

**WISCONSIN DEPARTMENT OF REVENUE
DIVISION OF INCOME, SALES, AND EXCISE TAX**

NOTICE OF PROPOSED GUIDANCE DOCUMENTS

Pursuant to sec. 227.112, Wis. Stats., the Wisconsin Department of Revenue, Division of Income, Sales, and Excise Taxes hereby seeks comment on the proposed guidance document listed in the table below.

SUBMITTING PUBLIC COMMENTS

Public comments on proposed or adopted guidance documents may be submitted online at: <https://www.revenue.wi.gov/Pages/contactUs/proposed-Guidance.aspx>.

DEADLINE FOR SUBMISSION

The period for public comment for proposed guidance documents ends 21 days after publication in the Administrative Register, unless the Governor approves a shorter commenting period.

Document Number	Document Title
100105	Apportionment for Combined Reporting - Common Questions

State of Wisconsin
Department of Revenue

C - Apportionment

This is a proposed guidance document. The document has been submitted to the Legislative Reference Bureau for publication in the Administrative Register for public comment as provided by sec. 227.112(1), Wis. Stats.

1. How is a corporation's share of the combined group's Wisconsin income computed?
2. Is there any apportionment computation for 100% Wisconsin corporations?
3. Are intercompany transactions eliminated when computing the apportionment factors?
4. How does a corporation that uses a multiple-factor apportionment formula convert it to a modified sales factor for purposes of combined reporting?

1. How is a corporation's share of the combined group's Wisconsin income computed?

Each corporation in the group multiplies the combined group's unitary business income by an apportionment fraction. The numerator of the fraction is the numerator of the corporation's modified sales factor. The denominator of the fraction is the sum of the denominators of all group members' modified sales factors. The "modified sales factor" is a single apportionment factor equal to a corporation's sales apportionment factor, receipts factor, or premiums factor - whichever applies to that corporation.

For companies that use multiple-factor formulas under the Department of Revenue's administrative rules, those multiple-factor formulas are converted to a modified sales factor as described in question 4 below.

2. Is there any apportionment computation for 100% Wisconsin corporations?

It depends on whether there is at least one member of the combined group that is engaged in business outside Wisconsin. If there is at least one member of the combined group that is engaged in business outside Wisconsin (and at least one member that is engaged in business in Wisconsin), the entire combined group uses the apportionment computation described in question C1. However, if no corporation in the group is engaged in business in any state other than Wisconsin, the combined group does not apportion its income.

3. Are intercompany transactions eliminated when computing the apportionment factors?

Yes, you must eliminate intercompany transactions in computing the apportionment factors of each member of the combined group.

4. How does a corporation that uses a multiple-factor apportionment formula convert it to a modified sales factor for purposes of combined reporting?

The combined reporting statute (sec. 71.255(5)(a)5., Wis. Stats.) provides a formula that converts a multiple-factor apportionment formula into a modified sales factor. The steps to this formula are as follows:

- **Step 1:** Compute the corporation's apportionment percentage on a separate entity basis, using the multiple-factor formula that applies under current administrative rules. Exclude from these factors any intercompany transactions between members of the combined group.
- **Step 2:** Compute the corporation's total company sales on a separate entity basis. For this purpose, "sales" means sales as defined in sec. 71.25(9)(e), Wis. Stats. Exclude any transactions between members of the combined group.
- **Step 3:** Compute the corporation's modified sales factor numerator. The modified sales factor numerator is the apportionment percentage from Step 1 multiplied by the total company sales from Step 2.
- **Step 4:** The corporation's modified sales factor denominator is the total sales amount from Step 2. Add this amount to the denominators of the other members of the group to arrive at the combined group's modified sales factor denominator.

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of December 13, 2019: Sections 71.25, 71.255 and 71.30, Wis. Stats., and secs. Tax 2.39, 2.45, 2.46, 2.465, 2.47, 2.475, 2.48, 2.49, 2.495, 2.50, 2.502, 2.505 and 2.61, Wis. Adm. Code.

Laws enacted and in effect after December 13, 2019, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to December 13, 2019, that is contrary to the information in this document is superseded by this document, pursuant to sec. 73.16(2)(a), Wis. Stats.

FOR QUESTIONS OR COMMENTS CONTACT:

WISCONSIN DEPARTMENT OF REVENUE
Corporation Franchise/Income Tax Assistance
PO Box 8906
Madison, WI 53708-8906
Phone: (608) 266-2772
Fax: (608) 267-0834
Email additional questions to DORFranchise@wisconsin.gov

Guidance Document Certification: <https://www.revenue.wi.gov/Pages/Certification-Statement.aspx>

Guidance Document Number: 100105

[About Us](#) [Contact Us](#) [Employment](#) [Media Room](#) [Plain Language](#) [Privacy](#) [Legal Training](#)



Copyright © State of Wisconsin All Rights Reserved