



2001

Massachusetts

Department of

Revenue

Schedule F Income Apportionment

Name	Federal Identification number
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Check applicable box(es) (see instructions):

☐ Mutual fund service corporation ☐ mutual fund sales ☐ non-mutual fund sales ☐ Section 38 manufacturer ☐ Other**Business locations outside Massachusetts.** Note: Corporations must complete all lines, regardless of apportionment method used.

Location (city and state)	Indicate whether factory, sales office, warehouse, construction site, etc.	Answer Yes or No		
		Accepts orders	Registered to do business in state	Files returns in state

Apportionment factors

1 Tangible property	a. Massachusetts	b. Everywhere	c. Percentage
a Property owned (averaged) 1a	▶		
b Rented property (capitalized) 1b	▶		
c Totals. Add lines 1a and 1b for each column 1c		▶	
d Tangible property apportionment percentage manufacturing. Divide column A total by column B total. 1d			%
2 Payroll			
a Total 2a	▶	▶	
b Payroll apportionment percentage. Divide column A total by column B total 2b			%
3 Sales			
a Tangibles 3a	▶		
b Services (including mutual fund sales) 3b	▶		
c Rents and royalties 3c	▶		
d Other 3d	▶	▶	
e Totals. Add lines 3a through 3d for each column 3e		▶	
f Sales apportionment percentage. Mutual fund service corporations reporting mutual fund sales, divide line 3b, column a by line 3b, column b. All other corporations, including mutual fund service corporations reporting non-mutual fund sales, divide column a total by column b total. 3f			%
4 Apportionment percentage. All corporations must complete this line. 4			%
Section 38 manufacturers or mutual fund service corporations reporting mutual fund sales must enter the amount from line 3f. All other corporations, including mutual fund service corporations reporting non-mutual fund sales, enter the total of (line 1d, plus line 2b, plus line 3f × 2).			
5 Massachusetts apportionment percentage. See instructions. ▶ 5			%

If the taxpayer is a Section 38 manufacturer, enter the amount from line 4 here and in Schedule E, line 15. Mutual fund service corporations for mutual fund sales, enter the amount from line 4 here and in line 15 of the Schedule E being completed using mutual fund sales only. All other corporations including mutual fund service corporations reporting non-mutual fund sales, divide line 4 by 4, enter result here and in line 15, Schedule E (for mutual fund service corporations, the Schedule E being completed for non-mutual fund sales).

General Information

Mutual fund service corporations should complete a Schedule F for income from mutual fund sales if they made mutual fund sales to RIC's with shareholders domiciled outside of Massachusetts. Schedule F should be completed by all other corporations (including mutual fund service corporations reporting non-mutual fund sales) which have income from business activities which is taxable both in Massachusetts and in any other state. Income is considered taxable if the other state has the jurisdiction, whether exercised or not, to subject the corporation to a corporate, franchise, privilege, or net income tax. See Code of Massachusetts Regulations, 830 CMR 63.38.1.

Note: If alternative apportionment is being requested under MGL Ch. 63, sec. 42, you must still complete and file Schedule F. Also, check the box in line 10 of Form 355; line 6 of Form 355C, or line 8 of Form 355S, and attach Form AA-1. A refund will be issued if alternative apportionment is granted by the Commissioner. For further information on alternative apportionment see the Code of Massachusetts Regulations, 830 CMR 63.42.1. Corporations requesting alternative apportionment should mail their complete corporation excise return, with all attachments, to Massachusetts Department of Revenue, PO Box 7044, Boston, MA 02204.

For further information about corporations that hold partnership interests and the appropriate method to use to apportion partnership income, see 830 CMR 63.38.1 sections 4(d) and 11.

Corporations engaged in substantial manufacturing (Section 38 manufacturers) are required to apportion their net income based on sales factor only.

Corporations other than Section 38 manufacturers or mutual fund service corporations are required to apportion their net income as follows: sales factor — 50%, property factor — 25%, payroll factor — 25%.

To determine if a corporation qualifies as a Section 38 manufacturer or mutual fund service corporation, see instructions for the registration section: line 3 of Form 355; or line 2 of Form 355C; or line 3 of Form 355S.

If a corporation is a Section 38 manufacturer or mutual fund service corporation, check the applicable box. If a corporation is not a Section 38 manufacturer or a mutual fund service corporation, check the box for other.

Mutual fund service corporations must complete a Schedule F based on mutual fund sales and a separate Schedule F based on non-mutual fund sales, if any. The Department plans to issue further guidance on apportionment for mutual fund service corporations; see Proposed Massachusetts Regulation 830 CMR 63.38.7.

Corporations must complete all lines, regardless of apportionment method used. Make certain that complete information is entered for all apportionment factors. A return which is incomplete will be considered insufficient.

Line Instructions

1. Property Factor

Line 1a. For tax purposes, average value is based on original cost and is determined by averaging the property values at the beginning and end of the taxable year. If substantial changes occur during the taxable year, the Commissioner may require monthly averaging to properly reflect the average value of the property. For purposes of the property factor, a taxpayer may elect to use any reasonable method for attributing its mobile property to Massachusetts. The election is made by filing a return that employs the chosen method for the first tax year ending on or after August 11, 1995, in which the taxpayer owns or rents mobile property and apportions income to Massachusetts. The taxpayer must attach a statement to its return describing the method chosen and must use the same method consistently from year to year. For further information, including safe harbor methods, see 830 CMR 63.38.1 sec. 7(d).

Construction in progress is generally excluded from the property factor; see 830 CMR 63.38.1 sec. 7(a). For the property factor, inventory in transit is deemed to be at its destination; see 830 CMR 63.38.1 sec. 7(c).

Line 1b. Property rented by the corporation is valued at eight times the annual net rental rate paid less any sub-rentals received.

2. Payroll Factor

Line 2a. Enter the total amount of wages, salaries, commissions, or any other compensation paid to employees. An employee's compensation is apportioned to Massachusetts, if **any** of the following apply:

- the employee's service is performed within Massachusetts;
- the employee's service is performed both in Massachusetts and in other state(s), but the non-Massachusetts service is secondary to the Massachusetts service;
- part of the employee's service is performed in Massachusetts, and the service is controlled from a location in Massachusetts;
- part of the employee's service is performed in Massachusetts, and the location of the service is not in a state in which some part of the service is performed, but the employee lives in Massachusetts.

The total amount paid for compensation is computed on the cash basis, as reported for unemployment purposes. A taxpayer that uses the accrual method of accounting in computing its taxable net income may elect to use the accrual method in determining the total amount of compensation paid in Massachusetts during the taxable year. For further information on how to elect the accrual method see 830 CMR 63.38.1 sec. 8(a).

3. Sales Factor

For sales factors, enter all gross receipts of the corporation with the exception of those receipts from interest, dividends and the sale or other disposition of securities.

Line 3a. Sales of tangible personal property are assignable to Massachusetts if:

- the property is delivered or shipped to any buyer, including the U.S. Government, in Massachusetts; or
- the selling corporation is not taxable in the state of the buyer and the property is not sold by an agent or agencies chiefly situated at, connected with, or sent out from premises for the transaction of business owned or rented by the corporation outside Massachusetts. A buyer for this item includes the U.S. Government.

Sales of tangible personal property are **not** assignable to Massachusetts if:

- the property is shipped or delivered to a buyer in a foreign country; or
- the property is sold to any branch or instrumentality of the U.S. Government for resale to a foreign government.

Line 3b. Sales of services, other than mutual fund sales or other intangibles, are assigned to Massachusetts if the income producing activity is performed in Massachusetts, or if a greater portion of the activity, based on performance cost, occurs in Massachusetts than in any other state.

Mutual fund sales are assigned to Massachusetts as follows:

- mutual fund sales are determined separately for each RIC from which the mutual fund service corporation receives fees for mutual fund services;
- the mutual fund sales for each RIC are multiplied by a fraction, the numerator of which is the average number of shares owned by the RIC's shareholders domiciled in Massachusetts at the beginning and end of the RIC's taxable year that ends within the mutual fund service corporation's taxable year, and the denominator of which is the average number of shares owned by all of the RIC's shareholders for the same period; and
- the resulting amounts are totaled for all RICs.

Line 3c. Rents from property located or used in Massachusetts are assigned to Massachusetts. Royalties are assigned to the state in which the property right is actually used by the lessee.

If using a three-factor apportionment formula, and one or more factors are inapplicable the following shall apply:

- In cases where only two of the three apportionment factors (property, payroll, sales) are applicable, the taxable net income is apportioned by a fraction, the numerator of which is the remaining two factors with their respective weights and the denominator of which is the number of times that such factors are used in the numerator.
- In cases where only one of the three apportionment factors (property, payroll, sales) is applicable, the taxable net income is apportioned solely by that factor with its respective weight, and the denominator is the number of times the factor is used in the numerator.

Note: An apportionment factor should not necessarily be considered inapplicable if its Massachusetts total (column a, lines 1c, 2a or 3e) is zero.

If any of the apportionment totals for "Everywhere" (column b, lines 1c, 2a or 3e) are less than 3.33% of Schedule E, line 14, **do not** include that factor in your Massachusetts apportionment percentage.