

## **G. Multistate Corporations (G.S. 105-122(c))**

### **1. Apportionment Formula**

Every corporation permitted to apportion its net income for income tax purposes under the provisions of G.S. 105-130.4 must apportion its capital stock, surplus and undivided profits for franchise tax purposes through use of the same fraction computed for apportionment of its apportionable income under G.S. 105-130.4. A corporation that is subject to the general business franchise tax, but exempt from income tax, must apportion its capital stock, surplus and undivided profits by using the apportionment factor it would have used had it been subject to the income tax. Adjustments in the method of apportionment authorized by the Secretary of Revenue for apportionment of net income do not apply automatically to apportionment of capital stock, surplus and undivided profits. Unless the Secretary specifically authorizes a modified method of allocation for franchise tax purposes, the statutory formula must be used.

### **2. Alternate Apportionment Formula**

If any corporation believes that the statutory apportionment formula allocates more of its capital stock, surplus and undivided profits to North Carolina than is reasonably attributable to its business in this State, it may make a written request to the Secretary of Revenue for permission to use an alternative formula which it believes is a better method to allocate its capital stock, surplus and undivided profits to North Carolina.

The written request must be made with the Secretary not later than ninety (90) days after the regular or extended due date of the tax return. Taxpayers should address all correspondence in connection with such petitions to the Secretary of the Revenue.

If the request for an alternative method of apportionment is granted, the order can apply to no more than three years. If the request is denied, the Secretary's decision is final and is not subject to administrative or judicial review. A corporation authorized to use an alternative formula may apportion its capital stock base using the alternative method or the statutory method.