

## Algebra: Tax Specialist

### Micron Technology, Inc

**Job Description:** Prepare state tax returns. Gather information to prepare and calculate apportionment percentages. Research state tax laws.

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### Problem:

Micron does business in both Idaho and California. When it is time to file tax returns, California requires a company to apportion its income to California.

To apportion the income, the company needs to determine its apportionment percentage. The apportionment percentage is made up of three factors: sales, property, and payroll.

In calculating the apportionment percentage, the sales factor is doubled. Each factor is calculated by dividing the activity within California by the activity everywhere. Once the factors are calculated (remembering to double the sales factor), the factors are added together and divided by 3 (the number of factors).

What is a company's taxable income in California if the taxable income of the company is \$10 million.

Taxable income is an apportionment percentage of the total income.

	California	Everywhere
<b>Sales</b>	40	100
<b>Property</b>	2	10
<b>Payroll</b>	1	5

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**See problem for details.**

### **Solution:**

A = Apportionment Percentage

$A = 2 \times \text{sales/sales everywhere} + \text{property/property everywhere} + \text{payroll/payroll everywhere}$

Apportionment Percentage Calculations:

Sales:  $40/100 \times 2 = .8$

Property:  $2/10 = .2$

Payroll:  $1/5 = .2$

$.8 + .2 + .2 = 1.2 / 3 = .4$  apportionment percentage

Taxable Income: \$10 million (taxable income)  $\times .4$  (apportionment %) = \$4 million (CA taxable income)