

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 152

June 24, 1958

LICENSE TAXES: OFFSET UNDER SECTION 23184(c)

Syllabus:

Financial corporations engaged exclusively in a financial business are entitled to deduct as an offset all license fees paid pursuant to a general licensing ordinance under section 23184(c) of the Bank and Corporation Tax Law. However, special license fees paid to engage in a specific activity which are unrelated to the financial activities are not deductible for offset purposes.

Advice is requested whether license fees paid under a general occupational or professional licensing ordinance are deductible for offset purposes by a corporation engaged exclusively in activities which are financial in nature. Also, if in addition to its financial business the corporation engages in unrelated activities for which a special license is needed, is the special license fee deductible for offset purposes.

The purpose of the financial offset in section 23184 is to grant a measure of relief to those financial corporations which are subject to the financial rate but which have to pay certain local license taxes not assessable against banks. Section 23184(c) was intended to give all financial corporations an offset for local license taxes to equalize their tax burden with competing banks and personal property brokers required to be licensed by the state. Therefore, financial corporations engaged exclusively in a financial business are entitled to deduct as an offset, all license fees paid under a general licensing ordinance.

Where the corporation engages in other unrelated activities, such special license fees as are paid to engage in that specific activity are not deductible for offset purposes. Such fees have no relation to the right to engage in the business of loaning money or advancing credit and cannot be allowed.