

Memorandum

To: HJ 35 Subcommittee

From: Finn McMichael, Tax Policy Research

Date: June 18, 2020

Subject: Corporate Income Tax – Minimum Tax Increase

This memo provides a breakdown of the corporations paying the corporate minimum tax by industry and the potential impact of an increase to the corporate minimum tax. The corporate minimum tax is currently \$50 and has been since 1971. The following table uses corporate income tax returns from tax year 2017. It shows the number of corporations in each industry that paid the minimum tax of \$50 compared to the total number of corporations in that industry. Of the total 16,396 corporations, 10,524 paid the minimum tax of \$50.

The last two columns in the table show the increase in total tax liability if the minimum tax were increased to \$100 or to \$325 (adjusted for inflation from \$50 in 1971). The estimated total increase in tax liability would be \$576,000 for the \$100 minimum tax and \$3,237,723 for the \$325 minimum tax.

NAICS Code	NAICS Description	Total Number of Corporations	Number of Corporations Paying Minimum Tax	Total 2017 Tax Liab	Increase in Tax Liab with \$100 Min tax	Increase in Tax Liab with \$325 Min tax
11	Agriculture, Forestry, Fishing and Hunting	2,650	1,529	\$3,866,104	\$77,919	\$445,985
21	Mining, Quarrying, and Oil and Gas Extraction	513	382	\$4,081,479	\$20,160	\$118,865
22	Utilities	70	46	\$1,650,231	\$2,400	\$14,333
23	Construction	894	610	\$1,740,394	\$33,645	\$183,976
31-33	Manufacturing	1,118	527	\$26,467,192	\$28,589	\$175,456
42	Wholesale Trade	774	367	\$6,462,502	\$20,399	\$119,892
44-45	Retail Trade	781	392	\$15,944,918	\$20,363	\$117,357
48-49	Transportation and Warehousing	356	195	\$3,385,525	\$10,266	\$62,224
51	Information	442	275	\$6,828,112	\$14,377	\$89,541
52	Finance and Insurance	2,050	1,630	\$5,671,110	\$86,547	\$480,293
53	Real Estate and Rental and Leasing	1,365	1,026	\$1,526,785	\$57,370	\$308,732
54	Professional, Scientific, and Technical Services	1,762	1,231	\$2,321,103	\$66,013	\$382,369
55	Management of Companies and Enterprises	1,036	451	\$46,484,883	\$24,805	\$168,285
56	Waste Management and Remediation Services	423	293	\$1,750,806	\$16,180	\$91,843
61	Educational Services	99	72	\$61,860	\$3,963	\$21,904
62	Health Care and Social Assistance	336	232	\$1,234,340	\$12,031	\$70,867
71	Arts, Entertainment, and Recreation	172	125	\$178,183	\$6,629	\$36,225
72	Accommodation and Food Services	289	161	\$788,270	\$8,469	\$46,890
81	Other Services (except Public Administration)	642	435	\$1,590,087	\$26,875	\$134,535
90	Public Administration	59	46	\$132,684	\$2,386	\$13,626
	Missing or incorrectly entered NAICS code	565	499	\$808,478	\$36,614	\$154,525
	Total	16,396	10,524	\$132,975,046	\$576,000	\$3,237,723