

5 KEY TAKEAWAYS

Unitary Business Principle

Kilpatrick's [Jordan Goodman](#) recently co-presented the session "**Unitary Business Principle**" at the [Institute for Professionals in Taxation's "2025 State Income Tax School"](#) in Atlanta. Jordan addressed the theoretical underpinning of the unitary business principle and discussed the application of the unitary business principle in both unitary and separate company states and key U.S. Supreme Court decisions concerning the unitary business principle.

Jordan's key takeaways for the presentation include:

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Main Purpose:

The "unitary business principle," is a rule that decides when a state can tax a company's income that is earned in more than one place. It helps separate what income can be taxed by a state and what cannot, based on how connected different parts of the business are.

What Makes a Unitary Business:

For different branches or companies to be treated as one "unitary business," they usually need to share things like management, business operations, and resources. Courts look for things like working together, having the same leaders, or sharing money and goods between parts of the business.

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Court Cases Set the Rules:

Many Supreme Court cases decided what counts as a unitary business. The most important things are if the parts of the business are connected through shared management (centralized control), share how they operate (functional integration), and benefit from working together (economies of scale).

Investment vs. Business Operations:

If a company owns another business just as an investment (to make money from owning it, but not actually running it together), the income from that is usually not taxed by other states. But if the owned business is really part of the main business operations, then states can tax some of that income.

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Different States, Different Rules:

Some states use separate company rules, and others use combined reporting for taxes. The unitary business principle helps decide which companies or parts of companies are included when figuring out how much income a state can tax. The rules can be complicated and may change from state to state.