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2) Shipped from within Missouri00

b) Sales from Missouri to:

1) the United States Government00

2) purchasers in a state where the taxpayer would not be taxable (e.g., under Public Law 86-272)00

c) Other gross receipts (rents, royalties, interest, etc.)00

Total Sales00 .00 3 %

4. Apportionment Factor - add percentages on Lines 1, 2, and 3, and divide by factors present (see instructions). Enter on Form MO-NRS, Parts 1 and 2, Column (c)..... 4 %

- Enter on Line 1 the amount of sales which are transacted wholly in Missouri. Enter on Line 1a the amount of sales in Missouri.
- Enter on Line 2 the amount of sales which are transacted partly within Missouri and partly without Missouri.
- Enter on Line 3 the amount of sales which are transacted wholly without Missouri.
- In determining income from Missouri sources in cases where sales do not express the volume of business, enter on Line 1 the amount of business transacted wholly in Missouri and enter on Line 2 the amount of business transacted partly in Missouri and partly outside Missouri.
- Enter on Line 4a the amount of total sales.
- Attach an explanation reconciling Line 4 or Line 4a with specific data on Federal Form 1120S.

Method Two Business Transaction Single Factor Apportionment		Method Two A Optional Single Sales Factor Apportionment	
1. Amount of sales wholly in Missouri . . .	<input type="text"/> .00	1a Amount of sales wholly in Missouri	<input type="text"/> .00
2. Amount of sales partly within and partly without Missouri.	<input type="text"/> .00		
3. Amount of sales wholly without Missouri.	<input type="text"/> .00		
4. Total amount - all sources - Add Lines 1, 2, and 3	<input type="text"/> .00	4a. Amount of total sales	<input type="text"/> .00
5. One-half of Line 2	<input type="text"/> .00		
6. Total amount Missouri - Add Lines 1 and 5	<input type="text"/> .00		
7. Missouri single factor apportionment fraction (Divide Line 6 by Line 4 Enter on Form MO-NRS, Parts 1 and 2, Column (c)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> %	7a. Missouri optional single sales factor apportionment fraction (Divide Line 1A by Line 4A), Enter on Form MO-NRS Parts 1 and 2, Column (c)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> %

Directly allocable nonbusiness income. Do not allocate expenses that have been excluded from federal taxable income.
All income is presumed to be business income unless you can clearly show the income to be nonbusiness income.

	Allocation of Nonbusiness Income					
	Gross Income		Directly Related Expenses		Indirectly Related Expenses	
	(1) Everywhere	(2) Missouri	(3) Everywhere	(4) Missouri	(5) Everywhere	(6) Missouri
1. Interest income	00	00	00	00	00	00
2. Royalties.....	00	00	00	00	00	00
3. Rents	00	00	00	00	00	00
4. Net capital gains.....	00	00	00	00	00	00
5. Dividends.....	00	00	00	00	00	00
6. Total each column ..	00	00	00	00	00	00

The following steps must be followed for each distributive share item that is being allocated as nonbusiness income. Attach an explanation and computations detailing the nature of the nonbusiness or Missouri source income.

Example: Assume \$15,000 in total rents of which \$12,000 is business income and \$3,000 is nonbusiness of which \$1,000 is directly allocated to Missouri income. Assume an apportionment factor of 33.333% (from Part 1, Line 4 or Part 2, Line 7 or Line 7a):

Step		
1	\$15,000	Total rents
2	— 3,000	Allocated to Missouri as nonbusiness or Missouri source income
	<u>\$12,000</u>	Business income
3	\$12,000	X 33.333% = \$4,000
4	\$1,000	Missouri source income
5	+ \$4,000	From Step 3
	<u>\$5,000</u>	Enter on Form MO-NRS, Part 1, Line 3, Column (b).
6	\$5,000/15,000 = 33.333% This percentage is entered on Form MO-NRS, Part 1, Line 3, Column (c).	

Example: Assume S corporation's only activity is a 10 percent ownership in partnership. Partnership's Form MO-MSS reflects single factor with \$1,000,000 as wholly within and \$275,000 as partly within. S corporation method 2 Single Method Apportionment is calculated as follows:

1.	Amount wholly in Missouri (\$1,000,000 x .10)	=	\$100,000
2.	Amount wholly within and without Missouri (\$275,000 x .10)	=	\$27,500
3.	Amount wholly without Missouri (0 x .10)	=	\$0
4.	Total amount (all source) = \$127,500		
5.	One half of Line 2	=	\$13,750
6.	Total Amount (Missouri) add Line 1 and Line 5	=	\$113,750
7.	Missouri Single Factor Apportionment (Divide Line 6 by Line 4) Enter on Form MO-NRS, Parts 1 and 2, Column (e).	=	89.216%



Form MO-MSS S Corporation Allocation and Apportionment Form

Use [Form MO-MSS](#) to apportion all business income by using the single factor apportionment method, optional single sales factor apportionment method, or the three factor apportionment method. The single factor and optional single sales factor rely solely on sales. The three factor contains (1) Property, (2) Payroll, and (3) Sales. If utilizing the single factor apportionment method or optional single sales factor, complete Part 2 and Part 3, if applicable. If utilizing the three factor apportionment method, complete Part 1 and Part 3, if applicable. Attach Form MO-MSS to Form MO-1120S. Enter the percentage from Part 1, Line 4, or Part 2, Line 7 or Line 7a, on [Form MO-NRS](#) Part 1, Line 1, Column (c). Line 1, Column (b) is computed by multiplying the percentage in Column (c) times the amounts in Column (a). The percentage is also entered in other lines on Column (c) if the items are integral parts of the business. As noted on the Form MO-MSS, special methods three to seven may be used. Attach a detailed explanation to the Form MO-1120S when utilizing these methods.

Calculate the apportionment factor by adding the percentage of ownerships in partnerships factors to the S corporation's factors.

Pursuant to [Section 32.200, RSMo](#), Article IV, 2, financial organizations, personal service corporations and public utilities cannot elect to use apportionment method one. They will need to elect one of the other available methods.

Form MO-MSS Three Factor Apportionment

Instructions Any taxpayer having income from business activity which is taxable both within and without this state, other than activity as a financial organization or public utility or the rendering of purely personal services by an individual, shall allocate and apportion his or her net income as provided in Section 32.200, RSMo. If a taxpayer has income from business activity as a public utility but derives the greater percentage of his or her income from activities subject to Section 32.200, Article IV, RSMo, the taxpayer may elect to allocate and apportion his or her entire net income as provided in Section 32.200, RSMo.

Application of Multistate Tax Compact A taxpayer must have income from business activity taxable by this state and at least one other state, to allocate and apportion income. Income from business activities includes business and nonbusiness income. The taxpayer's income will be allocated and apportioned in accordance with the Multistate Tax Compact.

The first step is to determine which portion of the taxpayer's entire net income constitutes "business income" and which portion constitutes "nonbusiness income." The various items of nonbusiness income are directly allocated to specific states. The business income of the taxpayer is divided between the states in which the business is conducted pursuant to the property, payroll and sales apportionment factors. If one or more of the three factors does not exist (that is, there is no denominator) determine the apportionment factor by dividing by the number of factors used. The sum of the items of nonbusiness income directly allocated to this state, plus the amount of business income attributable to this state by the apportionment formula, constitutes the amount of the taxpayer's partial Missouri Income-Missouri Sources.

Taxable in Another State A taxpayer is "taxable in another state" if he or she meets either one of two tests: (a) if by reason of business activity in another state, the taxpayer is subject to one of the types of taxes specified, namely: A net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or (b) if another state has jurisdiction to subject the taxpayer to a net income tax, regardless of whether or not that state imposes such a tax on the taxpayer. The first test is applicable only if a taxpayer carries on business activities in another state. If the taxpayer voluntarily files and pays

one or more of such taxes when not required to do so by the laws of that state or pays a minimal fee for qualification, organization, or for the privilege of doing business in that state, but (a) does not actually engage in business activities in that state; or (b) does actually engage in some activity, not sufficient for nexus, and the minimum tax bears no relation to the corporation's activities within such state, the taxpayer is not "taxable" in another state. The second test applies, if the taxpayer's business activities are sufficient to give the state jurisdiction to impose a net income tax under the Constitution and statutes of the United States. Jurisdiction to tax is not present where the state is prohibited from imposing the tax by reason of the provision of Public Law 86-272, 15 U.S.C. Sections 38-385.

Property Factor The numerator of the property factor includes the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the income year for the production of business income. The denominator is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the income year for the production of business income.

Property owned by the taxpayer in transit between locations of the taxpayer is considered to be at the destination for purposes of the property factor. Property in transit between a buyer and seller which is included by a taxpayer in the denominator of its property factor in accordance with its regular accounting practices will be included in the numerator according to the state of destination. The value of mobile or movable property, such as construction equipment, trucks or leased electronic equipment which is located within and without this state, is based upon the ratio that the time the property was physically present or was used in this state bears to the total time or use of the property everywhere during the tax year. An automobile assigned to a traveling employee is included in the numerator of the factor of the state to which the employee's compensation is assigned under the payroll factor or in the numerator of the state in which the automobile is licensed.

Property owned by the taxpayer is valued at its original cost. As a general rule "original cost" is deemed to be in the basis of the property for federal income tax purposes (prior to any federal adjustments) at the time of acquisition by the taxpayer and adjusted by subsequent capital additions or improvements thereto and partial disposition thereof, by the reason of sale, exchange, abandonment, etc. Property rented by the taxpayer is valued at eight times the net annual rental rate. The net annual rental rate is the total annual rental rate paid by the taxpayer, less total annual rental rate received by the taxpayer from sub rentals. As a general rule the average value of property owned by the taxpayer is determined by averaging the values at the beginning and end of the income year. However, the Director of Revenue may require averaging by monthly values if this method of averaging is reasonably required to properly reflect the average value of the taxpayer's property for the income year.

Payroll Factor The payroll factor includes only compensation that is attributable to the business income subject to apportionment. The compensation of any employee whose activities are connected primarily with nonbusiness income shall be excluded from the factor.

The denominator of the payroll factor is the total compensation paid everywhere during the income year. Accordingly, compensation paid to employees whose services are performed entirely in a state where the taxpayer is exempt from taxation, for example, by Public Law 86-272, are included in the denominator of the payroll factor.

The numerator of the payroll factor is the total amount paid in this state during the income year by the taxpayer for compensation. Compensation is paid in this state if any one of the following tests, applied consecutively, are met:

- the employee's service is performed entirely within this state;
- the employee's service is performed both within and without the state, but the service performed without the state is incidental to



the employee's service within the state the word "incidental" means any service which is temporary or transitory in nature, or which is rendered in connection with an isolated transaction);

- (c) if the employee's services are performed both within and without this state, the employee's compensation will be attributed to this state: (1) if the employee's base of operations is in this state; or (2) if there is no base of operations in any state in which some part of the service is performed, but the place from which the service is directed or controlled is in this state; or (3) if the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed but the employee's residence is in this state.

The term "base of operation" is the place of more or less permanent nature from which the employee starts his or her work and to which he or she customarily returns in order to receive instructions from the taxpayer or communications from his or her customers or other persons, or to replenish stock or other material, repair equipment or perform any other functions necessary to the exercise of his or her trade or profession at some other point or points.

Sales Factor The denominator of the sales factor is generally all gross receipts derived by a taxpayer from transactions and activities in the course of its regular trade or business operations that produce business income as defined.

In the case of a taxpayer whose business activity consists of manufacturing and selling, or purchasing and reselling goods or products, "sales" includes all gross receipts from the sales of such goods and products. Gross receipts for this purpose means gross sales, less returns and allowances, and includes all interest income, service charges, carrying charges, or time-price differential charges incidental to such sales. Federal and state excise taxes (including sales taxes) is included as part of such receipts if such taxes are passed on to the buyer or included as part of the selling price of the product. The term "sales" also includes gross receipts derived by a taxpayer from business transactions or activities that are incidental to his or her principal business activity and that are includable in business income. As applied to a taxpayer engaged in a business activity other than the manufacturing and selling, or purchasing and reselling of property, "sales" includes the gross receipts from the taxpayer's business activity. In the case of cost plus fixed fee contracts, such as the operation of a government owned plant for a fee, gross receipts includes the entire reimbursed cost, plus the fee. "Sales" includes the gross receipts from the rental, lease or licensing the use of the property. "Sales" includes the licensing of intangible property such as patents and copyrights.

The numerator of the sales factor includes the gross receipts from sales that are attributable to this state, and includes all interest income, service charges, carrying charges, or time-price differential charges incidental to such sales, regardless of the place where the accounting records are maintained or the location of the contract or other evidence of indebtedness. Gross receipts from the sales of tangible personal property (except sales to the United States Government) are in this state if the property is delivered or shipped to a purchaser within this state, regardless of the f.o.b. point or other conditions of sale; or if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and the taxpayer is not taxable in the state of the purchaser.

Sales to the United States Government: Gross receipts from the sales of tangible personal property to the United States Government are in this state if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state. Only sales for which the United States Government makes direct payment to the seller pursuant to the terms of its contract constitute sales to the United States Government.

Sales other than sales of tangible personal property are in this state if:

- (a) the income-producing activity is performed in this state; or

- (b) the income-producing activity is performed both within and without this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

Allocation of Nonbusiness Income For this purpose "commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed. Rents and royalties from real or tangible personal property, capital gains, interest, or patent or copyright royalties, to the extent that they constitute nonbusiness income shall be allocated as follows:

- (a) Net rents and royalties from real property located in this state are allocable to this state.
- (b) Net rents and royalties from tangible personal property are allocable to this state: (1) if and to the extent that the property is utilized in this state; or (2) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not organized under the laws of, or taxable in, the state in which the property is utilized. The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all royalty or rental period during the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payor obtained possession.
- (c) Capital gains and losses from sales of real property located in this state are allocable to this state.
- (d) Capital gains and losses from sales of tangible personal property are allocable to this state if: (1) the property had a situs in this state at the time of the sale; or (2) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.
- (e) Certain capital gains and losses from sales of intangible personal property are allocable to this state if the taxpayer's commercial domicile is in this state.
- (f) Certain interest and dividends are allocable to this state if the taxpayer's commercial domicile is in this state.
- (g) Patent and copyright royalties are allocable to this state: (1) if and to the extent that the patent or copyright is utilized by the taxpayer in this state; or (2) if and to the extent that the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state. A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from patent royalties or copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent or copyright is utilized in the state in which the taxpayer's commercial domicile is located.

