

Income/Franchise:

California FTB Concedes Out-of-State Lender Does Not Owe Franchise Tax on Cardholders' Credit Card Interest and Fees

Case ID No. 220410086, Cal. Off. of Tax App. (9/13/24). The California Franchise Tax Board (FTB) recently conceded in a case that an out-of-state lender does *not* owe California franchise tax on credit card interest and fees derived from California cardholders. The case centered around the application of California Corporations Code section 191(d), which exempts certain activities from the definition of “doing business” in California. A subsidiary of the out-of-state lender argued that the FTB had incorrectly included the lender’s credit card interest and fees in the California sales factor numerator, despite California Corporations Code section 191(d)’s exclusion of “making loans” from the definition of transacting business in California.

URL: https://ota.ca.gov/wp-content/uploads/sites/54/2024/09/091724_Agenda-Updated-1.pdf

See forthcoming Multistate Tax Alert for more details on this case, and please contact us with any questions in the meantime.

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