

EXHIBIT 2**Tax Treatment of LLCs/LLPs/LPs (LLEs) by States Imposing Net Worth or Debt-Based Corporate Franchise Taxes (as of 3/1/13)**

State	Apply Franchise Tax? ²	Note
Alabama	YES	LLCs, LLPs, and LPs subject to "business privilege tax" based on modified net worth. Sliding rate scale based on apportioned federal net income with \$100 min. and \$15,000 max. (generally). "Family limited liability entities" subject to \$500 cap. Ala. Code §40-14A-22.
Arkansas	NO ¹	But LLCs are subject to the minimum \$150 franchise tax. Ark. Code Ann. §26-54-104(8).
Connecticut	NO ¹	
Delaware	NO ¹	
Georgia	NO	
Illinois	NO	
Kansas	YES	For tax years after 12/31/10, the franchise tax is repealed. For prior tax years, however, LLCs/LLPs were subject to franchise tax on net capital accounts with a \$20,000 cap, but only if net capital accounts located or used in Kan. were \$1 million or more. Kan. Stat. Ann. §79-5401(a)(2).
Kentucky	NO	
Louisiana	NO	An LLE's election under the check-the-box regulations to be taxed as a corporation for federal income tax purposes has no significance in determining whether the LLE is subject to La. franchise tax. La. DOR Rev. Rul. No. 01-013 (10/1/01). LLE electing S corporation or C corporation status is not subject to franchise tax. La. Info. Bulletin No. 04-023 (12/1/04); La. Priv. Ltr. Rul. 05-015 (12/28/05).
Massachusetts	NO ¹	
Mississippi	NO	
Missouri	NO	
Nebraska	NO	
New Jersey	NO	
New Mexico	NO ¹	
North Carolina	NO	LLCs exempt from franchise tax by statute. N.C. Gen. Stat. §105-114(b)(2). A corporate member is now required to include the LLC's assets in its franchise tax base if the corporate member or its affiliates collectively own 50% or more of the capital interests of the LLC. LLC electing corporation status, however, is subject to franchise tax.
Ohio	YES	Prior to 7/1/05 and during the five-year phase-out, "qualifying pass-through entities" are subject to an 8.5% franchise tax on sum of distributive shares of income to: (1) corporations not paying the Ohio franchise tax; (2) partnerships that are themselves investors in a pass-through entity if the partnership's ultimate owners are corporations not paying Ohio franchise tax; and (3) trusts that are investors in pass-throughs if the beneficiaries are ultimately corporations not paying Ohio franchise tax. Entity-level tax can be avoided by filing nonresident-member jurisdictional consents. Ohio Rev. Code §§5733.40 and .41. ³ Franchise tax credit calculations include a corporation's proportionate share from LLCs and LLPs. Ohio Rev. Code §5733.057.
Oklahoma	NO	LLCs are exempt from franchise tax by statute. Okla. Stat. tit. 68 §1201. Oklahoma, however, imposed a Business Activity Tax (BAT) on the "net revenue" of a taxpayer, including LLCs and LLPs. For tax years 2010, 2011, and 2012, the BAT liability was tied to the amount of the taxpayer's 2009 franchise tax liability. Although the state legislature extended the BAT through 2013, Oklahoma voters approved the imposition of a property tax on intangible property, thus allowing 2012 to be the final year of the BAT.
Pennsylvania	YES	All LLCs except "restricted professional companies" are subject to the capital stock and franchise taxes. 15 Pa. Cons. Stat. §8925. Tax phasing out by 2014.
Rhode Island	NO ¹	
South Carolina	NO	
Tennessee	YES	LLCs, LLPs, and LPs subject to franchise tax of \$0.25 per \$100 of net worth. ⁴ Tenn. Code Ann. §§67-4-2105(a) and 67-4-2106(a).
Texas	YES	LLCs and LLPs subject to Texas franchise "margin" tax at 0.5% (retailers and wholesalers) or 1% (all other businesses) of lowest of: (1) 70% of total revenue; (2) total revenue minus cost of goods sold; or (3) total revenue minus total compensation. Tex. Tax Code Ann. §171.101. ⁵
West Virginia	YES	Generally, the tax is the greater of \$50 or 0.27% (0.2% eff. 1/1/13) of capital accounts, but is scheduled to phase-out in 2015. W.Va. Code §§11-23-3(b)(2)(C) and 11-23-6.
Wyoming	YES	Generally, annual report license tax is the greater of \$50 or 0.02% of assets employed in Wyoming. Wyo. Stat. §§17-16-1630(a) and 17-29-209(a).

¹ Several states impose a de minimis (e.g., \$150 Arkansas, \$250 Connecticut (every other year), \$250 Delaware; \$500 Massachusetts, \$50 New Mexico, and \$500 Rhode Island) annual franchise tax/filing fee on LLEs.

² As a general rule, states that follow the federal income tax classification guidelines for LLEs will impose a net worth or debt-based franchise tax only on those LLEs treated as C corporations.

³ See Steines, "Ohio's Tax on Certain Pass-Through Entities Seeks to Plug a Loophole," 9 JMT 20 (October 1999). Effective 7/1/05, Ohio's new gross-receipts-based "commercial activity tax" (CAT) is being phased in to replace the state's income-based franchise tax. See Sutton, Yesnowitz, Ford, Zins, and Conley, "Ohio's New Commercial Activity Tax: What It Means for Business," 15 JMT 8 (February 2006).

⁴ See Griffith and Stewart, "Tennessee Imposes Franchise, Excise Taxes on LLCs and Other Limited Liability Entities," 9 JMT 6 (January 2000).

⁵ See Jackson and Wellington, "Major Tax Reform in Texas: An Overview of the State's New Margin Tax," 16 JMT 8 (October 2006).