

**Technical corrections were made to this notice on September 6, 2016 by Revenue Notice # 16-05. Please see Revenue Notice # 16-05 for the corrected language.**

## Department of Revenue

### Revenue Notice # 14-02: Income Tax – Apportionment of Compensation of Nonresident Corporate Board Members

#### Background

*Minnesota Statutes*, section 290.191 governs the apportionment of net income from a trade or business carried on partly within and partly without Minnesota. Subdivision 5(j) requires that sales of services must be attributed to the state where the services are received.

*Minnesota Statutes*, section 290.20 allows the Commissioner of Revenue to accept alternative methods of apportionment in some circumstances. This Revenue Notice provides an alternative method of apportionment for certain nonresident, corporate board members.

#### Department Position

If, during a tax year, an individual receives compensation for being a board member of not more than two corporate boards of directors and the individual is a nonresident, then the Commissioner of Revenue will allow an alternative method to apportion that compensation. Service on boards of corporate members of a unitary business, as defined in *Minnesota Statutes* 291.17, subdivision 4, is treated as serving on a single board.

The alternative method is the time the director spends in Minnesota generating compensation for being a director on a corporate board divided by the total time the director spends generating the compensation from that board. In other words:

$$MN \text{ sales} = \frac{\text{time spent in Minnesota working for that board}}{\text{time spent everywhere working for that board}} \times \text{compensation paid for that board}$$

If a director is compensated for being on two boards during the year, a separate computation is made for each board and the Minnesota sales equal the total of the two computations.

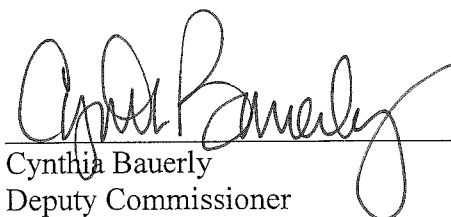
This alternative method replaces the method otherwise required by *Minnesota Statutes*, section 290.191, subdivision 5(j).

If an individual does not qualify for this alternative apportionment, the individual must either attribute sales based on *Minnesota Statutes*, section 290.191, subdivision 5(j) or request and be granted an alternative apportionment method under *Minnesota Statutes*, section 290.20.

The alternative method provided by this Notice is available retroactively to taxable years beginning after December 31, 2007, subject to the applicable statute of limitation for assessment and refund.

Publication Date: \_\_\_\_\_

**AUG 25 2014**

  
Cynthia Bauerly  
Deputy Commissioner