

1998
Minnesota Corporate
Income Tax Bulletin

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Description of Data

This bulletin tabulates data from tax year 1996 and 1997 tax returns received by the Department of Revenue during calendar year 1998. Approximately 20% of the returns were tax year 1996 returns and the remaining 80% of the returns were tax year 1997 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 1996 or 1997. 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 1998. 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), \$665 million, from corporations from returns received by the Department of Revenue during calendar year 1998. 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 \$672 million. There are five non-refundable tax credits: AMT, research and development, premiums tax, guarantee assessment and air base. All of these 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 five credits mentioned above is \$42 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 1998
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	\$672	
Credits	<u>42</u>	
Regular Tax After Credits	\$630	95%
AMT (Alternative Minimum Tax)	10	1%
Minimum Fee	<u>25</u>	<u>4%</u>
Tax Liability	\$665	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 almost 75% of the total tax liability.

Table B
Returns Received During Calendar Year 1998
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	10,586	20%	\$493	74%
100% Minnesota	31,137	58%	64	10%
Multi-State	12,201	22%	101	15%
Insurance	214	*	7	1%
Total	54,138	100%	\$665	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 1998
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	2,241	4%	\$7.7	1%
Mining	159	*	2.6	*
Construction	4,661	9%	16.8	3%
Manufacturing	7,192	13%	214.9	32%
Transportation**	2,898	5%	69.2	10%
F.I.R.E.	8,978	17%	171.2	26%
Services	13,386	25%	48.6	7%
Trade	12,217	23%	126.0	19%
Unclassified	2,406	4%	8.0	1%
Total	54,138	100%	\$665.0	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 1998
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	21,870	41%	\$7	1%
\$ 1 - 5,000	9,791	18%	2	*
5,001 - 15,000	5,616	10%	4	1%
15,001 - 25,000	3,067	6%	5	1%
25,001 - 50,000	4,109	8%	13	2%
50,001 - 75,000	2,158	4%	12	2%
75,001 - 100,000	1,237	2%	9	1%
100,001 - 150,000	1,438	3%	15	2%
150,001 - 250,000	1,290	2%	21	3%
250,001 - 500,000	1,319	2%	40	6%
500,001 - 1,000,000	963	2%	59	9%
\$1,000,001 - 2,000,000	623	1%	72	11%
Over \$2,000,000	657	1%	406	61%
Total	54,138	100%	\$665	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.

Table E
Returns Received During Calendar Year 1998
Summary of Data
(money amounts rounded to the nearest million)

	Positive Taxable Net Income	Negative/Zero Taxable Net Income	All Returns
Number of Returns	32,268	21,870	54,138
Income and Deductions after Apportionment/Assignment			
Taxable Net Income	\$8,696	\$0	\$8,696
Net Operating Loss	<u>727</u>	<u>0</u>	<u>727</u>
Taxable Net Income after Net Operating Loss	7,969	\$0	7,969
Contributions Deduction*	\$160		
Dividends Received Deduction*	<u>951</u>		
Total Deductions	<u>\$1,111</u>	<u>\$0</u>	<u>\$1,111</u>
Taxable Income*	\$6,858	\$0	\$6,858
	<u>x 9.8%</u>		
Tax Credits and Tax Liability			
Regular Tax*	\$672	\$0	\$672
AMT (Alternative Minimum Tax)	<u>9</u>	<u>1</u>	<u>10</u>
Total Regular and AMT	\$681	\$1	\$682
AMT Credit	\$5		
Research Credit and Air Base Credit	22		
Premiums Credit and Guarantee Assessment Credit	<u>15</u>		
Total Credits	<u>\$42</u>	<u>\$0</u>	<u>\$42</u>
Tax Liability before Minimum Fee	\$639	\$1	\$640
Minimum Fee	<u>19</u>	<u>6</u>	<u>25</u>
Tax Liability	\$658	\$7	\$665

*Totals from returns with positive taxable net income.

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 1998
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	32,268	60%	\$658	99%
Returns with Zero/Negative Taxable Net Income	21,870	40%	7	1%
Total: All Returns	54,138	100%	\$665	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. One hundred percent Minnesota filing basis returns have the lowest percentage of returns with positive taxable net income.

Table G
Returns Received During Calendar Year 1998
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	7,234	10,586	68%
100% Minnesota	17,657	31,137	57%
Multi-State	7,246	12,201	59%
Insurance	131	214	61%
Total	32,268	54,138	60%

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)

Step 10. 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	7,234	\$6,512,694,363	\$426,841,360	\$6,085,853,004	\$136,228,276	\$866,243,870	\$5,083,380,858	\$498,041,246
100% MN	17,657	721,756,982	131,858,072	589,898,910	6,642,237	3,364,169	579,892,504	56,475,703
Multistate	7,246	1,212,421,988	157,691,090	1,054,730,898	12,498,073	61,150,730	981,082,096	96,010,997
Insurance	131	249,368,407	10,397,519	238,970,888	5,198,534	20,083,237	213,689,117	21,304,233
Total	32,268	\$8,696,241,740	\$726,788,041	\$7,969,453,700	\$160,567,120	\$950,842,006	\$6,858,044,575	\$671,832,179

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	1,465	\$97,017,388	\$14,433,880	\$82,583,508	\$527,462	\$10,779,992	\$71,276,053	\$6,968,083
Mining	89	41,447,718	1,695,864	39,751,855	21,279	12,819,187	26,911,389	2,640,487
Construction	3,002	190,654,702	32,116,578	158,538,124	2,395,136	2,520,026	153,622,962	15,037,638
Manufacturing	4,654	3,014,192,941	172,809,328	2,841,383,613	76,787,434	488,643,191	2,275,952,988	222,942,430
Trans. & Public Utilities	1,681	825,299,124	82,246,883	743,052,242	13,663,094	12,569,398	716,819,750	70,197,981
F.I.R.E.	5,236	2,412,130,972	198,395,421	2,213,735,551	37,125,663	312,323,172	1,864,286,715	183,014,412
Services	7,419	628,071,719	133,924,320	494,147,399	6,697,752	24,167,471	463,282,175	45,314,995
Trade	7,710	1,386,037,875	82,249,304	1,303,788,570	23,223,835	69,476,186	1,211,088,550	118,441,858
Unclassified	1,012	101,389,301	8,916,461	92,472,840	125,465	17,543,382	74,803,993	7,274,294
Total	32,268	\$8,696,241,740	\$726,788,039	\$7,969,453,702	\$160,567,120	\$950,842,005	\$6,858,044,575	\$671,832,178

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	9,791	\$16,343,207	\$5,233,913	\$11,109,294	\$192,021	\$162,656	\$10,754,617	\$1,063,840
5,001 - 15,000	5,616	52,347,867	15,438,690	36,909,176	628,219	584,073	35,696,884	3,463,327
15,001 - 25,000	3,067	60,100,546	15,897,710	44,202,836	661,549	551,009	42,990,278	4,157,157
25,001 - 50,000	4,109	148,589,667	30,070,696	118,518,971	1,648,499	1,450,807	115,419,665	11,167,370
50,001 - 75,000	2,158	131,671,139	22,346,456	109,324,683	1,496,244	1,605,168	106,223,271	10,368,094
75,001 - 100,000	1,237	106,805,629	18,404,090	88,401,539	1,204,996	1,530,048	85,666,496	8,370,004
100,001 - 150,000	1,438	175,725,706	30,672,535	145,053,171	1,754,127	3,568,147	139,730,897	13,666,177
150,001 - 250,000	1,290	250,584,382	44,714,884	205,869,498	2,308,815	6,689,914	196,870,769	19,254,690
250,001 - 500,000	1,319	467,665,850	61,395,473	406,270,376	4,562,177	14,758,507	386,949,692	38,240,525
500,001 - 1,000,000	963	675,019,940	62,913,492	612,106,448	6,593,051	22,266,387	583,247,010	57,041,262
1,000,001 - 2,000,000	623	881,952,709	78,563,352	803,389,357	8,180,899	55,296,042	739,912,416	72,421,176
Over \$2,000,000	657	5,729,435,098	341,136,748	5,388,298,350	131,336,523	842,379,247	4,414,582,580	432,618,555
Total	32,268	\$8,696,241,740	\$726,788,039	\$7,969,453,699	\$160,567,120	\$950,842,005	\$6,858,044,575	\$671,832,177

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

Filing Basis	Number of Returns	Regular Tax	AMT	AMT Credit	Research and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Unitary	10,586	\$498,041,246	\$6,514,449	\$3,609,768	\$19,999,095	\$0	\$480,946,832	\$11,407,388	\$492,354,220
100% MN	31,137	56,475,703	691,120	260,389	21,362	0	56,885,072	7,058,086	63,943,158
Multistate	12,201	96,010,997	2,666,032	1,133,418	2,143,912	0	95,399,699	5,824,052	101,223,751
Insurance	214	21,304,233	594	0	0	14,439,265	6,865,562	230,220	7,095,782
Total	54,138	\$671,832,179	\$9,872,195	\$5,003,575	\$22,164,369	\$14,439,265	\$640,097,165	\$24,519,746	\$664,616,911

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

Major Industry	Number of Returns	Regular Tax	AMT	AMT Credit	Research and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Agriculture	2,241	\$6,968,083	\$122,293	\$18,117	\$71,090	\$0	\$7,001,169	\$660,800	\$7,661,969
Mining	159	2,640,487	50,078	164,574	0	0	2,525,991	78,400	2,604,391
Construction	4,661	15,037,638	342,065	171,780	5,921	0	15,202,002	1,563,400	16,765,402
Manufacturing	7,192	222,942,430	3,328,757	1,733,443	15,520,712	0	209,017,032	5,901,169	214,918,201
Transportation & Public Utilities	2,898	70,197,981	1,036,905	326,016	3,131,607	0	67,777,263	1,457,112	69,234,375
F.I.R.E.	8,978	183,014,412	1,930,724	1,421,601	1,522,431	14,439,265	167,561,839	3,682,276	171,244,115
Services	13,386	45,314,995	614,578	237,780	786,070	0	44,905,724	3,726,216	48,631,940
Trade	12,217	118,441,858	2,339,502	902,426	1,076,748	0	118,802,186	7,095,467	125,897,653
Unclassified	2,406	7,274,294	107,294	27,838	49,790	0	7,303,960	354,906	7,658,866
Total	54,138	\$671,832,178	\$9,872,196	\$5,003,575	\$22,164,369	\$14,439,265	\$640,097,166	\$24,519,746	\$664,616,912

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 and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Agriculture	58	\$3,148,862	\$54,359	\$20	\$71,090	\$0	\$3,132,111	\$64,200	\$3,196,311
Mining	54	424,419	47,768	57	0	0	472,130	30,400	502,530
Construction	276	3,233,561	41,695	1,909	0	0	3,273,347	276,500	3,549,847
Manufacturing	2,385	179,341,928	1,936,477	1,408,548	13,804,264	0	166,065,593	3,311,859	169,377,452
Transportation & Public Utilities	837	65,228,267	797,835	307,150	3,130,040	0	62,588,912	888,200	63,477,112
F.I.R.E.	3,084	139,079,141	1,323,744	1,378,591	1,522,431	0	137,501,863	2,784,046	140,285,909
Services	1,558	26,417,896	310,675	133,965	446,852	0	26,147,754	1,245,004	27,392,758
Trade	1,821	77,288,205	1,972,299	378,613	987,979	0	77,893,912	2,592,479	80,486,391
Unclassified	513	3,878,966	29,598	915	36,439	0	3,871,210	214,700	4,085,910
Total	10,586	\$498,041,245	\$6,514,450	\$3,609,768	\$19,999,095	\$0	\$480,946,832	\$11,407,388	\$492,354,220

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

Major Industry	Number of Returns	Regular Tax	AMT	AMT Credit	Research and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Agriculture	243	\$634,220	\$25,233	\$5,291	\$0	\$0	\$654,162	\$91,600	\$745,762
Mining	36	2,005,846	2,135	164,420	0	0	1,843,561	26,700	1,870,261
Construction	1,102	4,234,574	73,377	73,118	1,970	0	4,232,863	393,000	4,625,863
Manufacturing	2,521	36,981,925	1,303,317	311,603	1,710,348	0	36,263,291	1,978,810	38,242,101
Transportation & Public Utilities	749	2,724,268	212,717	6,751	1,567	0	2,928,667	278,600	3,207,267
F.I.R.E.	1,569	10,521,087	511,464	31,069	0	0	11,001,482	352,030	11,353,512
Services	2,648	9,932,261	216,918	55,123	329,428	0	9,764,629	796,609	10,561,238
Trade	2,719	27,017,556	247,392	459,413	88,344	0	26,717,191	1,820,203	28,537,394
Unclassified	614	1,959,260	73,479	26,630	12,255	0	1,993,854	86,500	2,080,354
Total	12,201	\$96,010,997	\$2,666,032	\$1,133,418	\$2,143,912	\$0	\$95,399,700	\$5,824,052	\$101,223,752

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 and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Agriculture	1,940	\$3,185,001	\$42,701	\$12,806	\$0	\$0	\$3,214,896	\$505,000	\$3,719,896
Mining	69	210,222	175	97	0	0	210,300	21,300	231,600
Construction	3,283	7,569,504	226,993	96,753	3,951	0	7,695,793	893,900	8,589,693
Manufacturing	2,286	6,618,577	88,963	13,292	6,100	0	6,688,148	610,500	7,298,648
Transportation & Public Utilities	1,312	2,245,446	26,353	12,115	0	0	2,259,684	290,312	2,549,996
F.I.R.E.	4,111	12,109,951	94,922	11,941	0	0	12,192,932	315,980	12,508,912
Services	9,180	8,964,838	86,985	48,692	9,790	0	8,993,341	1,684,603	10,677,944
Trade	7,677	14,136,097	119,811	64,400	425	0	14,191,083	2,682,785	16,873,868
Unclassified	1,279	1,436,068	4,217	293	1,096	0	1,438,896	53,706	1,492,602
Total	31,137	\$56,475,704	\$691,120	\$260,389	\$21,362	\$0	\$56,885,073	\$7,058,086	\$63,943,159

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 and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
F.I.R.E.	214	\$21,304,233	\$594	\$0	\$0	\$14,439,265	\$6,865,562	\$230,220	\$7,095,782

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 and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Less than \$ 0	21,870	\$0	\$960,510	\$0	\$0	\$0	\$960,510	\$5,784,905	\$6,745,415
\$ 1 - 5,000	9,791	1,063,840	119,236	3,964	1,279	440	1,177,393	827,284	2,004,677
5,001 - 15,000	5,616	3,463,327	99,761	10,424	6,925	15,427	3,530,312	931,552	4,461,864
15,001 - 25,000	3,067	4,157,157	105,981	13,893	11,248	14,098	4,223,899	737,826	4,961,725
25,001 - 50,000	4,109	11,167,370	214,104	48,471	42,115	19,926	11,270,962	1,542,939	12,813,901
50,001 - 75,000	2,158	10,368,094	269,274	68,408	44,785	10,469	10,513,706	1,215,700	11,729,406
75,001 - 100,000	1,237	8,370,004	149,573	61,700	33,359	17,459	8,407,059	887,767	9,294,826
100,001 - 150,000	1,438	13,666,177	470,000	144,624	69,367	75,478	13,846,708	1,308,625	15,155,333
150,001 - 250,000	1,290	19,254,690	718,505	203,844	140,884	173,244	19,455,223	1,575,000	21,030,223
250,001 - 500,000	1,319	38,240,525	892,906	430,078	376,203	471,674	37,855,476	2,214,269	40,069,745
500,001 - 1,000,000	963	57,041,262	1,213,740	583,819	856,020	752,882	56,062,281	2,392,600	58,454,881
1,000,001 - 2,000,000	623	72,421,176	1,052,708	963,258	1,562,600	1,294,988	69,653,038	2,065,063	71,718,101
Over \$2,000,000	657	432,618,555	3,605,897	2,471,092	19,019,584	11,593,180	403,140,596	3,036,216	406,176,812
Total	54,138	\$671,832,177	\$9,872,195	\$5,003,575	\$22,164,369	\$14,439,265	\$640,097,163	\$24,519,746	\$664,616,909

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 and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Less than \$ 0	3,352	\$0	\$675,345	\$0	\$0	\$0	\$675,345	\$2,447,776	\$3,123,121
\$ 1 - 5,000	1,446	172,630	93,972	1,790	307	0	264,505	69,211	333,716
5,001 - 15,000	785	546,327	58,929	4,094	2,252	0	598,910	145,900	744,810
15,001 - 25,000	432	621,299	52,520	3,686	2,078	0	668,055	106,900	774,955
25,001 - 50,000	601	1,607,674	111,590	11,937	15,826	0	1,691,501	249,000	1,940,501
50,001 - 75,000	384	1,835,773	67,400	21,520	14,493	0	1,867,160	253,700	2,120,860
75,001 - 100,000	300	2,003,985	52,066	28,808	16,334	0	2,010,909	211,267	2,222,176
100,001 - 150,000	464	4,634,640	281,751	67,747	5,474	0	4,843,170	445,186	5,288,356
150,001 - 250,000	558	8,702,132	390,392	144,075	68,308	0	8,880,141	741,400	9,621,541
250,001 - 500,000	672	19,933,845	490,104	232,543	124,943	0	20,066,463	1,138,569	21,205,032
500,001 - 1,000,000	608	36,605,998	801,826	406,055	567,720	0	36,434,049	1,523,400	37,957,449
1,000,001 - 2,000,000	448	52,553,376	725,714	701,107	1,326,925	0	51,251,058	1,495,963	52,747,021
Over \$2,000,000	536	368,823,569	2,712,840	1,986,406	17,854,435	0	351,695,568	2,579,116	354,274,684
Total	10,586	\$498,041,248	\$6,514,449	\$3,609,768	\$19,999,095	\$0	\$480,946,834	\$11,407,388	\$492,354,222

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

Taxable Net Income Categories	Number of Returns	Regular Tax	AMT	AMT Credit	Research and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Less than \$ 0	4,955	\$0	\$197,707	\$0	\$0	\$0	\$197,707	\$1,565,130	\$1,762,837
\$ 1 - 5,000	2,152	253,201	23,266	1,629	432	0	274,405	113,223	387,628
5,001 - 15,000	1,148	752,906	32,846	3,331	4,114	0	778,307	162,460	940,767
15,001 - 25,000	653	954,801	40,169	5,468	9,170	0	980,332	177,600	1,157,932
25,001 - 50,000	928	2,604,687	80,086	22,049	20,590	0	2,642,134	380,400	3,022,534
50,001 - 75,000	475	2,204,340	101,279	10,655	26,328	0	2,268,636	295,400	2,564,036
75,001 - 100,000	276	1,888,377	54,674	17,023	17,025	0	1,909,003	206,400	2,115,403
100,001 - 150,000	402	3,838,970	90,239	25,255	59,942	0	3,844,011	361,139	4,205,150
150,001 - 250,000	367	5,743,696	175,619	40,710	68,104	0	5,810,501	459,900	6,270,401
250,001 - 500,000	412	11,605,856	284,532	157,180	250,164	0	11,483,044	739,900	12,222,944
500,001 - 1,000,000	235	13,261,290	386,633	106,650	287,219	0	13,254,054	609,400	13,863,454
1,000,001 - 2,000,000	123	14,206,179	305,925	258,782	235,675	0	14,017,647	437,000	14,454,647
Over \$2,000,000	75	38,696,695	893,057	484,686	1,165,149	0	37,939,917	316,100	38,256,017
Total	12,201	\$96,010,998	\$2,666,032	\$1,133,418	\$2,143,912	\$0	\$95,399,698	\$5,824,052	\$101,223,750

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 and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Less than \$ 0	13,480	\$0	\$87,458	\$0	\$0	\$0	\$87,458	\$1,715,499	\$1,802,957
\$ 1 - 5,000	6,187	637,188	1,998	545	540	0	638,101	644,850	1,282,951
5,001 - 15,000	3,667	2,142,855	7,392	2,999	559	0	2,146,689	617,672	2,764,361
15,001 - 25,000	1,972	2,564,984	13,292	4,739	0	0	2,573,537	453,026	3,026,563
25,001 - 50,000	2,573	6,930,450	22,428	14,485	5,699	0	6,932,694	913,039	7,845,733
50,001 - 100,000	1,952	10,753,805	143,428	52,102	3,964	0	10,841,167	1,136,200	11,977,367
100,001 - 150,000	563	5,105,148	98,010	51,622	3,951	0	5,147,585	500,900	5,648,485
150,001 - 250,000	354	4,629,520	152,494	19,059	4,472	0	4,758,483	369,400	5,127,883
250,001 - 500,000	225	6,075,184	118,270	40,355	1,096	0	6,152,003	324,600	6,476,603
500,001 - 1,000,000	105	6,221,644	25,281	71,114	1,081	0	6,174,730	240,700	6,415,430
1,000,001 - 2,000,000	37	4,249,150	21,069	3,369	0	0	4,266,850	95,500	4,362,350
Over \$2,000,000	22	7,165,776	0	0	0	0	7,165,776	46,700	7,212,476
Total	31,137	\$56,475,704	\$691,120	\$260,389	\$21,362	\$0	\$56,885,073	\$7,058,086	\$63,943,159

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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 and Air Base Credit	Premiums & Guarantee Asses. Credit	Tax Liability Before Minimum Fee	Minimum Fee	Tax Liability
Less than \$ 0	83	\$0	\$0	\$0	\$0	\$0	\$0	\$56,500	\$56,500
\$ 1 - 5,000	6	822	0	0	0	440	382	0	382
5,001 - 15,000	16	21,240	594	0	0	15,427	6,407	5,520	11,927
15,001 - 25,000	10	16,073	0	0	0	14,098	1,975	300	2,275
25,001 - 50,000	7	24,559	0	0	0	19,926	4,633	500	5,133
50,001 - 100,000	8	51,820	0	0	0	27,928	23,892	500	24,392
100,001 - 150,000	9	87,420	0	0	0	75,478	11,942	1,400	13,342
150,001 - 250,000	11	179,343	0	0	0	173,244	6,099	4,300	10,399
250,001 - 500,000	10	625,639	0	0	0	471,674	153,965	11,200	165,165
500,001 - 1,000,000	15	952,331	0	0	0	752,882	199,449	19,100	218,549
1,000,001 - 2,000,000	15	1,412,471	0	0	0	1,294,988	117,483	36,600	154,083
Over \$2,000,000	24	17,932,515	0	0	0	11,593,180	6,339,335	94,300	6,433,635
Total	214	\$21,304,233	\$594	\$0	\$0	\$14,439,265	\$6,865,562	\$230,220	\$7,095,782

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 30 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) Multi-state
- 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.

Multi-state: If a single corporation conducts business inside and outside of Minnesota, it is classified as multi-state. 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 multi-state 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 multi-state 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 multi-state filing basis returns, the numerator of property, payroll and sales ratios includes a single corporation's Minnesota property, payroll, and sales. Unlike the multi-state filing basis returns, the denominator of the property, payroll, and sales ratios includes the total property, payroll and sales of an entire unitary group.

Unitary filing basis returns report their income and deductions on Schedule CI, and they report their apportionment percentages on Schedule ACI.

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 code was gathered from taxpayers who attached federal Form 1120 to their Minnesota income tax returns. On federal Form 1120, Schedule K, line 2 taxpayers write in a code that describes their principal business activity. A principal business activity is one that generates the most sales. Principal business activity codes are similar to SIC (standard industrial classification) codes.

A large number of returns did not have a code for their principle business activity. During the editing process, a special emphasis was placed on finding principal business activity codes on returns that paid the regular tax.

Major industry classifications were shortened for three industries. First, the transportation major industry is a shortened title to describe transportation and public utilities major industry. Second, the F.I.R.E. major industry classification is an abbreviation for finance, insurance and real estate. Last, 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 Schedule MC. A summary of the amounts from Schedule MC is reported on line 2 (additions) and line 4 (subtractions) of Form M4. Unitary basis filers report the summary of the amounts from Schedule MC on lines 5 and 7 of Schedule CI.

Net Income

Minnesota statute 290.01, subd. 19 says net income is the result of the federal taxable income increased or decreased by modifications.

On the tax forms net income is called Minnesota net income. Minnesota net income is entered on line 5 of Form M4/M7 for returns with the following filing bases: 100 percent Minnesota, Multi-state and Insurance. Unitary filing basis returns enter their Minnesota net income on line 8 of Schedule CI.

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

Net Operating Loss/NOL

This is short 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. Because Minnesota lacks conformity with federal law, a taxpayer first adds to his federal taxable income the amount of NOL claimed on the federal tax form. Modifications to federal taxable income are reported on Schedule MC. 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 net operating loss deduction is an amount used to bring taxable income to zero after the NOL deduction. If the amount of the net operating loss deduction brings taxable income to an amount less than zero, only the part of the deduction that brings taxable income to zero 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 line 18 of Schedule A, and it is transferred to Form M4 line 6. For Unitary filing basis taxpayers, this field is found on line 17 of Schedule CI. If the taxpayer is using a single combined return, this figure is transferred to line 18 of Schedule CI. If the taxpayer is filing separate returns using the combined income method, the figure is transferred to Form M4 line 6. Please note that in previous bulletins the taxable net income after net operating loss amount was labeled Minnesota net income.