







M2K Advisors



TAXATION IN GEORGIA




Net Worth Tax (1/2)

-  Net Worth tax is based on the net worth of a corporation, levied in exchange for the privilege of doing business or exercising a corporate franchise in Georgia. Net worth is defined to include issued capital stock, paid in surplus and retained earnings. Treasury stock should not be deducted from issued capital stock. Corporations must pay a net worth tax.
-  Corporations with a net worth of USD 100,000 or less are not subject to tax but must file a return (Form 600). The maximum is USD 5,000 for a net worth in excess of USD 22 million. The general Net worth tax calculation is detailed in subsequent slide.
-  The Initial Net Worth tax return is due on the 15th day of fourth month for C corporation and 15th day of the third month for S corporation after incorporation or qualification. (Partnerships are not subject to Net worth Tax). The net worth reported on this return is as of the date of incorporation or qualification. No income tax information is reported on **the Initial Net Worth return**. The net worth tax paid on this return covers the period beginning with the date of incorporation or qualification and ending with the end of the first income tax year. If this period is less than 6 months, the tax due is 50%.
-  The second return that is required to be filed is used to report income tax for the period beginning with the date of incorporation or qualification and ending with the corporation's chosen year end and to report net worth tax for the next full year. This return is due on the 15th day of fourth month for C corporation and 15th day of the third month for S corporation after the end of the income tax year. A full year's net worth tax is always due with the first income tax return. Penalty for late filing and late payment of tax is 10% of the tax due.



Net Worth Tax (2/2)

Income (USD)	Tax Payable (USD)
Not exceeding 100,000	0
Over 100,000 and not exceeding 150,000	125
Over 150,000 and not exceeding 200,000	150
Over 200,000 and not exceeding 300,000	200
Over 300,000 and not exceeding 500,000	250
Over 500,000 and not exceeding 750,000	300
Over 750,000 and not exceeding 1,000,000	500
Over 1,000,000 and not exceeding 2,000,000	750
Over 2,000,000 and not exceeding 4,000,000	1000
Over 4,000,000 and not exceeding 6,000,000	1250
Over 6,000,000 and not exceeding 8,000,000	1500
Over 8,000,000 and not exceeding 10,000,000	1750
Over 10,000,000 and not exceeding 12,000,000	2000
Over 12,000,000 and not exceeding 14,000,000	2500
Over 14,000,000 and not exceeding 16,000,000	3000
Over 16,000,000 and not exceeding 18,000,000	3500
Over 18,000,000 and not exceeding 20,000,000	4000
Over 20,000,000 and not exceeding 22,000,000	4500
Over 22,000,000	5000



C - Corporation Income Tax



All corporations that own property or do business in Georgia, or that have income from Georgia sources are required to file a Georgia income tax return. The rate of tax is 5.75% of the Georgia taxable income.

The return is due on or before the 15th day of the 4th month following the close of the taxable year. If the due date falls on a weekend or holiday, the return shall be due on the next day that is not a weekend or a holiday.

Every corporation in the state must file a C corporation income tax return in Form 600.

If a taxpayer applies for and receives an automatic six-month extension to file their Federal income tax return, they are not required to separately apply for a Georgia extension. If the taxpayer files their return within the extended timeframe granted by the IRS, no late filing penalties will be imposed by the state of Georgia. Georgia law limits extensions to a maximum of six months from the original due date of the return. Extensions longer than this period will not be granted. Failure to attach a copy of the Federal extension to the Georgia return will lead to the assessment of late filing penalties. If a taxpayer does not require a Federal extension but still needs a Georgia extension, they can use Form IT-303 to request the extension.

C corporations in Georgia may be required to make estimated tax payments if they expect to owe a tax liability of USD 25,000 for the tax year. Estimated tax payments are generally due on 15th day of April, June, September, and December.

S - Corporation Income Tax

- All corporations that own property or do business in Georgia, or derive income from Georgia sources are required to file a Georgia income tax return. The tax is imposed at an 5.75% rate on the Georgia taxable income.
- The return is due on or before the 15th day of the 3rd month following the close of the taxable year. If the due date falls on a weekend or holiday, the return shall be due on the next day that is not a weekend or a holiday.
- Every S corporation in the state must file an S corporation income tax return in Form 600S. The timeline and process of obtaining an extension to file the income tax return is same as for a C corporation.
- For Georgia residents, income on most S Corporations flows through to the individual shareholders and estimated tax is paid accordingly at the individual level. S Corporation may be required to make estimated tax payments if they expect to owe a tax liability of USD 25,000 for the tax year at entity level. Estimated tax payments are generally due on 15th day of April, June, September, and December.



Partnership LLC & LLP Income Tax

- ❑ A partnership, limited liability company, syndicate, group, pool, joint venture and unincorporated organization which is engaged in business or owns property located in Georgia or has members domiciled in Georgia or has income from Georgia sources, and which is required to file a Federal Income Tax return in Form 1065, is required to file a Georgia Partnership Income Tax return.
- ❑ The return must be filed on or before the 15th day of the third month following the close of the taxable year.
- ❑ Every Partnership LLC & LLP in the state must file a Partnership income tax return in Form 700. Form 700 is an information return when not electing to pay tax at the entity level and as such the income tax is paid by the partners. This also applies to an LLC that is treated as a partnership for federal income tax purposes. When electing to pay tax at the entity level, the income tax is paid by the partnership and not by the partners. This also applies to an LLC that is treated as a partnership for federal income tax purposes.
- ❑ The timeline and process of obtaining an extension to file the income tax return is same as for a C corporation.
- ❑ If the business elects to pay tax at the entity level the Partnership LLC & LLP may be required to make estimated tax payments if they expect to owe a tax liability of USD 25,000 for the tax year at entity level. Estimated tax payments are generally due on 15th day of April, June, September, and December.



Interest and Penalty



A

Interest

Interest on past due taxes accrues monthly from the date the tax was due until the date the tax is paid. Interest that accrues beginning July 1, 2016 accrues at an annual rate equal to the Federal Reserve prime rate plus 3% percent.

B

Late Filing Penalty**

If tax return is not filed by the due date then the penalty imposed is 5% of the tax not paid by the original due date, and an additional 5% for each additional month the return is filed late up to a maximum 25% of tax not paid .

C

Late Payment Penalty

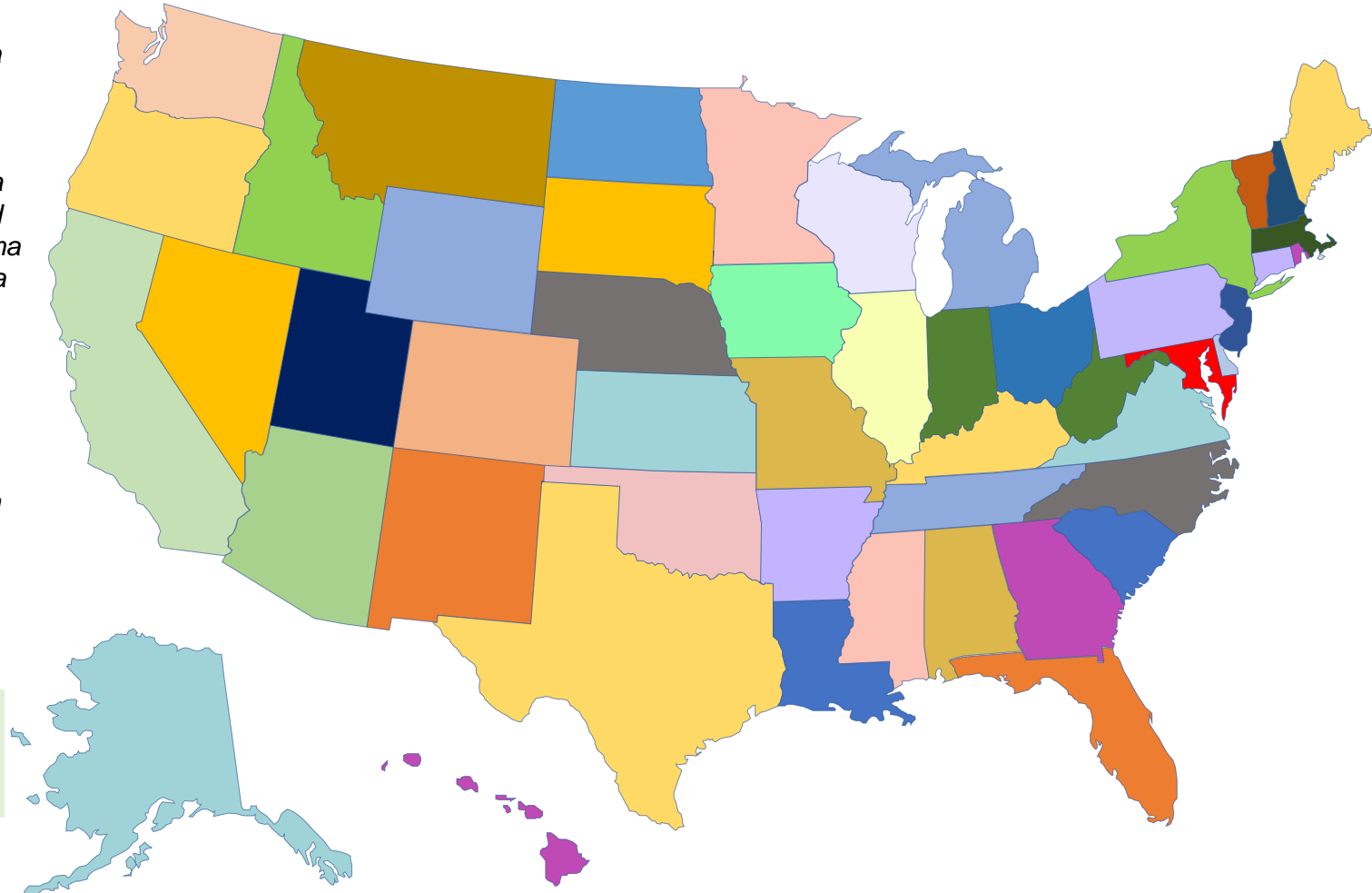
If tax is not paid by the statutory due date of the return, a late payment penalty of 0.5% of the unpaid tax due, and an additional 0.5% of the outstanding tax for each additional month up to a maximum of 25% of tax not paid is imposed.

**The combined total of the late filing and the late payment penalty cannot exceed 25% of the tax due on the return due date.

Upcoming Series

Please find below the list of completed alerts from the series. In case you have missed the previous alerts, click on the hyperlink for the completed alerts to refer the same.

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