

CORPORATE INCOME TAX SECTION BY SECTION
DR 20-0910 – 2/27/20

Sec. #	Summary	Notes
1	<p>32 V.S.A. § 5811</p> <p>(22) Repeals definition of overseas business organization, which allows for 80/20 rule.</p> <ul style="list-style-type: none"> • 80/20 rule is imposed in regulation and allows overseas business organizations that have 80% or more of property and payroll outside of U.S. to exclude their apportionment factors from the Vermont numerator. <p>(24) Makes conforming change to definition of affiliated group</p> <p>Eff. date: retroactive to Jan. 1, 2020 (FY 21)</p>	
2	<p>32 V.S.A. § 5833(a)</p> <p>Changes apportionment sales factor from double-weighted to triple-weighted.</p> <p>Apportionment applies to income from taxable corporations with activity both inside and outside Vermont.</p> <p>Eff. date: retroactive to Jan. 1, 2020 (FY 21)</p>	
3	<p>32 V.S.A. § 5833(a)</p> <p>Changes apportionment sales factor from triple-weighted to quadruple-weighted</p> <p>Eff. date: Jan. 1, 2021 (FY 22)</p>	
4	<p>32 V.S.A. § 5833</p> <p>Changes apportionment to single sales factor (removes property and payroll factors)</p> <p>Repeals throwback rule.</p> <ul style="list-style-type: none"> • Throwback occurs when there is “nowhere income,” which is income from sales of tangible personal property made from Vermont that are not taxed either because the sales are made to the federal government, or because the “corporation is not taxable in the State in which the purchaser takes possession.” 32 V.S.A. § 5833(a)(3)(A)(ii). • Currently, nowhere sales are “thrown back” to Vermont. <i>Id.</i> <p>Eff. date: Jan. 1, 2022 (FY 23)</p>	

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5	<p>32 V.S.A. § 5862(d)</p> <p>Inserts Finnigan method of applying state jurisdiction to income of all corporations within a unitary combined filing group, even those that do not have nexus with Vermont.</p> <p>Supersedes 80/20 rule: requires income and apportionment factors of all taxable corporations incorporated in the U.S. that are part of a unitary combined filing group to be included in that group’s return.</p> <p>Eff. date: retroactive to Jan. 1, 2020 (FY 21)</p>	
6	<p>Transition from Joyce to Finnigan method for apportionment</p> <p>Starting Jan. 1, 2020, Vermont will use the Finnigan method, which means that if any member of a unitary group has nexus with Vermont, then sales of tangible personal property into Vermont from outside the State by all members of the unitary group will be included in the Vermont sales factor numerator.</p> <p>From Jan. 1, 2020 until Jan. 1, 2022 (when throwback is repealed):</p> <ul style="list-style-type: none"> • If any member of a unitary group is taxable in another state, then sales of tangible personal property from a Vermont location into that state by any member of the unitary group shall be excluded from the Vermont sales factor numerator. • If no member of a unitary group is taxable in another state, then sales of tangible personal property from a Vermont location into that state by all members of the unitary group shall be included in the Vermont sales factor numerator. <p>Eff. date: retroactive to Jan. 1, 2020 (FY 21)</p>	
7	<p>Rulemaking and report required by Dept. of Taxes</p> <p>Department of Taxes is required to adopt rules relating to the new unitary combined reporting requirements and report back to the General Assembly about the rulemaking process and any proposed legislation by Jan. 15, 2021.</p> <p>Eff. date: retroactive to Jan. 1, 2020</p>	

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8	<p>Effective Dates</p> <p>Jan. 1, 2020 (tax filing season and fiscal year 2021)</p> <ul style="list-style-type: none"> • Sec. 1, 80/20 rule definitions • Sec. 2, triple-weighted sales factor • Sec. 5, Finnigan method and 80/20 rule • Sec. 6, transition to Finnigan method • Sec. 7, rulemaking and report by Dept. of Taxes <p>Jan. 1, 2021 (tax filing season and fiscal year 2022):</p> <ul style="list-style-type: none"> • Sec. 3, quadruple-weighted sales factor <p>Jan. 1, 2022 (tax filing season and fiscal year 2023):</p> <ul style="list-style-type: none"> • Sec. 4, single sales factor and repeal of throwback 	