

Corporate Franchise and Income Tax - Income Apportionment

Hypothetical of Business Income Apportioned to Three States

Scenario 1

State "A"					
Equally Weighted Three Factor					
Factor	Assumptions				Allocation
	State "A"	Nationwide	Ratio of Nationwide	Factor Weight	(Factor Weight * Ratio)
Payroll	\$ 500	\$ 1,000	50%	1	0.50
Property	\$ 2,500	\$ 5,000	50%	1	0.50
Sales	\$ 5,000	\$ 10,000	50%	1	0.50
Total				3	1.50
Divide Totals					0.50
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					50.00%
Dollar Amount of Income Apportioned to State					\$ 1,500

State "B"					
Double Weighted Sales Factor					
Factor	Assumptions				Allocation
	State "B"	Nationwide	Ratio of Nationwide	Factor Weight	(Factor Weight * Ratio)
Payroll	\$ 250	\$ 1,000	25%	1	0.25
Property	\$ 1,250	\$ 5,000	25%	1	0.25
Sales	\$ 2,500	\$ 10,000	25%	2	0.50
Total				4	1.00
Divide Totals					0.25
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					25.00%
Dollar Amount of Income Apportioned to State					\$ 750

State "C"					
Single Weighted Sales Factor					
Factor	Assumptions				Allocation
	State "C"	Nationwide	Ratio of Nationwide	Factor Weight	(Factor Weight * Ratio)
Payroll	\$ 250	1,000	25%	0	0.00
Property	\$ 1,250	5,000	25%	0	0.00
Sales	\$ 2,500	10,000	25%	1	0.25
Total				1	0.25
Divide Totals					0.25
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					25.00%
Dollar Amount of Income Apportioned to State					\$ 750

Nationwide Taxable Income	\$ 3,000
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Dollar Amount of Income Apportioned	\$3,000
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Percent of Income Apportioned	100%
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Scenario 2

State "A"					
Equally Weighted Three Factor					
Factor	Assumptions				Allocation (Factor Weight * Ratio)
	State "A"	Nationwide	Ratio of Nationwide	Factor Weight	
Payroll	\$ 100	\$ 1,000	10%	1	0.10
Property	\$ 500	\$ 5,000	10%	1	0.10
Sales	\$ 9,000	\$ 10,000	90%	1	0.90
				Total	3
				Divide Totals	0.37
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					36.67%
Dollar Amount of Income Apportioned to State					\$ 1,100

State "B"					
Single Weighted Sales Factor					
Factor	Assumptions				Allocation (Factor Weight * Ratio)
	State "B"	Nationwide	Ratio of Nationwide	Factor Weight	
Payroll	\$ 450	\$ 1,000	45%	0	0.00
Property	\$ 2,250	\$ 5,000	45%	0	0.00
Sales	\$ 500	\$ 10,000	5%	1	0.05
				Total	1
				Divide Totals	0.05
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					5.00%
Dollar Amount of Income Apportioned to State					\$ 150

State "C"					
Single Weighted Sales Factor					
Factor	Assumptions				Allocation (Factor Weight * Ratio)
	State "C"	Nationwide	Ratio of Nationwide	Factor Weight	
Payroll	\$ 450	1,000	45%	0	0.00
Property	\$ 2,250	5,000	45%	0	0.00
Sales	\$ 500	10,000	5%	1	0.05
				Total	1
				Divide Totals	0.05
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					5.00%
Dollar Amount of Income Apportioned to State					\$ 150

Nationwide Taxable Income	\$ 3,000
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Dollar Amount of Income Apportioned	\$1,400
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Percent of Income Apportioned	47%
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Scenario 3

State "A"					
Equally Weighted Three Factor					
Factor	Assumptions				Allocation (Factor Weight * Ratio)
	State "A"	Nationwide	Ratio of Nationwide	Factor Weight	
Payroll	\$ 900	\$ 1,000	90%	1	0.90
Property	\$ 4,500	\$ 5,000	90%	1	0.90
Sales	\$ 1,000	\$ 10,000	10%	1	0.10
Total				3	1.90
Divide Totals					0.63
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					63.33%
Dollar Amount of Income Apportioned to State					\$ 1,900

State "B"					
Single Weighted Sales Factor					
Factor	Assumptions				Allocation (Factor Weight * Ratio)
	State "B"	Nationwide	Ratio of Nationwide	Factor Weight	
Payroll	\$ 50	\$ 1,000	5%	0	0.00
Property	\$ 250	\$ 5,000	5%	0	0.00
Sales	\$ 4,500	\$ 10,000	45%	1	0.45
Total				1	0.45
Divide Totals					0.45
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					45.00%
Dollar Amount of Income Apportioned to State					\$ 1,350

State "C"					
Single Weighted Sales Factor					
Factor	Assumptions				Allocation (Factor Weight * Ratio)
	State "C"	Nationwide	Ratio of Nationwide	Factor Weight	
Payroll	\$ 50	1,000	5%	0	0.00
Property	\$ 250	5,000	5%	0	0.00
Sales	\$ 4,500	10,000	45%	1	0.45
Total				1	0.45
Divide Totals					0.45
Nationwide Taxable Income					\$ 3,000
Percent of Income Apportioned to State					45.00%
Dollar Amount of Income Apportioned to State					\$ 1,350

Nationwide Taxable Income	\$ 3,000
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Dollar Amount of Income Apportioned	\$4,600
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Percent of Income Apportioned	153%
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