S.53 As Passed by Senate and House Further Proposal of Amendment
Summary of Corporate Income Tax Sections 3-8 and 16(1) – October 15, 2021

<table>
<tr><th>Sec.</th><th>Section Summary</th></tr>
<tr><td>3</td><td>32 V.S.A. § 5811(22) and (24)

Subdiv. (22) In definition of affiliated group, deletes references to overseas business organizations.

Subdiv. (24) Repeals definition of overseas business organization, which allows for 80/20 rule.
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.</td></tr>
<tr><td>4</td><td>32 V.S.A. § 5832(2)

Changes brackets and amounts for minimum corporate income tax as follows:

<u>Vermont gross receipts</u> — <u>Minimum tax amount</u>
$0-100,000 — $250
$100,001-$1 million — $500
$1 million to $5 million — $2,000
$5 million to $300 million — $6,000
$300 million + — $100,000</td></tr>
<tr><td>5</td><td>32 V.S.A. § 5833(d)

Amends the apportionment factors for taxable corporations with activity both inside and outside Vermont, so that the only factor taken into account will be the sales factor (also known as “single sales factor”).

Repeal of “throwback” rule
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. Id.
Requires taxable C corporations subject to apportionment to continue to report their property and payroll to the Commissioner of Taxes when Vermont moves to a single sales factor for apportionment.</td></tr>
<tr><td>6</td><td>32 V.S.A. § 5862(d)

Moves Vermont to 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.</td></tr>
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	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. To determine apportionable income, the income, gains, or losses from all members are combined; except state tax credits will not be combined and will be limited to the members holding the credits.
7	Transition from Joyce to Finnigan Method Starting Jan. 1, 2022, 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.
8	Rulemaking and report by Dept. of Taxes Dept. 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. 2023.
16(1)	Effective dates All corporate income tax changes are effective January 1, 2022, except for section requiring rulemaking and legislative report by Dept. of Taxes, which is effective on passage.