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 complementary goals: to educate state revenue representatives concerning the basic laws relating to the allocation and apportionment of corporate income taxes; to train state auditors in auditing of multistate businesses for the corporate income tax; and to provide analysis and insight into legal and policy issues encountered in the corporate income taxation of multistate businesses. After the first part of the course, students will be able to apply principles of allocation and apportionment for a net income tax or other apportionable business activity tax, describe the unitary business principle, and explain the mechanics of combined and separate entity reporting and formulary apportionment.

During the second part of the course, students will be offered breakout sessions focused on either audit or legal/policy issues. Students participating in the audit session 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 these sessions, auditors will have the confidence and skills needed to conduct an audit of a multistate business. Students participating in the legal/policy sessions should be able to identify and understand legal and policy choices and challenges that will be faced in the taxation of multistate businesses.

AUDIENCE:
Any state revenue employee (lawyer, auditor, policy analyst, or other) (3 and 1/2 days).

PREREQUISITES:
Basic experience with state corporate income tax concepts.

STUDENT COMPUTER REQUIREMENTS:
Students attending the breakout sessions for audit staff 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 problems in these breakout sessions 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 various other issues associated with income attribution and apportionment.

**Part Two**

**Audit Issues:** 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.

**Legal/Policy Issues:** Students will receive presentations on and participate in discussions concerning policy and legal issues encountered in the corporate income taxation of multistate businesses. Topics covered will include constitutional limitations on a state’s ability to tax multistate businesses, policy and legal options faced with differing methods of taxation, strategies and concerns to be addressed during administrative and judicial reviews and appeals, ways to deal with intercompany transactions, allocation and apportionment challenges, and alternative apportionment methods.

COURSE MATERIALS:

All participants receive a comprehensive outline regarding state income tax concepts. Students who attend the audit breakout sessions 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 or (202) 650-0296