

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1543

H. P. 1352

House of Representatives, April 16, 1981

Referred to the Committee on Taxation sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Huber of Falmouth.

Cosponsors: Representative Post of Owl's Head and Senator Wood of York.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Adjust the Tax Accounting Method Used for Corporations which are Part of a Unitary Group of Affiliated Corporations.

Be it enacted by the People of the State of Maine, as follows:

36 MRSA § 5200-A is enacted to read:

§ 5200-A. Accounting method for unitary group of affiliated corporations

The State Tax Assessor shall require an affiliated corporation that is subject to taxation under this chapter and that is a part of a unitary group of affiliated corporations to file a combined report covering the unitary operation of the group. The report shall contain such information as shall be designated in rules adopted by the State Tax Assessor.

An affiliated corporation is a corporation that is a member of a group of 2 or more corporations with a common owner or owners, either corporate or noncorporate, where more than 50% of the voting stock of each member corporation is directly or indirectly owned by the common owner or owners or by one or more of the member corporations.

An affiliated corporation is part of a unitary group when it is engaged in business activities which are integrated with, dependent upon or contribute to the business activities of the group as a whole, and the business activities of the group are carried on and are taxable in more than one state.

The income attributable to the Maine activities of an affiliated corporation which is part of a unitary group of affiliated corporations shall be determined by the apportionment of the entire business net income of the unitary group and the allocation of nonbusiness income of the corporation.

STATEMENT OF FACT

This bill would minimize state income tax avoidance in Maine by major integrated corporations. These companies currently may assign costs and profits to their subdivisions in whatever manner results in the lowest overall tax bill.

Under unitary tax accounting proposed by this bill, the State would be able to examine a company's entire "unitary" business and determine what portion of total corporate profits to apportion to operations within the State.