STATE OF MAINE
BUREAU OF TAXATION
INSTRUCTIONS FOR SCHEDULE CB AND COMBINED REPORTING

A. SCHEDULE CB:

Any taxable corporation with Maine nexus which 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 who are not required to file a Federal Income Tax Return.

B. COMBINED REPORTING:

A taxable corporation which is a member of an affiliated group and which is engaged in a unitary business must file a combined return based upon Federal taxable income. Corporations which are part of an affiliated unitary group but are not subject to Federal Income Tax are to be excluded from a combined report. Because a DISC generally is not subject to Federal Income Tax, the activity of a DISC ordinarily would not be included in a combined return, but any DISC dividends received by a parent corporation would be includable as apportionable income.

Maine law defines "affiliated group" to mean a group of two or more corporations in which more than 50% of the voting stock of each member corporation is directly owned by a common owner or owners, either corporate or non-corporate, or by one or more of the member corporations. A "unitary business" is defined as a business activity which is characterized by unity of ownership, functional integration, centralization of management and economies of scale.

Thus, all corporations required to file Federal returns which 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 they have no nexus with the State of Maine.

C. SPECIFIC INSTRUCTIONS – COMBINED REPORTING:

All members of the affiliated group are to be listed on Schedule CB. The corporations listed who check columns 5(a) and (c) form the basis for the Maine Corporate Income Tax Return.

In prior years, the combined report was required to be in the form of multiple returns which were filed by each member of the group. **Effective for tax years beginning on or after January 1, 1986, 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; sales, payroll, property in Maine and everywhere; Maine taxable income. Schedule CB, pages 1 and 2 must be completed and filed with Form 1120-ME to provide this combined report.

Line 15. Total the entries in columns 6 through 10 for only those corporations who check columns 5(a) and 5(c). Enter results on line 15 and on the appropriate lines on Form 1120-ME. Line 15, column 6, Schedule CB must agree with line 1 of form 1120-ME. Line 15, column 7(A) must agree with line 2d of Form 1120-ME and line 15, column 7(B) must agree with line 4d of Form 1120-ME. It is not necessary to provide detail amounts for each corporation for the amounts entered on lines 2a, b, c and lines 4a, b, c of Form 1120-ME. The amounts listed on line 15, columns 8, 9 and 10 of Schedule CB must agree with those entered on lines 12, 14, 16 on columns 1 and 2 of Form 1120-ME.

These instructions are general and are intended to only briefly outline combined reporting. Specific questions should be directed to the Bureau of Taxation, Income Tax Section, State Office Building, Augusta, Maine 04333. Phone (207) 289-3695.