

(2). We refer to the corporation shown in column (2) as the "lead corporation." Please attach this combined report to the franchise tax report of the lead corporation shown in column (2). It is unnecessary to attach this combined report to the franchise report of any other member.

Name of Corporation

Ending date of taxable year

1. Property – Ohio (a) Owned (average cost)

(b) Rented (annual rental x 8)

(c) Total Ohio

2. Property – Everywhere (a) Owned (average cost)

(b) Rented (annual rental x 8)

(c) Total Everywhere

3. Payroll – Ohio

4. Payroll – Everywhere

5. Sales – Ohio

6. Less inter-corporate sales

7. Net Ohio sales

8. Sales – Everywhere

9. Less inter-corporate sales

10. Net everywhere sales

11. Property (Line 1(c), each column, divided by line 2(c), col. 1)

12. Payroll (Line 3, each column, divided by line 4, column 1)

13. Sales (Line 7, each column, divided by line 10, column 1)

14. Property (Multiply line 11, each column, by .20)

15. Payroll (Multiply line 12, each column, by .20)

16. Sales (Multiply line 13, each column, by .60)

17. Weighted Apportionment Ratio. Add the weighted ratios on lines 14, 15 and 16, each column. Enter each column on Schedule B (Combined), line 6 and Schedule B-3 (Combined), line 8.

[illegible]

Note 2: For purposes of determining each taxpayer's net value of stock on the net worth basis, use the taxpayer's separate company apportionment ratio as determined on Schedule D, Form FT-1120 (see ORC section 5733.05(C)(3)).

Note 3: Any request for deviation from the statutory apportionment provisions must be in writing.

**Schedule B-3 (Combined)
Related Entity/Member Adjustments**

Name of Corporation

1. Related entity gains (losses) from sale of investments in stock or debt. ORC 5733.04(I)(12)(a)
2. Related entity gains (losses) from sale of other intangible property. ORC 5733.04(I)(12)(b)
3. Total related entity gains (losses). (Add lines 1 and 2.)
4. Allocable portion of line 3
5. Apportionable related entity gains (losses). (Line 3 minus line 4.) ...
6. Interest expense and intangible expense paid to related members. ORC 5733.04(I)(13) & 5733.042
7. Add lines 5 and 6
8. Ohio apportionment ratio (Schedule D (Combined), line 17 each column)
9. Apportioned income (line 7, column 1 X line 8, each column)
10. Related entity gains (losses) allocable to Ohio
11. Add lines 9 and 10, each column
12. Apportionable excess related entity loss (if loss taxed in all states exceeds total loss). ORC 5733.054(B)
13. Apportionable excess related entity gain (if gain taxed in all states exceeds total gain). ORC 5733.054(A)
14. Related members' net interest income and net intangible income taxed by other states. ORC 5733.055
15. Enter the lesser of (a) line 14 (combined) or (b) the product of line 6 (combined) times line 8 (combined)
16. Total of lines 12, 13, and 15
17. Each taxpayer's proportionate share of the combined Ohio apportionment ratio. Divide line 8, each column by line 8, column 1
18. Multiply line 16 by line 17, each column
19. Allocable excess related entity loss (if loss deducted in all states exceeds total loss). ORC 5733.054(B)
20. Allocable excess related entity gain (if gain taxed by all states exceeds total gain). ORC 5733.054(A)
21. Related entity and related member adjustment. Sum of lines 11, 18, 19, and 20, each column. Enter each taxpayer's amount on its separate FT -1120, Schedule A, line 10

	(1)	(2)	(3)	(4)	(5)
Combined Totals	Lead Corporation				
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**Schedule C (Combined)
Allocable Income Everywhere**

Name of Corporation

1. Net rents

2. Net royalties

3. Capital gains and losses and depreciation recapture

4. Dividends (not otherwise deducted and not apportionable)

5. Net patent and copyright royalties and technical assistance fees ...

6. Total (Enter on Schedule B (Combined), line 4)

(1)	(2)	(3)	(4)	(5)
Combined Totals	Lead Corporation			

Note: Compute each taxpayer's income allocable to Ohio on Schedule C of each taxpayer's separate franchise tax report, Form FT -1120. Any request for deviation from the statutory allocation provisions must be in writing.

Tier One Litter Tax Limitation – Tier One Tax is Limited to \$5,000 for the Combined Group

- (a) From each taxpayer's Form FT-1120, Schedule K,
enter the greater of line (h) or line (i) but not more than \$5,000
- (b) Total of the amounts on line (a)
- (c) If the total on line (b) is not more than \$5,000, enter each taxpayer's tier one litter
tax from line (a), above, on its separate Form FT-1120, Schedule K, line (j).
If the total on line (b) is more than \$5,000, divide \$5,000 by the total
- (d) Multiply amounts on line (a) by line (c). Enter on Form FT-1120, Sch. K, line (j)

Tier Two Litter Tax Limitation – Tier Two Tax is Limited to \$5,000 for the Combined Group

- Name of Taxpayer Subject to Tier Two Litter Tax
- (e) For each taxpayer that is subject to the tier two litter tax, from the taxpayer's Form
FT-1120, Sched. K, enter the greater of line (k) or line (l), but not more than \$5,000 ..
- (f) Total of the amounts on line (e)
- (g) If the total on line (f) is not more than \$5,000, enter each taxpayer's tier two litter tax
from line (e), above, on its separate Form FT-1120, Schedule K, Line (m).
If the total on line (f) is more than \$5,000, divide \$5,000 by the total
- (h) Multiply amounts on line (e) by line (g). Enter on Form FT-1120, Sch. K, line (m)

Note/Questionnaire – You must complete this schedule.

Note: A combined franchise tax group may not change the group with respect to amended reports or reports for future years without the written consent of the Tax Commissioner. The addition of a new member to a previously-elected combination is a change in the combined group. See ORC section 5733.052(B) and *The Tranzonic Companies and Subs. v. Tracy*, BTA Case No. 90-M-1443 (December 4, 1992).

1. If a combined report was filed for the previous tax year, does the combined report for the current tax year include any members that were not included in the combined report for the previous tax year?

☐ Yes

☐ No

☐ Not Applicable

If yes, please file Form FT-COM, Request for Permission to File or Amend a Combined Franchise Tax Report.

2. If a combined report was filed for the previous tax year, does the combined report for the current tax year exclude any members that were included in the combined report for the previous tax year? (In answering this question, do not consider corporations that do not satisfy the income or ownership requirements for a combined report as of January 1 of the tax year.)

☐ Yes

☐ No

☐ Not Applicable

If yes, please file Form FT-COM, Request for Permission to File or Amend a Combined Franchise Tax Report.

Schedule B-3 (Combined) – Related Entity and Related Member Adjustments

Caution: For tax years 1999 and thereafter Amended Substitute House Bill 215, 122nd General Assembly made the related member adjustments applicable to all corporations which pay interest expense or intangible expense to certain related members. Prior law generally limited the related member adjustments to large taxpayers because the prior law applied only if the taxpayer or a member of the taxpayer's affiliated group had one or more of the following: (1) gross sales of at least fifty million dollars, (2) total assets of at least twenty-five million dollars, or (3) taxable income of at least five hundred thousand dollars. House Bill 215 eliminated the above three limitations and thereby made the adjustments applicable to small corporations as well as to large corporations.

In addition, House Bill 215 expanded the definition of "intangible expenses and costs" to include losses from factoring transactions and discounting transactions. Intangible expenses and costs now include expenses, losses, and costs for, related to, or in connection with the direct or indirect acquisition, use, maintenance, management, ownership, or disposition of intangible property. See ORC section 5733.042(B) as amended by House Bill 215.

Lines 1, 2, 4, 6, and 10 – Follow the Schedule B-3 line instructions in the Ohio corporation franchise tax report instructions booklet. For each corporation included in the combined report enter the line item amounts in the column for that corporation. Enter in column (1) the sum of the amounts of columns (2) through (5).

Line 8 – Enter each corporation's Ohio apportionment ratio from Schedule D (Combined), line 17. Enter in column (1) the sum of the amounts in columns (2) through (5).

Lines 12 and 19 – Review the instructions for Schedule B-3, line 11 in the Ohio corporation franchise tax report instructions booklet. Also, analyze the related entity losses deducted from each corporation's federal taxable income on lines 1 and 2, above. For each related entity loss deducted, determine the excess related entity loss, if applicable. (Excess related entity loss is the amount by which the loss actually allocated or apportioned to Ohio and to other states which impose a tax on or measured by net income exceeds the total loss from the sale or other disposition of the asset. The excess related entity loss adjustment is limited to that portion of each loss actually allocated to Ohio on line 10 or apportioned to Ohio on line 9.) If an excess related entity loss is attributable to a loss which was allocated in whole or in part to Ohio, the excess related entity loss is allocable on line 19. If an excess related entity loss is attributable to an apportionable loss, the excess related entity loss is apportionable on line 12.

Enter on line 12 as a positive number each corporation's total apportionable excess related entity loss. Enter in column (1) the sum of the amounts in columns (2) through (5).

Enter on line 19 as a positive number each corporation's total allocable excess related entity loss.

Lines 13 and 20 – Review the instructions for Schedule B-3, line 12, in the Ohio corporation

franchise tax report instructions booklet. Also, analyze the related entity gains added to each corporation's federal taxable income on lines 1 and 2, above. For each related entity gain added, determine the excess related entity gain, if applicable. (Excess related entity gain is the amount by which the gain actually allocated or apportioned to Ohio and to other states which impose a tax on or measured by net income exceeds the total gain from the sale or other disposition of the asset. The excess related entity gain adjustment is limited to that portion of each gain actually allocated to Ohio on line 10 or apportioned to Ohio on line 9.) If an excess related entity gain is attributable to an apportionable gain, the excess related entity gain is apportionable on line 13.

Enter on line 13 each corporation's total apportionable excess related entity gain. Enter in column (1) the sum of the amounts in column (2) through (5).

Enter on line 20 each corporation's total allocable excess related entity gain.

Line 14 – Follow the Schedule B-3, line 13 instructions contained in the Ohio corporation franchise tax report instructions booklet but do not determine the ORC section 5733.055 limitation on a separate company basis. The ORC section 5733.055 limitation is determined on a combined basis on line 15, Schedule B-3 (Combined). For each corporation included in the combined report enter the line item amount in the column for that corporation. Enter in column (1) the sum of the amounts in columns (2) through (5).

INSTRUCTIONS

See Ohio Revised Code Section 5733.052

Elected Combination. A taxpayer that on January 1 of the tax year owns or controls either directly or indirectly more than fifty percent of the voting stock of one or more taxpayer corporations may elect to combine net income with such other taxpayer corporations. A "taxpayer" is a corporation subject to the franchise tax. Taxpayers whose voting stock on January 1 of the tax year is more than fifty percent owned or controlled either directly or indirectly by another corporation or by related interests may also elect to combine net income. That is, brother-sister taxpayer corporations owned by an individual may elect to combine, and brother-sister taxpayer corporations owned by a parent corporation may elect to combine without inclusion of the parent corporation. However, where less than all eligible taxpayer corporations elect to combine net income, the group must include with the combined report an explanation for the non-participation by such eligible taxpayer corporations. Net worth is not combined. That is, each member of a combined report must determine its net worth and net worth base tax on its separate franchise tax report.

Ohio Income Requirement. Each taxpayer in an elected combination must have income, other than dividend income, from sources within Ohio [either positive income or negative income (loss)]. "Income from sources within Ohio" means income that would be allocated or apportioned to Ohio if the taxpayer were not included in a combined report. Those taxpayer groups that elected to combine in prior tax years must amend their combinations to delete taxpayers that during the taxable year did not have income, other than dividend income, from sources within Ohio.

Timely Election; Changing the Election. Taxpayers that elect to combine must do so in a timely filed report. A report is timely if it is filed within the time prescribed by ORC section 5733.02 as extended under ORC section 5733.13. A combination is timely elected under ORC section 5733.052(B) if any member of the combination has complied with all of the franchise tax report deadlines even if other members have not so complied. Thus, a taxpayer that fails to pay its estimated tax by the required dates and fails to separately file its request(s) for extension by the required dates may nevertheless file in combination with other corporations after the due date of the taxpayer's report if another corporation in the combined group has timely paid its estimated tax, has timely filed its request(s) for extension, and has timely filed its franchise tax report in combination with the taxpayer. See *Roxane Laboratories, Inc. v. Tracy* (1996), 75 Ohio St. 3d 125. However, each member of a combined report that fails to comply with the filing and payment deadlines is subject to the applicable penalty and interest charges. An election to combine may not be changed by such taxpayers either in amended reports or reports for future years without the written consent of the Tax Commissioner. The addition of a new member to a previously elected combination is a change in the combined group. See ORC section 5733.052(B) and *The Tranzonic Companies and Subs. v. Tracy*, BTA Case No. 90-M-1443, Dec. 4 1992. Taxpayers desiring to change their existing combination must file Form FT-COM, Request for Permission to File or to Amend a Combined Corporation Franchise Tax Report.

Required or Permitted Combination. If on January 1 of the tax year the 50% ownership provision is met (see "Elected Combination" para-

graph, above), the Tax Commissioner may require or permit a taxpayer and another corporation to combine their net income (whether or not the other corporation is a taxpayer and whether or not the other corporation has income from sources within Ohio on a separate company basis). Generally, the Department will pursue combinations or expanded combinations only in those situations where the failure either to combine or to expand the combination will result in the filing of a corporation franchise tax report which does not properly reflect income and does not properly reflect the tax liability imposed by ORC section 5733.06. A timely conducted IRC section 482-type study conforming with the requirements set forth in IRC section 482 and in the U.S. Treasury regulations issued under section 482 will avoid this Department's seeking either a combination or an expanded combination. See the Department's June 23, 2000 Information Release entitled, "IRC Section 482 Study: Safe Harbor to Avoid Ohio Corporate Franchise Tax Report Required or Expanded Combinations." Taxpayers requesting the Tax Commissioner's permission to file a combined report with corporations that are not taxpayers must file Form FT-COM. Non-taxpayer corporations included in a combined report must compute income in the same manner as if they were taxpayers.

Note: Amended Substitute House Bill No. 215 (Budget Bill), 122nd General Assembly, effective June 30, 1997, expands the tax commissioner's authority to require related corporations to file combined reports. The expanded authority is now the same as the authority that existed prior to enactment of Section 162 of Amended Substitute House Bill 298 of the 119th General Assembly. Specifically, section 206 of the budget bill repealed the following paragraph contained in section 162 of Amended Substitute House Bill 298:

For tax year 1992 and thereafter, the existence between a related member and a taxpayer of a relationship, with respect to the use of intangible property, of lessor and lessee, respectively, licensor and licensee, respectively, of creditor and debtor, respectively, or the existence between a related member and a taxpayer of any similar relationship pursuant to which the taxpayer directly or indirectly pays or accrues to a related member any expense or costs for the use of intangible property shall not by itself be sufficient grounds for the Tax Commissioner to require that the taxpayer and any such related member file combined returns. For purposes of this section, the term 'related member' has the same meaning as in division (A)(6) of section 5733.042 of the Revised Code as enacted by this act.

Interest and Penalty; Estimated Payments; Completing the Form. To avoid penalty and interest, each member of a combined franchise tax report must: (1) separately and timely file the Declaration of Estimated Tax (form FT-1120E) and the request(s) for extension (forms FT-1120ER and FT-1120EX) and (2) pay the estimated tax due by the dates stated in general instructions 9A and 9B. Two or more corporations filing in combination must complete Form FT-1120C, Corporation Franchise Tax (Combined Report). Combined Report Schedules B, B-3, C (Everywhere) and D must be completed in columnar form showing the line item figures for each individual corporation and the combined totals of each line item **after the elimination of intercorporate transactions between corporations in the combined group.** Schedule B-3 (Combined) must be completed in accordance with the

instructions below (see May 6, 1992 Franchise Tax Information Release "Schedule B-3 (Combined) Related Entity and Related Member Adjustments for Corporations Included in a Combined Franchise Tax Report"). After completing the combined report, each taxpayer must enter on its own separate franchise tax report, Form FT-1120, the following: (1) the taxpayer's apportioned income from Schedule B (Combined), line 7, and (2) the taxpayer's related entity and related member adjustment from Schedule B-3 (Combined), line 21. Each taxpayer must then compute its own Ohio allocable income, Ohio taxable income and net income base tax and its net worth base tax. Each member of a combined group has its own Ohio net operating loss deduction because each member computes its own Ohio taxable income on its own franchise tax report, Form FT-1120. Each member of the combined group with a balance due must make payment with its franchise tax report. Each member with an overpayment will receive a refund or, if the corporation requests, a credit towards the corporation's estimated tax for the following year. The overpayment of one member cannot be netted against the balance due of any other member.

Sharing the \$0 to \$50,000 Tax Bracket; Litter Tax Limitation. Related Ohio taxpayer corporations that as of January 1 of the report year meet the ownership or control requirements to file as members of a combined report must share one \$0 to \$50,000 taxable income bracket to which the 5.1% rate applies. Such related taxpayers must share the \$0 to \$50,000 taxable income bracket regardless of whether those related taxpayer corporations actually file a combined report (see Ohio Revised Code section 5733.06(F)). Each taxpayer's Ohio taxable income that exceeds the prorated amount is taxable at the higher franchise tax and litter tax rates. Related taxpayers must prorate the \$0 to \$50,000 bracket on form FT-OTAS, Ohio Taxpayer Affiliation Schedule. The proration, however made, applies to both the franchise tax and the litter tax. In addition, Form FT-1120C contains limitation schedules to ensure that neither of the two litter taxes exceeds \$5,000 for the combined group.

Credits Separately Determined and Used. Each taxpayer in the combined group must separately determine and use all credits except for the 7.5%-13.5% manufacturer's credit. Thus, the credits of one taxpayer in the combined group may not be used to reduce the tax liability of any other member of the combined group.

Note: For new manufacturing machinery and equipment purchased after December 31, 2000 a "qualifying controlled group", as defined in ORC section 5733.04(M), is required to compute the 7.5%-13.5% manufacturer's credit on a consolidated basis, and for new manufacturing machinery and equipment purchased before January 1, 2001 a qualifying controlled group can elect to compute the 7.5%-13.5% manufacturer's credit on a consolidated basis.

Electronic Funds Transfer. For purposes of determining whether members of a combined group are required to pay by electronic fund transfer (EFT), group members must add together their tax liabilities after reduction for nonrefundable credits for the second preceding tax year. If the combined group's aggregate tax liability after reduction for nonrefundable credits for the second preceding tax year exceeded \$50,000, then for the current year each member must remit its payments by EFT.