

# CORPORATE INCOME TAX

## Principles and Audit Techniques for Allocation and Apportionment

**Understanding constitutional principles and mechanics that apply to corporate income tax apportionment is essential for those involved with legislative, legal and audit aspects of the corporate income tax.**

### OBJECTIVE:

This course is designed to accomplish two complementary goals: to educate state revenue representatives concerning the basic laws relating to the allocation and apportionment of corporate income taxes; and to train state auditors in auditing of multistate businesses for the corporate income tax. At the end of Part One, students should be able to apply principles of allocation and apportionment for a net income tax or other apportionable business activity tax. For sessions with a combined reporting emphasis, students should be able to describe the unitary business principle and the mechanics of combined reporting and formula apportionment.

For Part Two of the course, participants should be able to apply the steps and techniques for effectively conducting a multistate audit. This includes records requests, identifying factors that may establish a unitary relationship, methods for auditing apportionment factors, tests for categorizing business and non-business income, and treatment of net operating losses. At the end of Part Two, auditors will have the confidence and skills needed to conduct an audit of a multistate business.

### AUDIENCE:

**Part One** (1 ½ days) is for any state revenue employee (lawyer, auditor, policy analyst or other) and can be taken on a stand-alone basis.

**Part Two** (2 ½ days) is for state auditors or those who support state audit work. Part Two students must also take Part One of the course.

### PREREQUISITES:

Significant experience with state corporate income tax concepts.

### STUDENT COMPUTER REQUIREMENTS:

Part Two students must have laptop computers with Excel 2010 and a CD-Drive or a free USB port to enable the sharing of files. Many of the Part Two problems use Excel spreadsheet software.

### PROGRAM LEVEL:

Intermediate

## PROGRAM DESCRIPTION:

**Part One:** Topics include jurisdiction to tax, unitary business principle, the determination of apportionable income, the apportionment formula, combined reporting, treatment of pass-through entities, and other issues associated with income attribution and apportionment. Course materials for Part One incorporate the law and practice of the host state.

**Part Two:** Introduces or refreshes the student (depending on the knowledge and experience of the student) to techniques for the audit of a multistate business. It includes the following topics: pre-audit procedures, conducting unitary investigations, computing combined income, analyzing business/non-business income issues, computing state modifications, computing the combined apportionment factor, computing net operating losses, and analyzing nexus issues. Problem sets are utilized and audit techniques are discussed throughout this section of the course. It concludes with a comprehensive problem.

## COURSE MATERIALS:

All participants receive a comprehensive outline regarding state income tax concepts. Part Two students receive a comprehensive course binder which includes course materials and problems sets, and a template for the comprehensive course problem.

## ADVANCE PREPARATION:

None

## INSTRUCTIONAL DELIVERY METHOD:

Group-Live

## RECOMMENDED CPE CREDITS:

32 hours

## FIELD OF STUDY:

Taxes ([View the Fields of Study](#))

## REGISTRATION INFORMATION:

Contact Sherry Tiggett at [stiggett@mtc.gov](mailto:stiggett@mtc.gov) or (202) 650-0296