Governor Wolf Announces Final Phase-Out of Capital Stock and Foreign Franchise Tax

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Governor Tom Wolf today announced the successful January 1 phase-out of Pennsylvania's Capital Stock and Foreign Franchise tax, calling it "an unfair tax on business" that he was committed to eliminating.

"As I noted in my budget address, Pennsylvania's economic prosperity has long been hobbled by an outdated tax structure that fails to incentivize job growth," Governor Wolf said. "It was well past time for Pennsylvania to finally remove the Capital Stock and Foreign Franchise tax from the books."

The Capital Stock and Foreign Franchise tax dates to 1844. Its phase-out had been proposed as far back as 15 years ago, but the elimination had been delayed by previous administrations.

These taxes were imposed on corporations with capital stock, joint-stock associations, limited liability companies, business trusts, and other companies doing business within Pennsylvania. Domestic corporations were subject to the capital stock tax, while foreign corporations are subject to the foreign franchise tax on capital stock apportioned to Pennsylvania.

"I am committed to fostering a business climate that encourages job creation by creating a tax structure that is fair to businesses and taxpayers," Governor Wolf said.

The Pennsylvania Department of Revenue noted that the elimination of the Capital Stock and Foreign Franchise tax means that many business types, such as S corporations, LLCs taxed as pass-through entities, and business trusts will be filing their final corporation tax returns for 2015. These returns should be marked as final returns. More information will be available on the department's website at www.revenue.pa.gov.