

V. Domestic International Sales Corporation (G.S. 105-130.3, G.S. 105-130.4, G.S. 105-262)

1. Doing Business Activities of DISC (17 NCAC 05C.2400)

Every Domestic International Sales Corporation (DISC) doing business in this State shall be subject to income tax in this State. A DISC shall be considered to be doing business in this State if the business activities of the DISC are principally conducted, managed or directed in or from this State. If a DISC transacts substantial business with a supplier, other than its parent company, whose business activities are primarily conducted, managed or directed in or from this State, the DISC shall be considered to be doing business in this State. The entire business of a DISC doing business in this State shall be deemed to have been transacted or conducted within this State if such DISC is not subject to a tax measured by net income in another state or would not be subject to a tax measured by net income in any other state if such other state had a tax measured by net income. The fact that a DISC is incorporated in another state shall not of itself show that it is subject to a tax measured by net income in such other state.

2. Determination of DISC Net Income

The net income of a DISC shall be determined in accordance with the Revenue Laws of this State.

3. Apportionment of DISC Net Income

The net income of a DISC subject to a tax measured by net income both within and without this State shall be apportioned to this State by use of the applicable apportionment formula set out in G.S. 105-130.4. The ratio determined thereunder for apportioning the net income of the DISC shall be computed by including the property, payroll and sales of the parent corporation in the respective factors of the DISC. Where the DISC conducts substantial business with a supplier(s) other than its parent, the property, payroll and sales of the supplier(s) may be included in the respective factors of the DISC to the extent prescribed by the Secretary of Revenue. The property, payroll and sales of the parent corporation or other supplier(s) included in the factors of the DISC shall be for the period ending with or within the income year of the DISC. Further, the Secretary of Revenue may prescribe such other method or methods as may be deemed necessary to attribute to this State a fair and reasonable profit that would normally arise from the operation of such businesses conducted on a true arms-length basis.