STATE OF MAINE
BUREAU OF TAXATION
INSTRUCTIONS FOR SCHEDULE CB AND COMBINED REPORTING

A. **SCHEDULE CB:**

Any taxable corporation with Maine nexus which is a member of an affiliated group, whether or not unitary as defined by Maine law, must complete Schedule CB. All members of the affiliated group must be listed except those members who are not required to file a Federal Income Tax Return.

B. **COMBINED REPORTING:**

Effective for tax years ending in 1983 and thereafter, a taxable corporation which is a member of an affiliated group and which operates in a unitary fashion must file a combined return based upon Federal taxable income. Additionally, any open period may be amended to reflect combined reporting, either by the taxpayer or by the Bureau upon audit. Corporations which may be a part of an affiliated unitary group but are not required to file a Federal Income Tax Return are to be excluded from a combined report.

Maine law defines **affiliated group** to mean a group of two or more corporations in which more than 50% of the voting stock of each member corporation is directly owned by a common owner or owners, either corporate or non-corporate or by one or more of the member corporations. Unitary is defined as a business activity which is characterized by unity of ownership, functional integration, centralization of management and economies of scale.

Thus, all corporations required to file Federal returns which are part of an affiliated unitary group are required to be included in the combined report of any taxable corporation with Maine nexus even though they have no nexus with the State of Maine.

C. **SPECIFIC INSTRUCTIONS-COMBINED REPORTING ON FORM 1120-Me.:**

Taxable Income. The corporations listed on Schedule CB who check Column 5(a) and (c) form the basis for the Maine Corporate Income Tax Return which must be filed by each group member which has nexus with Maine. The Federal taxable income to be reported on Line 1 of Form 1120-Me. is the combined Federal taxable income of all unitary members listed on Schedule CB, including those who do not have nexus with Maine. Likewise entries on Lines 2 and 4 of Form 1120-Me. are to be combined so that the result on Line 5 is the combined adjusted Federal taxable income. This amount will be common to all members of the group filing a Maine return.

Allocation & Apportionment. Each member of the group filing a Maine return must include the sales, payroll and property figures of all unitary members listed on Schedule CB in Column 2 (everywhere) on Lines 1, 3, 5 of Schedule A, Form 1120-Me. These figures will be common to all members of the group filing a Maine return. The amounts entered in Column 1 (in Maine) are to be those of the member filing the return. There may be intercompany sales, rentals, dividends or other transactions which if included would result in duplication or distortion in the income or apportionment factors. Those amounts should be eliminated. Thus the factor listed on Line 8 in Schedule A represents the activity in Maine of this one member as compared to the total activity everywhere of the combined group. See the General Instructions for Schedule A on page 3 of the Instructions for Maine Corporate Income Tax Return, Form 1120-Me. for a general discussion of allocation and apportionment.

These instructions are general and are intended to only briefly outline combined reporting in Maine. Specific questions should be directed to the Bureau of Taxation, Income Tax Section, State Office Building, Augusta, Maine 04333. Phone (207) 289-3695.