

# 2017 Occupation Tax Return Instructions

Includes instructions for Forms M30 and M30-I

## Occupation Tax Information

### Website

www.revenue.state.mn.us

### Email

mining.taxes@state.mn.us

### Phone

218-744-7424

## Forms

Download forms and other tax information at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

<b>M30</b>	Occupation Tax Return
<b>M30-I</b>	Income and Tax Calculations
<b>M30-G</b>	Gross Income
<b>A</b>	Cost of Pellets Produced
<b>M30-NOL</b>	Net Operating Loss Deduction

We'll provide information in other formats upon request to persons with disabilities.

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## Minnesota Tax ID

Your Minnesota tax ID is the seven-digit number assigned to you 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, you must apply for one. To apply, call our Business Registration Office at 651-282-5225 or 1-800-657-3605.

## Filing Requirements

You must file Form M30, *Minnesota Occupation Tax Return*, if you:

- remove or beneficiate ore from a mine, the product of which you have final control and ownership; or
- produce ferrous metals in Minnesota, such as taconite, semi-taconite, iron ore and direct reduced iron (DRI).

All returns must be filed on a calendar-year basis.

Income received from business activities not subject to the Minnesota occupation tax or from property not used in the business of mining is subject to Minnesota corporation franchise tax. File Form M4, *Minnesota Corporation Franchise Tax Return*, for income received from contract mining, beneficiation of ore owned by someone else, leases of land or equipment, income received as royalties or any other non-mining income.

## Due Dates and Extensions

### Due Date is May 1, 2018

The regular due date for filing the occupation tax return and paying tax owed is May 1. 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 and payments electronically made 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.

## Filing Extension

All mining companies are granted an automatic seven-month extension to file Form M30. 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 8 and 9 on page 3).

**Extension Payment.** If you will be filing your return after the regular due date, estimate the total tax you owe and pay that amount by the regular due date.

To avoid penalties being assessed for late payment and balance not paid, you must:

- pay at least 90 percent of your total tax by the regular due date; and
- file your return by the extended due date and pay any balance due at the time of filing.

Interest will continue to accrue on any tax not paid by the regular due date until paid in full. (See line 9 instructions on page 3.)

## Return Payments

Your occupation tax payment must be electronically made or postmarked by May 1.

There is no late-payment penalty if at least 90 percent of your tax liability is paid by the regular due date, and any balance is paid by the extended due date.

## Payment Options

### Paying Electronically

If you are required to pay any Minnesota business tax electronically, such as sales and withholding tax, you must pay all state taxes electronically, including occupation tax. A 5 percent penalty will be assessed if you fail to do so when required.

# 2017 Occupation Tax Return Instructions (continued)

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## Electronic Payment Options

- Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in to e-Services; or
- Call 1-800-570-3329 to pay by phone.

You'll need your user name, password and banking information. After you authorize the payment, you'll receive a confirmation number.

When paying electronically, you must use an account not associated with any foreign banks.

**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.

## Filing Reminders

### When Completing Your return

- You must round amounts to whole dollars. Drop any amount less than 50 cents and increase any amount that is 50 cents or more to the next higher dollar.
- Use attachment sequence numbers when assembling. Assemble Form M30 and schedules according to the sequence numbers in the top right corners. Then attach any additional information requested. Be sure to include copies of all supporting schedules.

- The return must be signed by a person designated by the mining company.
- If you use substitute tax forms, the information must be in the same format and layout as our own forms and schedules.

## 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*.

## Amending Your Return

To report changes to your Minnesota liability, as well as to make a claim for refund, complete Form M30 for the year you are amending and check the appropriate box to indicate you are filing an amended return.

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 your amended Minnesota return within 180 days after you were notified by the IRS or after you filed your federal 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, Occupation Tax, Mail Station 6100, St. Paul, MN 55146-6100. Do not send these with your current tax return.

If you fail to report the 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.

# M30 Line Instructions

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*Complete Forms M30-I, M30-G and applicable schedules before completing Form M30.*

## 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 about the fund, go to the Minnesota Department of Natural Resources website at [www.dnr.state.mn.us](http://www.dnr.state.mn.us).

## Line 4

### Amount Credited From 2016 Return

If your 2016 return showed an overpayment that was to be credited to your 2017 tax, enter that amount on line 4.

## Line 8

### Penalty

Penalties are collected as part of the 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 7.

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 7.

**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 9

### Interest

You must pay interest on the unpaid tax plus penalty from the regular due date until the total is paid. To determine interest, use the formula below with the appropriate interest rate (the rate for 2017 is 4 percent):

Interest =

$$(\text{tax} + \text{penalty}) \times \# \text{ of days late} \times \text{interest rate} \div 365$$

Rates for years after 2017 will be available on our website.

## Signatures

The return must be signed by a person authorized by the mining company.

If you paid someone to prepare your return, the preparer must also sign and provide his or her PTIN number. Check the box after the preparer's signature if you want to authorize the department to discuss this return with the preparer.

# M30-I Line Instructions

## Form M30-I Line Instructions

### Line 4

#### Net Gain or Loss

Gross income from iron ore, taconite and DRI includes any gain or loss recognized from the sale or disposition of assets used in the business of mining or producing ore in Minnesota.

For property placed in service before Jan. 1, 1990, the basis for determining gain or loss on sale or disposition is the basis on Dec. 31, 1989, used to calculate the hypothetical corporation franchise tax under M.S. 298.40 (1986), less deductions for depreciation under M.S. 290.01, subd. 19e.

Complete a *separate* federal Form 4797, *Sales of Business Property*, or a substitute schedule reporting only your Minnesota mining operation property sold or disposed of during the tax year that resulted in either a gain or loss. Write "Minnesota" at the top of this separate Form 4797 and include it with your return.

For involuntary conversions from casualties, complete a *separate* federal Form 4684, *Casualties and Thefts*, related only to Minnesota property. Write "Minnesota" at the top of this separate Form 4684 and include it with your return.

### Line 5

#### Federal Bonus Depreciation Addback

If you claimed a deduction for the special depreciation allowance (bonus depreciation) under IRC section 168(k) on federal Form 4562, lines 14 or 25, you must include 80 percent of that amount on Form M30-I, line 5.

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

If any 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.

### Line 6

#### Excess IRC Section 179 Expensing Addback

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. (*M.S. 290.01, subd. 19c[13]*).

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.
- Enter line 10 of 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 6 of Form M30-I:

- 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 M30-I, line 6 . . . . . \_\_\_\_\_

### Line 7

#### Other Adjustments

Include any adjustments affecting income from the business of mining or producing ore in Minnesota that is not included on Form M30-I, lines 1, 2 or 4. Examples include refunds of taxes deducted in prior years to the extent taxable income was reduced in the year deducted, sales of any other assets used in your mining business

that are not included on Form M30-I, line 4, and any section 481(a) adjustment in income during the current year due to a change in an accounting method.

Some examples of section 481(a) adjustments resulting from a change in accounting methods include:

- a required change from the reserve method of accounting for vacation pay; or
- a required change to the capitalization of past service costs under the uniform capitalization rule of section 481(a).

Also include rebates received under the Taconite Economic Development Fund Distribution program (*M.S. 298.227*).

Do not net any expense item with a similar income item. Report all expense items on lines 9 through 21.

Attach a detailed schedule for line 7.

#### Taconite Producers:

Do not report tons of concentrate or iron ore sold in non-equity, arm's length transactions on line 7. These tonnages must be included on Schedule M30-G and the mine value, not sales proceeds, used to determine gross income.

### Line 9

#### Salaries and Wages

Enter any salaries or wages paid or incurred for the tax year.

**Do not include** salaries and wages deductible elsewhere on the return, such as:

- amounts included in cost of pellets produced on Schedule A, line 3;
- elective contributions to a section 401(k) cash or deferred arrangement (to be included on M30-I, line 18); or
- amounts contributed under a salary reduction SEP agreement or a SIMPLE IRA plan (to be included on M30-I, line 19).

### Line 10

#### Repairs

Enter the cost of incidental repairs (usually labor and supplies) that do not add to the value of the property or appreciably prolong its life, but only to the extent those repairs relate to a trade or business activity and are not included elsewhere on the return. New assets or permanent improvements that increase the value of the property are not deductible. These are capital expenditures and may be subject to depreciation or amortization.



# M30-I Line Instructions (continued)

## Line 11

### Rents and Leases

If your company leased or rented vehicles, enter the total rent or lease expenses for the production year.

If you completed federal Form 4562 to claim vehicles such as cars, trucks or vans that weigh less than 6,000 pounds and are primarily manufactured for use on public roadways, also complete Part V on a *separate* federal Form 4562 to determine the amount you can claim based on vehicles used in Minnesota. Write "Minnesota" at the top of this separate Form 4562 and include it with your return.

If the vehicle is leased for 30 days or more, the lease expense deduction may have to be reduced by an adjustment called the "inclusion" amount. The inclusion amount is a percentage of the fair market value of the leased vehicle multiplied by the percentage of business use of the vehicle for the tax year. Refer to federal Publication 463, *Travel, Entertainment, Gift, and Car Expenses*, for details.

## Line 12

### Royalties

Include royalties accrued on tonnages produced during the taxable year. Royalties paid to an equity interest such as a partner, joint venturer, owner or stockholder are allowed only if reasonable.

Minimum royalties on nonproducing properties that are not part of the reserve estimate for an active mine are not allowable until production occurs on that property. Minimum royalties or leases that are temporarily inactive but part of the reserve estimate for a producing property are allowable in the year accrued.

## Line 13

### Taxes

Enter the amount of taxes paid or accrued during the tax year.

Do not include:

- federal corporate income taxes;
- Minnesota corporate tax on non-mining income;
- taxes not imposed on the mining operation; or
- taxes, including sales and use taxes, that are paid or incurred in connection with an acquisition or disposition of property. In an acquisition, include the tax as part of the property's cost; with dispositions, include the tax as a reduction in the amount realized on the disposition.

## Line 14

### Interest Expense

Generally, interest related to your mining operations may be deducted when paid or accrued. However, do not offset interest expense against interest income.

Do not include interest that must be capitalized. You must capitalize interest on debt allocable to the production of the designated property by the mining company for its own use or for sale. Interest must also be capitalized on debt allocable to an asset used to produce the property. For additional information, see section 263A(f) and Regulations sections 1.263A-8 through 1.263A-15.

Also, do not include interest related to tax-exempt obligations.

## Lines 15a - 15b

### Depreciation

For your depreciation deduction, complete a *separate* federal Form 4562 listing only the assets related to your Minnesota mining operation. Fill out all appropriate sections. Write "Minnesota" at the top of this separate Form 4562 and include it with your return.

Include only the basis of assets used to convert raw iron ore or taconite concentrates to marketable quality. Include depreciable assets used in beneficiation and refinement. Do not include assets used after marketable iron ore or taconite pellets are produced, such as assets used for transportation, for loading stockpiled pellets or ore, or other activities occurring after marketable iron ore or taconite pellets are produced.

In addition, include depreciation and the cost of certain Minnesota property that the company elected to expense under section 179. See federal Form 4562 and instructions.

Depreciation is calculated using any method allowed under federal rules. No Minnesota modification is necessary on this line for property placed in service after Dec. 31, 1987.

**Amortization.** Use Part VI of federal Form 4562 for listing amortizations of organization expenses, research and experimentation costs or other write-offs of capitalized expenses.

See federal rules for other amortizable costs, such as carrying charges, research and experimental costs, and exploration costs for new ore deposits. Report all amortizations on Form M30-I, line 15a. Do not include with depreciation expenses.

## Line 16

### Development

Allowed are all costs paid or incurred during the calendar year for the development of a mine if the costs are paid or incurred after the discovery of ore in commercially marketable quantities.

Development expenses may be either deducted or deferred, and amortized ratably over a 10-year period. **Both options, however, are subject to a mandatory amortization of 30 percent of the year's development expense over a five-year period.** The remaining 70 percent is then either deducted or amortized over 10 years. Amortization of the 30 percent amount begins with the month in which these costs are paid or incurred.

**Attach a separate schedule to your Minnesota return detailing the calculation used to determine your development expense.**

## Line 17

### Depletion

Generally, follow federal guidelines in determining the depletion deduction. For occupation tax, use the mine value, not the sales figure used for your federal calculation. See IRC sections 611 through 614 and 291 for the limitation on the depletion deduction for iron ore.

Do not include ore or concentrate obtained from another producer in the percentage depletion calculation. The cost of these tonnages are considered raw materials for the regular tax calculation, however.

All costs relating to any flux added to the ore or concentrate must be removed when calculating the deduction for depletion.

**Attach a separate schedule to your Minnesota return detailing the calculation used to determine your depletion deduction.**

## Line 18

### Pension, Profit-Sharing Plans and Deferred Compensation Plans

Follow federal guidelines to determine pension, profit-sharing or other funded deferred compensation plans.

# M30-I Line Instructions (continued)

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## Line 19

### Employee Benefit Programs

Enter contributions to employee benefit programs not claimed elsewhere on the return. Examples include insurance, and health and welfare programs not part of a pension or profit-sharing plan on line 18.

## Line 20

### Subtractions for Prior Addbacks of Federal Bonus Depreciation and Excess IRC Section 179 Expensing

If you added back 80 percent of the federal bonus depreciation and/or the excess IRC section 179 expensing in any of the last five years, enter on line 20 one-fifth of the added back amount(s) (*M.S. 290.01, subd. 19d[15] and [16]*).

Attach a detailed schedule for line 20.

## Line 21

### Other Deductions

Enter all allowable deductions, including federal adjustments, not included elsewhere on Form M30-I.

Examples of items to include are:

- amortizations of mining exploration expenses, research and experimentation costs; or
- other write-offs of capitalized expenses.

Enter the total on line 21 and attach a detailed schedule.

## Line 24

### 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 24.

Complete and attach Schedule M30-NOL, *Net Operating Loss Deduction*.