Minnesota Corporation Franchise Tax 2012

Includes instructions for Forms M4, M4I, M4A and M4T.

Corporate Tax Information

Website
www.revenue.state.mn.us

Phone
651-556-3075
(TTY: 711 Minnesota Relay)

E-mail
businessincome.tax@state.mn.us

Forms
Download forms and other tax information at www.revenue.state.mn.us.

We provide our publications in other formats upon request to persons with disabilities.

Contents

Filing Requirements
Corporations must file a Minnesota tax return if they transact business or own property in Minnesota, regardless of their state of incorporation.

Before You File

Complete Your Federal Return
Before you complete Form M4, complete federal Form 1120 and supporting schedules. You will need to reference them.

You Need a Minnesota Tax ID
Your Minnesota tax ID is the seven-digit number you're assigned when you register with the department. Generally, this is the same as your sales and use tax or Minnesota employer's withholding tax number.

You must include your Minnesota tax ID on your return so that any payments you make are properly credited to your account.

If you don't have a Minnesota tax ID, apply for one online at **www.revenue.state.mn.us** or call 651-282-5225 or 1-800-657-3605.

Forms

Which Form Should You File?
Most corporations, other than S corporations, file Form M4, *Corporation Franchise Tax Return*.

S corporations filing federal Form 1120S file Minnesota Form M8, *S Corporation Return*.

Nonresident entertainers file Form ETR, *Nonresident Entertainer Tax*.

Exempt organizations file Form M4NP, *Unrelated Business Income Tax Return*. Exempt organizations include:

- exempt organizations with unrelated business income and organizations liable for proxy tax on lobbying and political expenditures that file federal Form 990-T;
- farmers' cooperatives, as defined in Internal Revenue Code (IRC) section 521, that file federal Form 1120-C;
- homeowner associations filing federal Form 1120-H; and
- political organizations filing federal Form 1120-POL.

Unit investment trusts. A unit investment trust, as defined in the Investment Company Act of 1940, is not considered a person, corporation, partnership, trust or investment company for Minnesota income tax purposes if it:

- issues periodic payment plan certificates;
- has assets consisting mostly of a single management company's securities; and
- has no power to invest in other types of securities.

If a trust meets these conditions, no return needs to be filed. Each holder of an interest in the trust, however, is considered to own a proportionate share of the assets and must report any distributions on his or her individual income tax return.

Real estate mortgage investment conduits (REMICs), valid under IRC section 860D[b], are not required to file a return. Holders of an interest in a REMIC, however, must report their share of income or loss on their individual income tax returns.

Insurance companies as defined in the IRC are not required to file a corporation franchise tax return.

Software-Generated Forms
If you use tax preparation software, the information must be in the same format as our own forms and schedules. If it's not in the same format, the forms and schedules will be returned to you for correction.

Due Dates and Extensions

When is the Return Due?
Returns, including short-year returns, must be filed by the due date for filing your federal income tax return.

The U.S. postmark date, or date recorded or marked by a designated delivery service, is considered the filing date (postage meter marks are not valid). When the due date falls on a Saturday, Sunday or legal holiday, returns postmarked on the next business day are considered timely. When a return is filed late, the date it is received at the department is treated as the date filed.

The regular due date for returns filed by **cooperative associations** (other than IRC section 521 organizations) is the 15th day of the ninth month after the end of the calendar or fiscal year. Check the co-op box at the top of Form M4.

If You Need an Extension

All corporations are granted an automatic seven-month extension to file Form M4. You are not required to submit a form to Minnesota to receive the seven-month filing extension.

However, if the Internal Revenue Service (IRS) grants an extension of time to file your federal return that is longer than the Minnesota automatic seven-month extension, your state filing due date is extended to the federal due date.

This is a filing extension only, however, not a payment extension. Any tax not paid by the regular due date is subject to penalties and interest (see instructions for lines 14 and 15 on page 5).

To pay your extension payment electronically, see "Paying Electronically" on this page. If you make your extension payment by check, you must use Form PV80. (Do not use Form PV80 if you're making your extension payment electronically or if you're **not** making an extension payment.)

Payments

Unitary groups: Payments must be made under the designated filer. See "Filing a Combined Return" on page 4.

Paying Electronically

If your estimated tax payments during the last 12-month period ending June 30 was $10,000 or more, you are required to pay your tax electronically starting January 1 of the following year. Your required electronic payments would include estimated, extension and tax return payments.

You must also pay electronically if you're required to pay *any* Minnesota business tax electronically, such as sales or withholding tax.

Electronic Payment Options

- To pay over the Internet, go to our website at **www.revenue.state.mn.us** and login.
- If you don't have Internet access, call 1-800-570-3329 to pay by phone.

For both methods, follow the prompts for a business to make a corporation franchise tax payment. You'll need your Minnesota tax ID number, password and banking information. When paying electronically, you must use an account not associated with any foreign banks.

Note: If you're using the system for the first time and you need a temporary password, call 651-282-5225 or 1-800-657-3605.

After you authorize the payment, you'll receive a confirmation number. You can cancel a payment up to one business day before the scheduled payment date, if needed.

Credit or debit card. For a fee, you can use your credit or debit card to make a payment through Value Payment Systems, a national company that partners with federal, state and local governments to provide credit and debit card payment services.

To do so:

- Go to payMNtax.com; or
- Call 1-855-9-IPAY-MN.

The Department of Revenue does not have any financial agreement with Value Payment Systems and does not receive any of its fees.

ACH credit method and Fed Wire. If you use other electronic payment methods, such as ACH credit method or Fed Wire, be sure to check with your bank or Fed Wire representative to find out when to initiate the payment in order for it to be received on time. Some banks require up to three business days to transfer funds.

Paying by Check

If you are not required to pay electronically and you choose to pay by check, you must send your check with a personalized payment voucher. To obtain Form M18, PV41, or PV80, go to our website and download the voucher you need. Type in the required information while the voucher is on the screen and print a copy. A personalized scan line will be printed on the voucher using the information you entered.

Your check authorizes us to make a one-time electronic fund transfer from your account. You may not receive your canceled check.

Estimated Payments

If your estimated tax is more than $500, you must make quarterly payments based on the entire estimated amount. Payments are due by the 15th day of the third, sixth, ninth and 12th months of the tax year. You can make your payments electronically or by check using Form M18. For additional information, see *Corporation Estimated Tax Instructions.*

Tax Return Payment

If there is an amount due on line 17 of Form M4, you can pay it electronically or by check using Form PV41.

There is no late-payment penalty if at least 90 percent of your tax liability is paid by the regular due date (see instructions for lines 14 and 15 on page 5).

Filing Reminders

Accounting Period

You must use the same accounting period for Minnesota as you use for your federal return. If you change your federal accounting period, attach a copy of federal Form 1128, *Application to Adopt, Change or Retain a Tax Year,* to your short-period Minnesota return.

When Completing Your Return

- **Enter the beginning and ending dates** of your tax year at the top of Form M4.
- **Rounding is required.** You must round amounts to whole dollars. Drop amounts less than 50 cents and increase amounts 50 cents or more to the next higher dollar.
- **How to assemble paper filed returns.** Assemble schedules in the order completed behind your Form M4. Attach any additional information requested and a copy of all returns filed with the IRS for the tax year, including 1120-FSCs. Be sure to include copies of all supporting schedules, except for Forms 1118, 1122, 3115, 5471, 5472 and 5713. Your Minnesota tax return will not be considered complete unless all required federal returns are attached. We will accept the federal return in PDF format on a Compact Disc.
- **Corporate partners.** Attach a copy of Schedule KPC, *Partner's Share of Income, Credits and Modifications.*
- **If this is your final return,** check the correct box at the top of Form M4. Attach an explanation and a copy of merger papers, dissolution date and distribution papers, or, for S corporations, a copy of your federal approval.
- **If your M4 return shows a refund,** Minnesota law requires you to provide your banking information so that your refund can be deposited electronically.

Continued

Early Audits/Bankruptcy

To request an early audit or notify the department of bankruptcy proceedings, complete Form M22, *Request for Early Audit of Minnesota Income Tax Returns.* If the corporation is in bankruptcy, check the “in bankruptcy” box at the top of Form M4.

Amending Your Return

Use Form M4X, *Amended Franchise Tax Return/Claim for Refund*, to report changes to your Minnesota liability or to claim a refund.

If the IRS changes or audits your federal return or you amend your federal return and it affects your Minnesota return, you must amend your Minnesota return. File Form M4X within 180 days after you were notified by the IRS or after you filed your federal amended return. Enclose a copy of the IRS report or your amended federal return with your amended Minnesota return.

If the changes do not affect your Minnesota return, you have 180 days to send a letter of explanation to the department. Send your letter and a complete copy of your amended federal return or the correction notice to: Minnesota Revenue, Corporation Franchise, Mail Station 1255, St. Paul, MN 55146-1255. Do not send these with your current tax return.

If you fail to report federal tax changes within 180 days, you are subject to a penalty equal to 10 percent of any additional tax due. In addition, the period of time increases during which we may make adjustments to your Minnesota return.

Definitions

Nexus

Corporations that are required to file a Minnesota tax return are referred to as having nexus with Minnesota.

Designated Filer

A unitary group filing a combined return must select one of its members to be the designated filer.

The designated filer’s name and tax ID numbers go on the face of the corporation franchise tax return and in the heading of Column B_1 of each columnar schedule attached to the return. All payments (estimated, extension and tax return) will be made under the Minnesota tax ID number of the designated filer and any refunds will be issued to the designated filer.

Domestic Corporation

Any corporation organized under the laws of the United States or any state, the District of Columbia or political subdivision of these, excluding the Commonwealth of Puerto Rico or any possession of the United States. **Domestic international sales corporations (DISCs),** qualifying under IRC section 992(a), and **foreign sales corporations (FSCs),** qualifying under IRC section 922, are also domestic corporations *(MS 290.01, subd. 5).*

Foreign Corporation

A corporation that doesn’t meet the definition of a domestic corporation is a foreign corporation *(MS 290.01, subd. 5a).* A foreign corporation that has nexus with Minnesota must file a separate return.

Foreign Operating Corporation (FOC)

A domestic corporation with the following characteristics is a foreign operating corporation under MS 290.01, subd. 6b:

1 The corporation is part of a unitary group having at least one member with nexus in Minnesota; and

2 the corporation has either:

   a. a valid election under IRC section 936; or

   b. at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income. (Active foreign business income means gross income that is derived from sources outside the United States, as defined in IRC subtitle A, chapter 1, subchapter N, part 1 (as amended through March 18, 2010), and attributable to the active conduct of a trade or business in a foreign country.)

An FOC is not:

- a foreign sales corporation under IRC section 922 (as amended through Dec. 31, 1999) for the taxable year; or
- an interest charge domestic international sales corporation under IRC sections 992, 993, 994 and 995.

General Information (continued)

Unitary Groups

Below are guidelines for corporations whose activities are part of a unitary business.

What is a Unitary Business?

"Unitary business" means business activities or operations that result in a flow of value and includes both foreign and domestic companies. A business is presumed to be unitary whenever there is unity of ownership, operation and use. Unity is also presumed when business activities or operations are of mutual benefit to, dependent upon or contributory to one another, either individually or as a group.

Unity of ownership exists when a corporation is a member of a group of two or more corporations and more than 50 percent of the voting stock of each member is directly or indirectly owned by a common owner, either corporate or noncorporate, or by one or more of the member corporations of a unitary group.

Unity of operation and use can be shown by centralized management or executive force; or centralized purchasing, advertising, accounting or other controlled activity.

The absence of these centralized activities does not necessarily mean that a business is not unitary. A business is unitary if there is functional integration, centralized management and economies of scale *(MS 290.17, subd. 4).*

Filing a Combined Return

A unitary group *must* file a combined return. A combined return for Minnesota may only include domestic corporations excluding insurance companies and regulated investment companies. Foreign corporations and regulated investment companies that have nexus with Minnesota, even if they are part of a unitary group, must file separate tax returns (see *Definitions* on page 3).

One member of the unitary group must be selected as the designated filer to file the return, make payments, receive refunds and represent the other members of the group in tax matters.

If you are filing a combined return, complete Schedule AFF, *Affiliations for Combined Returns*, and attach it to your return.

Using the Combined-Income Method

The combined-income method uses formula apportionment to determine what percentage of the combined business income of a unitary group is reportable to Minnesota by each unitary group member required to file a Minnesota return.

The apportionment factors for each member are determined by dividing the corporation's own property, payroll and sales figures for Minnesota by the total property, payroll and sales of the entire group, both in and outside Minnesota.

Income and deductions from transactions between members included in the combined return are eliminated to avoid distortion of the group's income or of the numerators or denominators used by each member in figuring apportionment factors.

If a corporation is part of a unitary business, the entire income (loss) derived from the trade or business of the unitary group is used to figure how much income or loss should be apportioned and reported by that corporation on the combined Minnesota tax return. Income not derived from the trade or business is assigned to Minnesota or another state.

To determine the income (loss) from Minnesota sources for each member of the group, the total apportionable income (loss) of the entire group is multiplied by the weighted average of the factors of each member.

None of the apportionable income of a unitary business will be considered derived from any particular source or place except as determined by using the combined income method.

Common Accounting Periods

The combined-income method for a group of related corporations requires the income and factors of all corporations be determined on the basis of a common accounting period.

If the members have different accounting periods, the income and factor computations of all members should be computed for the same period as the designated filer's normal accounting period *(MR 8019.0405, subp. 4).*

The due date of the return is still determined according to the actual accounting period of the designated filer filing the Minnesota return.

Estimated Tax

Members of a unitary group must compute the estimated tax using the combined-income method. Estimated tax payments must be made by the designated filer only.

M4 Summary Page

Complete Forms M4I, M4A, M4T and applicable schedules before completing Form M4. You must include these forms with your M4 return.

Name and Address of Corporation

Unitary groups fill in the name of the designated filer (see “Filing a Combined Return” on page 4). Enter the address associated with corporate tax matters.

Line Instructions

Corporate partners: *Include amounts you may have received as a partner in a partnership that is reported on Schedule KPC. Include Schedule KPC with your return.*

Line 2

Minnesota Nongame Wildlife Fund

You can help preserve Minnesota’s rare and endangered animals and plants by donating to this fund. Your donation will be added to your total tax and will decrease your refund or increase your balance due.

For more information, go to the Minnesota Department of Natural Resources website at www.dnr.state.mn.us.

Line 4

Enterprise Zone Credit

If your business has been approved by the Minnesota Department of Employment and Economic Development as employment property in an enterprise zone, enter the credit amount. Attach Schedule EPC.

For details about the zones, go to the DEED website at www.positivelyminnesota.com.

Line 5

JOBZ Jobs Credit

A refundable credit, based on higher-paying jobs, is available to qualified businesses operating in a job opportunity building zone (JOBZ). A qualified business must have signed a Business Subsidy Agreement with the zone administrator. Complete and include Schedule JOBZ, *JOBZ Tax Benefits*.

For details about the zones, go to the DEED website at www.positivelyminnesota.com.

Line 6

2012 Minnesota Research Credit

If your business paid qualified research and development expenses in Minnesota during the year and those expenses exceed a base amount, you may be able to claim a refundable credit for increasing research activities. Complete and attach Schedule RD, *Credit for Increasing Research Activities*.

Unitary groups only: Complete a separate Schedule RD for each corporation claiming this credit.

Line 7

Historic Structure Rehabilitation Credit

To qualify for this credit, you must be eligible for the federal Historic Rehabilitation Credit for improving a certified historic structure located in Minnesota and have your application approved by the State Historic Preservation Office (SHPO) of the Minnesota Historical Society. For details, go to www.mnhs.org/shpo.

On line 7, enter the NPS project number and credit amount from the credit certificate you received from SHPO. Include the credit certificate when you file your return.

Line 8

Credit for Tuberculosis Testing on Cattle

If you own cattle in Minnesota and you incurred expenses during the year to test your cattle for tuberculosis, enter 25 percent of your testing expenses on line 8. Expenses incurred in a calendar year in which tuberculosis testing of cattle in Minnesota is not federally required are not allowed in claiming the credit.

Line 14

Penalty

Penalties are collected as part of the tax and are in addition to any additional charge for underpaying estimated tax.

Late payment. A penalty is due if you don’t pay at least 90 percent of your total tax by the regular due date. The penalty is 6 percent of the unpaid tax on line 13.

There is no penalty if at least 90 percent of your total tax is paid by the regular due date, and any remaining balance is paid by the extended due date. You must calculate interest, however, on the remaining balance.

Late filing. If you file after the extended due date and owe tax, you must pay an additional penalty for filing late. The late-filing penalty is 5 percent of the unpaid tax on line 13.

Balance not paid. An additional penalty of 5 percent of the unpaid tax is due if the return is filed after the regular due date with a balance due, and that balance is not paid at the time of filing.

Payment method. If you are required to pay electronically and do not, an additional 5 percent penalty applies to payments not made electronically, even if a paper check is sent on time.

Line 15

Interest

You must pay interest on the unpaid tax plus penalty from the regular due date until the total is paid. To figure how much interest you owe, use the following formula with the appropriate interest rate (the rate for 2013 is 3 percent):

Interest =
(tax + penalty) × # of days late × interest rate ÷ 365

Line 16

Additional Charge for Underpayment of Estimated Tax

If you did not pay the correct amount of estimated tax by the due dates, you may have to pay an additional charge for underpayment of estimated tax.

If your tax on Form M4, line 1 (less any credits on lines 4–8), is more than $500, use Schedule M15C, *Additional Charge for Underpayment of Estimated Tax,* to figure the additional charge or to show that you qualify for an exception. Attach Schedule M15C to your return.

Line 18

If line 12 is less than the sum of lines 3 and 16, subtract line 12 from the sum of lines 3 and 16. Enter the result on line 17 and enter zero on line 18.

Signatures

The return must be signed by a person authorized by the corporation. If you paid someone to prepare your return, the preparer must also sign and provide his or her PTIN number. Check the box if you want to authorize the department to discuss this return with the preparer.

Other Penalties

If you understate your tax by more than 10 percent or $10,000, whichever is more, the penalty is 20 percent of the underpayment.

If you intentionally don’t file a return to evade paying tax, or if you file a false or fraudulent return, the penalty is 50 percent of the tax due or refund.

If you are negligent or intentionally disregard the law or rules (but without intent to defraud), the penalty is 10 percent of any additional tax assessed.

If you don’t file a return within 30 days of a written demand from the department, the penalty is 5 percent of the tax or $100, whichever is greater.

Also be aware of the following:
It is a gross misdemeanor to knowingly not file a return or pay a tax when required. If you willfully attempt to evade or defeat a tax or tax law, the action becomes a felony.

It is a felony to knowingly file a false or fraudulent return or to knowingly help someone prepare, or advise someone on how to prepare, a false or fraudulent return.

M4I Income Calculation

Line 1
Federal Taxable Income Before NOL and Special Deductions
Use the line references below to figure the amount to enter from your federal return. Do not include the net income of an FOC.

If the amount you enter on line 1 does not match the amount listed on your federal return, complete Schedule REC, *Reconciliation*, and attach it to your M4 return.

If you're filing federal Form:	Enter amount from line:
1120	28
1120-F	29, Section II
1120-FSC	See MN Sch. FSC
1120-IC-DISC	5
1120-ND	10
1120-RIC	26*
1120-REIT	22 + 21a
1120-C	25c

* For Minnesota purposes, the federal taxable income of a regulated investment company must be increased by the net capital gain exclusion provided in IRC section 852(b)(2)(A). The dividend paid deduction must be applied by allowing a deduction for capital gains dividends and exempt interest dividends *(IRC sections 852[b][3][C] and 852[b][5])*. This also applies to any undistributed capital gains which are elected to receive IRC section 852(b)(3)(D) treatment.

Additions

Line 2
Corporate partners. *Be sure to include any addition amounts reported on the Schedule KPC you received from the partnership (include Schedule KPC with your return).*

a. Taxes
Enter the amount deducted on your federal return for taxes based on net income and related minimum taxes paid to Minnesota or another state, a political subdivision of a state, the District of Columbia, any U.S. possession or any foreign country. This also includes the Minnesota minimum fee. *(MS 290.01, subd. 19c[1]; Revenue Notice 08-08)*

b. Capital Losses
Enter any deduction for capital losses taken on your federal return under IRC sections 1211 and 1212. Include any loss from the sale or exchange of certain preferred stock which is treated as an ordinary loss for federal purposes under section 301 of the Emergency Economic Stabilization Act of 2008, Public Law 110-343, Division A, title III. *(MS 290.01, subds. 19c[7] and 19h)*

c. Exempt Interest Income
Enter all interest income received that is not included on your federal return. *(MS 290.01, subd. 19c[2])*

d. Exempt Interest Dividends
Enter all exempt interest dividends received *(as defined in IRC section 852[b][5])* that are not included on your federal return. *(MS 290.01, subd. 19c[3])*

e. Deemed Dividends from FOCs
Complete Schedule FOC, *Foreign Operating Corporation*, to determine the deemed dividends from FOCs to include on line 2e. *(MS 290.01, subd. 19c[11] and 290.17, subd. 4g)*

f. Foreign Sales Corporations (FSCs)
Use Schedule FSC to figure the amount of FSC adjustment to include on line 2f. *(MS 290.01, subd. 19c[8])*

g. Losses From Mining Operations
Enter the amount of losses from mining operations (from Form M30, *Occupation Tax*) if these losses are included in your federal taxable income before NOL and special deductions. For gains from mining operations, go to line 4i. *(MS 290.01, subd. 19c[6])*

h. Percentage Depletion
Enter the amount of percentage depletion deducted on your federal return under IRC sections 611 through 614 and 291. *(MS 290.01, subd. 19c[9])*

i. Extraterritorial Income Exclusion (IRC Section 114)
Enter the amount of extraterritorial income excluded under IRC section 114 from your federal Form 8873, line 52. *(MS 290.01, subd. 19c[13])*

j. Federal Bonus Depreciation Adjustment
If you claimed a deduction for the special depreciation allowance (bonus depreciation) under IRC section 168(k) on lines 14 or 25 of federal Form 4562, include 80 percent of that amount on Form M4I, line 2j. Also include 80 percent of any bonus depreciation amount you may have received as a partner of a partnership (include Schedule KPC).

Do not include in this adjustment bonus depreciation attributable to any IRC section other than section 168(k).

If an activity generating bonus depreciation also generates a loss that you are not allowed to claim in the taxable year, the addition is limited to 80 percent of the excess of the bonus depreciation claimed by the activity over the amount of the loss not allowed in the taxable year.

If you're claiming a suspended loss from 2001–2005 or 2008–2011 on your federal return that was generated by bonus depreciation, multiply that bonus depreciation by 80 percent and include the result on line 2j.

(MS 290.01, subd. 19c[15])

Continued

Line 1
Unitary Groups
Do not include foreign sales corporation income on line 1. See Schedule FSC, *Foreign Sales Corporation*.

Because of differences in federal and state law, the amount on line 1 may not match the amount listed on your attached federal return. If it doesn't match, complete Schedule REC, and attach it to your M4 return.

For example, line 28 on a consolidated federal Form 1120 might not include income from companies that are part of a Minnesota combined return. Line 1 must include the income of those companies that meet the Minnesota definition of a unitary business but are not included on line 28 on a consolidated Form 1120.

The consolidated Form 1120 does not include income from less-than-80-percent-owned companies. Minnesota's definition of a unitary group only requires greater than 50 percent ownership.

Federal Form 1120, line 28, may include income from the following companies that should not be included on line 1.

- **Insurance companies**
- **Mexican and Canadian companies** included in the federal consolidated return under provision 1504d of IRC.
- **Non-unitary companies.** These are members that don't meet the definition of a unitary business.
- **Foreign operating corporations (FOCs).** The income of a corporation that meets the definition of an FOC (see *Definitions* on page 3) is not included on line 1 (see Schedule FOC instructions). *(MS 290.17, subd. 4[f])*

k. Domestic Production Activities Deduction
Enter the amount deducted on your federal return under IRC section 199 for domestic production activities. *(MS 290.01, subd. 19c[17])*

l. Federal Subsidies for Prescription Drug Plans
Enter any amount excluded from federal taxable income under IRC section 139A for federal subsidies of prescription drug plans. *(MS 290.01, subd. 19c[18])*

m. Excess IRC Section 179 Deduction
If, during the year, your total investment in qualifying property was more than $200,000 or if you elected more than $25,000 in section 179 expensing, you must add back on your state return 80 percent of the difference between the expensing allowed for federal and Minnesota tax purposes. You may subtract the amount of the addition in equal parts over the next five tax years. *(MS 290.01, subd. 19c[16])*

If you completed federal Form 4562 to claim the section 179 expensing for federal tax purposes, you must also complete lines 1 through 12 on a *separate* federal Form 4562 (referred to as your Minnesota Form 4562 in the worksheet below) to determine the amount you need to add back for Minnesota purposes. Write "Minnesota" at the top of this separate Form 4562 and include it with your return.

Recalculate line 12 of your Minnesota Form 4562 using the same information from your federal Form 4562 and the following modifications:

- Subtract $475,000 from line 1 of your federal Form 4562, and enter the result on line 1 of your Minnesota Form 4562.
- Enter line 2 of federal Form 4562 on line 2 of your Minnesota Form 4562.
- Subtract $1,800,000 from line 3 of your federal Form 4562, and enter the result on line 3 of your Minnesota Form 4562.
- Enter the information from lines 6 and 7 of your federal Form 4562 on lines 6 and 7 of your Minnesota Form 4562. However, if you have section 179 expensing from a partnership, use the amount from line 10 of Schedule KPC instead of line 12 of federal Schedule K-1 (1065).
- Enter line 10 of your federal Form 4562 on line 10 of your Minnesota Form 4562.
- Recalculate lines 4, 5, 8, 9, 11 and 12 of your Minnesota Form 4562. The result on line 12 of Minnesota Form 4562 cannot be more than line 1 of that form.

Then complete the following worksheet to determine line 2m of Form M4I:

1 Amount from line 12 from your *federal* Form 4562. . . . . ________
2 Line 12 of your *Minnesota* Form 4562 . . . . ________
3 Subtract step 2 from step 1 (if zero or less, enter 0) . . . . ________
4 Multiply step 3 by 80% (.80). Enter here and on Form M4I, line 2m . . . . ________

n. Fines, Fees and Penalties
You must add fines, fees and penalties that were deducted on your federal return as a trade or business expense paid to a government entity or nongovernment regulatory body as a result of a violation of law, or the investigation of any potential violation of law. Do not include amounts identified in a court order or settlement agreement as restitution or as an amount paid to come into compliance with the law. *(MS 290.01, subd. 19c[19] and 290.10, subd. 2)*

o. Federal Changes Not Adopted by Minnesota
On February 20, 2013 Minnesota adopted the American Taxpayer Relief Act of 2012, Public Law 112-240, which was enacted on January 2, 2013.

No adjustments should be made on this line for differences between state and federal law.

Subtractions

Line 4

Corporate partners. *Be sure to include any subtraction amounts reported on the Schedule KPC you received from the partnership (include Schedule KPC with your return).*

a. Tax Refunds
Include refunds of any taxes of the type described on line 2a that are included on your federal return and were added back on your Minnesota return in prior years. *(MS 290.01, subd. 19d[9])*

b. Capital Losses
Enter an amount for capital losses as allowed under IRC sections 1211 and 1212, except that for losses incurred in taxable years beginning after 1986, there is no carryback allowed and the carryforward period is 15 years. Include any loss from the sale or exchange of certain preferred stock, which is treated as an ordinary loss for federal purposes under section 301 of the Emergency Economic Stabilization Act of 2008, Public Law 110-343, Division A, title III, but has been treated as a capital loss for Minnesota. *(MS 290.01, subd 19d[5] and 19h)*

c. Sum of Select Federal Tax Credit Expenses
The amount on line 4c includes the sum of expenses associated with the following federal tax credits. Attach a list naming the federal tax credit and the expenses associated with the credit.

- **Research expenses.** Include any research expenses that are disallowed on your federal return due to claiming the federal research credit under IRC section 280C(c), but only to the extent that they exceed your Minnesota research credit from Schedule RD, line 29. *(MS 290.01, subd. 19d[13])*
- **Federal Work Opportunity Credit and/or the Indian Employment Credit.** Include any salary expenses disallowed due to the federal Work Opportunity Credit under IRC section 51, and/or the Indian Employment Credit under IRC section 45A(a). *(MS 290.01, subd. 19d[2 and 14])*
- **Disability access expenditures.** Include any disability access expenditures that are not allowed to be deducted or capitalized on your federal return due to claiming the federal credit under IRC section 44(d)(7). *(MS 290.01, subd. 19d[12])*

d. Eighty Percent of Royalties
Enter 80 percent of royalties, fees or similar income accrued or received from an FOC or foreign corporation that is part of the same unitary business as the receiving corporation unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the IRC. Attach a schedule identifying the sources and amounts.

Do not include this income in the sales factor on Form M4A. Royalties, fees and similar income received from foreign corporations that are not part of the same unitary group are not eligible for the subtraction and are to be included in the sales factor on Form M4A. *(MS 290.01, subd. 19d[10]; Revenue Notice 93-24)*

e. Foreign Dividend Gross-up
Enter the amount of foreign dividend gross-up added to gross income for federal income tax purposes required under IRC section 78. *(MS 290.01, subd. 19d[1])*

Continued

f. Interest and Expenses
Include interest and expenses related to income exempt from federal tax, provided the income is taxable by Minnesota and the interest and expenses are disallowed as deductions on your federal return. *(MS 290.01, subd. 19d[6])*

g. Dividends Paid by National and State Banks to U.S. Government
National and state banks only: Include any dividend paid to the U.S. government on the preferred stock of the bank owned by the U.S. government. *(MS 290.01, subd. 19d[3])*

h. Intangible Drilling Costs
Enter intangible drilling costs incurred in taxable years beginning before 1987 that were disallowed due to differences between Minnesota and federal law at the time.

For costs represented by physical property, include a deduction for depreciation as allowed by Minnesota law. For costs not represented by physical property, include a deduction for cost depletion as allowed by Minnesota law. *(MS 290.01, subd. 19d[4])*

i. Mining Companies
Enter the amount of income or gain from mining operations (from Form M30, *Occupation Tax*) if these gains are included in your federal taxable income before NOL and special deductions. *(MS 290.01, subd. 19d[11])*

j. Deduction for Cost Depletion
Include an amount of cost depletion for property on which percentage depletion was added back on line 2h. *(MS 290.01, subd. 19d[7])*

k. Pollution Control Facilities
Include an amount of depreciation as allowed by Minnesota law for certified pollution control facilities placed in service in a taxable year beginning before 1987 on which federal amortization deductions were previously added back. *(MS 290.01, subd. 19d[8])*

l. Extraterritorial Income Adjustment
Enter 1.23 times the amount on line 2i if:

- the corporation to which the IRC section 114 exclusion applies owned a foreign sales corporation that was an FOC (see *Definitions* on page 3) in any tax year ending before 1995; and
- you filed a return by Aug. 15, 1996, claiming a deduction under MS 290.21, subd. 4, for income received from the FOC.

This subtraction does not apply to income received from a foreign operating company. *(MS 290.01, subd 19d[15])*

m. Subtraction for Prior Bonus Depreciation Addback
If you added back 80 percent of the federal bonus depreciation in any of the last five years, enter one-fifth of the amount added back. *(MS 290.01, subd. 19d[17])*

n. Subtraction for Prior IRC Section 179 Addback
If you added back 80 percent of the excess IRC section 179 deduction, enter one-fifth of the add-back. *(MS 290.01, subd. 19d[18])*

o. Subtraction for Prior Addback of Discharge of Indebtedness Income
If you included in this year's federal taxable income any discharge of indebtedness income from reacquisition of business debt which you elected to defer federally in a prior year, enter that amount on line 4o. *(MS 290.01, subd. 19d[19])*

p. Federal Changes Not Adopted by Minnesota
On February 20, 2013 Minnesota adopted the American Taxpayer Relief Act of 2012, Public Law 112-240, which was enacted on January 2, 2013.

No adjustments should be made on this line for differences between state and federal law.

Line 5
Intercompany Eliminations
Attach a separate list explaining any duplication of income (loss) resulting from intercompany transactions and enter the amount on line 5. For example, if line 1 included $10,000 of dividends that were paid by one member to another, you would need to include that $10,000 on line 5. List any item of income as a positive amount and any item of loss as a negative amount. Do not include dividends received from an FSC that are included on Schedule FSC, line 7.

Line 8
Nonapportionable Income
Nonapportionable income is income that cannot be apportioned due to provisions of the United States Constitution. Nonapportionable income is allocated by assignment based on the type of property that gives rise to the income. Nonapportionable income must be reduced by the expenses incurred to generate the income.

Frequently used assignment rules are:

- Income/gains from tangible property not employed in the trade or business is allocated by assignment to the state in which the property is located.
- Gain on the sale of a partnership interest not employed in the trade or business is allocated to Minnesota in the ratio of the original cost of partnership tangible property located in Minnesota to that located everywhere as determined at the time of the sale. If more than 50 percent of the value of the partnership's assets are intangibles, the gain/loss is allocated to Minnesota using the partnership's prior year sales factor.

Other assignment rules are in MS 290.17, subd. 2. Income not assigned in any particular manner is allocated by assignment to the taxpayer's state of domicile.

All other types of income are referred to as business income, and are subject to apportionment.

If you are a corporate partner, include any nonapportionable income you may have received as reported on line 2 of the Schedule KPC you received from the partnership.

M4A Apportionment/Minimum Fee

Single filers: *Complete Columns A and B_1. Enter 1.000 in Column B_1, line 17, even if any or all amounts in Column A, lines 5, 9 or 13 are zero.*

Unitary groups: *Enter amounts for the designated filer in Column B_1 and complete a column for each corporation with Minnesota nexus. Each corporation* ***must*** *have a Minnesota tax ID number.*

Minnesota uses a weighted three-factor formula comprised of property, payroll and sales (or receipts) during the tax year to determine the apportionment percentage.

For tax year 2012, the factor weights are 0.035 for property, 0.035 for payroll and 0.93 for sales (receipts).

If you conduct all business in Minnesota and are not a unitary group, complete Columns A and B_1. Enter 1.000 in Column B_1, line 17, even if any or all amounts in Column A, lines 5, 9 or 13 are zero.

If you conduct business in and outside Minnesota (including sales of goods and services made outside Minnesota), **and are not a unitary group,** complete Columns A and B_1. If any of the amounts in Column A, lines 5, 9 or 13 are zero, the factor weights on lines 7, 11 and 15 must be changed (see *If Column A, Line 5, 9 or 13 is Zero*).

If you are a unitary group, Column A must include the total amounts of all corporations included on the combined return excluding FOCs. If any amounts in Column A, lines 5, 9 or 13 are zero, the factor weights on lines 7, 11 and 15 must be changed (see *If Column A, Line 5, 9 or 13 is Zero*).

Column B_1 is for the designated filer. The remaining columns are for each of the other corporations in the group that have a Minnesota apportionment factor. If you need more than three columns, attach additional forms as needed.

Financial institutions, read *Apportionment for Financial Institutions* on page 11.

If Column A, Line 5, 9 or 13 is Zero

(Revenue Notice 08-04)

If only Column A, line 5, is zero,

Change factor weight on:	To:
Line 11 (payroll)	0.036
Line 15 (sales)	0.964

If only Column A, line 9, is zero,

Change factor weight on:	To:
Line 7 (property)	0.036
Line 15 (sales)	0.964

If only Column A, line 13, is zero,

Change factor weight on:	To:
Line 7 (property)	0.5
Line 11 (payroll)	0.5

If two amounts in Column A, lines 5, 9 and 13 are zero, the remaining factor weight on line 7, 11 or 15 changes to 1.00.

Property

In Column A, lines 1 – 4, enter the total property items for your entire business. In Column B_1 (and remaining columns as needed by unitary group members with Minnesota nexus), enter the property items for your business in Minnesota.

Line 1

Inventory

Enter the average value of inventories for your business for the tax year.

Line 2

Tangible Property and Land

Enter the average value of total tangible property (real, personal and mixed) used in connection with your business during the tax year. Property must be valued at original cost and includes land, buildings, machinery, equipment and other tangible personal property.

Line 3

Financial Institutions Only: Intangible Property

For financial institutions only, include intangible assets in the property factor (see page 11). *(MS 290.191, subd. 3)*

Line 4

Capitalized Rents

Capitalized rents are based on the actual rent for property used during the tax year. Do not use an average of rents paid during the year to determine capitalized rents. Determine the value of rented property used by multiplying the rent paid for the tax year by eight.

Payroll

Line 9

Payroll

In Column A, enter the total payroll paid or incurred for the tax year in connection with the entire business.

In Column B_1 (and the remaining columns as needed by unitary groups), enter your total payroll paid, or incurred, or paid for labor performed in Minnesota, for the tax year in connection with the business.

Sales

Line 13

Sales or Receipts

In Column A, line 13, enter the total sales for the tax year. In Column B_1 (and in the remaining columns as needed by unitary groups) enter Minnesota sales only. Financial institutions, see instructions on page 11.

The sales factor includes all sales, gross earnings or receipts received in the ordinary course of your business, except:

- interest;
- dividends;
- sales of capital assets under IRC section 1221;
- sales of property used in the business, except sales of leased property that is regularly sold as well as leased;
- sales of stock or sales of debt instruments under IRC section 1275(a)(1);
- income that qualifies for the foreign source income subtraction;
- intercompany sales between members of a combined return.

Determining Minnesota Sales

Real Property

Sales, rents, royalties and other income from real property are attributed to the state in which the property is located.

Tangible Personal Property

Sales of tangible personal property are attributed to Minnesota if the property is received by the purchaser within Minnesota and the taxpayer is taxed in this state, regardless of the f.o.b. point, other conditions of sale, or the ultimate destination of the property.

Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation regardless of the f.o.b. point or other conditions of sale.

Continued

Property is received by a purchaser in Minnesota if the recipient is located in this state, even if the property is ordered from outside Minnesota.

Sales of tobacco products, beer, wine and other alcoholic beverages to someone licensed to resell the products only within the state of ultimate destination is a sale in the destination state.

Receipts from leasing or renting tangible personal property, including finance leases and true leases, are attributed to the state in which the property is located. Receipts from the lease or rental of moving property are attributed to Minnesota to the extent the moving property is used in Minnesota. The extent of use is determined as follows:

- A motor vehicle is used wholly in the state in which it is registered.
- Receipts from rolling stock are assigned to Minnesota in the ratio of miles traveled in Minnesota to total miles traveled.
- Receipts from aircraft are assigned to Minnesota in the ratio of landings in Minnesota to total landings.
- Receipts from vessels, mobile equipment and other mobile property are assigned to Minnesota in the ratio of days the property is in Minnesota to the total days of the tax year.

Intangible Property

Sales of intangible property are attributed to the state in which the property is used by the purchaser.

Royalties, fees and similar income not qualifying for the subtraction on Form M4I, line 5d, received for the use of or privilege of using intangible property (such as patents, copyrights, trade names, franchises or similar items) are attributed to the state in which the property is used by the purchaser.

Intangible property is attributed to Minnesota if the purchaser uses the property, or rights in the property, to conduct business within this state, regardless of the location of the purchaser's customers.

If the property is used in more than one state, then the sales or royalties must be apportioned to Minnesota pro rata based on the portion of use within this state.

If the amount of use in Minnesota cannot be determined, then exclude the sales or royalties from both the numerator and the denominator of the sales factor.

Services

Receipts from the performance of services are attributed to the state in which the services are received.

Receipts from services provided to a corporation, partnership or trust may only be attributed to a state in which it has a fixed place of doing business.

If you can't determine where the service was received, or if it was received in a state where the corporation, partnership or trust doesn't have a fixed place of business, use the location of the office of the customer from which the service was ordered.

If you can't determine the ordering office, use the office location to which the service was billed.

Petitioning to Use Another Method of Allocation

State law *(MS 290.20, subd. 1a and Minnesota Rules 8020.0100, subp. 3)* allows entities to request permission from the department to allocate all, or any part of, taxable net income in a manner other than the three-factor formula or by applying the methodology contained in Revenue Notice 08-04.

To request permission, complete Form ALT, *Petition to Use Alternative Method of Allocation* (see Revenue Notice 04-07).

Permission will be granted only if you can show that the three-factor formula does not properly and fairly reflect your Minnesota income, and that the alternative formula you have chosen does.

Minimum Fee

A corporation is subject to a minimum fee if the sum of its Minnesota source property, payroll and sales or receipts is at least $500,000. The minimum fee is in addition to the regular tax and the alternative minimum tax.

Entities that are exempt from the minimum fee include:

- regulated investment companies (RICs);
- real estate investment trusts (REITs);
- real estate mortgage investment conduits (REMICs); and
- qualified businesses participating in a Minnesota job opportunity building zone (JOBZ) and all of their property and payroll are within the zone.

Line 18
Adjustments

The minimum fee is determined by your total Minnesota property, payroll and sales. In some cases the property, payroll and sales used for computing the minimum fee will be different than those used for apportionment. The following adjustments should be made to your Minnesota factors on line 18.

Add: All tangible property owned or rented that is not included on line 5 of Form M4A. Some examples include construction in progress, idle property and any nonbusiness property or rent expense. The amounts should be determined in the same manner as the amounts on line 5.

Subtract:
- JOBZ zone minimum fee adjustment from Schedule JOBZ (enclose Schedule JOBZ).
- Any partnership amounts included on lines 5, 9 and 13.
- For financial institutions only, the amount of intangible property listed on line 3.
- Reduction of property owned for a short taxable year. To determine, multiply the sum of line 1 and line 2 by a fraction: the numerator is 365 minus the number of days in the tax year; the denominator is 365.

Enclose a schedule showing the computation and pass-through information of any adjustments listed on M4A, line 18.

Apportionment for Financial Institutions

In general, a financial institution is any national or state bank, bank holding company, savings and loan, or any other corporation that does business that a bank or other financial institution would be authorized to do.

Financial institutions complete Form M4A the same way that other corporations would, with the exception of lines 3 and 13.

Line 3

Property Factor

The property factor for financial institutions includes certain intangible property.

The following are considered Minnesota property:

- coin and currency located in Minnesota;
- lease financing receivables, to the extent the property is located in Minnesota;
- secured loans if real or tangible personal property is located in Minnesota;
- unsecured (or secured by intangible property) consumer loans to Minnesota residents;
- unsecured (or secured by intangible property) commercial loans if the proceeds are applied in Minnesota;
- credit card receivables if the fees and charges are regularly billed to Minnesota;
- receivables from merchant discount income if the merchant is located in Minnesota; and
- securities, money market instruments and secondary market assets apportioned to Minnesota, in the ratio of Minnesota deposits to all deposits if a regulated financial institution, or in the ratio of Minnesota gross business income to total gross business income if unregulated.

Secondary market assets are obligations that are not originally solicited or entered into by the owner. They include secured, consumer and commercial loans and lease financing, credit card and merchant discount receivables.

Line 13

Sales or Receipts Factor

Financial institutions use a receipts factor instead of a sales factor.

Include the gross income from activities in the ordinary course of business, including income from securities and money market instruments.

The following are considered Minnesota income:

- interest income from loans secured by real or tangible personal property located in Minnesota;
- interest on consumer loans not secured by real or tangible personal property if the borrower is a Minnesota resident;
- interest on commercial loans not secured by real or tangible personal property if the proceeds are applied in Minnesota;
- merchant discount income if the merchant is located in Minnesota;
- receipts from travelers checks if purchased in Minnesota;
- receipts from credit cards if regularly billed in Minnesota;
- receipts for regulated financial institutions from securities, based on the ratio of total deposits from Minnesota to total deposits in and outside Minnesota;
- receipts for nonregulated financial institutions from securities, based on the ratio of gross business income from Minnesota to total gross business income;
- receipts from secondary market assets treated in the same way as securities; and
- receipts from the performance of services received in Minnesota.

Mailing Label

Use this mailing label on your own envelope to mail your Form M4 and copies of your federal return and schedules. (Cut on the dotted line and tape to your envelope.)

MINNESOTA · REVENUE
Mail Station 1250
St. Paul, MN 55145-1250

M4T Tax Calculation

*Each corporation **must** have a Minnesota tax ID number. When entering the corporation's name, use the same abbreviation as that used on M4A.*

Line 1

Enter the amount from line 9 of Form M4I in each column. Do not divide the amount between columns.

Line 4
Minnesota Nonapportionable Income

Enter any income from Form M4I, line 8, that is assigned to Minnesota and attach a schedule. Include the Minnesota nonapportionable income you may have received as a partner in a partnership, as reported on line 1 of Schedule KPC.

Line 6
Net Operating Loss Deduction

A net operating loss incurred in a prior year and not previously used to offset net income may be deducted on line 6. Complete and attach Schedule NOL, *Net Operating Loss Deduction.*

Unitary groups only: A separate NOL schedule is required for each corporation claiming a net operating loss deduction.

Line 8
Dividends Received Deduction

Complete and attach Schedule DIV, *Deduction for Dividends Received*.

Line 9
JOBZ Zone Exemption

If you are a qualified business, complete and attach Schedule JOBZ to claim your zone exemption.

If you are a corporate partner, include any JOBZ zone exemption as reported on line 3 of the Schedule KPC you received from the partnership.

Unitary groups only: A separate schedule is required for each corporation claiming a zone exemption.

Line 13
Alternative Minimum Tax

Complete and attach Schedules AMTI, *Alternative Minimum Tax, Calculation of Income,* and AMTT, *Alternative Minimum Tax, Calculation of Tax,* if your Minnesota net income (Form M4I, line 7) combined with your adjustments and tax preferences (including adjusted current earnings) exceeds $40,000 or your allowable exemption amount.

Line 15
AMT Credit

Complete and attach Schedule AMTI and AMTT to claim the AMT carryover credit.

Line 17
Minnesota Research Credit Prior to 2010

Complete and attach Schedule RD to claim a nonrefundable credit based on the research and development expenses carried over from taxable years prior to 2010.

The amount you enter on line 17 is limited to your regular franchise tax or the liability for tax, whichever is less.

Unitary groups only: A separate Schedule RD is required for each corporation claiming this credit.

Line 21
Employer Transit Pass Credit

If you purchase transit passes to sell or give to your employees, you may be eligible for this credit. The credit is 30 percent of the difference between the price you paid for the passes and the price charged employees. Complete and attach Schedule ETP, *Employer Transit Pass Credit*.

Include any credit you may have received as a partner in a partnership, as reported on line 17 of Schedule KPC.

Annual Reporting of All JOBZ Tax Benefits

Each qualified business participating in a JOBZ zone is required to annually file two forms with the Department of Revenue that are in addition to and separate from the qualified business's tax return.

1. By Oct. 15, 2013, each qualified business must file Form M500, *JOBZ Tax Benefit Report*, to report the amount of taxes the business would have paid in 2012 had it not been in a JOBZ zone.
2. By Oct. 15, 2013, each qualified business must file Form JOBZ1, *Certification of JOBZ Compliance with Business Subsidy Agreement,* to certify to the department that it is in compliance with the terms of its business subsidy agreement.

Failure to submit either of these reports will result in the business being removed from the JOBZ program.