

## DEPARTMENT OF REVENUE

### **Revenue Notice # 08-03: Corporate Franchise Tax - Treatment of Partnership Income of Corporate Partners; Revocation of Revenue Notice # 1992-16**

This revenue notice revokes Revenue Notice # 1992-16 and replaces it with the following notice, which in substance does not differ in result from the revoked notice but merely deletes obsolete references to old corporate tax forms.

Partnership income is included in the corporate partner's Minnesota income in one of two ways.

Partnership income is subject to apportionment as business income of the unitary business when a unitary business relationship exists between the corporation and the partnership. The determination of the existence of a unitary business must be made under *Minnesota Statutes*, section 290.17, subdivision 4, except that a corporation need not own more than 50% direct ownership in the partnership to be included in the unitary business. When a corporation and a partnership are engaged in a unitary business, the corporation must include its partnership income in its apportionable business income. The corporation must also include its pro-rata share of the partnership's property, payroll, and sales/receipts located within and outside Minnesota in the corporation's property, payroll, and sales/receipts numerator and denominator.

If the corporation and partnership are not engaged in a unitary business, the corporation must report its partnership income or loss as separately stated income or loss. If the partnership's business is conducted wholly within Minnesota, the corporate partner's share of partnership income or loss must be assigned entirely to Minnesota by the corporate partner. If the partnership business is conducted wholly outside Minnesota, the corporate partner's share of partnership income or loss must be assigned entirely outside Minnesota. If the partnership conducts its business both within and without Minnesota, the corporate partner's share of partnership income or loss is assigned to Minnesota based on the partnership's property, payroll, and sales/receipts apportionment factors.

Revenue Notice # 1992-16: Corporate Franchise Tax – Treatment of Partnership Income of Corporate Partners is hereby revoked.

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for Tax Policy and External Relations

Publication Date: February 19, 2008