

This Revenue Notice was revoked and replaced on December 23, 2013 by Revenue Notice # 13-08.

Minnesota revenue notice number 98-08

Income and Corporate Franchise Tax - Federal Entity "Check the Box" Classifications

On December 17, 1996, the Internal Revenue Service issued Reg. § 301-7701-2, which permits certain eligible entities to elect how such entities are to be taxed for federal income tax purposes. These "check the box" elections were effective after January 1, 1997.

The Minnesota Department of Revenue will follow the "check the box" elections made by either a domestic or foreign eligible entity that is electing to be classified either as an association taxable as a corporation or as a partnership.

The Minnesota Department of Revenue will also follow a "check the box" election made by a domestic eligible entity with a single owner electing to be disregarded as a separate entity.

The Minnesota Department of Revenue cannot recognize the "check the box" election made by a foreign eligible entity with a single "C" corporation owner which is electing to be disregarded as a separate entity for federal tax purposes. Minnesota Statutes, § 290.17, subdivision 4(f), does not permit the net income or the apportionment factors of foreign corporations or foreign entities to be included in a combined report even though they may be part of a unitary business. A foreign corporation that is required to file a return in Minnesota must file on a separate return basis.

Except as described above, a "check the box" election made for federal tax purposes will be effective for Minnesota tax purposes on the date that the election is effective for federal tax purposes.

This revenue notice supersedes Revenue Notice # 97-03 and is effective for elections made after January 1, 1997.

Dated: 26 May 1998

Jennifer L. Engh
Assistant Commissioner for Tax Policy