

INSTRUCTIONS FOR SCHEDULE CB AND COMBINED REPORTING

(This schedule, when applicable, is required to be filed with Form 1120ME or Form 1120X-ME)

A. SCHEDULE CB:

Any taxable corporation with Maine nexus that is a member of an affiliated group, whether or not unitary as defined by Maine law, must complete Schedule CB. All members of the affiliated group must be listed, except those members that are not required to file a federal income tax return. In Column 6, Schedule CB, list federal taxable income for each member of the affiliated group from line 30, federal Form 1120 (from pro forma returns or from the consolidated income and expense summary). The total on line 13 is the federal taxable income of those affiliates that are unitary (those with a check mark in Column 5(a) and 5(c)).

B. COMBINED REPORTING:

A taxable corporation that is a member of an affiliated group and that is engaged in a unitary business must file a combined report and base its Maine net income on the federal taxable income of the unitary group. Corporations that are part of a unitary group but are not subject to federal income tax are to be excluded from the combined report.

“Affiliated group” means a group of two or more corporations in which more than 50% of the voting stock of each member corporation is directly or indirectly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations (36 MRSA, §5102(1-B)). A “unitary business” is a business activity that is characterized by unity of ownership, functional integration, centralization of management and economies of scale (36 MRSA, §5102(10-A)).

All corporations required to file federal returns that are part of an affiliated unitary group are required to be included in the combined report of any taxable corporation with Maine nexus even though the affiliated corporation has no nexus with Maine, including any FSC corporations.

C. SPECIFIC INSTRUCTIONS - COMBINED REPORTING/SCHEDULE CB:

All members of the affiliated group are to be listed on Schedule CB, except those members who are not required to file a federal income tax return. The corporations listed that check Columns 5(a) and 5(c) form the basis for the Maine corporate income tax return.

A single return may be filed on which the aggregate Maine income tax liability of the Maine nexus members of the unitary group is reported. In addition, a combined report shall be provided which includes, both in the aggregate and by corporation: federal taxable income; state modifications and; sales, payroll and property in Maine and everywhere. **Schedule CB, pages 1 and 2, must be completed and filed with Form 1120ME as part of this combined report.**

Line 13. Total the entries in Columns 6 through 10 for only those corporations that check Columns 5(a) or 5(c). Enter the results on line 13 and on the appropriate lines on Form 1120ME. Line 13, Column 7(A), must agree with line 2h of Form 1120ME and line 13, Column 7(B) must agree with line 4g of Form 1120ME. It is not necessary to provide detailed amounts for each corporation for the amounts entered on lines 2a, b, c, d, e, f, g and lines 4a, b, c, d, e and f of Form 1120ME. The amounts listed on line 13, Columns 8, 9 and 10 of Schedule CB must agree with those entered on lines 12, 13 and 14, Columns (A) and (B) of Schedule A, Form 1120ME.

SEE EXAMPLES ON REVERSE OF SCHEDULE CB, PAGE 2

Example 1: Corporations X, Y and Z elect to file a federal consolidated Form 1120 as part of an affiliated group. Only X has nexus with Maine. X and Y are a unitary business; Z is unitary with neither X nor Y. Schedule CB would be completed as follows:

Column 1 Name	Column 3 Nexus?		Column 5*				Column 6 FTI
	Yes	No	(a)	(b)	(c)	(d)	
Corp X	x		x				\$100
Corp Y		x	x				\$110
Corp Z		x		x			\$140
13. FTI - Unitary							\$210
14. FTI - Consolidated							\$350

* Column 5:

- (a) Unitary member of federal consolidated group
- (b) Non-unitary member of federal consolidated group
- (c) Non-consolidated unitary member, greater than 50% ownership
- (d) Non-consolidated, non-unitary member, greater than 50% ownership

FTI - Federal Taxable Income

Example 2: Corporations X, Y and Z elect to file a federal consolidated Form 1120 as part of an affiliated group. X and Y are unitary and have nexus with Maine. Z does not have nexus with Maine, and is unitary with neither X nor Y. X and Y have losses. Schedule CB would be completed as follows:

Column 1 Name	Column 3 Nexus?		Column 5*				Column 6 FTI
	Yes	No	(a)	(b)	(c)	(d)	
Corp X	x		x				-\$80
Corp Y	x		x				-\$50
Corp Z		x		x			\$150
13. FTI - Unitary							-\$130
14. FTI - Consolidated							\$20

* Column 5:

- (a) Unitary member of federal consolidated group
- (b) Non-unitary member of federal consolidated group
- (c) Non-consolidated unitary member, greater than 50% ownership
- (d) Non-consolidated, non-unitary member, greater than 50% ownership

Example 3: Affiliated corporations A, B and C elect to file a consolidated federal return. Corporations A and C are unitary businesses, B is not unitary with A or C. Corporation A has nexus with Maine, corporations B and C do not.

Year 1

Column 1 Name	Column 3 Nexus?		Column 5*				Column 6 FTI
	Yes	No	(a)	(b)	(c)	(d)	
Corp A	x		x				-\$80
Corp B		x		x			\$100
Corp C		x	x				\$10
13. FTI - Unitary							-\$70
14. FTI - Consolidated							\$30

Year 2

Column 1 Name	Column 3 Nexus?		Column 5*				Column 6 FTI
	Yes	No	(a)	(b)	(c)	(d)	
Corp A	x		x				\$100
Corp B		x		x			\$100
Corp C		x	x				\$10
13. FTI - Unitary							\$110
14. FTI - Consolidated							\$210

* Column 5:

- (a) Unitary member of federal consolidated group
- (b) Non-unitary member of federal consolidated group
- (c) Non-consolidated unitary member, greater than 50% ownership
- (d) Non-consolidated, non-unitary member, greater than 50% ownership

In year 1, unitary members' aggregate FTI on the Maine return is (\$70). Because the loss is not carried over to year 2 for federal purposes, it cannot be carried over for Maine purposes. In year 2, the FTI for Maine purposes is \$110.