

1 Subject: Taxation; corporate income tax; apportionment; combined reporting;  
2 Finnigan method; water’s–edge; overseas business organizations  
3 Statement of purpose of bill as introduced: This bill proposes to amend the  
4 apportionment of a taxable corporation’s Vermont net income by tripling the  
5 sales factor. In regard to applying state taxing jurisdiction to unitary,  
6 combined reporting groups, this bill changes Vermont’s approach from the  
7 *Joyce* method to the *Finnigan* method. This bill also requires the income and  
8 apportionment factors of all taxable corporations that are part of a unitary  
9 group and that are incorporated in the U.S., including overseas business  
10 organizations, to be reported on a combined return.

11 An act relating to corporate income tax

12 It is hereby enacted by the General Assembly of the State of Vermont:

13 \* \* \* Corporate Income Tax

14 Sec. 1. 32 V.S.A. § 5833 is amended to read:

15 § 5833. ALLOCATION AND APPORTIONMENT OF INCOME

16 (a) If the income of a taxable corporation is derived from any trade,  
17 business, or activity conducted entirely within this State, the Vermont net  
18 income of the corporation shall be allocated to this State in full. If the income  
19 of a taxable corporation is derived from any trade, business, or activity

1 conducted both within and outside this State, the amount of the corporation's  
2 Vermont net income that shall be apportioned to this State, so as to allocate to  
3 this State a fair and equitable portion of that income, shall be determined by  
4 multiplying that Vermont net income by the arithmetic average of the  
5 following factors, with the sales factor described in subdivision (3) of this  
6 subsection ~~double~~ triple-weighted:

7 (1) The average of the value of all the real and tangible property within  
8 this State (A) at the beginning of the taxable year and (B) at the end of the  
9 taxable year (but the Commissioner may require the use of the average of such  
10 value on the 15th or other day of each month, in cases where he or she  
11 determines that such computation is necessary to more accurately reflect the  
12 average value of property within Vermont during the taxable year), expressed  
13 as a percentage of all such property both within and outside this State;

14 (2) The total wages, salaries, and other personal service compensation  
15 paid during the taxable year to employees within this State, expressed as a  
16 percentage of all such compensation paid whether within or outside this State;

17 (3) The gross sales, or charges for services performed, within this State,  
18 expressed as a percentage of such sales or charges whether within or outside  
19 this State.

20 \* \* \*

21 Sec. 2. 32 V.S.A. § 5862(d) is amended to read:

1 (d) A taxable corporation which is part of an affiliated group engaged in a  
2 unitary business shall be treated as a single taxpayer and shall file a group  
3 return containing the combined net income of the affiliated group and such  
4 other informational returns as the Commissioner shall require by rule. A return  
5 filed under a water's-edge election shall include the income and apportionment  
6 factors of any taxable corporation incorporated in the United States or formed  
7 under the laws of any state, the District of Columbia, or any territory or  
8 possession of the United States and in a unitary relationship with the taxpayer.

9 \* \* \* Effective Dates \* \* \*

10 Sec. 3. EFFECTIVE DATES

11 (a) This section shall take effect on passage

12 (b) Notwithstanding 1 V.S.A. § 214, Secs. 1 (triple-weighted sales factor)  
13 and 2 (combined reporting) shall take effect retroactively on January 1, 2020  
14 and apply to taxable years beginning on and after January 1, 2020.