



# 2024 M3BBA, Partnership Audit Report

Reviewed year beginning (MM/DD/YYYY)     /    /     and ending (MM/DD/YYYY)     /    /    

Electing Partnership's Name	Federal ID Number	Minnesota Tax ID Number
Audited Partnership's Name (if different than Electing Partnership)	Federal ID Number	Minnesota Tax ID Number

## Part 1 — Federal Adjustments

- 1 Net reviewed year adjustments ..... 1 \_\_\_\_\_
- 2 Distributive share of adjustments to exempt non-UBIT partners (see instructions) ..... 2 \_\_\_\_\_
- 3 Distributive share of adjustments reported by direct partners on amended Minnesota and federal returns..... 3 \_\_\_\_\_
- 4 Add lines 2 and 3 ..... 4 \_\_\_\_\_
- 5 Subtract line 4 from 1 ..... 5 \_\_\_\_\_

## Part 2 — Allocation Between Partners

*(Carry to 5 decimal places)*

- 6 Distributive share of direct corporate partners and direct exempt UBIT partners ..... 6 \_\_\_\_\_
- 7 Distributive share of direct individual resident partners. .... 7 \_\_\_\_\_
- 8 Distributive share of direct estate, trust, and nonresident individual partners ..... 8 \_\_\_\_\_
- 9 Distributive share of tiered partners ..... 9 \_\_\_\_\_
- 10 Add lines 6 through 9. Result must equal 1.00000 ..... 10 \_\_\_\_\_

## Part 3 — Minnesota Source Income

- 11 **Total Nonbusiness Income.** Enter the portion of line 5 that is nonbusiness income..... 11 \_\_\_\_\_
- 12 **Business Income.** Subtract line 11 from line 5 ..... 12 \_\_\_\_\_
- 13 **Corrected Apportionment Percentage.** From line 5c of your corrected Form M3A ..... 13 \_\_\_\_\_
- 14 **Minnesota Source Business Income.** Multiply line 12 by line 13 ..... 14 \_\_\_\_\_
- 15 **Minnesota Assigned Nonbusiness Income.** Enter the portion of line 11 that is assignable to Minnesota. .... 15 \_\_\_\_\_  
Do not include amounts assignable to the state of domicile *(see instructions)*
- 16 Add lines 14 and 15 ..... 16 \_\_\_\_\_
- 17 **Nonbusiness Income Assignable to the State of Domicile.** Subtract line 15 from line 11 ..... 17 \_\_\_\_\_

## Part 4 — Direct Corporate and Direct Exempt UBIT Partners

- 18 Multiply line 16 by line 6 ..... 18 \_\_\_\_\_
- 19 Multiply line 17 by the percentage of direct corporate and direct exempt UBIT partners that are domiciled in Minnesota. Total percentage cannot exceed line 6 *(see instructions)* ..... 19 \_\_\_\_\_
- 20 Minnesota corporate modifications to net adjustments, if any ..... 20 \_\_\_\_\_



Electing Partnership's Name	Federal ID Number	Minnesota Tax ID Number
21 Enter the sum of lines 18, 19 and 20. The amount entered on this line must be a positive number . . . . .		<b>21</b> _____
<b>Part 5 — Direct Individual Resident Partners</b>		
22 Multiply line 5 by line 7 . . . . .		<b>22</b> _____
23 Minnesota individual modifications to net adjustments, if any . . . . .		<b>23</b> _____
24 Enter the sum of lines 22 and 23. The amount entered on this line must be a positive number . . . . .		<b>24</b> _____
<b>Part 6 — Direct Estate, Trust, and Individual Nonresident Partners</b>		
25 Multiply line 16 by line 8 . . . . .		<b>25</b> _____
26 Multiply line 17 by the percentage of direct estate and trust partners that are domiciled in Minnesota. Total percentage cannot exceed line 8 ( <i>see instructions</i> ) . . . . .		<b>26</b> _____
27 Minnesota individual, estate, and trust modifications to net adjustments, if any . . . . .		<b>27</b> _____
28 Enter the sum of lines 25, 26, and 27. The amount entered on this line must be a positive number . . . . .		<b>28</b> _____
<b>Part 7 — Tiered Partners</b>		
29 Enter the sum of lines 16 and 17 . . . . .		<b>29</b> _____
30 Multiply line 29 by line 9 . . . . .		<b>30</b> _____
31 Enter the amount from Part 9 on page 3. This is the portion of line 17 attributable to nonresident indirect partners. . . . .		<b>31</b> _____
32 Subtract line 31 from line 30 . . . . .		<b>32</b> _____
33 Minnesota modifications to net adjustments, if any. . . . .		<b>33</b> _____
34 Enter the sum of lines 32 and 33. The amount entered on this line must be a positive number . . . . .		<b>34</b> _____
<b>Part 8 — Tax Calculation</b>		
35 Multiply line 21 by 9.80% (0.098) . . . . .		<b>35</b> _____
36 Enter the sum of lines 24, 28, and 34 . . . . .		<b>36</b> _____
37 Multiply line 36 by 9.85% (0.0985) . . . . .		<b>37</b> _____
38 <b>Total Tax.</b> Enter the sum of lines 35 and 37. Enter the amount here and on line 5 of Form M3X. . . . .		<b>38</b> _____

Continued next page





Electing Partnership's Name

Federal ID Number

Minnesota Tax ID Number

Part 9 — Schedule of Nonresident Indirect Partners

A. Name	B. FEIN/Social Security Number	C. Owners Address, City, State, ZIP	D. Amount Assigned to State of Residency	E. State of Residency

If there are more than 10 indirect nonresident partners identifiable, attach additional Parts 9 as an attachment.

Total. Enter on line 31.

I declare that this return is correct and complete to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Current Partnership Representative

\_\_\_\_\_  
Date (MM/DD/YYYY)

\_\_\_\_\_  
Print Name of Current Partnership Representative

\_\_\_\_\_  
Email Address

\_\_\_\_\_  
Paid Preparer's Signature if Other Than Representative

\_\_\_\_\_  
Preparer's PTIN

\_\_\_\_\_  
Date (MM/DD/YYYY)





# State Partnership Representative Designation

Read the instructions before completing this designation.

Complete the State Partnership Representation Designation if your partnership wants to designate another person as its state partnership representative. If this designation is not completed, the state partnership representative will be the same as the partnership's federal partnership representative.

_____ Partnership's Name		_____ Federal ID Number	_____ Minnesota Tax ID Number
_____ Name of Designee		_____ Taxpayer Identification Number	
_____ Mailing Address or PO Box		_____ Phone Number	
_____ City	_____ State	_____ ZIP Code	_____ Email Address

The individual named above is designated as the Minnesota partnership representative. This person has the sole authority to act on behalf of the partnership before the Minnesota Department of Revenue. The partnership's direct partners and indirect partners shall be bound by those actions.

**This election is not valid until it is signed and dated by someone with legal authority to sign agreements on behalf of the partnership.**

*I certify that I have the legal authority to sign this designation form.*

_____ Signature	_____ Date (MM/DD/YYYY)	_____ Address, if Different from Taxpayer		
_____ Print Name and Title	_____ Phone Number	_____ City	_____ State	_____ ZIP Code



FINAL DRAFT 10/1/24

# 2024 M3BBA, Partnership Audit Report Instructions

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Complete when electing to report and pay Minnesota tax at the partnership-level as a result of federal partnership-level audit changes.

## Purpose of This Schedule

Schedule M3BBA is to be used by a partnership to both file a federal adjustments report and elect to report and pay the Minnesota income tax, penalty, and interest resulting from a federal BBA centralized partnership audit change on its partners' behalf ("partnership pays election"). Schedule M3BBA must be filed with a Form M3X as a supplemental schedule.

The partnership pays election includes four groupings of taxpayers to calculate the total tax due. This total tax is the sum of the tax due after allocating the federal adjustments between these taxpayer groupings:

1. Tax due from direct corporate partners and direct exempt UBIT partners
2. Tax due from direct individual resident partners
3. Tax due from direct estate and trust partners and direct individual nonresident partners
4. Tax due from tiered partners

## BBA Centralized Partnership Audit Regime

The Bipartisan Budget Act of 2015 (BBA) was signed into federal law on November 2, 2015, which included enactment of the centralized partnership audit regime. This regime generally requires federal partnership audit adjustments and tax collections to be made at the partnership-level. The BBA is generally effective for tax years beginning after December 31, 2017, except for partnerships that made an early opt-in election under 26 CFR § 301.9100-22T.

## Who Should File Schedule M3BBA?

If your partnership was audited by the Internal Revenue Service (IRS) under the BBA centralized partnership audit regime and that federal audit resulted in adjustments that affect the Minnesota tax liability, then your partnership and its direct and indirect partners may elect to report and pay their Minnesota tax liability at the partnership-level.

To report and pay your partners' Minnesota tax liability at the partnership-level, your partnership must complete Schedule M3BBA and include it with your Form M3X, *Amended Partnership Return*.

Unless a partner is excluded from the calculation by Minnesota Statute, the election to pay at the partnership-level relieves the partner from filing a return to report their pro rata share of the federal adjustments.

If the audited partnership does not make the partnership pays election, each tiered partnership partner may choose to make the election as an electing partnership.

Your partnership may **not** make an election to pay at the partnership-level if:

- The federal adjustments result in unitary business income to a corporate partner required to file as a member of a combined report.
- Any final federal adjustments result from an administrative adjustment request.
- Your partnership is not subject to any reporting or payment obligations to Minnesota.

## If Your Partnership Does Not Make a Partnership Pays Election

If your partnership does not elect to report and pay the federal adjustments at the partnership-level through this schedule, then your partnership and each partner must file an amended Minnesota return for the reviewed years and report their pro rata share of the federal adjustments.

In addition, no later than 90 days after the final determination date, your partnership must:

- File Form M3X with the department and includes the following:
  - A copy of the federal partnership audit report (federal Form 15027 and Form 886-A)
  - Pro-forma amended federal Form 1065 and Schedules K-1 for direct partners
  - Amended Schedules KPI and KPC for direct partners
- Notify each direct partner of their distributive share of the final federal adjustments by providing each direct partner their applicable pro-forma Schedule K-1 and amended Schedule KPI or KPC.
- Include with Form M3X any amended composite reporting and payment for all direct partners who were included in composite tax in the reviewed year.
- Include with Form M3X any amended nonresident withholding reporting and payment for all direct partners who were subject to nonresident withholding under Minn. Stat. § 290.92, subd. 4b in the reviewed year.
- Include with Form M3X an amended Schedule PTE and payment for any additional PTE tax if the electing partnership elected the pass-through entity tax on their original return filing.

No later than 180 days after the final determination date, each direct partner, other than a tiered partner, must file an amended return with the department. Direct partners must use the pro-forma Schedule K-1 and amended Schedule KPI or KPC received from the partnership or tiered

FINAL DRAFT 10/1/24

# 2024 M3BBA, Instructions (Continued)

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partner to generate a pro-forma amended federal return and amended Minnesota income tax return. The direct partner must file the amended Minnesota income tax return with the department and pay any tax due.

When a tiered partner receives an amended Schedule KPC along with a pro-forma federal Schedule K-1 from an audited partnership, the tiered partner can make an election to pay at the partnership-level or must report the adjustments as described in this section

Only file Schedule M3BBA if you are making the election to pay the federal audit changes at the partnership-level.

## When to File and Pay if your Partnership Makes a Partnership Pays Election

No later than 90 days after the final determination date of the federal audit change, your partnership must file Form M3X and Schedule M3BBA. You must include a copy of the federal partnership audit report (federal Form 15027 and Form 886-A) as an attachment to Schedule M3BBA.

Your partnership must pay the partnership-level tax no later than 180 days after the final determination date.

Your partnership may make estimated payments on the tax liability expected to result from a pending IRS audit. If your partnership plans to elect to pay the tax liability at the partnership-level, the estimated tax payments should be made under your partnership's MN ID number. Please see the M3X instructions for more details regarding how to make estimated tax payments.

## Who Must Sign

Schedule M3BBA must be signed by the state partnership representative.

The state partnership representative is the same as the partnership's federal partnership representative unless a separate state designation is made. To designate a different person as the state partnership representative, see the designation form on page 4 of Schedule M3BBA. Also see the instructions on page 5 for more details.

## Definitions

**Audited Partnership:** A partnership subject to a federal adjustment resulting from a partnership-level audit.

**Corporate Partner:** A partner that is subject to tax under Minn. Stat. § 290.02.

**Direct Partners:** A partner that holds an immediate legal ownership interest in a partnership or pass-through entity.

**Exempt Partner:** A partner that is exempt from taxes on its net income under Minn. Stat. § 290.05, subd. 1.

**Federal Adjustment:** Any change in an amount calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an item of preference, or any other item that is used by a taxpayer to compute a tax administered under Minnesota Chapter 289A for the reviewed year. The change can result from either of the following:

- Action by the IRS or other competent authority, including a partnership-level audit
- The filing of an amended federal return, federal refund claim or an administrative adjustment request by the taxpayer

As determined under Minn. Stat. § 290.01, subd. 29, a federal adjustment is positive to the extent that it increases taxable income and is negative to the extent that it decreases taxable income.

**Federal Adjustments Report:** An amended Minnesota tax return used to report federal adjustments. See **If Your Partnership Does Not Make a Partnership Pays Election** on page 1 for more details on how to provide the report to the department.

### Final Determination Date:

For a federal adjustment arising from one of the following:

- An audit by the IRS or other competent authority, the first day on which no federal adjustment from that audit remains to be finally determined. This could be by either of the following:
  - Agreement
  - If appealed or contested, a final decision with respect to which all rights of appeal have been waived or exhausted
- An audit or other action by the IRS or other competent authority, if the taxpayer filed as a member of a combined group, the first day on which no federal adjustments arising from that audit remain to be finally determined, as described in the first bullet above, for the entire combined group.
- The filing of an amended federal return, a federal refund claim, or the filing by a partnership of an administrative adjustment request, the date on which the amended return, refund claim, or administrative adjustment request was filed.
- Agreements required to be signed by the IRS and the taxpayer, the date on which the last party signed the agreement.

**Indirect Partner:** A partner in a partnership or pass-through entity that holds either an immediate legal ownership interest in another partnership or pass-through entity or an indirect interest in another partnership or pass-through entity through another indirect partner.

**Partnership-Level Audit:** An examination by the IRS at the partnership level, which results in federal adjustments and adjustments to partnership-related items.

FINAL DRAFT 10/1/24

# 2024 M3BBA, Instructions (Continued)

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**Resident Partner:** An individual, trust, or estate partner who is a resident of Minnesota during the reviewed year as defined under Minn. Stat. § 290.01, subs. 7, 7a, or 7b, in effect for the reviewed year.

**Reviewed Year:** The taxable year of a partnership that is subject to a partnership-level audit from which federal adjustments arise.

**Tiered Partner:** Any partner that is a partnership or pass-through entity.

## Line Instructions

### Reviewed Year

Enter the beginning and ending dates of the reviewed year from which the federal adjustments are being reported on this Schedule M3BBA. If multiple tax years are reviewed during a federal audit, use a separate M3BBA for each reviewed year and file it with the appropriate taxable year's Form M3X.

## Part 1 – Federal Adjustments

### Line 1

Enter the audited partnership's net reviewed year federal adjustment that affects Minnesota taxable income as finally determined. You must include a copy of the federal partnership audit report, (federal Form 15027 and Form 886-A) as an attachment to Schedule M3BBA.

Enter the net federal adjustment as a positive number.

### Line 2

Enter the distributive share of line 1 that is reportable to direct partners exempt from Minnesota taxation under Minn. Stat. § 290.05, subd. 1. Include only the portion attributable to direct partners that are not subject to the Minnesota unrelated business income tax (UBIT).

### Line 3

Enter the distributive share of line 1 that is reported by direct partners on an amended Minnesota return and amended federal return under section 6225(c) of the Internal Revenue Code.

## Part 2 – Allocation Between Partners

Part 2 provides the allocation of the total remaining net federal adjustment to each grouping of partners. All partners not excluded in Part 1 must be included in the election to pay at the partnership-level in this part.

Carry the amounts in lines 6 through 10 to five decimal places.

### Line 6

Include the distributive share attributable to direct corporate partners and direct exempt partners subject to UBIT. The same direct exempt partners should not be included on both lines 2 and line 6.

### Line 7

Include the distributive share attributable to direct individual resident partners.

If a direct individual partner was a part-year resident during the taxable year, determine the number of days the individual was a Minnesota resident and divide that number by 365. Multiply that result by that partner's distributive share percent and include the result on line 7.

### Line 8

Include the distributive share attributable to both of the following:

- Direct estate and trust partners, regardless of residency status
- Direct nonresident individual partners

If the direct nonresident individual partner was a part-year resident during the taxable year, determine the number of days the individual was a nonresident and divide that number by 365. Multiply that result by the partner's distributive share percent and include the result on line 8.

### Line 9

Include the distributive share attributable to all tiered partners, regardless of the residency status of each indirect partner.

### Line 10

Add lines 6 through 9. The result must be 1.00000 (100%). If the result is not 1.00000, adjust the distributive shares entered on lines 6 through 9.

## Part 3 – Minnesota Source Income

### Line 11

Enter on line 11 the portion of line 5 that is nonbusiness income under Minn. Stat. § 290.17, subd. 6. Include with Schedule M3BBA an attachment showing the breakdown of nonbusiness income reported on this line.

FINAL DRAFT 10/1/24

# 2024 M3BBA, Instructions (Continued)

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## Line 12

Subtract line 11 from line 5 to determine the portion of the remaining net federal adjustments that is business income.

## Line 13

Enter on line 13 your partnership's apportionment percentage from line 5c of your corrected Form M3A for the reviewed year. This apportionment percentage must incorporate the federal adjustments applicable to the reviewed year.

## Line 14

Multiply line 12 by line 13 to determine your Minnesota source business income.

## Line 15

Enter the portion of line 11 that is assignable to Minnesota under Minn. Stat. § 290.17, subd. 2, paragraphs (a) through (d).

Do not include income or gains from intangible personal property not employed in the business of the recipient of the income or gains if the recipient of the income or gains is a resident of this state or is a resident trust or estate under Minn. Stat. § 290.17, subd 2(c).

Do not include amounts assignable to the state of domicile under Minn. Stat. § 290.17, subd. 2(e).

## Part 4 – Direct Corporate and Exempt UBIT Partners

### Line 19

Multiply the nonbusiness income assignable to the state of domicile on line 17 by the distributive share percentage of direct corporate and exempt UBIT partners that are domiciled in Minnesota.

Determine this percentage by dividing the distributive share of direct corporate and exempt UBIT partners that are domiciled in Minnesota by the distributive share on line 6.

### Line 20

Enter the net amount of Minnesota modifications relating to the federal adjustments included on lines 18 and 19. Use the corporate modifications within Minn. Stat. §§ 290.0133 and 290.0134. Do not include modifications relating to net operating loss or other partner-level tax attributes. Include an explanation of your modifications.

If the net amount is an addition, include the amount as a positive number on line 20. If the net amount is a subtraction, include the amount as a negative number on line 20.

## Part 5 – Direct Individual Resident Partners

### Line 23

Enter the net amount of Minnesota modifications relating to the federal adjustments included on line 22. Use the individual modifications within Minn. Stat. §§ 290.0131 and 290.0132. Do not include modifications relating partner-level tax attributes. Include an explanation of your modifications.

If the net amount is an addition, include the amount as a positive number on line 23. If the net amount is a subtraction, include the amount as a negative number on line 23.

## Part 6 – Direct Estate, Trust, and Individual Nonresident Partners

### Line 26

Multiply the nonbusiness income assignable to the state of domicile on line 17 by the distributive percentage of direct resident estate and trust partners.

Determine this percentage by dividing the distributive share of direct resident estate and trust partners by the total distributive share on line 8.

### Line 27

Enter the net amount of Minnesota modifications relating to the federal adjustments included on lines 25 and 26. Use the individual, estate, and trust modifications within Minn. Stat. §§ 290.0131 and 290.0132. Do not include modifications relating to partner-level tax attributes. Include an explanation of your modifications.

If the net amount is an addition, include the amount as a positive number on line 27. If the net amount is a subtraction, include the amount as a negative number on line 27.

## Part 7 – Tiered Partners

### Line 31

To determine the amount to enter on line 31, complete **Part 9 - Schedule of Nonresident Indirect Partners**. Only include an amount for the indirect partners for which you can determine the residency or domicile status. See the instructions for Part 9 on page 5 for more details.



FINAL DRAFT 10/1/24

# 2024 M3BBA, Instructions (Continued)

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## Line 33

Enter the net amount of Minnesota modifications relating to the federal adjustments included on line 32. For individual, estate, and trust indirect partners, use the modifications within Minn. Stat. §§ 290.0131 and 290.0132. For corporate indirect partners, use the corporate modifications within Minn. Stat. §§ 290.0133 and 290.0134. Do not include modifications relating to partner-level tax attributes. Include an explanation of your modifications.

If the net amount is an addition, include the amount as a positive number on line 33. If the net amount is a subtraction, include the amount as a negative number on line 33.

## Part 9 – Schedule of Nonresident Indirect Partners

Complete Part 9 to identify your partnership's nonresident indirect partners. If you are unable to determine that your indirect partners are not residents of Minnesota, do not enter them on Part 9 or include an amount relating to the partner on line 31. Only partners listed on Part 9 may include an amount in column D and a relating amount on line 31.

In columns A, B, and C, enter the name, tax ID number, and address of each reviewed year nonresident indirect partner that you can identify as a nonresident. A single member LLC, or other entity, that is disregarded for federal and Minnesota income tax purposes is also disregarded for purposes of this schedule. Report the tax ID number of the partner ultimately taxed.

In column D, enter each nonresident partner's distributive share of the federal adjustments that is assigned to the state of domicile or residency. Only include amounts for partners that are identified in columns A, B, and C. Enter the sum of all amounts reported in column D at the bottom of the column and on line 31.

In column E, enter the partner's state of residency or domicile. This must not be Minnesota. If the partner is not a U.S. resident, enter the country of residency.

## State Partnership Representative Designation

If your partnership wants to designate a person other than its federal partnership representative, complete the *State Partnership Representative Designation* on page 4 of Schedule M3BBA. If this designation is not completed, the state partnership representative will be the same person as the partnership's federal partnership representative.

The state partnership representative has the sole authority to act on behalf of the partnership, and its partners are bound by those actions.

### How do I complete the designation?

Enter the partnership's name, federal ID number, and Minnesota Tax ID number.

Enter the designated state partnership representative's name, address, phone number, taxpayer identification number, and email address.

The designation must be signed and dated by someone with legal authority to sign agreements on behalf of your partnership. Authorized persons must sign, date, print their name and title, and enter their contact information. This designation is not valid until it is signed and dated.

We reserve the right to request additional information as needed to verify identity and authority to sign.

### How do I revoke the designation?

To revoke the designation, an owner, officer, or authorized agent of the partnership, or the designee must send the department a signed and dated statement terminating the designee's authority and designating a new designee, or stating that the federal partnership representative is designated.

Mail the revocation to the following address:

Minnesota Department of Revenue  
Partnership Tax  
Mail Station 5170  
600 N. Robert Street  
St. Paul, MN 55146-5170