

Income/Franchise:

Maryland: Appellate Court Affirms Mandated Use of Single-Sales Factor Alternative Apportionment

Docket File No. 88 (Case No. 03-C-18-012418), Md. Ct. Spec. App. (5/6/21). In an unreported opinion involving out-of-state affiliated corporate partners reporting their respective shares of income received from a limited partnership that distributes and sells its manufactured devices to Maryland customers, the Maryland Court of Special Appeals (Court) affirmed the Maryland Comptroller's (Comptroller) mandated use of an alternative apportionment method (*i.e.*, use of a single-sales factor rather than the statutory standard three-factor apportionment formula with double-weighted sales) in calculating their apportioned Maryland income pursuant to the Comptroller's discretionary authority to fairly reflect the extent of a taxpayer's in-state activity. In doing so, the Court explained that the Comptroller must have the discretion to choose an alternative apportionment method when the one originally chosen under statute does not reflect clearly the income attributable to Maryland – as was the situation in this case. The taxpayers unsuccessfully had claimed that the Comptroller had no authority to issue the underlying Maryland tax assessment based on single-sales factor calculations because most of the partners at issue were not “manufacturing corporations” as defined under Maryland law, which must utilize a single-sales factor apportionment formula under Maryland statutes. Please contact us with any questions.

URL: <https://www.courts.state.md.us/sites/default/files/unreported-opinions/0088s20.pdf>

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