

2001
Minnesota Corporate
Income Tax Bulletin

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Description of Data

This bulletin tabulates data from tax year 1999 and 2000 tax returns received by the Department of Revenue during calendar year 2001. Approximately 20% of the returns were tax year 1999 returns and the remaining 80% of the returns were tax year 2000 returns.

Taxpayers filed either the M-7 return (filed only by insurance companies) or the M-4 return (filed by non-insurance companies).

Editing of Data

This bulletin presents the tax liability as reported on the tax form by the taxpayer.

In some cases, the tax liability reported by the taxpayer was inconsistent with other data reported on the tax form. A computer program was designed to identify such inconsistencies. The program calculates tax liability using the components of the tax calculation process. If the tax liability as reported by the taxpayer was significantly different than the tax liability calculated by the computer program, the tax return was examined to identify the source of the difference. In such cases, the data were edited to make them consistent with the reported amounts of regular tax and tax liability.

Data Included

This data included on a tax return can be assigned to three categories:

- I. Income and deductions before apportionment/assignment;
- II. Income and deductions after apportionment/assignment;
- III. Tax credits and tax liability.

The bulletin summarizes data from categories two and three.

The table in Appendix I outlines in more detail the process of computing tax liability. An explanation of the terms used in the table or elsewhere in the bulletin can be found in a glossary of terms starting on page 21.

Data Excluded

Excluded from this bulletin are data from original returns that were from tax years other than 1999 or 2000. Data from amended returns were also excluded.

Data from corporations that qualify and elect to be taxed under subchapter S of the Internal Revenue Code, S corporations, are excluded from this bulletin because these corporations do not file a form M-7 and M-4 tax return.

Summary of Corporate Income Tax Data

The following tables provide an overall summary of corporate income tax data from returns received by the Department of Revenue during calendar year 2001. This summary will focus on three major areas:

- I. Amount of Tax Liability
- II. Introduction to Organization of Data in the Statistical Appendix
- III. Data included in the Statistical Appendix

I. Amount of Tax Liability

The table below summarizes the amount of tax liability (total tax collections), \$625 million, from corporations from returns received by the Department of Revenue during calendar year 2001. Tax liability is a sum of three taxes (regular, AMT, and minimum fee) minus the tax credits. Table A divides the tax liability figure into five parts.

Regular tax collections before credits were \$635 million. There are six non-refundable tax credits: AMT, research and development, premiums tax, guarantee assessment, air base, and transit credit. All credits except the transit credit reduce the regular tax only. In addition, the AMT credit may be claimed if the taxpayer has a regular tax liability and owes no AMT. The total cost of the six tax credits is \$45 million.

In addition to the regular tax, corporate tax filers may be subject to two other taxes, the AMT and the minimum fee. The percentage of total tax liability, 5 percent, raised by these two taxes is small. In contrast, the regular tax accounts for a vast majority, 95 percent, of the total tax liability.

Table A
Returns Received During Calendar Year 2001
Five Parts of Tax Liability
(money amounts rounded to the nearest million)

Parts of Tax Liability	All Returns	Percent of Total Tax Liability
Regular tax	\$635	
Credits	<u>45</u>	
Regular Tax After Credits	\$590	95%
AMT (Alternative Minimum Tax)	9	1%
Minimum Fee	<u>26</u>	<u>4%</u>
Tax Liability	\$625	100%

II. Introduction to the Organization of the Data in the Statistical Appendix

All the data presented in the statistical appendix is organized into three categories: filing basis, major industry, and taxable net income.

1. Filing Basis

Table B presents the tax liability data from all returns organized into the four types of filing basis. The 100 percent Minnesota filing basis represents a majority of all returns, but this filing basis pays a small portion of total tax liability. In contrast to the 100 percent Minnesota filing basis returns the unitary filing basis returns represent a relatively small portion of returns, but they paid more than 75% of the total tax liability.

Table B
Returns Received During Calendar Year 2001
Tax Liability by Filing Basis of All Returns
(money amounts rounded to the nearest million)

Filing Basis	Number of Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
Unitary	12,414	24%	\$473	76%
100% Minnesota	28,246	54%	59	9%
Multistate	11,512	22%	84	14%
Insurance	201	*	9	1%
Total	52,373	100%	\$625	100%

*Less than 1 percent.

2. Major Industry

Major industry is the second way the data is organized in the statistical appendix. Table C, as in past bulletins, shows that the manufacturing major industry classification pays the highest percentage of tax liability. The services industry files the most returns but pays a relatively small amount of the total tax liability.

The abbreviation F.I.R.E. represents the finance, insurance and real estate major industry classification. The trade major industry classification is a combination of wholesale and retail industry classifications.

Table C
Returns Received During Calendar Year 2001
Tax Liability by Major Industry Classification
(money amounts rounded to the nearest million)

Major Industry Classification	Number of Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
Agriculture	2,045	4%	\$5.3	1%
Mining	162	*	1.5	*
Construction	4,540	9%	23.3	4%
Manufacturing	7,209	14%	173.1	28%
Transportation**	2,666	5%	60.0	10%
F.I.R.E.	9,653	18%	171.0	27%
Services	15,015	29%	56.3	9%
Trade	9,792	19%	132.0	21%
Unclassified	1,291	2%	2.3	*%
Total	52,373	100%	\$624.8	100%

*Less than 1 percent.

**Full title: Transportation and Public Utilities

3. Taxable Net Income Categories

Taxable net income categories are the third way the data is organized. Table D demonstrates again that a relatively small group of tax returns accounts for a majority of total tax liability. Returns with more than \$75,000 in taxable net income account for 13 percent of the total tax returns filed but they pay 93 percent of total tax liability.

Table D
Returns Received During Calendar Year 2001
Tax Liability by Taxable Net Income Categories
(money amounts rounded to the nearest million)

Taxable Net Income Categories	Number of Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
Less than \$ 0	23,321	45%	\$8	1%
\$ 1 - 5,000	8,847	17%	2	*
5,001 - 15,000	4,954	9%	4	1%
15,001 - 25,000	2,662	5%	4	1%
25,001 - 50,000	3,744	7%	11	2%
50,001 - 75,000	2,067	4%	11	2%
75,001 - 100,000	1,105	2%	8	1%
100,001 - 150,000	1,274	3%	13	2%
150,001 - 250,000	1,130	2%	18	3%
250,001 - 500,000	1,163	2%	34	5%
500,001 - 1,000,000	843	2%	47	8%
\$1,000,001 - 2,000,000	572	1%	63	10%
Over \$2,000,000	691	1%	401	64%
Total	52,373	100%	\$625	100%

*Less than 1 percent.

III. Data Included in the Statistical Appendix

Table E summarizes all the data collected for this bulletin.

Data for income and deductions after apportionment/assignment from returns with positive taxable net income are tabulated in Statistical Appendix Tables 1, 2, and 3. Table E presents a summary of this data under the positive taxable net income column. Tables 1, 2, and 3 include data beginning with taxable net income figure and ending with regular tax figure.

Data from all returns, (returns with positive and negative/zero taxable net income) are presented in the statistical appendix Tables 4, 5, and 6. Table E presents a summary of this data from all returns listed under the All Returns column. Tables 4, 5, and 6 include the data beginning with the regular tax figure to tax liability figure.

The category labeled research credit and other tax credits includes amounts claimed for three tax credits; research and development, air base credit and the transit pass credit. Due to disclosure requirements data from all three credits are combined together.

Table E
Returns Received During Calendar Year 2001
Summary of Data
(money amounts rounded to the nearest million)

	Positive Taxable Net Income	Negative/Zero Taxable Net Income	All Returns
Number of Returns	29,052	23,321	52,373
Income and Deductions after Apportionment/Assignment			
Taxable Net Income	\$8,666	\$0	\$8,666
Net Operating Loss	<u>923</u>	<u>0</u>	<u>923</u>
Taxable Net Income after Net Operating Loss	\$7,743	\$0	\$7,743
Contributions Deduction	\$112		
Dividends Received Deduction	<u>\$1,150</u>		
Total Deductions	<u>\$1,262</u>	<u>\$0</u>	<u>\$1,262</u>
Taxable Income	\$6,481	\$0	\$6,481
	<u>x 9.8%</u>		
Tax Credits and Tax Liability			
Regular Tax	\$635	\$0	\$635
AMT (Alternative Minimum Tax)	9	0	9
Minimum Fee	<u>19</u>	<u>7</u>	<u>26</u>
Total Regular and AMT	\$663	\$7	\$670
AMT Credit	\$5		
Research Credit and Other Tax Credits	26		
Premiums and Guarantee Assessment Credits	<u>14</u>		
Total Credits	<u>\$45</u>	<u>\$0</u>	<u>\$45</u>
Tax Liability	\$618	\$7	\$625

Types of Tax Returns

As mentioned above, the data can be divided into two classes, returns with positive taxable net income and those with negative/zero taxable net income. Table F shows that returns with positive taxable net income paid 99 percent of the total tax liability.

Table F
Returns Received During Calendar Year 2001
Tax Liability by Type of Return
(money amounts rounded to the nearest million)

Type of Returns	Number of Returns	Percent of Total Returns	Tax Liability	Percent of Total Liability
Returns with Positive Taxable Net Income	29,052	55%	\$617	99%
Returns with Zero/Negative Taxable Net Income	23,321	45%	8	1%
Total: All Returns	52,373	100%	\$625	100%

Table G examines the percentage of returns with positive taxable net income by filing basis. Unitary filing basis returns have the highest percentage of returns with positive taxable net income. Multistate filing basis returns have the lowest percentage of returns with positive taxable net income.

Table G
Returns Received During Calendar Year 2001
Percent of All Returns with Positive Taxable Net Income by Filing Basis
(money amounts rounded to the nearest million)

Filing Basis	Number of Returns with Positive Taxable Net Income	All Returns	Percent of All Returns with Positive Taxable Net Income
Unitary	7,143	12,414	58%
100% Minnesota	15,603	28,246	55%
Multistate	6,189	11,512	54%
Insurance	117	201	58%
Total	29,052	52,373	55%

Appendix 1
Outline of Steps Used in Computing Tax Liability
Minnesota Corporate Income Tax

I. Income and Deductions before Apportionment/Assignment

Step 1. Federal taxable income (M.S. 290.01, subd. 19)

Step 2. Modifications (M.S. 290.01, subd. 19c - 19f)

Result: Net Income (M.S. 290.01, subd. 19)

Step 3. Apply Apportionment/Assignment Rules (M.S. 290.17, 290.191, 290.20, 290.35 or 290.36)

II. Income and Deductions after Apportionment/Assignment

Result: Taxable Net Income (M.S. 290.01, subd. 22 (3))

Step 4. Minus Net Operating Loss (M.S. 290.095)

Result: Taxable Net Income after NOL deduction

Step 5. Minus Dividend Received Deduction (M.S. 290.21, subd. 4)

Step 6. Minus Contributions Deduction (M.S. 290.21, subd. 3)

Result: Taxable Income (M.S. 290.01, subd. 29(2))

III. Tax Credits and Tax Liability

Compute Regular Tax (taxable income multiplied by the corporate tax rate (M.S. 290.06, subd. 1))

Step 7. Plus Alternative Minimum Tax, AMT (M.S. 290.0921, subd. 1-7)

Step 8. Minus Credits (Reduces regular tax only)

Premiums Tax Credit (M.S. 290.35, subd. 3)

Research Tax Credit (M.S. 290.068)

Alternative Minimum Tax Credit (M.S. 290.0921, subd. 8)

Guarantee Assessment Offset (M.S. 290.35, subd. 6)

Air Base Tax Credit (M.S. 290.06, subd. 24)

Result: Tax Liability before Minimum Fee

Step 9. Plus Minimum Fee (M.S. 290.0922)

Result: Tax Liability after Minimum Fee

Step 10. Minus Transit Pass Credit (M.S. 290.06, subd. 28)

Step 11. Tax Liability

Statistical Appendix

Table 1 Income and Deductions after Apportionment/Assignment by Filing Basis - Returns With Positive Taxable Net Income

Filing Basis	Number of Returns	Taxable Net Income	Net Operating Loss	Taxable Net Income After NOL Deduction	Contributions Deduction	Dividends Received Deduction	Taxable Income	Regular Tax
Unitary	7,143	\$6,698,897,889	\$602,440,193	\$6,096,457,698	\$95,447,294	\$1,088,758,834	\$4,912,251,570	\$481,154,601
100% MN	15,603	694,723,113	158,322,355	536,400,758	6,509,163	2,878,130	527,013,465	51,635,078
Multistate	6,189	972,989,442	122,512,138	850,477,304	7,618,009	34,791,387	808,067,908	79,144,804
Insurance	117	299,731,290	39,930,634	259,800,656	1,925,168	23,804,093	234,071,395	22,924,470
Total	29,052	\$8,666,341,734	\$923,205,320	\$7,743,136,416	\$111,499,634	\$1,150,232,444	\$6,481,404,338	\$634,858,953

Table 2 Income and Deductions after Apportionment/Assignment by Major Industry - Returns With Positive Taxable Net Income

Major Industry	Number of Returns	Taxable Net Income	Net Operating Loss	Taxable Net Income After NOL Deduction	Contributions Deduction	Dividends Received Deduction	Taxable Income	Regular Tax
Agriculture	1,400	\$68,866,139	\$20,207,749	\$48,658,391	\$669,985	\$449,620	\$47,538,785	\$4,659,635
Mining	82	17,478,552	1,497,872	15,980,680	108,705	1,037,301	14,834,675	1,453,808
Construction	2,783	253,691,502	27,560,070	226,131,433	3,984,920	1,640,225	220,506,287	21,611,083
Manufacturing	4,207	2,759,478,963	266,094,313	2,493,384,650	35,283,841	549,261,637	1,908,839,172	187,033,714
Trans. & Public Utilities	1,442	825,686,436	108,999,344	716,687,092	9,695,684	98,390,303	608,601,105	59,659,415
F.I.R.E.	5,022	2,334,280,897	253,561,243	2,080,719,654	25,837,079	197,485,118	1,857,397,458	181,944,394
Services	7,682	728,718,081	100,817,090	627,900,991	6,285,589	96,131,033	525,484,369	51,444,956
Trade	5,973	1,641,303,781	130,741,601	1,510,562,180	29,572,753	201,322,789	1,279,666,638	125,247,878
Unclassified	461	36,837,383	13,726,038	23,111,345	61,078	4,514,418	18,535,849	1,804,070
Total	29,052	\$8,666,341,734	\$923,205,320	\$7,743,136,416	\$111,499,634	\$1,150,232,444	\$6,481,404,338	\$634,858,953

Table 3 Income and Deductions after Apportionment/Assignment by Taxable Net Income Categories - Returns With Positive Taxable Net Income

Taxable Net Income Categories	Number of Returns	Taxable Net Income	Net Operating Loss	Taxable Net Income After NOL Deduction	Contributions Deduction	Dividends Received Deduction	Taxable Income	Regular Tax
\$ 1 - \$ 5,000	8,847	\$14,731,341	\$4,769,237	\$9,962,104	\$206,144	\$382,017	\$9,373,943	\$928,699
5,001 - 15,000	4,954	45,761,381	14,047,231	31,714,150	540,315	965,012	30,208,822	2,942,740
15,001 - 25,000	2,662	52,296,744	14,653,998	37,642,746	683,070	1,245,144	35,714,531	3,486,756
25,001 - 50,000	3,744	134,995,901	31,109,239	103,886,662	1,600,828	2,761,380	99,524,454	9,739,174
50,001 - 75,000	2,067	125,677,077	24,159,235	101,517,842	1,522,734	2,548,879	97,446,229	9,541,038
75,001 - 100,000	1,105	95,448,508	18,141,304	77,307,204	1,314,011	2,627,184	73,366,009	7,172,762
100,001 - 150,000	1,274	154,972,086	29,410,514	125,561,572	1,421,624	4,445,538	119,694,410	11,683,911
150,001 - 250,000	1,130	219,224,694	36,819,816	182,404,878	1,850,895	10,556,295	169,997,688	16,602,376
250,001 - 500,000	1,163	410,265,605	59,713,804	350,551,801	3,584,727	22,064,920	324,902,154	31,821,339
500,001 - 1,000,000	843	595,438,518	84,044,726	511,393,792	4,764,935	40,437,706	466,191,151	45,623,739
1,000,001 - 2,000,000	572	805,019,769	96,227,868	708,791,900	5,593,425	59,362,179	643,836,296	62,999,047
Over \$2,000,000	691	6,012,510,110	510,108,348	5,502,401,765	88,416,926	1,002,836,190	4,411,148,650	432,317,372
Total	29,052	\$8,666,341,734	\$923,205,320	\$7,743,136,416	\$111,499,634	\$1,150,232,444	\$6,481,404,337	\$634,858,953

Table 4 Tax Credits and Tax Liability by Filing Basis - All Returns

Filing Basis	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Unitary	12,414	\$481,154,601	\$7,452,112	\$4,214,290	\$24,611,163	\$0	\$13,524,249	\$473,305,510
100% MN	28,246	51,635,078	377,505	158,807	28,769	0	7,089,400	58,914,407
Multistate	11,512	79,144,804	1,012,560	534,700	1,239,162	0	5,592,773	83,976,275
Insurance	201	22,924,470	54,721	46,097	0	14,546,912	227,087	8,613,269
Total	52,373	\$634,858,953	\$8,896,898	\$4,953,894	\$25,879,094	\$14,546,912	\$26,433,509	\$624,809,461

Table 5 Tax Credits and Tax Liability by Major Industry Category - All Returns

Major Industry	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Agriculture	2,045	\$4,659,635	\$21,234	\$22,392	\$769	\$0	\$637,400	\$5,295,108
Mining	162	1,453,808	486	5,970	1,612	0	96,700	1,543,412
Construction	4,540	21,611,083	144,235	159,196	68,976	0	1,775,000	23,302,146
Manufacturing	7,209	187,033,714	3,244,703	1,290,215	22,020,756	0	6,149,400	173,116,846
Transportation & Public Utilities	2,666	59,659,415	1,173,871	1,000,967	1,355,489	0	1,550,700	60,027,530
F.I.R.E.	9,653	181,944,394	1,711,192	1,314,665	1,236,869	14,546,912	4,429,630	170,986,771
Services	15,015	51,444,956	941,548	149,124	616,886	0	4,660,660	56,281,154
Trade	9,792	125,247,878	1,566,967	970,062	577,737	0	6,707,219	131,974,265
Unclassified	1,291	1,804,070	92,662	41,303	0	0	426,800	2,282,229
Total	52,373	\$634,858,953	\$8,896,898	\$4,953,894	\$25,879,094	\$14,546,912	\$26,433,509	\$624,809,461

Table 5.1 Tax Credits and Tax Liability by Major Industry Classification - Unitary Filing Basis Returns

Major Industry	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Agriculture	38	\$925,097	\$1,324	\$2,924	\$0	\$0	\$58,600	\$982,097
Mining	61	1,074,985	448	0	0	0	52,300	1,127,733
Construction	343	8,240,057	38,638	35,079	63,180	0	336,400	8,516,836
Manufacturing	3,041	153,605,472	2,789,726	1,052,965	20,971,964	0	3,816,000	138,186,270
Transportation & Public Utilities	968	53,379,128	1,084,006	977,811	1,353,823	0	1,015,000	53,146,500
F.I.R.E.	3,508	138,841,100	1,404,686	1,163,632	1,236,680	0	3,373,130	141,218,604
Services	2,266	32,287,571	726,339	92,884	437,619	0	1,790,600	34,274,007
Trade	1,847	91,819,186	1,319,039	887,946	547,897	0	2,777,519	94,479,901
Unclassified	342	982,004	87,906	1,049	0	0	304,700	1,373,561
Total	12,414	\$481,154,600	\$7,452,112	\$4,214,290	\$24,611,163	\$0	\$13,524,249	\$473,305,509

Table 5.2 Tax Credits and Tax Liability by Major Industry Classification - Multistate Filing Basis Returns

Major Industry	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Agriculture	240	\$629,066	\$3,710	\$8,835	\$769	\$0	\$88,700	\$711,872
Mining	44	226,941	38	1,053	0	0	23,800	249,726
Construction	1,077	4,505,784	68,663	77,947	3,320	0	445,700	4,938,880
Manufacturing	2,222	26,917,103	442,021	211,622	1,047,435	0	1,726,500	27,826,569
Transportation & Public Utilities	673	3,346,628	83,927	18,232	1,666	0	268,300	3,678,957
F.I.R.E.	1,776	10,549,737	150,926	103,356	0	0	492,213	11,089,520
Services	2,889	9,815,198	131,467	18,542	164,884	0	954,560	10,717,799
Trade	2,353	22,687,235	127,254	54,859	21,088	0	1,520,800	24,259,340
Unclassified	238	467,112	4,554	40,254	0	0	72,200	503,612
Total	11,512	\$79,144,804	\$1,012,560	\$534,700	\$1,239,162	\$0	\$5,592,773	\$83,976,275

Table 5.3 Tax Credits and Tax Liability by Major Industry Classification - 100% Minnesota Filing Basis Returns

Major Industry	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Agriculture	1,767	\$3,105,472	\$16,200	\$10,633	\$0	\$0	\$490,100	\$3,601,139
Mining	57	151,882	0	4,917	1,612	0	20,600	165,953
Construction	3,120	8,865,241	36,934	46,170	2,476	0	992,900	9,846,429
Manufacturing	1,946	6,511,138	12,956	25,628	1,357	0	606,900	7,104,009
Transportation & Public Utilities	1,025	2,933,659	5,938	4,924	0	0	267,400	3,202,073
F.I.R.E.	4,168	9,629,087	100,859	1,580	189	0	337,200	10,065,377
Services	9,860	9,342,187	83,742	37,698	14,383	0	1,915,500	11,289,348
Trade	5,592	10,741,459	120,674	27,257	8,752	0	2,408,900	13,235,024
Unclassified	711	354,953	202	0	0	0	49,900	405,055
Total	28,246	\$51,635,078	\$377,505	\$158,807	\$28,769	\$0	\$7,089,400	\$58,914,407

Table 5.4 Tax Credits and Tax Liability by Major Industry Classification - Insurance Filing Basis Returns

Major Industry	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
F.I.R.E.	201	\$22,924,470	\$54,721	\$46,097	\$0	\$14,546,912	\$227,087	\$8,613,269

Table 6 Tax Credits and Tax Liability by Taxable Net Income Categories - All Returns

Taxable Net Income Categories	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Less than \$ 0	23,321	\$0	\$297,032	\$0	\$1,016	\$0	\$8,030,056	\$8,326,072
\$ 1 - 5,000	8,847	928,699	42,909	4,784	463	1,062	834,700	1,800,000
5,001 - 15,000	4,954	2,942,740	59,572	10,579	8,488	4,731	886,900	3,865,414
15,001 - 25,000	2,662	3,486,756	65,609	17,012	3,703	7,674	716,200	4,240,176
25,001 - 50,000	3,744	9,739,174	161,994	46,622	21,289	17,755	1,502,900	11,318,403
50,001 - 75,000	2,067	9,541,038	151,210	60,009	32,406	4,516	1,207,400	10,802,717
75,001 - 100,000	1,105	7,172,762	112,800	23,970	53,997	16,337	884,100	8,075,358
100,001 - 150,000	1,274	11,683,911	280,911	54,034	116,804	45,922	1,242,133	12,990,195
150,001 - 250,000	1,130	16,602,376	328,021	183,487	106,547	222,515	1,434,820	17,852,668
250,001 - 500,000	1,163	31,821,339	586,771	174,579	353,096	329,339	2,133,800	33,684,895
500,001 - 1,000,000	843	45,623,739	991,834	459,323	913,050	479,416	2,288,400	47,052,184
1,000,001 - 2,000,000	572	62,999,047	897,986	440,749	1,361,701	704,936	2,039,800	63,429,447
Over \$2,000,000	691	432,317,372	4,920,249	3,478,746	22,906,534	12,712,709	3,232,300	401,371,932
Total	52,373	\$634,858,953	\$8,896,898	\$4,953,894	\$25,879,094	\$14,546,912	\$26,433,509	\$624,809,461

Table 6.1 Tax Credits and Tax Liability by Taxable Net Income Categories - Unitary Filing Basis Returns

Taxable Net Income Categories	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Less than \$ 0	5,271	\$0	\$201,965	\$0	\$0	\$0	\$4,028,830	\$4,230,795
\$ 1 - 5,000	1,485	192,030	25,095	2,037	201	0	80,500	295,387
5,001 - 15,000	788	531,321	33,675	3,695	1,827	0	145,400	704,874
15,001 - 25,000	444	619,167	34,921	5,561	670	0	109,800	757,657
25,001 - 50,000	642	1,665,118	119,515	19,178	2,297	0	271,600	2,034,758
50,001 - 75,000	355	1,584,572	94,839	12,923	6,403	0	265,800	1,925,885
75,001 - 100,000	272	1,767,500	65,626	12,861	12,656	0	231,100	2,038,709
100,001 - 150,000	425	3,810,230	184,889	29,544	18,869	0	438,800	4,385,506
150,001 - 250,000	505	7,441,149	137,043	104,266	68,417	0	678,619	8,084,128
250,001 - 500,000	652	17,792,491	374,758	121,854	130,064	0	1,286,500	19,201,831
500,001 - 1,000,000	561	30,147,785	789,368	294,818	615,639	0	1,564,800	31,591,496
1,000,001 - 2,000,000	439	47,372,622	773,980	375,035	1,255,581	0	1,635,200	48,151,187
Over \$2,000,000	575	368,230,615	4,616,438	3,232,518	22,498,539	0	2,787,300	349,903,296
Total	12,414	\$481,154,600	\$7,452,112	\$4,214,290	\$24,611,163	\$0	\$13,524,249	\$473,305,509

Table 6.2 Tax Credits and Tax Liability by Taxable Net Income Categories - Multistate Filing Basis Returns

Taxable Net Income Categories	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Less than \$ 0	5,323	\$0	\$90,388	\$0	\$833	\$0	\$1,979,873	\$2,069,428
\$ 1 - 5,000	1,963	208,484	14,771	1,103	73	0	131,600	353,679
5,001 - 15,000	993	657,277	25,811	4,554	5,913	0	180,100	852,721
15,001 - 25,000	531	753,342	30,066	6,643	2,424	0	181,900	956,241
25,001 - 50,000	770	2,090,971	23,343	11,991	13,207	0	348,400	2,437,516
50,001 - 75,000	463	2,197,108	32,697	21,524	21,333	0	283,600	2,470,548
75,001 - 100,000	260	1,713,206	23,166	9,523	30,655	0	227,900	1,924,094
100,001 - 150,000	310	2,981,133	68,915	12,270	97,864	0	334,700	3,274,614
150,001 - 250,000	294	4,443,068	117,140	23,372	38,130	0	367,100	4,865,806
250,001 - 500,000	266	7,515,405	138,229	47,790	219,680	0	455,200	7,841,364
500,001 - 1,000,000	184	10,122,132	175,528	129,800	294,935	0	511,900	10,384,825
1,000,001 - 2,000,000	83	10,090,243	76,774	65,195	106,120	0	284,900	10,280,602
Over \$2,000,000	72	36,372,435	195,732	200,935	407,995	0	305,600	36,264,837
Total	11,512	\$79,144,804	\$1,012,560	\$534,700	\$1,239,162	\$0	\$5,592,773	\$83,976,275

Table 6.3 Tax Credits and Tax Liability by Taxable Net Income Categories - 100% Filing Basis Returns

Taxable Net Income Categories	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Less than \$ 0	12,643	\$0	\$4,679	\$0	\$183	\$0	\$1,947,200	\$1,951,696
\$ 1 - 5,000	5,389	526,475	3,026	1,627	189	0	622,400	1,150,085
5,001 - 15,000	3,165	1,748,099	86	2,330	748	0	561,300	2,306,407
15,001 - 25,000	1,683	2,106,573	622	4,808	609	0	424,400	2,526,178
25,001 - 50,000	2,318	5,948,660	18,860	15,453	5,785	0	881,000	6,827,282
50,001 - 75,000	1,244	5,754,842	22,567	24,455	4,670	0	652,900	6,401,184
75,001 - 100,000	566	3,651,536	24,008	1,586	10,686	0	421,100	4,084,372
100,001 - 150,000	532	4,834,693	27,107	12,220	71	0	467,900	5,317,409
150,001 - 250,000	317	4,453,123	73,838	55,849	0	0	378,900	4,850,012
250,001 - 500,000	233	6,089,633	73,784	4,935	3,352	0	371,800	6,526,930
500,001 - 1,000,000	90	4,780,381	26,938	34,705	2,476	0	196,500	4,966,638
1,000,001 - 2,000,000	42	4,576,324	38,884	519	0	0	107,600	4,722,289
Over \$2,000,000	24	7,164,739	63,106	320	0	0	56,400	7,283,925
Total	28,246	\$51,635,078	\$377,505	\$158,807	\$28,769	\$0	\$7,089,400	\$58,914,407

Table 6.4 Tax Credits and Tax Liability by Taxable Net Income Categories - Insurance Filing Basis Returns

Taxable Net Income Categories	Number of Returns	Regular Tax	AMT	AMT Credit	Research Credit and Other Tax Credits	Premiums & Guarantee Asses. Credits	Minimum Fee	Tax Liability
Less than \$ 0	84	\$0	\$0	\$0	\$0	\$0	\$74,153	\$74,153
\$ 1 - 5,000	10	1,710	17	17	0	1,062	200	848
5,001 - 15,000	8	6,043	0	0	0	4,731	100	1,412
15,001 - 25,000	4	7,674	0	0	0	7,674	100	100
25,001 - 50,000	14	34,425	276	0	0	17,755	1,900	18,846
50,001 - 75,000	5	4,516	1,107	1,107	0	4,516	5,100	5,100
75,001 - 100,000	7	40,520	0	0	0	16,337	4,000	28,183
100,001 - 150,000	7	57,854	0	0	0	45,922	733	12,665
150,001 - 250,000	14	265,036	0	0	0	222,515	10,201	52,722
250,001 - 500,000	12	423,810	0	0	0	329,339	20,300	114,771
500,001 - 1,000,000	8	573,441	0	0	0	479,416	15,200	109,225
1,000,001 - 2,000,000	8	959,858	8,348	0	0	704,936	12,100	275,370
Over \$2,000,000	20	20,549,583	44,973	44,973	0	12,712,709	83,000	7,919,874
Total	201	\$22,924,470	\$54,721	\$46,097	\$0	\$14,546,912	\$227,087	\$8,613,269

Glossary of Terms Used in Bulletin

Air Base Credit

This is a \$5,000 per employee jobs tax credit. In order to be eligible for the credit, the employee must be employed at a heavy maintenance base for aircraft or an aircraft engine repair facility.

Alternative Minimum Tax

The alternative minimum tax is usually abbreviated as the AMT. In 1987 Minnesota adopted an AMT that did not conform with federal law. Between 1987 and 1989 Minnesota had an AMT based on 0.1 percent of a corporation's Minnesota property, payroll and sales. This AMT is sometimes called the factors AMT.

Beginning in 1990, Minnesota law based its AMT on the federal AMT. The AMT calculation is based on taxable income plus adjustments and preferences. Adjustments and preferences are defined by federal law that Minnesota has adopted. The tentative alternative minimum tax is AMT income multiplied by 5.8 percent. Alternative minimum tax is paid if the tentative alternative minimum tax exceeds the amount of the regular tax owed. In this bulletin the amount that tentative AMT exceeds the regular tax is reported as the amount in the AMT data field.

AMT Credit

An alternative minimum tax credit may be claimed if a corporation paid the alternative minimum tax in the past and in the current year the taxpayer did not owe any alternative minimum tax during the current tax year.

Contributions Deduction

Because Minnesota lacks conformity with federal law, a taxpayer first adds to his federal taxable income the amount of contributions deduction claimed on the federal tax return. Modifications to federal taxable income are reported on Schedule MC. After a taxpayer computes his taxable net income, a contribution deduction may be taken.

If a taxpayer's contributions deduction is less than the taxpayer's taxable net income after the NOL deduction, the contributions deduction is shown as reported by the taxpayer. If a taxpayer reported a contributions deduction greater than the value for taxable net income after the NOL deduction, the amount shown in the tables equals the value reported for taxable net income after the NOL deduction.

Dividends Received Deduction

A taxpayer first adds to his federal taxable income the amount of dividends received deduction claimed on the federal tax return. On the Minnesota return, the dividends received deduction is the amount of dividends received deduction reported on the federal return multiplied by a corporation's apportionment percentage.

If a taxpayer's dividends received deduction is less than the taxpayer's taxable net income after the NOL deduction, the dividends received deduction is shown as reported by the taxpayer. If a taxpayer reported a dividends received deduction greater than the value for taxable net income after the NOL deduction, the amount shown in the tables equals the value reported for taxable net income after the NOL deduction.

Federal Taxable Income

Because Minnesota adopts the federal definition of federal taxable income, the first step in calculating the Minnesota corporate income tax begins with the amount of federal taxable income calculated on line 28 of federal tax Form 1120. In effect, the Minnesota corporate tax return is an extension of the process of filing a federal tax return (generally Form 1120).

Filing Basis

The manner how a corporation attributes its net income to Minnesota is referred to as its filing basis. In this bulletin there are four classes of filing basis:

- 1) 100% Minnesota
- 2) Insurance
- 3) Multistate
- 4) Unitary

Below is a brief description of the four filing bases used in this bulletin.

100% Minnesota: If 100 percent of a corporation's business is conducted in Minnesota, all of its income is taxable and it is classified as 100 percent Minnesota.

Insurance: If a corporation is classified as an insurance company under the Internal Revenue Code, its filing basis is insurance. Taxable net income is the result of net income multiplied by an apportionment percentage. Minnesota law allows insurance companies to use a single factor, sales, to compute an apportionment percentage.

Minnesota law exempts most insurance companies operating in Minnesota from paying the corporate income tax. If an insurance company is domiciled in a state that imposes retaliatory taxes and the laws in which it is domiciled do not grant an exemption from retaliatory taxation on a reciprocal basis, Minnesota law exempts these insurance companies from filing a Minnesota corporate income tax return.

If an insurance company is domiciled in a state that imposes retaliatory taxes and the laws in which it is domiciled grant an exemption from retaliatory taxes on a reciprocal basis, this is called reciprocal/retaliatory taxation. There are four states that have reciprocal/retaliatory insurance tax laws: Hawaii, New York, Massachusetts, and Wisconsin. Wisconsin is the fourth state with reciprocal/retaliatory insurance tax laws, but only some Wisconsin companies are subject to reciprocal/retaliatory tax laws.

In summary, only Minnesota domiciled insurance companies and insurance companies domiciled in states that have laws which are classified as reciprocal/retaliatory are required to file a corporate income tax return.

Multistate: If a single corporation conducts business inside and outside of Minnesota, it is classified as multistate. Under apportionment rules the entire net income of such a corporation is divided among Minnesota and other states. Taxable net income is the result of net income multiplied by an apportionment percentage.

An apportionment percentage for a corporation is based on the weighting of three separately computed ratios. The three ratios are the Minnesota portions of a company's total property, payroll, and sales and these ratios are weighted at 15, 15, and 70 percent respectively.

Unitary: A grouping of commonly owned corporations is called a unitary group and its filing basis is unitary. The income and losses of the individual corporations are combined together to determine net income. Net income is the income of an entire unitary group before apportionment. As with multistate filing basis taxpayers, taxable net income is the result of net income multiplied by an apportionment percentage.

Each corporation in a unitary group computes its own apportionment percentage. As with multistate filing basis taxpayers, an apportionment percentage for each corporation in a unitary group is based on the weighting of three separately computed ratios. Minnesota law requires the property, payroll and sales ratios to be weighted at 15, 15, and 70 percent respectively.

As with the multistate filing basis returns, the numerator of property, payroll and sales ratios includes a single corporation's Minnesota property, payroll, and sales. Unlike the multistate filing basis returns, the denominator of the property, payroll, and sales ratios includes the total property, payroll and sales of an entire unitary group.

Guarantee Assessment Credit

In statutes, this credit is labeled the guarantee assessment offset. Only insurance companies may claim this tax credit. Guarantee associations are authorized to collect from insurance companies payments that are needed to reimburse policyholders of insolvent companies. Insurance companies are allowed to take a tax credit equal to the payments (assessments) they paid to a guarantee association.

Major Industry

The major industry designation is a summation of taxpayer reported principle business activity codes. The list of principle business activity codes is compiled by the IRS, and they are based on the North American Industry Classification System (NAICS). According to IRS instructions, taxpayers select a principle business activity code based on which activity generates the most sales.

The principle business activity code is reported by the taxpayer on the M4 or it is from an attached Form 1120, Schedule K, line 2. Approximately 15% of returns did not report a principle business activity code. Industry codes from the business registration system were used to identify the industry codes of returns with no principle business activity codes. During the editing process a special emphasis was placed on finding principle business activity codes on returns that paid the regular tax.

Major industry classifications were shortened for two industries. First, the F.I.R.E. major industry classification is an abbreviation for finance, insurance and real estate, and second, the trade major industry classification is a combination of the retail and wholesale classifications.

Minimum Fee

A minimum fee is owed if the total of a corporation's Minnesota property, payroll and sales (Minnesota factors) exceeds \$500,000. The table below shows the amount of minimum fee due with various amounts of Minnesota factors.

A corporation may pay a minimum fee from \$100 to \$5,000. If the total of a corporation's Minnesota factors exceeds \$20,000,000, Minnesota law fixes the minimum fee at \$5,000. Although the minimum fee is paid by partnerships and S corporations, this report includes the minimum fee paid by corporations that file form M-4 or M-7.

Total Amount of Minnesota Property, Payroll and Sales	Minimum Fee
Less than \$ 500,000	\$0
\$ 500,000 - 999,999	100
1,000,000 - 4,999,999	300
5,000,000 - 9,999,999	1,000
10,000,000 - 19,999,999	2,000
Over \$20,000,000	\$5,000

Modifications: Additions and Subtractions

Minnesota law adopts the federal definition of income with some modifications. Modifications are either added to or subtracted from federal taxable income.

One of the reasons why a modification is necessary is when there is a lack of conformity between the federal and Minnesota definitions of income. For example, before 1988 Minnesota law did not fully conform with the federal definitions of depreciation. For this data there are modifications to account for the difference between the federal and Minnesota depreciation deductions for assets placed in service before 1988.

Modifications are reported on M4-I. A summary of the total additions and subtractions is reported on M4-I, line 2 (additions) and M4-I, line 4 (subtractions).

Net Income

Minnesota statute 290.01, subd. 19 defines net income as the result of the federal taxable income increased or decreased by modifications. On the tax forms, net income is labeled Minnesota net income. For all filers except insurance companies, Minnesota net income is entered on line 7 of Form M4-I. Insurance companies use line 5 of Form M7.

The term net income was labeled total net income in bulletins previous to 1998. The term total net income is not used in this bulletin.

Net Operating Loss/NOL

NOL is an abbreviation for the term net operating loss. A taxpayer may use losses from previous years to reduce current year income. A deduction that may be used in future years is called a carryforward deduction. If a deduction reduces tax liability on a prior year return, the deduction is said to be a carryback deduction.

Minnesota law allows a carryforward of NOLs, and unlike federal law, Minnesota law prohibits carrybacks of NOLs. After a taxpayer computes his taxable net income, a taxpayer may claim a NOL deduction that is based on the product of NOL before apportionment multiplied by the apportionment percentage.

In this bulletin, the maximum net operating loss deduction is an amount that reduces taxable net income after the NOL deduction to zero. If the amount of the net operating loss deduction creates a taxable net income after the NOL deduction that is a value of less than zero, only the part of the deduction that creates a zero taxable net income after the NOL deduction value is reported.

Premiums Tax Credit

Only insurance companies may claim the premiums tax credit because they are the only corporations subject to gross premium taxes. The main gross premiums tax is a 2 percent tax on Minnesota insurance premiums written, i.e., Minnesota sales.

In this bulletin, the premiums tax credit is an amount used to bring tax liability to zero. If the amount of the premiums tax credit brings tax liability to an amount less than zero, only the part of the credit that brings tax liability to zero is reported.

Regular Tax

Taxable income multiplied by the corporate income tax rate, 9.8 percent, equals the regular corporate tax.

Research Credit

Minnesota law allows a research tax credit. A credit is given if a corporation increases its spending effort on research and development over a base period. Minnesota law generally conforms to federal law determining the effort in a base period and what qualifies as research and development expenditures. In order to qualify as a research expenditure, the research and development must take place in Minnesota. A tax credit of 5 percent applies to the first \$2 million of research and development over the base period effort. Research and development expenditures over \$2 million of the base period effort receive a 2.5 percent tax credit.

In this bulletin, the research credit is an amount used to bring tax liability to zero. If the amount of the research credit brings tax liability to an amount less than zero, only the part of the credit that brings tax liability to zero is reported.

Taxable Income

Taxable income is the result of reducing taxable net income by any of the following: the net operating loss deduction, contributions deduction or the dividends received deduction.

Tax Liability

The total amount of regular tax, AMT and minimum fee minus tax credits.

Taxable Net Income

Taxable net income is the sum of apportioned income and non-apportioned (assigned) income. Returns with a positive taxable net income may not pay the regular tax because the amount of the three deductions (net operating loss, contributions, and dividend received deduction) exceed the taxpayer's taxable net income.

Taxable Net Income after Net Operating Loss

This figure is an informal label, and it is a result of the calculation taxable net income minus net operating loss. The figure is created by its placement on the tax forms, and the term is not defined in statutes.

For most taxpayers, this field is found on M4-T, line 7. Please note that in bulletins previous to 1998 the taxable net income after net operating loss amount was labeled Minnesota net income.

Transit Pass Credit

The transit credit allows a credit equal to 30% of the expenses incurred by a taxpayer to provide transit passes to the taxpayer's employees. The credit applies to transit passes that are for use in Minnesota. Unlike the other five tax credits this credit may be used to reduce regular tax liability, AMT liability, and minimum fee liability. In this bulletin the transit tax credit is an amount used to bring tax liability to zero. If the amount of the transit tax credit brings tax liability to an amount less than zero, only the part of the credit that brings tax liability to zero is reported.