

17 NCAC 05C .0906 DENOMINATOR OF PAYROLL FACTOR

Except for compensation paid to general executive officers and compensation paid in connection with nonapportionable income the denominator of the payroll factor is the total compensation paid everywhere during the income year. Accordingly, compensation paid to employees whose services are performed entirely in a state where the taxpayer is exempt from taxation, for example, by Public Law 86-272, is included in the denominator of the payroll factor.

Note: A taxpayer has employees in its state of legal domicile (State A) and is taxable in State B. In addition the taxpayer has other employees whose services are performed entirely in State C where the taxpayer is exempt from taxation by Public Law 86-272. As to these latter employees, the compensation will be assigned to State C where their services are performed (i.e. included in the denominator only of the payroll factor) even though the taxpayer is not taxable in State C.

History Note: Authority G.S. 105-130.4; 105-262;
Eff. February 1, 1976;
Amended Eff. January 1, 2005; October 31, 1981;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. August 19, 2017.