



California Budget
& Policy Center

Corporations Pay Far Less of Their California Income in State Taxes than a Generation Ago

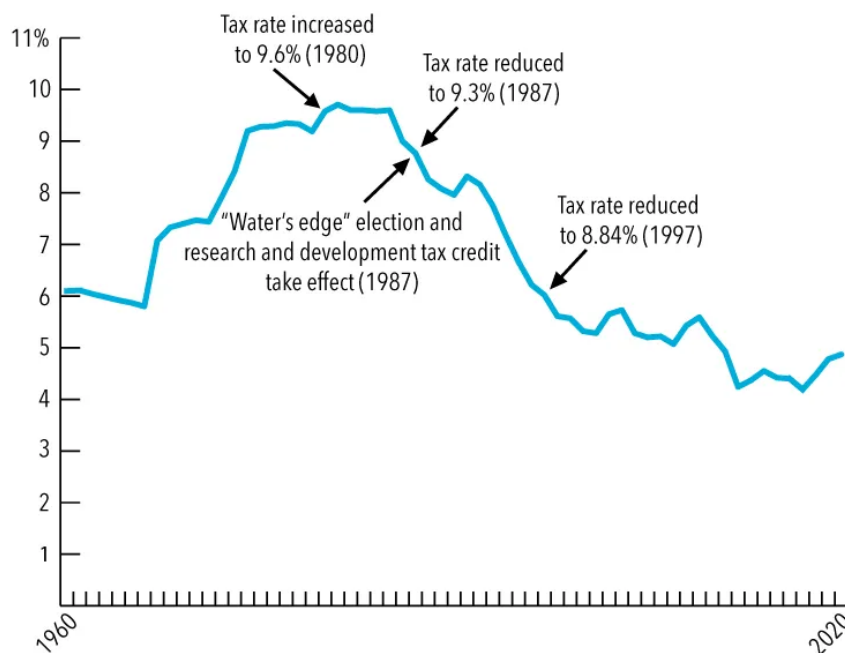
January 2023 | By Jonathan Kaplan

Corporations are contributing roughly half as much of their California profits in state taxes than four decades ago. In the early 1980s, corporations paid more than 9.5% of their profits in state corporation taxes. In contrast, corporations paid just 4.9% of their California profits in corporation taxes in 2020.

Corporations pay less of their income in taxes today than the 1980s in part due to tax rate reductions by state policymakers. Policymakers have also enacted several tax breaks that reduce the share of corporate income paid in California corporation taxes, such as the research and development tax credit.

The Share of Corporate Income Paid in State Taxes Declined by Roughly Half Between the Early 1980s and 2020

Corporate Taxes as a Percentage of Income for Corporations Reporting Net Income in California



Source: Franchise Tax Board



California's budget would have received \$14.5 billion more revenue in 2020 had corporations paid the same share of their income in taxes that year as they did in 1981 – more than the state spends on the University of California, the California State University, and student aid combined.