

This notice was revoked on February 25, 2008 by Revenue Notice # 08-04.

Minnesota revenue notice number 02-06

Corporate Income Tax - Apportionment of Income; Two Factor and One Factor Weighted Formulas; Revocation of Revenue Notice 94-02

This revenue notice revokes and supersedes Revenue Notice # 94-02, which was published on January 24, 1994. The percentages reflected in Revenue Notice # 94-02 are obsolete due to a 1999 law change which changed the percentages to those used below, effective for taxable years beginning after December 31, 2000. This revenue notice uses the current percentages to explain the two factor weighted formula and gives the one factor weighted formula.

Apportionment of Net Income

Apportionment of net income from a trade or business carried on partly within and partly without this state is governed by *Minnesota Statutes*, [section 290.191](#). When a taxpayer has only one or two of the three factors for apportionment they may elect to use the appropriate formula below and the Department will accept the calculation without the taxpayer petitioning for its use under *Minnesota Statutes*, [section 290.20](#). Under either formula, the total weight is equal to 100%.

Two Factor Weighted Formula

For those taxpayers that only have two of the three apportionment factors the following two factor weighted formula should be applied:

Example 1. Taxpayer has property and sales but no payroll. (The calculation would be the same if a taxpayer had payroll but no property to apportion to the State of Minnesota.)

Property Factor	12.5%
Sales Factor	<u>75%</u>
	87.5%
Property Weight Divided by Total	$12.5\% / 87.5\% = 14.3\%$
Sales Weight Divided by Total	$75\% / 87.5\% = 85.7\%$
New Weighted Property Factor	14.3%
New Weighted Sales Factor	<u>85.7%</u>
Total of Weights	100%

Example 2. Taxpayer has property and payroll but no sales.

Property Factor	12.5%
Payroll Factor	<u>12.5%</u>

25%

Property Weight Divided by Total $12.5\% / 25\% = 50\%$

Payroll Weight Divided by Total $12.5\% / 25\% = 50\%$

New Weighted Property Factor 50%

New Weighted Payroll Factor 50%

Total of Weights 100%

One Factor Weighted Formula

When a taxpayer is missing two factors of any of the three apportionment factors, the Department will accept 100% weighting of the single factor without the taxpayer petitioning for its use under *Minnesota Statutes*, [section 290.20](#).

Dated: April 29, 2002

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