Bill Draft 2013-TDxz-29: Amend Corporate Apportionment.

2013-2014 General Assembly

Committee:	Revenue Laws Study Committee	**Date:**	May 9, 2014
Introduced by:		**Prepared by:**	Heather Fennell
Analysis of:	2013-TDxz-29		Committee Counsel

***SUMMARY:** Bill draft 2013-TDxz-29 amends the apportionment formula for the calculation of corporate income and franchise tax.*

CURRENT LAW: In order to tax multistate corporations, states must determine the amount of the corporation's business that is attributable to that state for tax purposes. States make this determination by calculating an apportionment percentage. Multistate corporations multiply their income and franchise tax base by this apportionment percentage to calculate their corporate tax liability.

States generally look at three factors to calculate the apportionment percentage:

- The percentage of the corporation's property located in the state.
- The percentage of the corporation's payroll located in the state.
- The percentage of the corporation's sales in the state.

The states vary in how they assign weight to these three factors. An equally weighted apportionment formula would provide that each of the three factors are weighed equally.

For most corporations, North Carolina currently uses the property, payroll, and sales factor with a double weighted sales factor.

BILL ANALYSIS: Bill draft 2013-TDxz-29 amends the apportionment formula for the calculation of corporate income and franchise tax by moving from a double weighted sales factor to a four-times weighted sales factor.

EFFECTIVE DATE: This act is effective for tax years beginning on or after January 1, 2015.