

**This Notice was revoked and replaced on February 29, 2008 by Revenue Notice # 08-03.**

## **Minnesota revenue notice**

### **Revenue Notice # 92-16 Corporate Franchise Tax - Treatment of Partnership Income of Corporate Partners**

When a corporation is a partner in a partnership, the corporation's pro-rata share of partnership net distributable income and pro-rata share of Minnesota additions and subtractions are included in 'Minnesota net income or loss' (line 5 of 1991 Minnesota Form M-4). If the corporation and the partnership would be considered unitary under Minn. Stat. § 290.17, subd. 4, disregarding paragraph (e) (50 percent indirect or direct ownership needed for unity of ownership), the corporation's pro-rata share of partnership income is apportionable income of the corporation. Consequently, the corporation would combine its pro-rata share of the partnership's sales, property, and payroll factors with its own factors on lines 4 through 9 of Schedule A of the Form M-4. Further, in computing lines 2 (total nonapportionable net income) and 15 (Minnesota nonapportionable net income) of the 1991 Minnesota Schedule A of the M-4, the corporation would not include any portion of the corporation's share of partnership income or loss.

If on the other hand a partnership and a corporation are not unitary, the corporation reports its share of partnership income as nonapportionable net income. The partnership then computes its Minnesota assignable net income on the basis of the partnership's net business income and sales, property and payroll factors if the partnership business is conducted partly within and partly without Minnesota. The partnership business income is totally assigned to Minnesota if the partnership business is conducted entirely in Minnesota. The corporation then includes its pro-rata share of partnership income or loss on line 2 of Schedule A and its pro-rata share of Minnesota assignable partnership income or loss on line 15 of Schedule A.

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Director, Appeals and Legal Services

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JRH