# 2023 Minnesota Corporation Franchise Tax Instructions

Includes Instructions for Forms M4, M4I, M4A, and M4T.

## Contents



## Questions?

You can find forms and information, including answers to frequently asked questions and options for filing and paying electronically, on our website at:

**www.revenue.state.mn.us**

**Send us an email at:**
businessincome.tax@state.mn.us

Call us at **651-556-3075**

## Need Forms?

Go to **www.revenue.state.mn.us.**

*This information is available in alternate formats.*

## Before You File

### Complete Your Federal Return

Before you complete Form M4, complete federal Form 1120 and supporting schedules. You will need to reference them.

### Minnesota Tax ID Number

Your Minnesota tax ID is the seven-digit number you're assigned when you register with the department. Generally, this is the same as your sales and use tax or Minnesota employer's withholding tax number.

It's important to include your Minnesota tax ID on your return so that any payments you make are properly credited to your account.

If you don't have a Minnesota tax ID, apply for one online at **www.revenue.state.mn.us** and type **Business Registration** in the search box or call 651-282-5225 or 1-800-657-3605.

## What's New

### Federal Conformity

Minnesota law was updated to generally adopt the Internal Revenue Code (IRC) as amended through May 1, 2023. The 2023 Minnesota income tax forms incorporate federal law through this IRC date.

### Delayed Business Interest Deduction Subtraction

The new delayed business interest deduction allows a subtraction for 1/5th of the amount of the nonconformity adjustment additions required as a result of the CARES Act Section 2306. For more details, see page 10.

### Housing Tax Credit

The new Housing Tax Credit is a nonrefundable credit for qualifying contributions to a state fund. To be eligible for the credit, you must apply to the Minnesota Housing Finance Agency (MHFA) and receive a credit certificate. For more details, visit the MHFA website at www.mnhousing.gov.

### Short Line Railroad Infrastructure Modernization Credit

The new Short Line Railroad Infrastructure Modernization Tax Credit is a nonrefundable credit for railroad reconstruction or replacement expenditures of a Class II or Class III railroad. For more details, see Schedule RAIL.

### Credit for Sales of Manufactured Home Parks to Cooperatives

The new Credit for Sales of Manufactured Home Parks to Cooperatives is a nonrefundable credit for 5% of the amount of the sale. For more details, see Schedule MHP.

### Corporate Net Operating Loss (NOL) Limit

The corporate net operating loss (NOL) deduction limitation is changed from 80% to70% of taxable net income. For more details, see Schedule NOL.

### Dividends Received Deduction (DRD)

The corporate dividends received deduction limitations are reduced to 50% and 40% of dividends received. For more details, see Schedule DIV.

### Global Intangible Low-Taxed Income (GILTI)

Minnesota generally conforms to the federal treatment of GILTI (but not the federal section 250 deduction) and repeals the related Minnesota income tax subtraction modifications. GILTI is treated as dividend income for the purposes of the corporate dividends received deduction and the sales factor.

## Revenue Notices

Revenue Notices are policy statements that provide interpretation, details or supplementary information concerning Minnesota state tax laws or rules. Recently released Revenue Notices regarding corporation franchise tax include:

- 17-12 Corporate Franchise Tax – Sales Factor – Transactional Taxes on Gross Receipts
- 17-09 Corporate Franchise Tax – Net Operating Loss Carryforwards – Sinclair Broad Grp., Inc. v. Comm'r of Revenue. For a complete list of revenue notices and to download copies, go to our website at www.revenue.state.mn.us.

## Filing Requirements

Corporations must file a Minnesota tax return if they transact business or own property in Minnesota, regardless of their state of incorporation.

*Continued*

# General Information

## Forms

### Which Form Should You File?

**Most corporations, other than S corporations**, file Form M4, *Corporation Franchise Tax Return.*

**S corporations** filing federal Form 1120S must file Minnesota Form M8, *S Corporation Return.*

**Nonresident entertainers** file Form ETR, *Nonresident Entertainer Tax.*

**Exempt organizations** file Form M4NP, *Unrelated Business Income Tax Return.* Exempt organizations include:

- Exempt organizations with unrelated business income and organizations liable for proxy tax on lobbying and political expenditures that file federal Form 990-T
- Farmers' cooperatives, as defined in IRC section 521, that file federal Form 1120-C
- Homeowner associations filing federal Form 1120-H
- Political organizations filing federal Form 1120-POL

**Unit investment trusts.** A unit investment trust, as defined in the Investment Company Act of 1940, is not considered a person, corporation, partnership, trust or investment company for Minnesota income tax purposes if it:

- Issues periodic payment plan certificates
- Has assets consisting mostly of a single management company's securities
- Has no power to invest in other types of securities

If a trust meets these conditions, no return needs to be filed. Each holder of an interest in the trust is considered to own a proportionate share of the assets and must report any distributions on their individual income tax return.

**Real estate mortgage investment conduits (REMICs),** valid under IRC section 860D[b], are not required to file a return. Holders of an interest in a REMIC must report their share of income or loss on their individual income tax returns.

### Captive Insurance Companies

A captive insurance company is a company that is licensed as a captive insurance company, or derives less than 50% of its total premiums for the taxable year from sources outside the unitary business.

Unless disqualified, captive insurance companies are not subject to the Minnesota corporate franchise tax and are not part of the Minnesota combined group. They are not required to file an income tax return.

If a member of your combined group owns a captive insurance company, check the box on page 1 of Form M4.

### Disqualified Captive Insurance Companies

A disqualified captive insurance company is a captive insurance company that:

- Pays less than 0.5% of its total premiums for the tax year in tax under MS 297I or a comparable tax of another state, OR
- Receives less than 50% of its gross receipts in the tax year from premiums.

Disqualified captive insurance companies are required to file a corporate franchise tax return as part of the Minnesota combined group.

### Software-Generated Forms

If you use tax preparation 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 will be returned to you for correction.

## Due Dates and Extensions

### When is the Return Due?

Returns, including short-year returns, must be filed by the due date for filing your federal income tax return.

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.

The regular due date for returns filed by cooperative associations (other than IRC section 521 organizations) is the 15th day of the ninth month after the end of the calendar or fiscal year. Check the co-op box at the top of Form M4.

### If You Need an Extension

All corporations are granted an automatic seven-month extension to file Form M4. You are not required to submit a form to Minnesota to receive the seven-month filing extension.

If the Internal Revenue Service (IRS) grants an extension of time to file your federal return that is longer than the Minnesota automatic seven-month extension, your state filing due date is extended to the federal due date.

This is a filing extension only, not a payment extension. Any tax not paid by the regular due date is subject to penalties and interest (see instructions for lines 12 and 13 on page 6-7).

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# General Information (continued)

To pay your extension payment electronically, see **Paying Electronically** on Page 3. If you make your extension payment by check, visit our website at **www.revenue.state.mn.us** and select **Make a Payment** and then **By check** to create a voucher. (Do not use a voucher if you're making your extension payment electronically.)

## Payments

**Unitary businesses:** Payments must be made under the designated filer. See **Filing a Combined Return** on page 4.

### Paying Electronically

If, during the 12 months ending June 30 of the tax year, you paid $10,000 or more in estimated tax payments, you are required to make all future estimate tax payments electronically beginning January 1 of the following tax year. Once you meet the electronic payment threshold, you are required to pay electronically for all future periods.

You must also pay electronically if you're required to pay *any* Minnesota business tax electronically, such as sales or withholding tax. See Payment Method under line 12 Penalty on pages 6 and 7.

### Estimated Payments

If your estimated tax is more than $500, you must make quarterly payments based on the required annual payment.

The required annual payment must be paid in four equal installments unless certain exceptions apply (see instructions for Schedule M15C, *Additional Charge for Underpayment of Estimated Tax*). Payments are due by the 15th day of the third, sixth, ninth and 12th months of the tax year. Installments for a short tax year are due in equal payments on the 15th day of the third, sixth, ninth and final months of the tax year depending on the number of months in the short tax year. No installments are required for a short tax year of fewer than four months.

You can make your payments electronically or by check by creating and printing a voucher on our website at www.revenue.state.mn.us. For the tax-year ending date, enter the ending date of the tax year for which the estimated tax payments are being made. The same date is used for all four quarterly payments. For example, if your tax year ends on December 31, 2023, enter December 2023 for all four payments. If your income is reported using a 52-53 week year, enter the month that ends nearest the last day of your taxable year. For example, if your taxable year goes from September 27, 2023 to October 3, 2024 (53 weeks), enter October 2024 on all four payment vouchers.

The required annual payment is the lesser of 100% of the prior year's tax liability or 100% of the current year's tax liability. A corporation is not required to pay estimated taxes the first year it is subject to tax in Minnesota.

For a large corporation, the required annual payment is 100% of the current year's tax liability. A large corporation is one that had Minnesota taxable net income of $1 million or more in any of the three prior tax years. For the first quarter only, a large corporation may base its installment on 100% of the prior year's tax liability. Any reduction in the installment from using this method must be added to the second installment. For making a large corporation determination, a unitary business is considered one corporation.

### Tax Return Payment

If there is an amount due on line 15 of Form M4 and you are not required to pay electronically, you may pay by check by creating and printing a voucher on our website at www.revenue.state.mn.us.

## Filing Reminders

### Accounting Period

You must use the same accounting period for Minnesota as you use for your federal return. 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.

## Payment Options

*If you're required to pay any Minnesota business tax electronically, you must pay all taxes electronically. A 5% penalty will be assessed if you fail to do so when required.*

- **Pay Electronically**
  Go to **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're 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**, 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**
  Go to **www.revenue.state.mn.us** and select **Make a Payment. Select Check.** Use the **Payment Voucher System t**o create a voucher.
  Your check authorizes us to make a one-time electronic fund transfer from your account. You will not receive your canceled check.

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# General Information (continued)

### When Completing Your Return

- **Enter the beginning and ending dates** of your tax year at the top of Form M4.
- **Round amounts** to whole dollars. Drop amounts less than 50 cents and increase amounts 50 cents or more to the next higher dollar.
- **How to assemble paper filed returns.** Assemble schedules in the order completed behind your Form M4. Attach any additional information requested and a copy of all forms and schedules filed with the IRS for the tax year, including federal Forms 1120-FSC. Be sure to include copies of all supporting schedules, except for federal Forms 1118, 1122, 3115, 5471, 5472 and 5713. Your Minnesota tax return will not be considered complete unless all required federal returns are attached. We will accept the federal return in PDF format on a Compact Disc. **Do not staple or tape any enclosures to your return.**
- **Where to file paper returns.** Mail Form M4 and all completed Minnesota and federal forms and schedules using a mailing label (see page 16).
- **Corporate partners.** Attach a copy of Schedule KPC, *Partner's Share of Income, Credits and Modifications.*
- **If this is your final return,** check the correct box at the top of Form M4. Attach an explanation and a copy of merger papers, dissolution date and distribution papers, or, for S corporations, a copy of your federal approval.
- **If your M4 return shows a refund,** Minnesota law requires you to provide your banking information so that your refund can be deposited electronically.

### Early Audits/Bankruptcy

To request an early audit or notify the department of bankruptcy proceedings, complete Form M22, *Request for Early Audit of Minnesota Income Tax Returns.* If the corporation is in bankruptcy, check the "in bankruptcy" box at the top of Form M4.

## Amending Your Return

Use Form M4X, *Amended Franchise Tax Return*, to report changes to your Minnesota liability or to claim a refund.

If the IRS changes or audits your federal return or you amend your federal return and it affects your Minnesota return, you must amend your Minnesota return. File Form M4X within 180 days after you were notified by the IRS or after you filed your federal amended return. Enclose a copy of the IRS report or your amended federal return with your amended Minnesota return.

If you fail to report federal tax changes within 180 days, you are subject to a penalty equal to 10% of any additional tax due. In addition, the period of time increases during which we may make adjustments to your Minnesota return.

## Unitary Businesses

Below are guidelines for corporations whose activities are part of a unitary business.

### What is a Unitary Business?

"Unitary business" means business activities or operations that result in a flow of value and includes both foreign and domestic companies. A business is presumed to be unitary whenever there is unity of ownership, operation, and use. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

Unity of ownership exists when a corporation is a member of a group of two or more corporations and more than 50% of the voting stock of each member is directly or indirectly owned by a common owner, either corporate or noncorporate, or by one or more of the member corporations of a unitary business.

Unity of operation and use can be shown by centralized management or executive force; or centralized purchasing, advertising, accounting or other controlled activity.

The absence of these centralized activities does not necessarily mean that a business is not unitary. A business is unitary if there is functional integration, centralized management and economies of scale *(MN Rule 8019.0100, subdp. 2a.B).*

### Filing a Combined Return

A unitary business *must* file a combined return. A combined return for Minnesota includes domestic corporations and disqualified captive insurance companies. A combined return does not include regulated investment companies. A combined return also includes foreign entities, other than those treated as C corporations for federal income tax purposes, which are included in the federal taxable income of the unitary business. Foreign corporations which are treated as C corporations for federal income tax purposes and regulated investment companies that have nexus with Minnesota, even if they are part of a unitary business, must file separate tax returns (see *Definitions* below).

One member of the unitary business must be selected as the designated filer to file the return, make payments, receive refunds, and represent the other members of the group in tax matters.

If you are filing a combined return, complete Schedule AFF, *Affiliations for Combined Returns*, and attach it to your return.

### Using the Combined-Income Method

The combined-income method uses single-sales factor apportionment to determine what percentage of the combined business income of a unitary business is reportable to Minnesota by each unitary business member required to file a Minnesota return.

*Continued*

## General Information (continued)

The apportionment factor for each member is determined by dividing the corporation's sales or receipts attributable to Minnesota by the total sales of the entire group, both in and outside Minnesota.

Income and deductions from transactions between members included in the combined return are eliminated to avoid distortion of the group's income or of the sales apportionment factor.

The interest expense limitation under IRC 163(j) must be computed using the combined report entities included in the unitary group. The limitation must be aggregated between combined report entities consistent with the application to a consolidated group for federal income tax purposes.

For all members of a unitary business, sales or receipts attributable to Minnesota and made by any member that doesn't have nexus with Minnesota must be included in the Minnesota sales reported by a member of the group which does have nexus with Minnesota.

If a corporation is part of a unitary business, the entire income (loss) derived from the trade or business of the unitary business is used to figure how much income or loss should be apportioned and reported by that corporation on the combined Minnesota tax return. Income not derived from the trade or business is assigned to Minnesota or another state.

To determine the income (loss) from Minnesota sources for each member of the group, the total apportionable income (loss) of the entire group is multiplied by the apportionment factor of each member.

None of the apportionable income of a unitary business will be considered derived from any particular source or place except as determined by using the combined income method.

### Common Accounting Periods

The combined-income method for a group of related corporations requires the income and sales factors of all corporations be determined on the basis of a common accounting period.

If the members have different accounting periods, the income and sales factor computations of all members should be computed for the same period as the designated filer's normal accounting period *(MR 8019.0405, subp. 4).*

The due date of the return is still determined according to the actual accounting period of the designated filer filing the Minnesota return.

### Estimated Tax

Members of a unitary business must compute the estimated tax using the combined-income method. Estimated tax payments must be made by the designated filer only.

### Definitions

**Nexus**

Corporations that are required to file a Minnesota tax return are referred to as having nexus with Minnesota.

**Designated Filer**

A unitary business filing a combined return must select one of its members to be the designated filer.

The designated filer's name and tax ID numbers go on the face of the corporation franchise tax return and in the heading of Column $B_1$ of each columnar schedule attached to the return. All payments (estimated, extension and tax return) will be made under the Minnesota tax ID number of the designated filer and any refunds will be issued to the designated filer.

**Domestic Corporation**

Any corporation organized under the laws of the United States or any state, the District of Columbia or political subdivision of these, excluding the Commonwealth of Puerto Rico or any possession of the United States. **Domestic international sales corporations (DISCs),** qualifying under IRC section 992(a), are also domestic corporations *(MS 290.01, subd. 5).*

**Foreign Corporation**

A corporation that doesn't meet the definition of a domestic corporation is a foreign corporation *(MS 290.01, subd. 5a).* A foreign corporation which is taxed as a C corporation for federal income tax purposes and has nexus with Minnesota must file a separate return.

# M4 Summary

Complete Forms M4I, M4A, M4T and applicable schedules before completing Form M4. You must include these forms with your M4 return.

### Name and Address of Corporation

Unitary businesses fill in the name of the designated filer (see "Filing a Combined Return" on page 4). Enter the mailing address associated with corporate tax matters.

### Checkbox for Tax Position Disclosure

If you filed Form TPD to disclose items or positions that are not otherwise adequately disclosed on your return. See Form TPD for more details.

### Check box for Public Law 86-272

Check this box to indicate you are claiming to be exempt from Minnesota corporate franchise tax under Public Law 86-272.

### Check box for Captive Insurance Company

Check this box to indicate that a member of the combined group owns a captive insurance company as described on page 2.

### Line Instructions

**Corporate partners:** Include amounts received as a partner that is reported on Schedule KPC. Include Schedule KPC with your return.

### Line 2—Minnesota Nongame Wildlife Fund

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

For more information, go to the Minnesota Department of Natural Resources website at www.dnr.state.mn.us.

### Line 4—Enterprise Zone Credit

You may be eligible for the refundable Enterprise Zone Credit if your business has been approved by the Minnesota Department of Employment and Economic Development (DEED) as employment property in an enterprise zone. Attach the certification document received from the DEED.

For more details about the zones, go to the DEED website at mn.gov/deed/.

### Line 5—Historic Structure Rehabilitation Credit

You may be eligible for the Minnesota Historic Structure Rehabilitation Credit if all of the following apply:

- You made qualified improvements to a certified historic structure in Minnesota.
- The improvements qualify for the federal Historic Rehabilitation Credit under IRC section 47.
- You applied for certificate to the Minnesota State Historic Preservation Office (SHPO) before starting the project.
- SHPO issued a credit certificate upon the project's completion.

On line 5, enter the National Park Service (NPS) project number from the credit certificate you received from SHPO, and:

- The credit amount shown on the credit certificate if the initial application for allocation certificate was submitted to SHPO **on or before** December 31, 2017.
- One-fifth of the credit amount shown on the credit certificate if the initial application for allocation certificate was submitted to SHPO **after** December 31, 2017.

Include the credit certificate you received from SHPO when you file your return.

For details about the Minnesota and federal credits, go to the SHPO website at mn.gov/admin/shpo.

### Line 6—Minnesota Backup Withholding

Minnesota requires backup withholding to be made when the payee is subject to federal backup withholding on reportable payments made for personal services. (IRC section 3406).

Corporations are not subject to backup withholding for certain types of payments, including:

- interest and dividends
- broker transactions
- royalty payments

The Minnesota backup withholding is equal to the payment multiplied by the highest Minnesota tax rate for corporations. Report the taxpayer's backup withholding on line 6 of Form M4.

Include a copy of the federal Form 1120, Form 1099, Schedule KPI, Schedule KS or other documentation showing the amount withheld. If the documentation is not included with your Form M4, the department will disallow the amount and assess the tax or reduce your refund.

### Line 12—Penalty

Penalties are collected as part of the tax and are in addition to any additional charge for underpaying estimated tax.

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**Late payment.** A penalty is due if you don't pay at least 90% of your total tax by the regular due date. The penalty is 6% of the unpaid tax on line 11.

There is no penalty if at least 90% 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 on the remaining balance.

**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% of the unpaid tax on line 11.

**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 do not pay electronically when required, an additional 5 percent penalty applies to payments not made electronically.

**Other Penalties.** There are also civil and criminal penalties for intentionally failing to file a Minnesota return, evading tax, and for filing a frivolous, false, or fraudulent return.

### Line 13—Interest

You must pay interest on the unpaid tax plus penalty from the regular due date until the total is paid. To figure how much interest you owe, use the following formula with the appropriate interest rate (the rate for 2024 is 8%):

Interest = (tax + penalty) x # of days late x interest rate ÷ 365

### Line 14—Additional Charge for Underpayment of Estimated Tax

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

If your tax on Form M4, line 1 (less any credits on lines 4 and 5), is more than $500, use Schedule M15C, *Additional Charge for Underpayment of Estimated Tax,* to figure the additional charge or to show that you qualify for an exception. Attach Schedule M15C to your return.

### Line 16

If line 10 is less than the sum of lines 3 and 12 through 14, subtract line 10 from the sum of lines 3 and 12 through line 14.

### Signatures

The return must be signed by a person authorized by the corporation. If you paid someone to prepare your return, the preparer must also sign and provide their Preparer Tax Identification Number (PTIN) and phone number. Check the box to authorize the department to discuss this return with the preparer. This authority allows us to discuss with your preparer these items from this return: line item details; tax due on original and adjustments made during processing; penalty or interest due; documents received or sent like a tax order or bill; and dates and amounts of payments, credits, or refunds. The authority also allows your preparer to cancel direct deposit or debit payments and submit an abatement request.

The authority granted by a marked return checkbox is valid for one year after the due date for current original returns, or one year from the date the form was submitted for amended and noncurrent original returns.

Checking the box does not give your preparer the authority to sign any tax documents on your behalf, represent you at any audit or appeals conference, or discuss abatement progress. For these types of authorities, you must file Form REV184b, *Business Power of Attorney,* with the department.

# M4I Income Calculation

## Line 1a—Federal Taxable Income Before NOL and Special Deductions

Use the line references below to figure the amount to enter from your federal return.

If the amount you enter on line 1a does not match the amount listed on your federal return, complete Schedule REC, *Reconciliation*, and attach it to your M4 return.

| If you're filing federal Form: | Enter amount from line: |
|---|---|
| 1120 | 28 |
| 1120-F | 29, Section II* |
| 1120-FSC | 18, Schedule B |
| 1120-IC-DISC | 5 |
| 1120-ND | 10 |
| 1120-RIC | 26** |
| 1120-REIT | 22 + 21a |
| 1120-C | 25c |

* There are circumstances when line 1a of your Form M4I does not equal line 29, Section II of your federal Form 1120-F. If the amounts do not match, you must complete Schedule REC, Reconciliation, and attach it to your Minnesota Form M4, Corporation Franchise Tax Return.

**1120-RIC: For Minnesota purposes, the federal taxable income of a regulated investment company must be increased by the net capital gain exclusion provided in IRC section 852(b)(2)(A). The dividend paid deduction must be applied by allowing a deduction for capital gains dividends and exempt interest dividends *(IRC sections 852[b][3][C] and 852[b][5])*. This also applies to any undistributed capital gains which are elected to receive IRC section 852(b)(3)(D) treatment.

### Unitary Businesses

Because of differences in federal and state law, the amount on line 1a may not match the amount listed on your attached federal return. If it doesn't match, complete Schedule REC, and attach it to your M4 return.

For example, line 28 on a consolidated Federal Form 1120 might not include income from companies that are part of a Minnesota combined return. Line 1a must include the income of those companies that meet the Minnesota definition of a unitary business but are not included on line 28 on a consolidated Form 1120.

The consolidated Form 1120 does not include income from less-than-80-percent-owned companies. Minnesota's definition of a unitary business only requires greater than 50% ownership.

Federal Form 1120, line 28, may include income from the following companies that should not be included on line 1a.

- Insurance companies that are not disqualified captive insurance companies.
- Investment companies
- Mexican and Canadian companies included in the federal consolidated return under provision 1504d of IRC.
- Non-unitary companies. These are members that don't meet the definition of a unitary business.

The amount on line 1a must include income of those partnerships that meet the Minnesota definition of a unitary partnership. See RN 08-03 for guidance on the treatment of income of corporate partners. Income from nonunitary partnerships must be excluded from Minnesota apportionable income. Nonunitary partnership income must either be excluded from line 1a or included on both line 1a and line 8. Enter the nonunitary partnership income which is assigned to Minnesota on Form M4T, line 4b.

## Line 1b—Interest Expense Limitation

**For entities with the same Minnesota combined group and federal consolidated group**

If your Minnesota combined group is the same as your federal consolidated group, enter 0 on line 1b.

**For entities with a different Minnesota combined group and federal consolidated group**

The interest expense limitation under IRC section 163(j) must be aggregated between the Minnesota combined report entities consistent with the application to a federal consolidated group for federal income tax purposes. The tax attributes of the entities not included in the Minnesota combined group may not be included when determining the Minnesota limitations.

If your Minnesota combined group is different than your federal consolidated group, you may have to make an adjustment on Form M4I, line 1b for interest expense limitation for Minnesota purposes. Use the federal Form 8990 as a worksheet to recalculate the Minnesota interest expense limitation for your Minnesota combined report. Write "Minnesota" at the top of this Form 8990 (referred to as Minnesota Form 8990) and include it with your return.

If your interest expense allowable for Minnesota is less than your federal interest expense, enter the difference as a positive number on line 1b. If your interest expense allowable for Minnesota is more than your federal interest expense, enter the difference as a negative number on line 1b.

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# M4I Income Calculation (continued)

## Additions

### Line 2

**Corporate partners.** Include any addition amounts reported on the Schedule KPC you received from the partnership (include Schedule KPC with your return).

#### a. Taxes

Enter the amount deducted on your federal return for taxes based on net income and related minimum taxes paid to Minnesota or another state, a political subdivision of a state, the District of Columbia, any U.S. possession or any foreign country. This also includes the Minnesota minimum fee. *(MS 290.0133 subd. 2)*

#### b. Capital Losses

Enter any deduction for capital losses taken on your federal return under IRC sections 1211 and 1212. Include any loss from the sale or exchange of certain preferred stock which is treated as an ordinary loss for federal purposes under section 301 of the Emergency Economic Stabilization Act of 2008, Public Law 110-343, Division A, title III. *(MS 290.0133 subd. 8 and 290.0136)*

#### c. Exempt Interest Income

Enter all interest income received that is not included on your federal return. *(MS 290.0133 subd. 3)*

#### d. Exempt Interest Dividends

Enter all exempt interest dividends received *(as defined in IRC section 852[b][5])* that are not included on your federal return. *(MS 290.0133 subd. 4)*

#### e. Losses From Mining Operations

Enter the amount of losses from mining operations (from Minnesota Form M30, *Occupation Tax*) if these losses are included in your federal taxable income before NOL and special deductions. For gains from mining operations, go to line 4g. *(MS 290.0133 subd. 7)*

#### f. Percentage Depletion

Enter the amount of percentage depletion deducted on your federal return under IRC sections 611 through 614 and 291.*(MS 290.0133 subd. 9)*

#### g. Federal Bonus Depreciation Adjustment

If you claimed a deduction for the special depreciation allowance (bonus depreciation) on lines 14 or 25 of federal Form 4562, include 80% of that amount on Form M4I, line 2g. Also include 80% of any bonus depreciation amount you received as a partner of a partnership (include Schedule KPC).

Do not include in this adjustment bonus depreciation attributable to any IRC section other than section 168(k).

If an activity generating bonus depreciation also generates a loss that you are not allowed to claim in the taxable year, the addition is limited to 80% of the excess of the bonus depreciation claimed by the activity over the amount of the loss not allowed in the taxable year.

If you are claiming a suspended loss from 2001-2005 or 2008-2011 on your federal return that was generated by bonus depreciation, multiply that bonus depreciation by 80% and include the result on line 2g. *(MS 290.0133 subd. 11)*

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## Subtractions

### Line 4

**Corporate partners.** Include any subtraction amounts reported on the Schedule KPC you received from the partnership (include Schedule KPC with your return).

#### a. Tax Refunds

Include refunds of any taxes described on line 2a that are included on your federal return and were added back on your Minnesota return in prior years. *(MS 290.0134 subd. 8)*

#### b. Capital Losses

Enter an amount for capital losses as allowed under IRC sections 1211 and 1212, except that for losses incurred in taxable years beginning after 1986, there is no carryback allowed and the carryforward period is 15 years. Include any loss from the sale or exchange of certain preferred stock, which is treated as an ordinary loss for federal purposes under section 301 of the Emergency Economic Stabilization Act of 2008, Public Law 110-343, Division A, title III, but has been treated as a capital loss for Minnesota. *(MS 290.0134 subd. 5 and 290.0136)*

*Continued*

**c. Certain Federal Credit Expenses**

The amount on line 4c includes the sum of expenses associated with the following federal tax credits. Attach a list naming the federal tax credit and the expenses associated with the credit.

- **Research expenses.** Include any research expenses that are disallowed on your federal return due to claiming the federal research credit under IRC section 280C(c), but only to the extent that they exceed your Minnesota research credit from Schedule RD, line 29. *(MS 290.0134 subd. 11)*
- **Federal Work Opportunity Credit and/or the Indian Employment Credit.** Include any salary expenses disallowed due to the federal Work Opportunity Credit under IRC section 51, and/or the Indian Employment Credit under IRC section 45A(a). *(MS 290.0134 subd. 3 and 12)*
- **Disability access expenditures.** Include any disability access expenditures that are not allowed to be deducted or capitalized on your federal return due to claiming the federal credit under IRC section 44(d)(7). *(MS 290.0134 subd. 10)*
- **Qualified railroad track maintenance credit.** Include any qualified railroad track maintenance expenditures that are not allowed to be deducted on your federal return due to claiming the federal credit under IRC section 45G(a). This includes the amount of depreciation expenses you were not allowed for federal income tax purposes due to making a basis adjustment as a result of claiming the federal credit. *(MS 290.0134 subd. 16)*

**d. Gross-up for Foreign Taxes Deemed Paid**

Enter the amount of gross-up for foreign taxes deemed paid added to gross income for federal income tax purposes required under IRC section 78. *(MS 290.0134 subd. 2)*

**e. Interest and Expenses**

Include interest and expenses related to income exempt from federal tax, provided the income is taxable by Minnesota and the interest and expenses are disallowed as deductions on your federal return. *(MS 290.0134 subd. 6)*

**f. Dividends Paid by National and State Banks to U.S. Government**

**National and state banks only:** Include any dividend paid to the U.S. government on the preferred stock of the bank owned by the U.S. government. *(MS 290.0134 subd. 4)*

**g. Mining Companies**

Enter the amount of income or gain from mining operations (from Minnesota Form M30, *Occupation Tax*) if these gains are included in your federal taxable income before NOL and special deductions. *(MS 290.0134 subd. 9)*

**h. Deduction for Cost Depletion**

Include an amount of cost depletion for property on which percentage depletion was added back on line 2f. *(MS 290.0134 subd. 7)*

**i. Subtraction for Prior Bonus Depreciation Addback**

If you added back 80% of the federal bonus depreciation in any of the last five years, enter one-fifth of the amount added back. *(MS 290.0134 subd. 13)*

**j. Subtraction for Prior IRC Section 179 Addback**

If you added back 80% of the excess IRC section 179 deduction in any of the last five years, enter one-fifth of the add-back. *(MS 290.0134 subd. 14)*. Do not include an amount attributable to section 179 addition for property placed in service in a tax year beginning after December 31, 2019. Minnesota subtractions related to prior year additions will be allowed until the 5-year subtraction period ends.

**k. Delayed Business Interest**

You may be able to reduce your taxable income if you:

- Reported a nonconformity adjustment in tax years 2019 through 2022 for business interest expense deducted under the special rule (CARES Act Section 2306) in section 163(j)(10)(A) and (B) of the Internal Revenue Code.
- Have an unused Minnesota-only excess business interest expense carried forward from your 2019 through 2022 Minnesota returns.

To determine the amount of your subtraction, sum the amounts reported on the following nonconformity adjustment lines:

- The portion of 2019 Form M4I, line 1b relating to the CARES Act Section 2306
- 2020 Schedule M4NC, line 5
- 2021 Schedule M4NC, line 5
- 2022 Schedule M4NC, line 5

Multiply the total of the above lines by 20 percent. This is the amount of your subtraction in tax year 2023. The remaining 4/5th of the total can be taken as a 20 percent subtraction in each of the tax years 2024 through 2027.

**l. Deferred Foreign Income/Employee Retention Credit**

Enter the deferred foreign income inclusion amount under IRC section 965(a) Also include the amount of wages not deducted from income in the current taxable year and used for the calculation of the federal Employee Retention Credit under CARES Act Sec. 2301; TCDTR20 Sec. 206 and 207; and/or ARPA Sec. 9651.

*Continued* 

# M4I Income Calculation (continued)

**m. Disallowed Section 280E Expenses of Licensed Cannabis Business**
If you are a licensed cannabis business with the Office of Cannabis Management, you may subtract expenses that were not allowed for federal tax purposes under IRC section 280E. Enter the disallowed section 280E expenses on line 4m. *(MS 290.0134, subd. 19)*

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### Line 5—Intercompany Eliminations

Attach a separate list explaining any duplication of income (loss) resulting from intercompany transactions and enter the amount on line 5. For example, if line 1a included $10,000 of dividends that were paid by one member to another, you would need to include that $10,000 on line 5. List any item of income as a positive amount and any item of loss as a negative amount.

Dividends received by an insurer's parent company from an insurer that is qualified and licensed in Minnesota, which is a member of an insurance holding company system as defined in MS 60D.15 subd. 6, should also be eliminated on this line. Attach a separate list explaining any dividends received from a Minnesota licensed and qualified insurer, which is a member of an insurance holding company system.

For example, if line 1a included $10,000 of dividends that were paid by an insurer that is qualified and licensed in Minnesota, which is a member of an insurance holding company system, to include that $10,000 on Line 5. List any item of dividend income as a positive amount.

### Line 8—Nonapportionable Income

Nonapportionable income is income that cannot be apportioned due to provisions of the United States Constitution. Nonapportionable 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 income.

Frequently used assignment rules are:
- Income/gains from tangible property not employed in the trade or business is allocated by assignment to the state in which the property is located.
- Gain on the sale of a partnership interest not employed in the trade or business is allocated to Minnesota in the ratio of the original cost of partnership tangible property located in Minnesota to that located everywhere as determined at the time of the sale. If more than 50% of the value of the partnership's assets are intangibles, the gain/loss is allocated to Minnesota using the partnership's prior year sales factor.

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

All other types of income are referred to as business income, and are subject to apportionment.

If you are a corporate partner, include any nonapportionable income you received on line 2 of Schedule KPC.

# M4A Apportionment/Minimum Fee

Minnesota uses a single-sales factor to determine the apportionment percentage. The minimum fee is calculated using property, payroll, and sales factors. Column A reports everywhere sales amounts. Column B reports Minnesota property, payroll, and sales amounts.

**If you are not a unitary business,** complete Columns A and $B_1$.

**If you are a unitary business,** Column A must include the total sales of all corporations included on the combined return.

Column $B_1$ is for the designated filer. The remaining columns are for each of the other corporations in the group having nexus with Minnesota. If you need more than three columns, attach additional forms as needed.

**Financial institutions,** read *Apportionment for Financial Institutions* on page 14.

## Property

In Column $B_1$ (and remaining columns as needed by unitary business members having nexus with Minnesota), enter the property items for your business in Minnesota.

### Line 1—Inventory

Add the beginning and ending year inventories and then divide by two. This is your average value of inventory for the tax year. Enter the result on line 1.

### Line 2—Tangible Property and Land

Add the beginning and ending year values of total tangible property (real, personal, and mixed) used in connection with your business during the tax year and then divide by two. Property must be valued at original cost and includes land, buildings, machinery, equipment and other tangible personal property. Enter the result on line 2.

### Line 3—Capitalized Rents

Capitalized rents are based on the actual rent for property used during the tax year. Do not use an average of rents paid during the year to determine capitalized rents. Determine the value of rented property used by multiplying the rent paid for the tax year by eight.

## Payroll

### Line 5—Payroll

In Column B1 (and the remaining columns as needed by unitary groups), enter your total payroll paid or incurred in Minnesota, or paid for labor performed in Minnesota, for the tax year in connection with the business.

## Sales

### Line 6—Minnesota Sales or Receipts

In Column $B_1$ (and in the remaining columns as needed by unitary business members having nexus with Minnesota) enter sales attributable to Minnesota made by the corporation listed at the top of the column. Financial institutions, see instructions on page 14.

The sales factor includes all sales, 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)
- Intercompany sales between members of a combined return

### Line 7—Unitary Businesses Only

All sales of a unitary business attributable to Minnesota must be included on the group's combined return, regardless of whether a specific group member has nexus with Minnesota.

On line 7, enter all sales of the unitary business attributable to Minnesota that were not included on line 6. Report the sales in whichever B column most benefits you.

The sales reported on line 7 are also used to calculate the minimum fee. *(MS 290.17, subd. 4[h])*

### Line 8—Total Sales

In column A, line 8, enter the total sales for the tax year. Eliminate any transactions between members included in the combined return. In Column $B_1$ (and in the remaining columns as needed by unitary business members having nexus with Minnesota) add lines 6 and 7.

## 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, 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 this state, 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 and other 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 determine 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 a corporation, partnership, or trust may only be attributed to a state in which it has a fixed place of doing business.

If you can't determine where the service was received, or if it was received in a state where the corporation, partnership, or trust 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 can't determine the ordering office, use the office location to which the service was billed.

## Petitioning to Use Another Method of Allocation

State law *(MS 290.20, subd. 1a and Minnesota Rules 8020.0100, subp. 3)* allows entities to request permission from the department to allocate all, or any part of, taxable net income in a manner other than single-sales factor apportionment.

To request permission, complete Form ALT, *Petition to Use Alternative Method of Allocation* (see Revenue Notice 04-07).

Permission will be granted only if you can show that single-sales factor apportionment does not properly and fairly reflect your Minnesota income, and that the alternative formula you have chosen does.

## Minimum Fee

A corporation is subject to a minimum fee if the sum of its Minnesota source property, payroll and sales or receipts is at least $1,080,000. The minimum fee is in addition to the regular tax and the alternative minimum tax.

Entities that are exempt from the minimum fee include:

- Regulated investment companies (RICs)
- Real estate investment trusts (REITs)
- Real estate mortgage investment conduits (REMICs)

### Line 10—Adjustments

The minimum fee is determined by your total Minnesota property, payroll and sales.

*Continued*

# M4A Apportionment/Minimum Fee (continued)

In some cases the property, payroll and sales used for computing the minimum fee will be different than those used for apportionment. The following adjustments should be made to your Minnesota factors on line 10.

**Add:** All tangible property owned or rented that is not included on line 4 of Form M4A. Some examples include construction in progress, idle property and any nonbusiness property or rent expense. The amounts should be determined in the same manner as the amounts on line 4.

**Subtract:**
- Any partnership amounts included on lines 4, 5 and 8.
- Any sales or receipts from an air carrier business.
- Reduction of property owned for a short taxable year. To determine, multiply the amount included on line 1 and line 2 for that property by a fraction: the numerator is 365 minus the number of days in the tax year; the denominator is 365.

Enclose a schedule showing the computation and pass-through information of any adjustments listed on M4A, line 10.

# Apportionment for Financial Institutions

### Financial Institution Means:

1) Any corporation or other business entity registered
- Under state law as a bank holding company
- Under the federal Bank Holding Company Act of 1956, as amended
- As a savings and loan holding company under the federal National Housing Act, as amended

2) Any regulated financial corporation; or a national bank organized and existing as a national bank association pursuant to the provisions of United States Code, title 12, chapter 2
3) A savings association or federal savings bank as defined in United States Code, title 12, section 1813(b)(1)
4) Any bank or thrift institution incorporated or organized under the laws of any state
5) Any corporation organized under United States Code, title 12, sections 611 to 631
6) Any agency or branch of a foreign depository as defined under United States Code, title 12, section 3101
7) Any corporation or other business entity that is more than 50% owned, directly or indirectly, by any person or business entity described in clauses (1) to (6), other than an insurance company taxable under chapter 297I
8) A corporation or other business entity that derives more than 50% of its total gross income for financial accounting purposes from finance leases. For the purposes of this clause, "gross income" means the average from the current tax year and immediately preceding two years and excludes gross income from incidental or occasional transactions. For purposes of this clause, "finance lease" means any lease transaction that is the functional equivalent of an extension of credit and that transfers substantially all the benefits and risks incident to the ownership of property, including any direct financing lease or leverage lease that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting for leases, or any other lease that is accounted for as financing by a lessor under generally accepted accounting principles
9) Any other person or business entity, other than an insurance company that derives more than 50% of its gross income from activities that an entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this clause, gross income does not include income from nonrecurring, extraordinary items

Financial institutions complete Form M4A the same way that other corporations would, with the exception of lines 6 and 7.

### M4A Lines 6 and 7—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 are 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

# M4T Tax Calculation

Each corporation **must** have a Minnesota tax ID number. When entering the corporation's name, use the same abbreviation used on M4A.

### Line 1

Enter the amount from line 9 of Form M4I in each column. Do not divide the amount between columns.

### Line 4a—Minnesota Nonapportionable Income

Enter any income from Form M4I, line 8, that is assigned to Minnesota and attach a schedule. Do not include nonunitary partnership income (see line 4b instructions). Include the Minnesota nonapportionable income you received as a partner in a unitary partnership reported on line 1 of Schedule KPC.

### Line 4b—Minnesota Nonunitary Partnership Income

Enter any income from Form M4I, line 8, or which is excluded from Form M1, line 1a, that is received from a nonunitary partnership and assigned to Minnesota. Attach a schedule showing the calculation. Include the Minnesota nonapportionable income you received as a partner in a nonunitary partnership reported on line 1 of Schedule KPC.

### Line 6—Net Operating Loss Deduction

You must limit your net operating loss deduction to 80% (0.80) of line 5 (taxable net income).

A net operating loss incurred in a prior year and not previously used to offset net income may be deducted on line 6. Complete and attach Schedule NOL, *Net Operating Loss Deduction.*

**Acquired Net Operating Losses:** Acquired net operating losses are subject to limitation as determined under IRC section 382(g). See Revenue Notice 17-09 Corporate Franchise Tax – Net Operating Loss Carryforwards – Sinclair Broad. Grp., Inc. v. Comm'r of Revenue.

**Unitary businesses only:** A separate NOL schedule is required for each corporation claiming a net operating loss deduction.

### Line 8—Dividends Received Deduction

Complete and attach Schedule DIV, *Deduction for Dividends Received*. On Form M4T, line 8, for each column, multiply Schedule DIV, line 19 by the apportionment factor on Form M4T, line 2, and enter the result.

### Line 11—Alternative Minimum Tax

Complete and attach Schedules AMTI, *Alternative Minimum Tax, Calculation of Income,* and AMTT, *Alternative Minimum Tax, Calculation of Tax,* if your Minnesota net income (Form M4I, line 7) combined with your adjustments and tax preferences (including adjusted current earnings) exceeds $40,000 or your allowable exemption amount.

### Line 13—AMT Credit

Complete and attach Schedules AMTI and AMTT to claim the AMT carryover credit.

### Line 14—Housing Tax Credit

If you received a certificate from the Minnesota Housing Finance Agency (MHFA) for qualifying contributions to a state fund, enter the credit amount on line 14 and the certificate number in the space provided.

You may carry any unused credit forward for up to 10 years.

For more details regarding this tax credit, go to the MHFA website at www.mnhousing.gov.

### Line 15—Short Line Railroad Infrastructure Modernization Credit

You may be eligible for the nonrefundable Short Line Railroad Infrastructure Modernization Credit if you are classified as a Class II or Class III Railroad.

If you qualify, complete Schedule RAIL, Short Line Railroad Infrastructure Modernization Credit. Enter the credit amount on line 15.

You may carry any unused credit forward for up to five years or transfer the unused credit to one other taxpayer. To transfer the credit, complete the Assignment Form on Schedule RAIL.

### Line 16—Credit for Sale of Manufactured Home Parks to Cooperatives

You may be eligible for the nonrefundable Credit for Sales of Manufactured Parks to Cooperatives if you sold a manufactured home park to a cooperative.

If you qualify, complete Schedule MHP, Credit for Sales of Manufactured Home Parks to Cooperatives. Enter the credit amount on line 16.

You may carry any unused credit forward for up to 5 years.

### Line 18—Minnesota Research Credit

Complete and attach Schedule RD, *Credit for Increasing Research Activities*, to claim credit for research and development expenses. Enter the amount from Schedule RD, line 45 on Form M4T, line 18.

Your credit is limited to the regular franchise tax or the liability for tax, whichever is less.

*Continued*

# M4T Tax Calculation (Continued)

Include any research credit you received as a partner in a partnership reported on line 26 of Schedule KPC. See instructions for Schedule RD, line 30.

**Unitary businesses only:** A separate Schedule RD is required for each corporation claiming this credit.

### Line 22—Film Production Credit

If you received a credit certificate from the Department of Employment and Economic Development (DEED) for eligible production costs, enter the credit amount on the line 22 and the certificate number in the space provided.

You may carry any unused credit forward for up to 5 years.

If you have multiple credits, enter the certificate number your corporation received directly from DEED within the certificate number box. If you have multiple credits and received all credits from partnerships, enter the certificate number relating to the largest credit amount within the certificate number box. Subtotal all credit amounts on line 22. Include a statement showing the certificate number and corresponding credit amounts for all credits you included on line 22.

For more details regarding this tax credit, go to the DEED website at mn.gov/deed/.

### Line 23—Tax Credit for Owners of Agricultural Assets

Enter the amount of credit you received from a partnership on Schedule KPC line 29. Do not enter more than the amount on Form M4T line 14. If the credit you received is more than the tax liability on Form M4T line 17, the excess may be carried forward up to 15 years. Attach a copy of Schedule KPC showing the credit you received to your return.

### Line 24—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*.

Include any credit you received as a partner in a partnership reported on line 31 of Schedule KPC.

### Line 25—LIFO Recapture Tax Deferral

If you are subject to LIFO recapture under section 1363(d) of the Internal Revenue Code and the full amount of the change in inventory valuation is included in your Minnesota taxable income, calculate the tax due with the LIFO gain included in income and then compute the tax with the gain excluded. Report three quarters of this amount on line 25 as a positive number. This will include the first installment on your final C-Corp return. The remaining three installments are reportable on line 1 of Form M8 for the subsequent three taxable years.

If the amount of the change in inventory valuation is not included in your Minnesota taxable income, report the first installment of the LIFO recapture tax on line 25 as a negative number. The remaining three installments are reportable on line 1 of Form M8 for the subsequent three taxable years.

## Use a mailing label if filing a paper return

Use this mailing label on your own envelope to mail your Form M4 and copies of your federal return and schedules. (Cut on the dotted line and tape to your envelope.)

DEPARTMENT OF REVENUE
**Mail Station 1250**
**600 N. Robert Street**
**St. Paul, MN 55146-1250**