

# Minnesota Unrelated Business Income Tax (UBIT)

Instructions for 2018 Form M4NP and supporting schedules.

## Tax Information for Tax-Exempt Organizations

### Website

For forms, tax information and to file and/or pay electronically, go to:

[www.revenue.state.mn.us](http://www.revenue.state.mn.us)

### Phone

651-297-5199

### E-mail

[ubi.taxes@state.mn.us](mailto:ubi.taxes@state.mn.us)

### Forms

Download forms and other tax information at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

*We provide our publications in other formats upon request to persons with disabilities.*

### Address

Minnesota Department of Revenue  
Mail Station 1257  
600 N. Robert St.  
St. Paul, MN 55146-1257

### Sales Tax Exempt Status

651-296-6181 or 1-800-657-3777

Sign up to receive tax-related updates by visiting our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us)

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## What’s New

In January 2023, Minnesota law was updated to recognize the Internal Revenue Code as amended through December 15, 2022.

However, some nonconformity adjustments still apply due to retroactive Minnesota modifications enacted in the tax bill. Use Amended Return checkbox on the M4NP to calculate any remaining nonconformity adjustments.

## Before You File

### You Need a Minnesota Tax ID

Your Minnesota Tax ID is the seven-digit number you’re assigned when you register with the department. Your organization only needs one Minnesota ID number and one federal employer ID number (FEIN) to use for all tax types (e.g., sales, withholding, lawful gambling, unrelated business income tax, etc.).

You must include your Minnesota ID on your return so that your tax filings and payments are properly recorded.

If you do not have a Minnesota ID, you can apply online at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) or call 651-282-5225 or 1-800-657-3605.

## Filing Requirements

Any tax-exempt organization doing business in Minnesota that is required to file one of the federal tax returns listed below is also required to file a Minnesota Form M4NP, *Unrelated Business Income Tax Return*, and pay tax on federal taxable income assignable to Minnesota.

- **Form 990-T** — Exempt organizations with unrelated business income and organizations liable for proxy tax on lobbying and political expenditures;
- **Form 1120-C** — Farmers’ cooperatives, as defined in IRC section 521;
- **Form 1120-H** — Homeowner associations; or
- **Form 1120-POL** — Political organizations.

You must attach to your Form M4NP a complete copy of your federal return, including all supporting schedules. However, copies of **federal Form 990 and 990 EZ are not required to be filed** with the Minnesota Department of Revenue.

## Software-Generated Forms

If you use your own software, the information must be in the same format as our own forms and schedules. If it’s not in the same format, the forms and schedules may be returned to you for correction.

## File Electronically

File your return electronically on our website. Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in. Follow the prompts to electronically file your unrelated business income tax return.

## Due Dates and Extensions

### When is the Return Due?

**All filers.** The due date for filing Form M4NP and paying tax owed is the same as for your federal return (see below). The U.S. postmark date, or date recorded or marked by a designated delivery service, is considered the filing date (postage meter marks are not valid). When the due date falls on a Saturday, Sunday or legal holiday, returns postmarked on the next business day are considered timely. When a return is filed late, the date it is received at the department is treated as the date filed.

**1120-H filers and 1120-POL filers.** File by the 15th day of the fourth month after the end of the tax year.

**990-T filers.** File by the 15th day of the fifth month after the end of the tax year.

**1120-C filers.** File by the 15th day of the ninth month after the end of the tax year.

**Organizations with a short taxable year.** Short-year returns are due by the 15th day of the third month following the month in which the short year ends.

### Extension of Time to File

All organizations are granted an automatic seven-month extension to file Form M4NP. You’re not required to submit a form to Minnesota to receive a filing extension. If you’re filing under an extension, be sure to check the “Filing Under an Extension” box in the top part of Form M4NP.

# General Information (continued)

This is a filing extension only, **not a payment extension**. Any tax not paid in full by the regular due date is subject to penalties and interest (see *Extension Payment* on page 2).

## Payments

There are four types of payments for *Unrelated Business Income Tax* — tax return, extension, estimated tax and amended return payments. You can pay electronically, by credit card or by check. (See *Payment Options* on this page.)

**Note:** If you're currently paying electronically using the ACH credit method, continue to call your bank as usual. If you wish to make payments using the ACH credit method, instructions are available at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

## Extension Payment

Your tax is due by the regular due date, even if you're filing under an extension. Any tax not paid by the regular due date is subject to penalties and interest (see instructions for lines 24 and 25 on pages 3 and 4).

If you're filing after the regular due date, make an extension payment by the regular due date to avoid penalties and interest (see *Payment Options* on this page).

## Estimated Payments

If your estimated unrelated business income tax is more than \$500, you must make quarterly payments based on the entire estimated amount (see *Payment Options* on this page). Payments are due the 15th day of the third, sixth, ninth and 12th months of the tax year. For additional information, see *Estimated Tax Instructions for Unrelated Business Income Tax*.

## Tax Return Payment

If there is an amount due on line 30 of Form M4NP, you must make a tax return payment (see *Payment Options* on this page).

There is no penalty if at least 90 percent of your tax liability is paid by the regular due date (see lines 24 and 25 on pages 3 and 4).

## Amended Return Payment

If there is an amount due on line 30 of your amended return, you must make an amended return payment (see *Payment Options* above).

## Payment Options

If your tax liability for the last 12-month period ending June 30 is \$10,000 or more, or if you're required to pay any Minnesota business tax electronically, you must pay all state taxes electronically. A 5 percent penalty will be assessed if you fail to do so when required.

### ■ Pay Electronically

Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in. To be timely, you must complete your transaction and receive a confirmation number on or before the due date for that payment. You can cancel a payment up to one business day before the scheduled date, if needed. When paying electronically, you cannot use a foreign bank. If you are using the system for the first time and need a temporary password, call 651-282-5225 or 1-800-657-3605.

### ■ Pay by Credit or Debit Card

Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us), and select **Make a Payment**. Select **Credit or Debit Card**. Your payment will be processed by a third-party vendor. The vendor charges a fee for the service.

### ■ Pay by Check

If you are not required to pay electronically and want to pay by check, send your check with a personalized payment voucher. Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and select **Make a Payment**. Select **Check or Money Order**. Print and mail the voucher with a check made payable to Minnesota Department of Revenue. Your check authorizes us to make a one-time electronic fund transfer from your account. You will not receive your canceled check.

## Amending Your Return

Use Form M4NP if you are amending a return for 2017 or later. Check the "Amended return" box at the top part of the return. Use Form M4NPX, *Amended Unrelated Business Income Tax Return/Claim for Refund*, for year 2016 or earlier. Check the "Amended return" box at the top part of the return. For a copy of M4NPX, call 651-297-5199.

If you are amending solely due to the January 2023 Minnesota tax bill, write "Conformity" in red at the top of the Minnesota Form M4NP while checking the Amended Return box.

You must report any change or correction made by the IRS to your federal return within 180 days of the final determination. If you agree with the changes, file an amended M4NP. If you do not agree, send us a letter explaining why the federal changes are incorrect or why they do not change your Minnesota tax. Include a complete copy of your amended federal return or correction notice.

If you do not report the federal changes in the manner or time required, you're subject to a penalty equal to 10 percent of any additional tax due. If you amend your federal tax return, you must also file a copy with us within 180 days.

Failing to report federal tax changes within 180 days increases the period of time during which we may make adjustments to your Minnesota return.

Mail your amended M4NP or M4NPX with a letter explaining the changes to your federal income tax to:

Minnesota Department of Revenue  
Mail Station 1257  
600 N. Robert St.  
St. Paul MN 55146-1257

Do not send these with your current tax return.

## Accounting Period

You must use the same accounting period for Minnesota as you use for reporting your net income under the IRC. If you change your federal accounting period, attach a copy of federal Form 1128, *Application to Adopt, Change or Retain a Tax Year*, to your short-period Minnesota return.

# Form M4NP

Complete Schedule M4NPI and any other applicable schedules before completing Form M4NP. You must include these schedules with your return.

## Completing Your Return

- **If you're filing for a fiscal year**, be sure to enter the beginning and ending dates of the year at the top of Form M4NP. If you're filing a short-taxable year return, you must include the short-year end date.
- **Round amounts to whole dollars.** Drop amounts less than 50 cents and increase amounts 50 cents or more to the next higher dollar.

## Amended Return

If you're filing an amended return to report changes to your Minnesota liability, check the "Amended return" box near the top of your amended return (use Form M4NP for year 2017 and later; use Form M4NPX for year 2016 and earlier). If you amend your federal return, you must also file a copy with us within 180 days (see *Amending Your Return* on page 2.)

## Final Return

If this is your final return, check the "Final return" box in the top part of the return and enter your close date.

Attach an explanation and a copy of merger papers, dissolution date and distribution papers.

## NAICS Codes

Enter the six-digit NAICS codes that best describe your business activities (enter at least one). If you file federal Form 990-T, use the same codes that are reported on that form.

If you do not know your NAICS codes, go to [www.census.gov/eos/www/naics/index.html](http://www.census.gov/eos/www/naics/index.html). Search the most recent NAICS list.

## Line Instructions

### Federal Taxable Income Before Minnesota Subtractions

If you're filing federal Form:	Enter amount from line:
990-T	33
1120-C	25c
1120-H	17
1120-POL	17c

### Line 5

#### Federal Taxable Income or (Loss) after Subtractions

Total subtractions (line 4 of Form M4NP) cannot be used to create or increase a loss on line 5.

- If line 3 is a gain and the subtractions reported on line 4 are less than line 3, subtract line 4 from line 3. Enter the result on line 5.
- If line 3 is a gain and the subtractions reported on line 4 are greater than line 3, enter zero on line 5.
- If line 3 is a (loss), enter the amount from line 3 on line 5.

### Line 7

#### Net Operating Loss Deduction

You must limit your net operating loss deduction to 80% (.80) of line 6. A net operating loss incurred in a prior year and not previously used to offset net income may be deducted on line 7. Complete and attach Form M4NP NOL, *Net Operating Loss Deduction*.

### Line 12

#### Proxy Tax (990-T Filers Only)

If you lobby Minnesota state and/or local government and pay proxy tax to the IRS, you're subject to Minnesota proxy tax on the amount attributable to Minnesota.

Multiply 9.8 percent (0.098) by the amount attributable to Minnesota that is included in the amount subject to federal proxy tax. Enter the result on line 12.

### Line 16

#### Minnesota Nongame Wildlife Fund

You can help preserve Minnesota's rare and endangered animals and plants by donating to this fund. Your donation will decrease your refund or increase your balance due.

For more information about the fund, go to the Minnesota Department of Natural Resources website at [www.dnr.state.mn.us](http://www.dnr.state.mn.us).

### Line 19

#### Amount Credited from Your 2017 Return

If your 2017 return showed an overpayment that was to be credited to your 2018 estimated tax, enter that amount on line 19.

### Line 20

#### 2018 Estimated Tax Payments

Enter the total estimated tax payments made for the year.

### Line 21

#### 2018 Extension Payment

Enter any payment made by the regular due date of your return.

### Lines 24 and 25

#### Penalty and Interest

Penalties are collected in addition to any additional charge for underpaying tax.

### Line 24

#### Penalties

To determine the amount of penalties you owe, use the following penalty descriptions to complete the worksheet on page 4. Attach a copy of the worksheet to your return.

**Late payment.** A penalty is due if you do not pay at least 90 percent of your total tax by the regular due date. The penalty is 6 percent of the unpaid tax on line 23.

There is no penalty if at least 90 percent of your total tax is paid by the regular due date, and any remaining balance is paid by the extended due date. You must calculate interest, however, on the remaining balance.

**Other penalties.** If you understate your tax by more than 10 percent or \$10,000, whichever is more, the penalty is 20 percent of the underpayment.

If you intentionally do not file a return to evade paying tax, or if you file a false or fraudulent return, the penalty is 50 percent of the tax due.

If you're negligent or intentionally disregard the law or rules (but without intent to defraud), the penalty is 10 percent of any additional tax assessed.

If you do not file a return within 30 days of a written demand from the department, a penalty of 5 percent of the tax, or \$100, whichever is greater is added to the tax.

**Late filing.** If you file after the extended due date and owe tax, you must pay an additional penalty for filing late. The late-filing penalty is 5 percent of the unpaid tax on line 23.

**Balance not paid.** An additional penalty of 5 percent of the unpaid tax is due if the return is filed after the regular due date with a balance due, and that balance is not paid at the time of filing.

**Payment method.** If you're required to pay electronically and do not, an additional 5 percent penalty applies to payments not made electronically, even if a paper check is sent on time.

**Understatement of tax.** If you understate your tax by more than 10 percent or \$10,000, whichever is more, the penalty is 20 percent of the underpayment.

**Intentional evasion of tax.** If you intentionally do not file a return to evade paying tax, or if you file a false or fraudulent return, the penalty is 50 percent of the tax due.

*Continued*

# Form M4NP (continued)

**Negligent or intentional disregard.** If you're negligent or intentionally disregard the law or rules (but without intent to defraud), the penalty is 10 percent of any additional tax assessed.

**Extended delinquency.** If you do not file a return within 30 days of a written demand from the department, a penalty of 5 percent of the tax, or \$100, whichever is greater is added to the tax.

You should also be aware of the following: It's a gross misdemeanor to knowingly not file a return or pay a tax when required. If you willfully attempt to evade or defeat a tax or tax law, the action becomes a felony.

It's a felony to knowingly file a false or fraudulent return; or to knowingly help someone prepare, or advise someone on how to prepare, a false or fraudulent return.

## Line 25

### Interest

You must pay interest on the unpaid tax plus penalty from the regular due date until the total is paid. Complete the worksheet on this page to determine line 25.

The interest rate for calendar year 2019 is 5 percent. Check our website to determine the interest rate for other years.

## Line 26

### Additional Charge for Underpayment of Estimated Tax

If you did not pay the correct amount of estimated tax, you may have to pay an additional charge for underpayment of estimated tax.

**These instructions no longer apply.**

If your 2018 tax on Form M4NP, line 15, less any refundable credits on line 18, is more than \$500, use Schedule M15NP, *Additional Charge for Underpayment of Estimated Tax*, to figure the additional charge or to show that you qualify for an exception. Attach Schedule M15NP to your return.

## Line 33

If you want your refund to be directly deposited into your checking or savings account, enter the routing and account numbers.

The **routing number** must have nine digits.

You can find your bank's routing number and account number on the bottom of your check.



The **account number** may contain up to 17 digits (both numbers and letters). Enter the

number and leave out any hyphens, spaces and symbols.

If the routing or account number is incorrect or is not accepted by your financial institution, your refund will be sent to you in the form of a paper check.

By completing the banking information on line 33, you're authorizing the department and your financial institution to initiate electronic credit entries, and if necessary, debit entries and adjustments for any credits made in error.

## Signatures

The return must be signed by a person designated by the organization. Include the person's title and daytime phone.

**Preparer information.** If you pay someone to prepare your return, the preparer must sign the return, and also fill in his or her PTIN and daytime phone number.

To authorize the department to discuss the return with the preparer, check the authorization box.

This authorization remains in effect until you notify the department in writing (either by mail or fax) that the authorization is revoked.

**Email correspondence.** If the department has questions regarding your return and you want to receive correspondence by email, or have your preparer receive it by email, enter the email address and check if it

## Assembling Your Paper Return and Attachments

If you're filing a paper return, organize your Form M4NP and schedules (when required) in the following order:

- 1 Form M4NP, including page 2 if it is not printed on the back of your Form M4NP
- 2 Schedules M4NPI, M4NPA, and M4NPNOL
- 3 Schedule ETP

Attach any additional information requested and a complete copy of your 2018 federal return filed with the IRS, including the Net Operating Loss (NOL) and all supporting schedules. Your Minnesota tax return will not be considered complete unless all required federal returns are attached.

belongs to an employee of the organization or the preparer.

By providing an email address, you're authorizing the department to correspond with you or the designated person over the internet, and you understand that the organization's nonpublic tax data may be transmitted over the internet.

You also accept the risk that the data may be accessed by someone other than the intended recipient. The department is not liable for any damages the organization may incur as a result of an interception.

## Worksheet to Determine Lines 24 and 25

If you're paying your tax after the regular due date, you must include appropriate penalties and interest with your payment. Complete the worksheet below using the instructions for lines 24 and 25 beginning on page 3. Attach a copy of this worksheet to your return.

- 1 Tax not paid by the regular filing due date . . . . . \_\_\_\_\_
- 2 Late payment penalty\*. Multiply step 1 by 6% (.06) . . . . . \_\_\_\_\_
- 3 Late filing penalty. If you're filing your return after the extended due date, multiply step 1 by 5% (.05) . . . . . \_\_\_\_\_
- 4 Extended delinquency. If your return is filed after the regular due date with a balance due, multiply step 1 by 5% (.05), or \$100, whichever is greater . . . . . \_\_\_\_\_
- 5 Electronic payment. If you're required to pay electronically and you do not, multiply your payment amount by 5% (.05) . . . . . \_\_\_\_\_
- 6 Penalties. Add steps 2 through 5, and enter the result here and on Form M4NP, line 24 . . . . . \_\_\_\_\_
- 7 Number of days the tax is late\*\* . . . . . \_\_\_\_\_
- 8 Enter the applicable interest rate. For 2019, the rate is 5% (.05) . . . . . \_\_\_\_\_
- 9 Multiply step 7 by step 8 . . . . . \_\_\_\_\_
- 10 Divide step 9 by 365 (carry to five decimal places) . . . . . \_\_\_\_\_
- 11 Interest. Multiply the sum of steps 1 and 6 by step 10. Enter the result here and on Form M4NP, line 25 . . . . . \_\_\_\_\_

\* If you paid at least 90 percent of your total tax by the regular due date and any remaining balance by the extended due date, you will not be charged a late payment penalty.

\*\* If the days fall in more than one calendar year, determine steps 7–11 separately for each year.



# Schedule M4NPI

## Additions

Include any additions you received as a partner in a partnership (include Schedule KPC with your return).

### Line 1

#### a. Losses computed separately for each trade or business activity due to federal changes not adopted by Minnesota

Use if you have more than one unrelated trade or business activity which resulted in a loss (or losses) that you were unable to claim on your federal return due to Tax Cuts and Jobs Act (TCJA) Section 13702. Enter the total loss as a negative amount on Line 1a.

#### b. Additions due to federal changes not adopted by Minnesota

Enter the amount of any other additions to federal taxable income that you were unable to claim on your federal return due to TCJA. Provide an explanation on the space provided.

## Subtractions

Include any subtractions you received as a partner in a partnership (include Schedule KPC with your return).

### Line 2

#### a. Advertising

Enter revenues from a newspaper published by a section 501(c)(4) organization.

#### b. Lawful Gambling Expenditures

Certain lawful gambling expenditures are not allowed on the federal return. Enter the amount of expenditures noted in Minnesota Statute 349 that you did not claim on your federal return.

#### c. Subtractions due to federal changes not adopted by Minnesota

Enter the amount of any subtractions to federal taxable income that you were unable to claim on your federal return due to TCJA. Provide an explanation on the space provided.

#### d. Other Subtractions

If other subtractions enacted into law apply to you for the tax year, enter the amount on line 2d. Provide an explanation on the space provided.

## Deductions

Include any deductions you received as a partner in a partnership (include Schedule KPC with your return).

### Line 3

#### a. Federal Specific, Special and Section 1382 Deductions

Enter the specific, special and/or the section 1382 deduction you took on your federal return.

#### b. Other Deductions

If other deductions enacted into law apply to you for the tax year, enter the amount on line 3b. Provide an explanation on the space provided.

## Credits Against Tax

Credits against tax are nonrefundable and are limited to your tax liability. Include any credits you received as a partner in a partnership (include Schedule KPC with your return).

### Line 4

#### a. Employer Transit Pass Credit

If you purchase transit passes to sell or give to your employees, you may be eligible for this credit. The credit is 30 percent of the difference between the price you paid for the passes and the price charged employees. Complete and attach Schedule ETP, *Employer Transit Pass Credit*.

#### b. SEED Capital Investment Credit

If you invest in a qualified business in Breckenridge, Dilworth, East Grand Forks, Moorhead or Ortonville, and the business has been certified by the Minnesota Department of Employment and Economic Development as qualifying for the SEED capital investment program, you may qualify for this credit.

The credit is equal to 45 percent of the amount invested in a qualified business, up to \$112,500 per year. The credit may be carried forward for up to four years.

#### c. Owners of Agricultural Assets

If you are an owner of agricultural assets and sell or rent agricultural assets to a beginning farmer, you may be eligible for this credit.

#### d. Other Credits Against Tax

If other credits against tax enacted into law apply to you for the tax year, enter the amount on line 4d. Provide an explanation on the space provided.

## Refundable Credits

Include any credits you received as a partner in a partnership (include Schedule KPC with your return).

### Line 5

#### a. Historic Structure Rehabilitation Credit

To qualify for this credit, you must be eligible for the federal Historic Rehabilitation Credit for improving a certified historic structure located in Minnesota and have your application approved by the State Historic Preservation Office (SHPO) of the Minnesota Historical Society. For details, go to [www.mnhs.org/shpo](http://www.mnhs.org/shpo).

**On line 5a, enter the NPS project number from the credit certificate you received from SHPO, and:**

- **If your credit application was submitted to SHPO on or before December 31, 2017, report the credit amount shown on your credit certificate.**
- **If your credit application was submitted to SHPO after December 31, 2017, report one-fifth of the credit amount shown on your credit certificate.**

**Include the credit certificate when you file your return.**

#### b. Other Refundable Credits

If other refundable credits enacted into law apply to you for the tax year, enter the amount on line 5b. Provide an explanation on the space provided.

# Schedule M4NPA

Complete Schedule M4NPA if you conduct business both in and outside Minnesota.

## Single-Sales Factor Apportionment

After a number of years of increasing the weight of the sales factor and decreasing the weights of the property and payroll factors in the three-factor apportionment formula, Minnesota has now fully transitioned to the single-sales factor apportionment method.

Financial institutions, read *Apportionment for Financial Institutions* on page 7.

## Nonapportionable Income

### Line 2

Nonbusiness income is income that cannot be apportioned because of the United States Constitution. Nonbusiness income is allocated by assignment based on the type of property that gives rise to the income. Nonapportionable income must be reduced by the expenses incurred to generate the nonapportionable income.

Frequently used assignment rules are:

- Income/gains from tangible property not employed in the trade or business is allocated to the state in which the property is located.
- To determine the gain or loss on the sale of a partnership's interest not employed in the trade or business, divide the original cost of the partnership's tangible property in Minnesota by the original cost of all tangible property of the partnership. (Tangible property includes real estate, inventory and equipment.) If you do not have these numbers, contact the partnership.

If more than 50 percent of the partnership's assets are intangibles, the gain/loss is allocated to Minnesota using the partnership's prior year's sales factor.

Other assignment rules are in M.S. 290.17, subd. 2. Income not assigned in any particular manner is allocated by assignment to the taxpayer's state of domicile.

Business income is all income except nonbusiness income. Business income is subject to apportionment.

## Sales

### Line 4

#### Sales or Receipts

Enter your sales in Minnesota (see *Determining Minnesota Sales* below) for the tax year in column A and your total sales in column B.

#### Determining Minnesota Sales

##### Real Property

Sales, rents, royalties and other income from real property are attributed to the state in which the property is located.

##### Tangible Personal Property

Sales of tangible personal property are attributed to Minnesota if the property is received by the purchaser within Minnesota and the taxpayer is taxed in this state, regardless of the f.o.b. point, other conditions of sale, or the ultimate destination of the property.

Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation regardless of the f.o.b. point or other conditions of sale.

Property is received by a purchaser in Minnesota if the recipient is located in Minnesota, even if the property is ordered from outside Minnesota.

**Sales of tobacco products, beer, wine and other alcoholic beverages** to someone licensed to resell the products only within the state of ultimate destination is a sale in the destination state.

**Receipts from leasing or renting** tangible personal property, including finance leases and true leases, are attributed to the state in which the property is located. Receipts from the lease or rental of moving property are attributed to Minnesota to the extent the moving property is used in Minnesota.

The extent of use is determined as follows:

- A motor vehicle is used wholly in the state in which it is registered.
- Receipts from rolling stock are assigned to Minnesota in the ratio of miles traveled in Minnesota to total miles traveled.
- Receipts from aircraft are assigned to Minnesota in the ratio of landings in Minnesota to total landings.
- Receipts from vessels, mobile equipment and other mobile property are assigned to Minnesota in the ratio of days the property is in Minnesota to the total days of the tax year.

#### Intangible Property

Sales of intangible property are attributed to the state in which the property is used by the purchaser.

**Royalties, fees and similar income** received for the use of, or privilege of using, intangible property (such as patents, copyrights, trade names, franchises or similar items) are attributed to the state in which the property is used by the purchaser.

Intangible property is attributed to Minnesota if the purchaser uses the property, or rights in the property, to conduct business within this state, regardless of the location of the purchaser's customers.

If the property is used in more than one state, then the sales or royalties must be apportioned to Minnesota pro rata based on the portion of use within this state. If you cannot get the portion of use in Minnesota, then exclude the sales or royalties from both the numerator and the denominator of the sales factor.

#### Services

Receipts from the performance of services are attributed to the state in which the services are received.

Receipts from services provided to an organization may only be attributed to a state in which it has a fixed place of doing business.

If you cannot determine where the service was received, or if it was received in a state where the organization doesn't have a fixed place of business, use the location of the office of the customer from which the service was ordered.

If you cannot determine the ordering office, use the office location to which the service was billed.

### Line 5

**Unitary businesses:** Column A must be the total of all business activities attributable to Minnesota. Column B must include the total values of all business activities conducted within and outside of Minnesota.

*A unitary business exists whenever there is a unity of ownership, operation and use. Unity is also presumed when business activities or operations are of mutual benefit to, dependent upon or contributory to one another, either individually or as a group. A business is unitary if there is functional integration, centralized management and economies of scale (M.S. 290.17, subd. 4).*

*Continued*

# Schedule M4NPA (continued)

## Unitary Businesses Only Sales of Non-filing Entities

All sales of a unitary business attributable to Minnesota must be included on the group's combined return. On line 5 of the Form M4NPA, enter all sales of the unitary business attributable to Minnesota that are not included on line 4. (M.S. 290.17, subd. 4[h])

## Line 7 Minnesota Apportionment Factor

Divide column 6a by column 6b and carry the result to six decimal places. Enter the result on line 7. This is your sales factor.

The sales factor includes all sales, rents, gross earnings or receipts received in the ordinary course of your business, except:

- interest
- dividends
- sales of capital assets under IRC section 1221
- sales of property used in the business, except sales of leased property that is regularly sold as well as leased
- sales of stock or sales of debt instruments under IRC section 1275(a)(1).

## Line 9 Minnesota Nonapportionable Income

Enter the income included on line 2 of Schedule M4NPA that is assigned to Minnesota.

## Apportionment for Financial Institutions

In general, a financial institution is any national or state bank, bank holding company, savings and loan, or any other corporation that does business that a bank or other financial institution would be authorized to do.

Financial institutions complete Form M4NPA the same way that other nonprofit organizations would, with the exception of sales.

### Line 4 Sales or Receipts Factor

Financial institutions use a receipts factor instead of a sales factor.

Include the gross income from activities in the ordinary course of business, including income from securities and money market instruments.

The following is considered Minnesota income:

- interest income from loans secured by real or tangible personal property located in Minnesota;
- interest on consumer loans not secured by real or tangible personal property if the borrower is a Minnesota resident;
- interest on commercial loans not secured by real or tangible personal property if the proceeds are applied in Minnesota;
- merchant discount income if the merchant is located in Minnesota;
- receipts from travelers checks if purchased in Minnesota;
- receipts from credit cards if regularly billed in Minnesota;

- receipts for regulated financial institutions from securities, based on the ratio of total deposits from Minnesota to total deposits in and outside Minnesota;
- receipts for nonregulated financial institutions from securities, based on the ratio of gross business income from Minnesota to total gross business income;
- receipts from secondary market assets treated in the same way as securities;
- receipts from the performance of services received in Minnesota.