

(i) Taxpayer Bigbox Holdings, Inc. (Holdings) is a Delaware corporation, domiciled in Delaware, with numerous foreign and domestic subsidiaries. Holdings has no “receipts,” as defined under this state’s apportionment statutes. Holdings is the corporate parent of Bigbox Retailing, Inc. (Retailing), a domestic corporation. During the tax year, Holdings receives \$100 million in dividends from Retailing and \$100 million in dividends from Holdings’ foreign subsidiaries. Because the foreign-source dividends are excluded from this state’s tax base, they are not “gross receipts” subject to apportionment and are not be included in the receipts factor. Retailing conducted operations in ten states, including this state. Retailing’s apportionment factor in this state in the current year is 20% and was 18% in the prior year. The dividends received from Retailing cannot be reasonably attributed to that entity’s earnings in any specific year. Assuming that Holdings would be subject to tax in all of the states where it would attribute its receipts under this regulation, then Holdings’ receipts factor in this state is calculated by including \$100 million of dividends received from Retailing in the denominator and \$19 million in the numerator—an amount which is equal to the total dividends paid by Retailing times the average of Retailing’s apportionment factors in this state in the current and prior year.

(ii) Same facts as (i) above, but this state determines that Holdings was only taxable in this state and one other state (State Y) to which its receipts from dividends would have been assigned had this regulation been adopted in those states. The average of Retailing’s apportionment factor in State Y for the current year and preceding year, as calculated under this state’s apportionment formula, is 10%. Under subsection (g) of this regulation, therefore, the \$71 million of dividends that would have been assigned to those states are eliminated from the receipts factor. Holding’s receipts factor in this state is 65.5% ($\$19 \text{ million} / \29 million). (Although Holdings would also have been taxable in Delaware, the state of its commercial domicile, under these facts no receipts would have been assigned to Delaware under this regulation.)