

Combined Unitary Reporting: the Basics

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Apportionment by Formula

$$\text{State Taxable Income} = \left[\frac{\text{Total apportionable income}}{\text{Total apportionable income}} \right] \left[\text{State's share of apportionable income} \right]$$

$$\text{State's share of apportionable income} = \frac{\left[\frac{\text{Property in - state}}{\text{Total property}} + \frac{\text{Payroll in - state}}{\text{Total payroll}} + \frac{\text{Sales in - state}}{\text{Total sales}} \right]}{3}$$

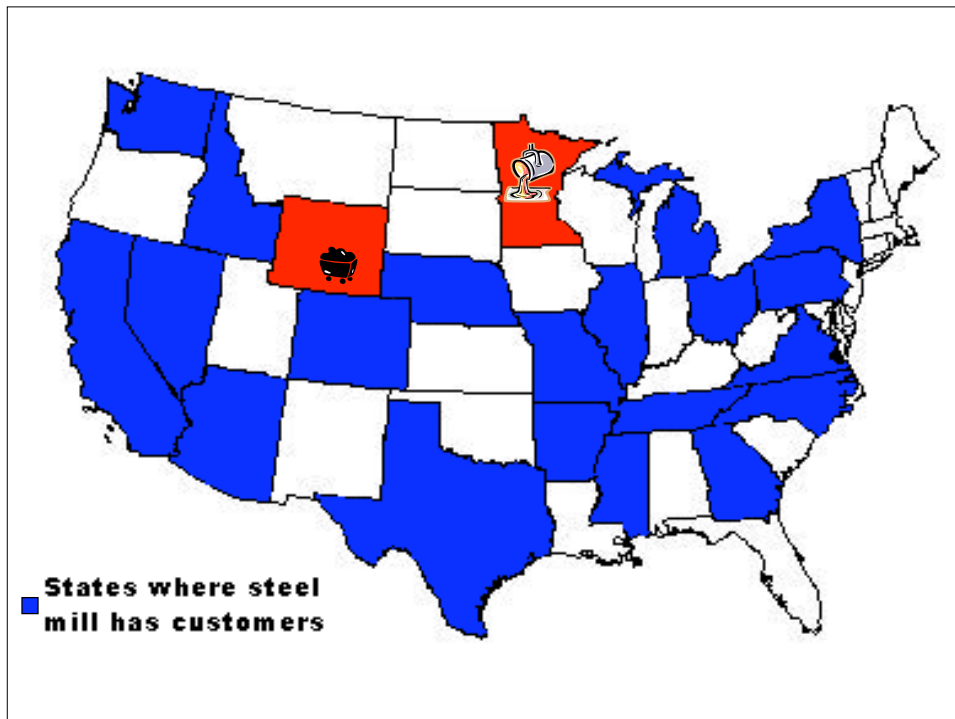


Single Factor Apportionment Based on Sales

Sales in State



Total Sales



Tax Planning Reduces Tax Burden of Company by \$1,960 or 40%



State Corporate Income Tax Under Combined Unitary Accounting

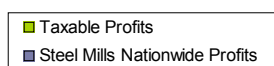
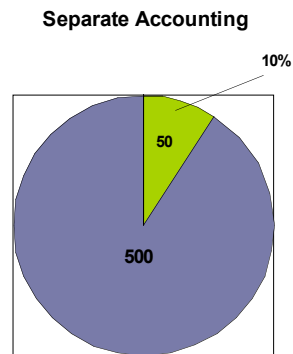
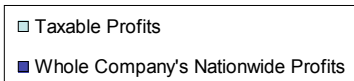
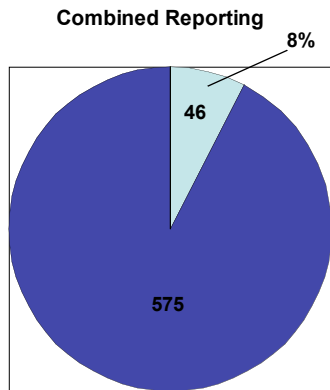
Pre-tax profit—steel mill (tax planning)	300
Pre-tax profit—coal mine (tax planning)	275
Pre-tax profit—total (tax planning)	575
Sales	
Steel mill—in MN	200
Coal mine WY	500
Steel mill outside of MN and WY	1800
Total	2500
Share of company sales in MN = 200/2500	0.08
Profits apportioned to MN = 0.08 of 575	46
State Corporate Income Tax = 9.8% of 46	4.508



Combined reporting results in lower tax bill than under accurate separate accounting (not true in all instances)



Computing Minnesota Taxable Profits Under Combined Reporting vs. Separate Accounting: A Smaller Slice of a Larger Pie



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