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Effect of Non-exempt Designation Under Alternative Jurisdictional Distributions of $100 of Net Income

Assumptions:

Shares of world-wide productive activity (per payroll, sales and property formula): Montana, 10%; Water's Edge Group (includes Montana and all other US states), 80%; Country 1, 10%; Country 2, 10%.; expanded Water's Edge Group (includes Montana, all other US states and Country 2, non-exempt), 90%.

Montana share of Water's Edge Group productive activity, no non-exempt countries: 12.5% (= 10%/80%).

Montana share of expanded Water's Edge Group productive activity: 11.1% (=10%/90%).

Case	Distribution of Net Income (Total Worldwide Income = $100)			Net Income Subject to Montana Taxation
	Waters Edge Group	Country 1	Country 2	
1. Net income distributed in proportion to productive activity. No non-exempt countries.	$80	$10	$10	$10 (= .125 x $80)
2. WEG net income ($30) shifted to Country 2. No non-exempt countries.	$50	$10	$40	$6.25 (=.125 x $50)
3. WEG net income ($30) shifted to Country 2. Country 2 non-exempt (Country 2 included in WEG).	$90	$10		$10 (=.111 x $90)
4. Net income distributed in proportion to productive activity. Country 2 non-exempt.	$90	$10		$10 (=.111 x $90)
5. Country 1 net income ($8) shifted to Country 2. Country 2 non-exempt.	$98	$2		$10.88 (=.111 x $98)

SENATE TAXATION
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