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## CORPORATE INCOME TAX APPORTIONMENT

States that tax corporate income use an apportionment formula to apportion the income of multistate corporations to the state to avoid double taxation. The apportionment formula may consider payroll, property, and sales factors, or may be based only on the sales factor. Montana uses an equally weighted three-factor apportionment formula. The first step in apportioning income is to determine the apportionment factors for the corporation by dividing the state portion of the factor by the total portion.

	Montana	Total	Factor
Payroll	\$1,500,000	\$10,000,000	0.15
Property	\$2,000,000	\$20,000,000	0.10
Sales	\$5,000,000	\$25,000,000	0.20

## Examples

Using the apportionment factors calculated in the table above, the following examples show calculations for the three most common apportionment formulas and how much income would be allocated to the state using the different methods and assuming \$5 million in federal taxable income. The table also shows which states use each apportionment method.

Apportionment Formula	Factor	Montana Taxable Income on Federal Taxable Income of \$5 million	States Using Apportionment Method <sup>1</sup>
Equally Weighted Three-Factor (Payroll + Property + Sales)/3 (0.15 + 0.10 + 0.20)/3	0.15	\$750,000	8: Alaska, Hawaii, Kansas, Louisiana, Missouri, <b>Montana</b> , North Dakota, Oklahoma
Single Sales Factor Use only sales factor 0.20	0.20	\$1,000,000	20 + D.C.: California, Colorado, Connecticut, Georgia, Illinois, Indiana, Iowa, Maine, Michigan, Minnesota, Nebraska, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Wisconsin
Double-Weighted Sales Factor (Payroll + Property + Sales + Sales)/4 (0.15 + 0.10 + 0.20 + 0.20)/4	0.1625	\$812,500	9: Alabama, Arkansas, Delaware, Florida, Idaho, Kentucky, New Hampshire, Vermont, West Virginia

<sup>&</sup>lt;sup>1</sup> "<u>State Apportionment of Corporate Income</u>," Federation of Tax Administrators, as of January 1, 2017. The other states use a different method, allow a taxpayer to choose, or specify the apportionment method in administrative rules.

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