans for full-time employment positions located in Washington beginning October 1, 2016, are eligible for a credit against their business and occupation (B&O) tax. The credit equals 20 percent of the wages and benefits you paid to or on behalf of a qualified employee, up to a maximum of $1,500 for each qualified employee hired on or after October 1, 2016. There is no limit on the total credit an employer may receive. However, the total statewide credits may not exceed $500,000 per fiscal year.

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Disposition of Revenue

Receipts from the B&O tax are deposited into the General Fund, except for two minor diversions:

- 0.13 percent into the Problem Gambling Account which is charged on games of chance and pari-mutual wagering.
- 0.052 percent into the Forest and Fish Support Account which is applied on extracting of timber and manufacturing of timber and wood products.

FY16 Revenues:

In FY16 total collections for Washington's B&O tax were $3.633 billion, which was a 7 percent increase from FY15 and accounted for 20.1 percent of all of Washington's tax revenue collections.

Administrative Complexity

Washington staff indicated they don't have specific staff dedicated to their B&O tax but did indicate that tax credits, deferrals, and other tax preference issues in the B&O tax code add significant staff time.

Changes in rates:

According to Washington state staff, there are numerous bills brought every year related to the B&O tax.

Other Taxes

Property Tax: 0.94% (Ranked 26th by Tax Foundation)
Corporate Income Tax: 0.00%
Individual Income Tax: 0.00%
Sales Tax: 8.92% (Ranked 5th by Tax Foundation)

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Texas

Description

Texas Margin Tax – The Margin Tax, also known as the Franchise Tax, is a modified gross receipts tax in the sense it allows for some standard deductions including the cost of goods sold, which isn't typically included in a gross receipts tax. The tax imposes a form of franchise tax based on a taxpayer's margin. The tax is based on the business's gross receipts but allows for a deduction of the greater of four amounts: 1) Total revenue minus $1 million; 2) total revenue minus 30%; 3) total revenue minus COGS, or; 4) total revenue minus compensation. Whichever deduction allows for the greatest reduction in tax payment owed is allowed.

Taxpayers <u>subtract</u> the highest of one of four items:

- <u>Cost of goods sold:</u> this includes items such as raw materials and production labor, among other items. While a commonly used federal tax term, Texas has adopted a different definition for margin tax purposes. For a company to claim this deduction it must sell goods; service companies are not eligible.
- <u>Compensation:</u> the amount a company pays in salaries (capped at $300,000 per employee, but adjusted for inflation) plus certain benefits.
- <u>30% of total revenues</u>: this option was included for those businesses that have little in the way of compensation or cost of goods sold (typically capital intensive services businesses, such as those in transportation or telecommunications).
- <u>Revenue minus $1 million:</u> This just indicates that if you have revenue less than $1 million, you do not owe any tax liability.

The resulting difference is then "apportioned" to Texas, based on the percent of business a company does in the state. This is done to fairly reflect the share of a company's business activity that can reasonably be attributed to Texas. The rate applied to a company's tax base to determine its liability depends on its line of business. If primarily engaged in wholesale or retail trade, a company pays a tax rate of 0.375 percent; all others are taxed at 0.75 percent.

<u>Cost of Goods Sold:</u>
Cost of goods sold generally includes costs related to the acquisition and production of tangible personal property and real property. There are other cost of goods sold allowances for certain industries. Taxable entities that only sell services will not generally have a cost of goods sold deduction.

<u>Compensation:</u>
The compensation deduction includes the following:

- W-2 wages and cash compensation paid to officers, directors, owners, partners and employees (including net distributive income to natural persons) for the 12-month period upon which the tax is based, subject to the inflation-adjusted per person wage and cash compensation limitation.

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- Benefits provided to all personnel to the extent deductible for federal income tax purposes, including workers' compensation, health care and retirement benefits. Compensation does not include 1099 labor or payroll taxes paid by the employer.

Industries and Rates

Retail and Wholesale: 0.375%
All other: 0.75%

Nexus:
Generally described as physical presence which includes:

- Property
- Goods not in transit
- Employees
- Providing services to customers in Texas
- Agency as well as franchise relationships

Deductions, Credits, Exemptions or Exclusions

Deductions:
Franchise tax is based on a taxable entity's margin. The tax base is the taxable entity's margin and is computed in one of the following ways:

- Total revenue minus 30 percent.
- Total revenue minus cost of goods sold (COGS).
- Total revenue minus compensation.
- Total revenue minus $1 million (effective Jan. 1, 2014).

Credits:
The following franchise tax credits are available:

- Temporary Credit for Business Loss Carryforwards.
- Research and Development Activities Credit (effective for reports originally due on or after Jan. 1, 2014).
- Certified Historic Structures Rehabilitation Credit (effective for reports originally due on or after Jan. 1, 2015).

Exemptions:

- Sole proprietorships
- General partnerships
- Real Estate Investment Trusts (REITs)
- 501(c)(9)'s
- Passive entities

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Exclusions:

- Dividends and interest from federal obligations.
- Schedule C dividends.
- Foreign royalties and dividends under Internal Revenue Code Section 78 and Sections 951-964.
- Certain flow-through funds.
- Other industry-specific exclusions.

Disposition of Revenue

FY14 Revenues:

Total Revenue raised in FY2014 was $4,732,261,872, which was the second largest share of revenue at 9.3% behind only the sales and use tax (53.7%).

Administrative Complexity

Changes in rates:

In 2015, nearly 100 bills were filed relating to the Margin Tax, 13 of which would have repealed it entirely. Texas staff indicated there are currently a number of bills in the Texas legislature that would eliminate the Margin Tax over a period of time. One of those bills has been passed by the Texas Senate.

Other Taxes

Property Tax: 1.67% (Ranked 6th by Tax Foundation)
Corporate Income Tax: 0.00%
Individual Income Tax: 0.00%
Sales Tax: 8.19% (Ranked 12th by Tax Foundation)

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Indiana

Description

Utilities Receipts Tax – This is a tax imposed on any corporation providing utility services in Indiana. This includes natural gas, electrical energy, water, steam, sewage, and telecommunications services. Indiana had a much broader gross receipts tax but it was repealed in 2002.

Industries and Rates

The current rate is 1.4% of all gross receipts from all utility services consumed in Indiana.

Deductions, Credits, Exemptions or Exclusion

There are a number of exemptions as they related to each type of utility. These exemptions typically relate to sales to other governmental entities or sub entities such as a water district. In addition, there are a number of standard deductions that vary by taxpayer.

Other Taxes

Property Tax: 0.86% (Ranked 28th by Tax Foundation)
Corporate Income Tax: 6.25%
Individual Income Tax: 3.23%
Sales Tax: 7.0% (Ranked 21st by Tax Foundation)

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West Virginia

Description

Business and Occupation Tax (B&O) - The B&O is an annual privilege tax on public utilities, electric power generators, and, synthetic fuel manufacturers, and natural gas storage operators.

In addition, local municipalities have an optional B&O tax they may impose that has no deductions and the rates vary according to the type of business and differ by municipality.

Local Examples:

- Charleston West Virginia divides businesses into 14 categories for purposes of B&O taxes. The rates range from 0.15 percent in gross receipts for wholesalers to 4 percent in gross receipts for water companies. Tax is collected on all business activity taking place within the city, regardless of where the business is domiciled.
- Similarly, the city of Parkersburg divides businesses into 16 different categories for B&O tax purposes, with rates ranging from 0.15 percent gross receipts for wholesalers to 3.6 percent for electric power companies' sales of electricity for domestic use and commercial lighting

Industries and Rates

The current rates vary by industry and municipality.

Other Taxes

Property Tax: 0.53% (Ranked 46th by Tax Foundation)
Corporate Income Tax: 6.50%
Individual Income Tax: 3.00% to 6.5%
Sales Tax: 6.29% (Ranked 34th by Tax Foundation)

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Virginia

Description

Business, Professional, and Occupational License Tax (BPOL) – Local governments are authorized to impose a local license tax on businesses operating within their local jurisdiction. The imposition of these taxes does vary somewhat since they are imposed at a local level. The tax imposed is based upon the gross receipts of a business but often have a minimum threshold of total receipts before any taxes must be paid. A number of localities assess a fixed fee assigned for business licenses, and some localities do both a fixed fee and tax on gross receipts.

Industries and Rates*

As of 2008, roughly 64 percent of all localities in Virginia imposed some form of the BPOL tax. The BPOL in those localities are generally taxed on the following categories of businesses and the average rate:

- Contractors (Average rate of 0.14%)
- Retailers (Average rate of 0.17%)
- Financial -Real estate and professional services (Average rate of 0.39%)
- Repair - personal and business services (Average rate of 0.26%)
- Wholesale. (Average rate of 0.07%)

Deductions, Credits, Exemptions or Exclusions

Municipalities do have a number of deductions which generally revolve around gross receipts received by the business for business conducted in another state or foreign country.

Other Taxes:

Property Tax: 0.81% (Ranked 31st by Tax Foundation)
Corporate Income Tax: 6.00%
Individual Income Tax: 2.00% to 5.75%
Sales Tax: 5.63% (Ranked 41st by Tax Foundation)

*NOTE: The majority of the Virginia information is somewhat dated (2008) as Chmura Economics and Analytics was hired to study the BPOL. No identifiable information more recent has been identified.

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Montana

Description

Gross Receipts Tax for Public Contractors – This gross receipts tax is applied to a contractor or subcontractor when they receive a publicly funded contract greater than $5,000. The one percent tax applies to payments made on any government entity projects in Montana. It does not apply to a contract to construct a federal research facility.

Industries and Rates

The current rate is: 1 percent

Deductions, Credits, Exemptions or Exclusions

There are no deductions, credits, exemptions, or exclusions, but the 1 percent paid on the public contractor gross receipt tax may be used as a credit against other Montana owed taxes such as the individual income tax, corporate license tax, and S corporation/partnership tax.

Other Taxes

Property Tax: 0.75% (Ranked 33rd by Tax Foundation)
Corporate Income Tax: 6.75%
Individual Income Tax: 1.00% to 6.90%
Sales Tax: 0.0% (Ranked 46th by Tax Foundation)

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