Combined, Consolidated, and Unitary Planning

An Opportunity To Reduce The Multistate Tax Burden

EHTC State and Local Tax Services

INCOME & FRANCHISE TAX
- Tax Minimization Studies
- Business Structure Reviews
- Allocation and Apportionment Planning
- Combined, Consolidated, & Unitary Planning
- Nexus Studies
- Amended State Tax Returns from IRS Audits
- Single Business Tax Training

SALES & USE TAX
- Reverse Audits
- Compliance System Review
- Direct Pay & Compliance Agreements
- Exemption Certificate Documentation
- Industrial Processing / Manufacturing Exemption
- Utility Studies
- Nexus Studies
- Sales & Use Tax Training
- Transportation Company
- Procurement Company

PROPERTY (AD VOLOREM) TAX
- Real Property Tax Reviews
- Personal Property Tax Reviews

TAX AUDIT & APPEALS
- Sales & Use Tax Audit Defense & Appeals
- Income & Franchise Tax Audit Defense & Appeals
- Property Tax Audit Defense & Appeals
- State and Local Tax Litigation Support
- Merger & Acquisition Due Diligence Reviews
- Voluntary Disclosure

BUSINESS INCENTIVE SERVICES
- Business Relocation & Expansion Services
- Tax Credits, Exemptions, & Abatements
- Grants, Financing, & Infrastructure Assistance

The unitary business doctrine was initially used by states to value railroads and telegraph companies for property tax purposes. The underlying principle of the unitary business doctrine is the disregarding of separate legal entities. While only a handful of states impose the unitary business doctrine, those that do have generated significant controversy in the past 20 to 30 years.

Unitary and Separate Return States

In these states that have adopted the unitary concept (companies with a similar ownership structure, centralized management, functional integration, economies of scale and common departments providing services to the other members of the group, are often considered to be members of a unitary group) of filing income tax returns, the states have created specific requirements, sometimes specified in statute, as to when a state can require or permit the filing of a combined or consolidated return. The other states commonly referred to as “separate return states”, do not permit the filing of combined or consolidated returns.

Methodology For Unitary Planning

Combined, consolidated, and unitary planning, when effectively done, can reduce the tax burden of a multistate business. The methodology starts with the review of the business activity in each state. The appropriate state income tax and/or franchise tax liability for the activity within the state is computed on a separate return basis or ‘stand alone’ basis. What ifs strategies are then conceived and calculated to determine the best possible filing strategy. Several years are reviewed and projection of earnings into the future or potential operational changes need to be considered to assure today’s savings do not result in a long-term detriment. This is the case because once elected getting out of filing on a combined or unitary basis can be very difficult.

As part of this analysis, we look for a definite pattern as to whether a separate return or the consolidated return will usually result in a lower tax. State tax law is researched to determine if the lowest tax filing method can be achieved without structural or operating changes. If not, such changes may be recommended.

We will also explore whether splitting off separate parts of a business, e.g., specific business units, division or segments, within a state or between states would result in a lower tax than filing on a separate return basis. If a company operates with several different entities all filing separate returns, we will explore if a lower tax could be achieved with a consolidated return.

About EHTC

Echelbarger, Himebaugh, Tamm & Co., P.C. (EHTC), a professional corporation was established in 1977 by Dennis M. Echelbarger. Since that time, our Firm has grown to become one of the largest, most successful, local accounting firms in the Greater Grand Rapids, Michigan area, and we are a recognized leader in the business community. Our success is based on building partnering relationships with our customers. We are large enough to serve a wide diversity of customers but small enough to maintain personalized attention.

EHTC's professional team is highly trained to provide technical and consulting services in the areas of accounting, taxes, and strategic planning to nonprofit, profit and service organizations and related entities.

Minimizing your tax liability requires careful, advance planning rather than preparing tax returns as deadlines near. Our tax professionals provide complete tax services and are assisted by our extensive tax library and the latest technology.

We pay careful attention to your unique circumstances such as your current requirements and your plans for the future. We then recommend a plan that best suits your needs while minimizing financial risk.

Business Strategists
Certified Public Accountants
Echelbarger, Himebaugh, Tamm & Co., P.C.

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There are four variables that drive the planning process:

1. the relative amount of income or profitability,
2. apportionment,
3. throwback rules, and
4. special deductions and credits.

How relatively profitable a company or business segment is and the magnitude of and how their apportionment factors are divided between the states can significantly impact the tax base that is subject to tax. The interaction between entities, their income and tax base, and relative apportionment percentages can have a significant impact on the group's overall tax base. The planning process seeks to create the optimal tax structure.

Several state sales factor apportionment rules require the throwback of sales of tangible personal property made into a state where the taxpayer is not taxable. Planning seeks to avoid throwback and create nowhere sales. Special deductions and credits may be available with certain restrictions. Planning seeks to maximize the use of these credits and special deductions.

The EHTC State and Local Tax (SALT) group can assist in determining the company's most efficient tax structure and filing methods. The tax laws of the various states are very complicated, however through the use of electronic tax research services and spreadsheet technology, we are able to develop strategies to achieve the least tax.