

**Corporation Tax Information Bulletin Relating to the Calculation of the Apportionment Fraction for Corporate Net Income Tax and Weighting Apportionment Factors.**

**PENNSYLVANIA DEPARTMENT OF REVENUE  
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**CORPORATION TAX BULLETIN 2006-01**

**CALCULATION OF THE APPORTIONMENT FRACTION FOR CORPORATE NET INCOME TAX AND WEIGHTING APPORTIONMENT FACTORS.**

Act 116 of 2006 amended the manner in which the apportionment formula used in computing the Pennsylvania Corporate Net Income Tax (CNIT) is constructed. For tax years beginning after December 31, 2006, the apportionment fraction is the total of the apportionment factors multiplied by the weight of each factor. The total is divided by 100. For 2007 the weights of the factors are as follows:

Property Factor	15
Payroll Factor	15
Sales Factor	70

If a factor is not present (the denominator of the factor is zero) the factor is disregarded in the calculation of the apportionment fraction. In these cases, the factors present are multiplied by the appropriate weight for that factor, totaled, and then divided by the sum of the weight of the factors present.

Example 1.

Corporation A has activity both within and outside of Pennsylvania. Corporation A's average property everywhere is \$1,000,000 with \$100,000 in Pennsylvania. Total sales everywhere is \$10,000,000 of which \$5,000,000 is sourced to Pennsylvania. Corporation A has no employees in Pennsylvania but has payroll to employees outside of Pennsylvania of \$2,000,000. The calculation of Company A's apportionment fraction for PA Corporate Net Income Tax would be as follows:

Property	$\$100,000 / \$1,000,000 = 0.100000$	X	15 =	1.500000
Payroll	$\$0 / \$2,000,000 = 0.000000$	X	15 =	0.000000
Sales	$\$5,000,000 / \$10,000,000 = 0.5000000$	X	70 =	35.000000
Total			100	36.500000

The Corporate Net Income Tax apportionment fraction would be 0.365000 (36.500000/100).

Since all three factors are present, even though the taxpayer has no Pennsylvania payroll, the total of the factors multiplied by their respective weights is divided by 100 (the total of the weight of the factors present).

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Example 2.

Corporation B has activity both within and outside of Pennsylvania. Corporation B's average property everywhere is \$1,000,000 with \$100,000 in Pennsylvania. Total sales everywhere is \$10,000,000 of which \$5,000,000 is sourced to Pennsylvania. Corporation B has no employees anywhere. The calculation of Company B's apportionment fraction for PA Corporate Net Income Tax would be as follows:

Property	$\$100,000/\$1,000,000 = 0.100000$	X	15	=	1.500000
Sales	$\$5,000,000/\$10,000,000 = 0.5000000$	X	70	=	35.000000
Total			85		36.500000

Since Corporation B has no payroll anywhere, neither the payroll factor nor its weight would be used in the calculation of the apportionment fraction. In this case the Corporate Net Income Tax apportionment fraction, the total of factors present times their respective weights divided by the total of the weights of the factors present, would be .429412 (36.500000/85).

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