

Income/Franchise:

North Carolina DOR Denies Taxpayer's Request to File Water's Edge Unitary Combined Return

Redetermination Letter Dated 1/06/2023, N.C. Dept. of Rev. (released 3/15/23). In a "Voluntary Redetermination Agreement Request" made pursuant to the North Carolina Department of Revenue's (Department) discretionary authority to allow an alternative filing methodology under certain circumstances, the Department denied the request of a publicly traded parent company engaged in the development, production and wholesale distribution of food and beverage products with its affiliates to file a North Carolina water's edge unitary combined return. In doing so, the Department explained the mere fact that a combined return would result in more "certainty in projecting and accounting for its North Carolina income tax liability" does not establish that net income is not properly attributable to North Carolina under the company's current state filing method. The Department additionally reasoned that, under the facts, the taxpayer has not asserted that its intercompany pricing arrangements are not accurately reported on a separate entity basis; in fact, "the transfer pricing planning study and associated intercompany agreements provided assert that the intercompany transactions are at arms-length." Accordingly, the Department concluded that exercising its discretionary authority to permit an alternative filing methodology was not warranted in this case. Please contact us with any questions.

URL: <https://www.ncdor.gov/redetermination-letter-dated-january-6-2023>

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