

SECTION .0700 - APPORTIONABLE AND NONAPPORTIONABLE INCOME

17 NCAC 05C .0701 DIVISION OF INCOME: IN GENERAL

(a) When a taxpayer has income from sources within this state as well as income from sources outside this state, the division of income and the resulting determination of the portion of the taxpayer's entire net income which has its source in this state shall be determined pursuant to the allocation and apportionment provisions set forth in G.S. 105-130.4 and these Rules. The taxpayer shall determine which portion of its entire net income constitutes "apportionable income" and which portion constitutes "nonapportionable income". The various items of nonapportionable income shall be directly allocated to specific jurisdictions pursuant to the provisions of Subsections (d) to (h) of G.S. 105-130.4. The apportionable income of the taxpayer other than public utilities and excluded corporations shall be divided between the jurisdictions in which the business is conducted pursuant to the property, payroll and sales apportionment factors set forth in Subsections (i) to (l) of G.S. 105-130.4. The sum of the items of nonapportionable income directly allocated to this state, plus the amount of apportionable income attributable to this state by the apportionment formula shall constitute the amount of the taxpayer's entire net income which is subject to tax under the income tax laws of this state.

(b) The taxpayer shall classify income as apportionable or nonapportionable income on a consistent basis. In the event the taxpayer is not consistent in reporting, it shall disclose in its return to this state the nature and extent of the inconsistency.

(c) The word "apportionment" refers to the division of net income between jurisdictions by the use of a formula containing apportionment factors, and the word "allocation" refers to the assignment of net income to a particular jurisdiction.

*History Note: Authority G.S. 105-130.4; 105-262;
Eff. February 1, 1976;
Amended Eff. January 1, 2005; January 1, 1994;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. August 19, 2017.*