

## Multistate/International

### Other Administrative Issues > State IRC §482 Powers

IRC §482 authorizes the IRS to distribute, apportion, or allocate gross, income, deductions, credits, or allowances between or among related taxpayers in order to prevent evasion of taxes or clearly to reflect the income. Reallocation by the IRS is permitted in any common control situation, including between two U.S. entities. However, IRC §482 is largely employed in the international tax area where transfer pricing may be used to shift income to foreign affiliates in countries with lower effective tax rates. This chart indicates states that have adopted statutes, regulations, and/or administrative rules providing tax authorities with powers similar to IRC §482.

Jurisdiction	State IRC §482 Powers	Comment	Citation	CCH ¶
Alabama	Yes	Analogous to federal.	Alabama Code §40-2A-17	Alabama 11-505
District of Columbia	Yes	Analogous to federal.	D.C. Code Ann. §47-1810.03	District of Columbia 11-505
Florida	Yes	May adjust any item or items of income, deduction, or exclusion, or any factor taken into account in apportioning income to this state, to the extent necessary clearly to reflect the net income of such taxpayer.	Fla. Stat. Ann. §220.44	Florida 10-520
Georgia	Yes	The commissioner may require the facts as he or she deems necessary for the proper computation of the entire net income and the net income properly attributable to this state, when the commissioner has reason to believe that any taxpayer conducts its trade or business so as to evade taxes, distort its true net income, or distort the net income properly attributable to this state, whether by the arbitrary shifting of income, through price fixing, charges for service, or otherwise, as a result of which the net income is arbitrarily assigned to a person related to the taxpayer.	Ga. Code Ann. §48-7-58	Georgia 11-520
Hawaii	Yes	Analogous to federal. However, a taxpayer's combined report should not include a "foreign affiliate" which is defined as a corporation not subject to tax under the IRC.	Haw. Regs. §18-235-38-04	Hawaii 11-550
Iowa	Yes	Authority to allocate tax items between related parties where items are sold for less than a fair price or where taxable income of a related party is overstated or understated.	Iowa Code §422.36(2)	Iowa 10-520

Kentucky	<p>If it is determined by the department that the amount of a deduction claimed by an entity with respect to a related party cost is greater than the amount permitted by this section, the net income of the entity shall be adjusted to reflect the amount of the related party cost permitted by this section.</p> <p>For tax periods ending before January 1, 2005, in the case of entities not required to file a consolidated or combined return under subsection (1) of this section that carried on transactions with stockholders or affiliated entities directly or indirectly, the department shall adjust the net income of such entities to an amount that would result if such transactions were carried on at arm's length.</p>		<p>Ky. Rev. Stat. Ann. §141.205(6)</p> <p>Ky. Rev. Stat. Ann. §141.205(7)</p>	Kentucky 10-520
New Jersey	Yes	Authority to adjust a corporation's net worth for purposes of calculating its corporate business tax if the books do not disclose fair valuations.	N.J. Stat. Ann. §54:10A-4(d)	New Jersey 10-520
North Carolina	Yes	Secretary may first require adjustments or, secondarily, a combined return on finding that a corporation fails to accurately report its state net income through transactions that lack economic substance or are not at fair market value among related parties.	N.C. Gen. Stat. §105-130.5A	North Carolina 10-520

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