

Greater Minnesota Internship Tax Credit Program Report

Report Date: February 21, 2017



February 21, 2017

The Honorable Roger Chamberlain
Chair, Senate Tax Committee
3225 MN Senate Building

The Honorable Ann Rest
Ranking Minority Member
Senate Tax Committee
2217 MN Senate Building

The Honorable Greg Davids
Chair, House Taxes Committee
585 State Office Building

The Honorable Paul Marquart
DFL Lead, House Taxes Committee
261 State Office Building

The Honorable Steve Drazkowski
Chair
House Property Tax and Local
Government Finance Division
591 State Office Building

The Honorable Diane Loffler
DFL Lead
House Property Tax and Local
Government Finance Division
349 State Office Building

The Honorable Bud Nornes
Chair
House Higher Education and Career
Readiness Policy and Finance Committee
471 State Office Building

The Honorable Gene Pelowski Jr.
DFL Lead
House Higher Education and Career
Readiness Policy and Finance Committee
295 State Office Building

The Honorable Michelle Fischbach
Chair
Senate Higher Education Finance
and Policy Committee
2113 Minnesota Senate Building

The Honorable Greg Clausen
Ranking Minority Member
Senate Higher Education Finance
and Policy Committee
2233 Minnesota Senate Building

Commissioner Larry Pogemiller
Office of Higher Education
1450 Energy Park Drive, Suite 350
St. Paul, MN 55108-5227

To Members of the Legislature of the State of Minnesota:

Minnesota Statutes 136A.129 directed the Minnesota Office of Higher Education and the Minnesota Department of Revenue to report to the Legislature on the Greater Minnesota Internship Program.

The report was to include an analysis of the effectiveness of the program in stimulating businesses to hire interns and in assisting participating interns in finding permanent career



positions. The report was also to include the number of students who participated in the program who were subsequently employed full-time by the employer.

Included in this letter is background on the Greater Minnesota Internship Tax Credit Program, as well as the results required above.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Cynthia Bauerly', written in a cursive style.

Cynthia Bauerly
Commissioner

Legislative History

In 2013, Minnesota enacted the Greater Minnesota Internship Credit program. The program required the Office of Higher Education to administer an internship program through public and private nonprofit institutions to provide tax credits to employers who hired interns under the program.

The program required that:

- Students to be admitted to a major closely related to the intern experience.
- Partnering institutions have written agreements with employers for an internship of 12 weeks or more.
- The internships pay at least minimum wage, be a minimum of 16 hours per week, and provide academic credit for the internship.
- Employers would have to enter into written agreements with the institution and agree that the intern would not have been hired without the credit, and that the intern would not replace existing employees.
- The Office of Higher Education allocate the tax credits to meet the criteria on a first come, first served basis. The total credits were limited to \$2 million per year. Businesses located outside of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties were made eligible for the credit. The revenue estimate for this proposal originally assumed that a two million annual cost to the general fund.

In 2014 several modifications were made to the credit. Eligible students were changed to include students participating in graduate degree institutions, the length of time for a qualifying internship was decreased from twelve to eight weeks, and the report dates were extended by two years. The revenue estimate on these changes (Appendix A) assumed no change in cost to the credit due to the new modifications to the program.

The law that passed in 2013 originally required the Office of Higher Education and the Department of Revenue to submit two reports to the legislature. The first report, due February 1, 2014 needed to include cost and participation information. The second report, due February 1, 2015 needed to include an effectiveness analysis. When the program was modified in 2014 these report date requirements were delayed by two years.

Credit Administration

The Greater Minnesota Internship Tax Credit Program provides a tax credit to eligible employers who employ eligible student interns at locations in greater Minnesota (counties other than Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright). Eligible employers can apply for a tax credit of up to \$2,000 per student intern who completes an eligible internship experience.

To be eligible employers must:

- Enter into an agreement with a participating college to employ an eligible student intern
- Certify in the agreement that the student intern:
 - Would not have been hired without the tax credit.
 - Did not previously work for the employer in a same or similar job.
 - Does not replace a current employee.
 - Has not previously participated in the program.
 - Will be employed at a location in greater Minnesota.
 - Will be paid at least minimum wage.
 - Will work for a minimum of 16 hours per week for at least 8 weeks (Tax Year 2014 internships that began before 5/20/2014 must have been for a minimum of 12 weeks).
 - Will be supervised and evaluated.
 - Agree to provide the college and/or the Office with follow-up data on any participating student interns later employed full-time by the employer.
 - Be a taxpayer under Minnesota Statutes Section 290.01.

To be eligible students must:

- Be attending a participating Minnesota college and university.
- Have completed 50 percent of the credits necessary to complete his or her program.
- Submit all of the necessary forms and complete any college requirements in order to receive academic credit for successfully completing the internship.
- Not be employed as an intern in order to complete requirements as part of his or her academic program's curriculum.

For example, a student enrolled in a nursing program completing clinical hours or a student enrolled in an auto body repair program completing required internship credits.

Exception is if student will be receiving academic credit to fulfill a general or liberal arts component required of all students.

To participate, postsecondary institutions must be a public college or university or non-profit, baccalaureate or graduate degree granting college or university located in Minnesota.

Eligible employers can apply for a tax credit of up to \$2,000 per student intern who completes an eligible internship experience. The amount of the tax credit is 40% of the compensation paid to each eligible student intern during an internship experience; not to exceed \$2,000 per student intern or the maximum amount certified by the college.

The credit appears on multiple tax return forms (Appendix B), including the M4, KF, KPI, KPC, KS, and the M1B. Taxpayers that participate in the program must claim the credit on their return to be eligible for the benefit.

The Office of Higher Education reports that it spends \$20,000 per year to administer the program. The Department of Revenue's estimated cost to develop related database systems was \$96,000. The department has ongoing costs of \$19,000 per year to maintain the database systems.

Results

Participating eligible institutions and eligible employers must report annually to the Office of Higher Education. The reports must include at least the following:

- Number of interns hired
- Number of hours and weeks worked by interns
- Compensation paid to interns

One of the requirements in the report to the Legislature is that the Office of Higher Education and the Department of Revenue include the number of students who participated in the program who were subsequently employed full-time by the employer. However, participants in this program are not required to provide this information to participate in the program. The Office of Higher Education and the Department of Revenue surveyed businesses that participated in the program. There was an 80 percent response rate. On this question, the only information included is from businesses that responded to the survey and claimed the credit.

In calendar year 2014, the Office of Higher Education approved seven businesses to participate in the program. One of those businesses claimed a total of \$4,000 in credits. The remaining businesses did not claim the credits. Nine interns worked for the seven businesses approved to participate in the program. Of those, two interns worked for the business which did claim the credit.

The two interns who worked for the business which claimed the credit worked a total of 872 hours over 24 total weeks. The average hours worked per intern was 36.3 per week and the average duration of the internship was twelve weeks. The total compensation earned by those interns was \$13,080. The business which claimed the credit did respond to the survey from the department. Among the two interns, one was subsequently hired as a full time employee at that business.

In calendar year 2015, the Office of Higher Education approved fifteen businesses to participate in the program. Five of those businesses claimed a total of \$15,630 in credits. The remaining businesses did not claim the credits. Eighteen interns worked for the fifteen businesses approved to participate in the program. Of those, eight interns worked for the five businesses which claimed credits.

The eight interns who worked for businesses which claimed credits worked a total of 4395 hours over 122 total weeks. The average hours worked per intern was 36.4 per week and the average

duration of the internship was fifteen weeks. The total compensation earned by those interns was about \$61,000. Among the five businesses which participated in the program and claimed the credits, the department heard back from three of them. Among those businesses, which hired six interns, four were subsequently hired as full time employees at those businesses.

Options for Future Consideration

The number and amount of credits claimed has fallen below the original projections. Given the initial \$96,000 cost of developing the necessary database systems and ongoing annual costs of \$39,000 outside the cost of the benefit itself, along with a limited number of participating interns subsequently being hired full time at these businesses, the credit is not currently effective in its attempt to stimulate businesses to hire interns and provide those interns with permanent positions.

There are options the Legislature could consider if it wishes to increase participation in the program.

1. Change the program from a tax credit to a grant program administered by the Office of Higher Education

The Greater Minnesota internship program is administered by the Office of Higher Education. All aspects of this program are under the authority of the Office of Higher Education except for the actual payment of the credit. Qualifying employers must claim the credit on their income tax return filed the following year. The only involvement by the Department of Revenue in the program is the payment of the credit. The credit is refundable and therefore not related to the income tax of the employer. This proposal would change the Greater Minnesota Internship Credit to a grant that would be paid directly to employers by the Office of Higher Education.

If the credit were changed to a grant, eligible employers would not need to wait until the following year to claim and receive the credit. They would receive payment months sooner and without additional paperwork. Another benefit would be that the program would be administered by a single agency, so taxpayers would always know who to contact if there were any questions about their application or status.

2. Eliminate the requirement that the institution enter into a written agreement specifying that the intern would not have been hired without the tax credit

Many businesses that may otherwise consider applying for the Greater Minnesota Internship Tax Credit find it too difficult given that they must enter into an agreement saying that they would not have hired the intern without the tax credit. The expense of paying these interns is a few times greater than the tax benefit the credit provides, the expense can't be covered by the credit alone. If this requirement were removed, it is likely that more businesses would apply for and receive these credits.

However, eliminating this requirement may result in businesses receiving a tax credit for hiring an intern that they were going to hire anyway. In these cases the credit would not become more

effective at stimulating businesses to hire more interns or providing interns with permanent positions.

3. Eliminate the requirement that the student must not be participating in the internship for academic credit

Many students engage in internships for academic credit, and may not have time for internships that do not count toward the completion of their degree. Currently the Greater Minnesota Internship Tax Credit does not allow internships for academic credit to qualify for the program. Eliminating this requirement would allow more students to participate in the program.

**CORPORATE FRANCHISE TAX
INDIVIDUAL INCOME TAX
Greater MN Internship Credit**

March 26, 2014

Department of Revenue
Analysis of H.F. 3235 (Norton) / S.F. 2848 (Eken)

	Yes	No
DOR Administrative Costs/Savings		X

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: An employer may claim a refundable credit against the corporate franchise tax or individual income tax for providing internships in Greater Minnesota, which is defined as the area of the state outside the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright.

The credit is equal to 40% of the compensation paid to each qualifying intern, up to \$2,000 per intern, or the amount certified to the employer by an eligible institution. The total amount of credits is limited to \$2 million per calendar year.

To be an eligible intern, a student must have completed half the credits necessary for graduation. The internship must be at least sixteen hours a week for at least twelve weeks and must meet other criteria.

The credits must be certified by an eligible institution (a public or private college or university located in Minnesota). The Office of Higher Education (OHE) must allocate credits to eligible institutions, and no institution may certify more credits than it is allocated.

By February 1, 2015, OHE and the Department of Revenue must report to the Legislature on program participation and the cost of administering the program. By February 1, 2016, the OHE and the Department of Revenue must report to the Legislature on the effectiveness of the program.

Proposed Law: The bill would expand the program to include institutions offering graduate degrees and students pursuing graduate degrees. An eligible internship would have to be at least eight weeks rather than twelve weeks.

Both reporting requirements would be delayed by one year.

REVENUE ANALYSIS DETAIL

- The bill is not expected to change the total cost of the internship credit program, since the total amount of credits is capped at \$2 million per calendar year and demand for the credits is likely to exceed that amount.
- Under current law it is expected that the maximum credit allocation of \$2 million will be used each year. The bill would not change the total allocation, although it may change how the credit is allocated among eligible employers.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

hf3235(sf2848)_1/cw



Schedule M1B, Business and Investment Credits 2016

Sequence #7

Complete this schedule to determine line 26 of Form M1. Include this schedule when filing your return.

Your First Name and Initial

Last Name

Your Social Security Number

1 Angel Investment Tax Credit 1

2 Credit for historic structure rehabilitation (enclose certificate)
Enter National Park Service (NPS) project number 2

3 Greater Minnesota Internship Credit 3

4 Enterprise Zone Credit 4

5 Add lines 1 through 4. Enter total here and on line 26 of Form M1. 5

You must include this schedule with your Form M1.





Schedule KF, Beneficiary's Share of Minnesota Taxable Income

Fiduciary: Complete and provide Schedule KF to each nonresident beneficiary with Minnesota source income and any Minnesota beneficiary who has adjustments to income.

Filing Information

Tax year beginning _____, 2016 and ending _____

Amended KF:

Beneficiary's Social Security number			Estate's or trust's federal ID number			Minnesota tax ID number		
Beneficiary's name			Estate's or trust's name					
Address of beneficiary			Address of fiduciary					
City	State	Zip code	City	State	Zip code	City	State	Zip code

Calculate lines 1–20 the same for all resident and nonresident beneficiaries. Calculate lines 21–27 for nonresident beneficiaries only. Round amounts to the nearest whole dollar.

All Beneficiaries

Additions to income

Beneficiary: Include on:

- 1 State and municipal bond interest from outside Minnesota **1** █ _____ Line 3, Schedule M1M
- 2 State income tax **2** █ _____ Line 7, Schedule M1M
- 3 Expenses deducted that are attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) **3** █ _____ Line 9, Schedule M1M
- 4 80 percent of the suspended loss from 2001–2005 or 2008–2015 that was generated by bonus depreciation. **4** █ _____ Line 11 inst., M1M
- 5 80 percent of federal bonus depreciation addition **5** █ _____ Line 5, Schedule M1M
- 6 Fines, fees and penalties deducted federally as a trade or business expense **6** █ _____ Line 10, Schedule M1M
- 7 This line intentionally left blank **7a** █ _____ M1NC, See instructions
- 7b** █ _____ M1NC, See instructions
- 8 Net operating loss (NOL) carryover adjustment **8** █ _____ Line 13, Schedule M1M
- 9 Domestic production activities deduction **9** █ _____ Line 8, Schedule M1M

Subtractions from income

- 10 Interest on U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income **10** █ _____ Line 16, Schedule M1M
- 11 State income tax refund **11** █ _____ Line 5, Form M1
- 12 Federal bonus depreciation subtraction **12** █ _____ Line 19, Schedule M1M
- 13 Subtraction for prior addback of reacquisition of business indebtedness income included in federal taxable income. **13** █ _____ Line 34, Schedule M1M
- 14 Subtraction for railroad maintenance expenses (Line 35, Schedule M1M) .. **14** █ _____

(continued)





All Beneficiaries (cont.)

- 15 This line intentionally left blank **15a** _____ M1NC, See instructions
- 15b** _____ M1NC, See instructions
- 16 Net operating loss (NOL) carryover adjustment **16** _____ Line 33, Schedule M1M

Credits (you must enclose this schedule with your Form M1 if claiming a credit) Include on:

- 17 Any Minnesota income tax withholding credit received by the fiduciary **17** _____ Line 7, Schedule M1W
- 18 Credit for increasing research activities. **18** _____ Line 3, Form M1C
- 19 Greater Minnesota **internship** credit **19** _____ Line 3, Form M1B
- 20 Credit for historic structure rehabilitation (*enclose certificate*) **20** _____ Line 2, Form M1B
National Park Service (NPS) project number: _____

Nonresident beneficiaries

Include on Schedule M1NR, column B on:

Minnesota portion of amounts from federal Schedule K-1 (1041)

- 21 Capital gain or loss on Minnesota real property **21** _____ Line 4
- 22 **a** Business income or loss **a** _____
b Income from Minnesota rents, royalties, part-
nerships, S corporations, estates and trusts .. **b** _____
c Farm income or loss **c** _____
- Total (*add lines 22a, 22b and 22c*) **22** _____ Line 6
- 23 Interest and dividend income derived from a trade or business
(S corporations and partnerships) that is assignable to Minnesota **23** _____ Line 2
- 24 Other income **24** _____ Line 8
- 25 Minnesota source gross income
from this fiduciary **25** _____ *information only*

Composite income tax for electing nonresident beneficiaries

- 26 Minnesota source distributive income from this fiduciary **26** _____ *information only*
- 27 Minnesota composite income tax paid by fiduciary.
If the beneficiary elected composite income tax, check this box **27** _____ *composite income tax*

Fiduciary: Enclose this schedule and copies of all Schedules KF and federal Schedules K-1 with your Form M2.

Beneficiary: See instructions. Include this schedule when you file your Form M1.

Nonresident Beneficiaries Only





Partner's Share of Income, Credits and Modifications 2016

Partnership: Complete and provide Schedule KPC to each corporate or partnership partner that is domiciled in another state and to any Minnesota corporate or partnership partner who has adjustments to income. For individual, estate and trust partners, use Schedule KPI instead.

Filing Information

Tax year beginning _____, 2016 and ending _____

Amended KPC:

Partner's Federal ID Number	FEIN of partner ultimately taxed (see inst):	Partnership's Federal ID Number	Partnership's Minnesota ID
Partner's Name		Partnership's Name	
Mailing Address		Mailing Address	
City	State	Zip Code	City State Zip Code
Entity of Partner (check one box): <input type="checkbox"/> S Corporation <input type="checkbox"/> C Corporation <input type="checkbox"/> Exempt Organization <input type="checkbox"/> Partnership			Partner's Distributive Share: _____ %

Corporate and Partnership Partners

Round amounts to the nearest dollar.

Corporate and Partnership Partners

- 1 Nonapportionable Minnesota source income **1** ■ _____
- 2 Total nonapportionable income **2** ■ _____
- 3 Partnership's minimum fee **3** ■ _____
- 4 Interest income exempt from federal tax **4** ■ _____
- 5 State income taxes deducted in arriving at partnership's net income **5** ■ _____
- 6 Expenses deducted that are attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) **6** ■ _____
- 7 If the partnership elected section 179 expensing, enter the partner's flow-through section 179 expensing **for Minnesota purposes** **7** ■ _____
- 8 100% of partner's distributive share of federal bonus depreciation **8** ■ _____
- 9 Fines, fees and penalties deducted federally as a trade or business expense **9** ■ _____
- 10 **This line intentionally left blank.** not adopted by Minnesota **10a** ■ _____
 **10b** ■ _____
- 11 Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income **11** ■ _____
- 12 **This line intentionally left blank.** not adopted by Minnesota **12a** ■ _____
 **12b** ■ _____

Continued next page





Partner's Share of Income, Credits and Modifications 2016 (continued)

Partner's Name	Partner's Federal ID Number or Social Security Number
Partnership's Name	Partnership's Federal ID Number

Round amounts to the nearest dollar.

Corporate and Partnership Partners

13 Credit for increasing research activities	13 ■	_____
14 Greater Minnesota Internship Credit	14 ■	_____
15 Credit for historic structure rehabilitation and enter NPS project number: <input type="text"/>	15 ■	_____
16 Employer Transit Pass Credit	16 ■	_____
17 Enterprise Zone Credit	17 ■	_____
Apportionment Information (partner's share)		
18 Pro Rata Share MN Source Gross Income	18 ■	_____
	Property	Payroll
19 Minnesota	19 ■	_____
20 Everywhere	20 ■	_____

Partnership: Include this schedule and copies of federal Schedules K and K-1 with your Form M3.

Partner: Include this schedule when you file your Form M3, M4 or M8.





Partner's Share of Income, Credits and Modifications 2016

Partnership: Complete and provide Schedule KPI to each nonresident individual, estate or trust partner and any Minnesota individual, estate or trust partner who has adjustments to income. For corporate and partnership partners, use Schedule KPC instead.

Filing Information

Tax year beginning _____, 2016 and ending _____ Amended KPI:

Partner's Federal ID or SSN Number	FEIN/SSN of partner ultimately taxed (see inst):	Partnership's Federal ID Number	Partnership's Minnesota Tax ID
Partner's Name		Partnership's Name	
Mailing Address		Mailing Address	
City	State	Zip Code	City
			State
			Zip Code

Entity of Partner (check one box): Individual Trust Estate Partner's distributive share: %

Calculate lines 1–18 the same for all resident and nonresident partners. Calculate lines 19–35 for nonresident partners only. Round amounts to the nearest whole dollar.

All Individual, Estate and Trust Partners

Individual, Estate and Trust Partners

Form M1 Filers: Include on:

- 1 Interest income from non-Minnesota state and municipal bonds **1** ■ _____ M1M, line 4
- 2 State income tax deducted in arriving at ordinary or net rental income . . **2** ■ _____ M1M, line 7
- 3 Expenses deducted attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) **3** ■ _____ M1M, line 9
- 4 If the partnership elected section 179 expensing, enter the partner's flow-through section 179 expensing **for Minnesota purposes** **4** ■ _____ M1M, see line 6 inst
- 5 100% of partner's distributive share of federal bonus depreciation **5** ■ _____ M1M, see line 5 inst
- 6 Fines, fees and penalties deducted federally as a trade or business expense **6** ■ _____ M1M, line 10
- 7 **This line intentionally left blank.** adopted by Minnesota **7a** ■ _____ M1NC, see inst.
- . . . **7b** ■ _____ M1NC, see inst.
- 8 Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income **8** ■ _____ M1M, line 16
- 9 **This line intentionally left blank.** not adopted by Minnesota **9 a** ■ _____ M1NC, see inst.
- . . . **9 b** ■ _____ M1NC, see inst.
- 10 Credit for increasing research activities **10** ■ _____ M1C, line 3
- 11 Greater Minnesota **Internship** Credit **11** ■ _____ M1B, line 3
- 12 Credit for historic structure rehabilitation and enter **NPS project number:** **12** ■ _____ M1B, line 2



Partner's Share of Income, Credits and Modifications 2016 (continued)

Partner's Name	Partner's Federal ID Number or Social Security Number
Partnership's Name	Partnership's Federal ID Number

All Partners (continued)	13 Employer Transit Pass Credit	13 _____	M1C, line 4
	14 Enterprise Zone Credit	14 _____	M1B, line 4
	Relating to Alternative Minimum Tax		
	15 Intangible drilling costs	15 _____	Use lines 15-18 to compute M1MT, lines 6 and 7. See M1MT instructions for details.
	16 Gross income from oil, gas and geothermal properties	16 _____	
	17 Deductions allocable to oil, gas and geothermal properties	17 _____	
	18 Depletion	18 _____	
	Minnesota Portion of Amounts From Federal Schedule K-1 (1065)		
	19 Minnesota source gross income	19 _____	info only (see inst.)
	20 Ordinary Minnesota source income (loss) from trade or business activities	20 _____	M1NR, line 6, col B
Nonresident Partners	21 Income (loss) from Minnesota rental real estate	21 _____	M1NR, line 6, col B
	22 Other net income (loss) from Minnesota rental activities	22 _____	M1NR, line 6, col B
	23 Guaranteed payments	23 _____	M1NR, line 6, col B
	24 Interest income	24 _____	M1NR, line 2, col B
	25 Ordinary dividends	25 _____	M1NR, line 2, col B
	26 Royalties	26 _____	M1NR, line 6, col B
	27 Net Minnesota short-term capital gain (loss)	27 _____	M1NR, line 4, col B
	28 Net Minnesota long-term capital gain (loss)	28 _____	M1NR, line 4, col B
	29 Section 1231 Minnesota net gain (loss)	29 _____	M1NR, line 4 or 8, col B
	30 Other Minnesota income (loss). (Describe type of income or include separate sheet: _____)	30 _____	M1NR, line 8, col B
	31 Section 179 expense deduction apportionable to Minnesota	31 _____	M1NR inst, line 6, col B
	32 Partnership's Minnesota apportionment factor (line 5, column C of M3A).	32 _____	information only

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Partner's Share of Income, Credits and Modifications 2016 (continued)

Partner's Name	Partner's Federal ID Number or Social Security Number
Partnership's Name	Partnership's Federal ID Number

Nonresident Partners	Nonresident Individual Partners Only: Composite Income Tax or Nonresident Withholding		Form M1 Filers: Include on:
	33 Minnesota source distributive income (see instructions)	33 ■ _____	<i>If an amount is on line 35 below, include line 33 on M1W, line 7, col. B.</i>
	34 Minnesota composite income tax paid by partnership. If the partner elected composite income tax, check this box: <input type="checkbox"/>	34 ■ _____	<i>composite income tax</i>
	35 Minnesota income tax withheld for nonresident individual partner not electing to file composite income tax. If the partner completed and signed a Form AWC, check this box: <input type="checkbox"/>	35 ■ _____	<i>M1W, line 7, col C</i>

Partnership: Include this schedule and copies of federal Schedules K and K-1 with your Form M3.

Partner: Include this schedule with your Form M1 (individuals) or Form M2 (estates and trusts).



Shareholder's Share of Income, Credits and Modifications 2016

S corporation: Complete and provide Schedule KS to each nonresident shareholder and Minnesota shareholder who has adjustments to income.

Tax year beginning _____, 2016 and ending _____

Amended KS:

Print or Type	Shareholder's Federal ID or Social Security Number		S Corporation's Federal ID Number		S Corporation's Minnesota Tax ID	
	Shareholder's Name			S Corporation's Name		
	Mailing Address			Mailing Address		
	City	State	Zip Code	City	State	Zip Code
Entity of Shareholder (place an X in one box):		<input type="checkbox"/> Individual	<input type="checkbox"/> Estate	Shareholder's percentage of stock ownership for tax year:		_____ %
		<input type="checkbox"/> Trust	<input type="checkbox"/> Exempt Organization			

Calculate lines 1-18 the same for all resident and nonresident shareholders. Calculate lines 19-33 for nonresident shareholders only. Round amounts to the nearest whole dollar.

Modifications to Federal Taxable Income

Form M1 filers, include on:

- 1 Interest income from non-Minnesota state and municipal bonds **1** ■ _____ M1M, line 4
- 2 State income tax deducted in arriving at ordinary or net rental income **2** ■ _____ M1M, line 7
- 3 Expenses deducted that are attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) **3** ■ _____ M1M, line 9
- 4 If the S corporation elected section 179 expensing, enter the shareholder's flow-through section 179 expensing **for Minnesota purposes** . . . **4** ■ _____ M1M, see line 6 inst.
- 5 100% of shareholder's pro rata share of federal bonus depreciation **5** ■ _____ M1M, see line 5 inst.
- 6 Fines, fees and penalties deducted federally as a trade or business expense **6** ■ _____ M1M, line 10
- 7 **This line intentionally left blank.** adopted by Minnesota **7a** ■ _____ M1NC, see inst.
- . . . **7b** ■ _____ M1NC, see inst.
- 8 Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income **8** ■ _____ M1M, line 16
- 9 **This line intentionally left blank.** adopted by Minnesota **9a** ■ _____ M1NC, see inst.
- . . . **9b** ■ _____ M1NC, see inst.
- 10 Credit for increasing research activities **10** ■ _____ M1C, line 3
- 11 Greater Minnesota **Internship** Credit **11** ■ _____ M1B, line 3
- 12 Credit for historic structure rehabilitation and enter NPS project number: **12** ■ _____ M1B, line 2
- 13 Employer Transit Pass Credit **13** ■ _____ M1C, line 4
- 14 Enterprise Zone Credit **14** ■ _____ M1B, line 4

All Shareholders

Continued next page





Shareholder's Share of Income, Credits and Modifications 2016 (continued)

Shareholder's Name		Shareholder's Social Security Number
S Corporation's Name	S Corporation's Federal ID Number	S Corporation's Minnesota ID Number

Relating to Alternative Minimum Tax

All Shareholders

- 15 Intangible drilling costs 15 ■ _____ Lines 15-18 are used to compute M1MT, lines 6 and 7. See M1MT instructions for details.
- 16 Gross income from oil, gas and geothermal properties 16 ■ _____
- 17 Deductions allocable to oil, gas and geothermal properties 17 ■ _____
- 18 Depletion 18 ■ _____

Minnesota Portion of Amounts From Federal Schedule K-1 (1120S)

Nonresident Shareholders

- 19 Minnesota source gross income 19 ■ _____ information (see *inst.*)
- 20 Ordinary Minnesota source income (loss) from trade or business activities 20 ■ _____ M1NR, line 6, col B
- 21 Income (loss) from Minnesota rental real estate and other Minnesota rental activities 21 ■ _____ M1NR, line 6, col B
- 22 Interest income 22 ■ _____ M1NR, line 2, col B
- 23 Ordinary dividends 23 ■ _____ M1NR, line 2, col B
- 24 Royalties 24 ■ _____ M1NR, line 6, col B
- 25 Net Minnesota short-term capital gain (loss) 25 ■ _____ M1NR, line 4, col B
- 26 Net Minnesota long-term capital gain (loss) 26 ■ _____ M1NR, line 4, col B
- 27 Section 1231 Minnesota net gain (loss) 27 ■ _____ M1NR, line 4 or 8, col B
- 28 Other Minnesota income (loss). (*Describe type of income or include separate sheet:* _____) 28 ■ _____ M1NR, line 8, col B
- 29 Section 179 expense deduction apportionable to Minnesota 29 ■ _____ M1NR inst, line 6, col B
- 30 S corporation's Minnesota apportionment factor (*line 5, column C of M8A*) 30 ■ _____ information only

Composite Income Tax or Nonresident Withholding

- 31 Minnesota source distributive income (*see instructions*) 31 ■ _____ see instructions
- 32 Minnesota composite income tax paid by S corporation. If the shareholder elected composite income tax, mark an X in this box: 32 ■ _____ composite income tax
- 33 Minnesota income tax withheld for nonresident shareholder not electing to file composite income tax. If the shareholder completed and signed a Form AWC, mark an X in this box: 33 ■ _____ M1W, line 7, col C

S corporations: Include this schedule and copies of federal Schedules K and K-1 when you file your Form M8.
Shareholders: Include this schedule when you file your Minnesota Form M1.



Corporation Franchise Tax Return 2016

Tax year beginning _____, 2016, and ending _____

Print or Type

Name of Corporation/Designated Filer		FEIN	Minnesota Tax ID
Mailing Address	<input type="checkbox"/> Check if new address	Business Activity Code (from federal) _____	
City	State	ZIP Code	Are you filing a combined income return? <input type="checkbox"/> Yes <input type="checkbox"/> No
Former Name (if changed since 2015 return)			
Federal Consolidated Common Parent Name (if different)	FEIN	Is this your final C corporation return? If yes, indicate if: <input type="checkbox"/> Withdrawn <input type="checkbox"/> Dissolved <input type="checkbox"/> Merged <input type="checkbox"/> S corp election	

This corporation is (place an X in the boxes that apply):
 a co-op in bankruptcy

Has a federal examination been finalized? (list years) _____

Report changes to federal income tax within 180 days of final determination. If there is a change in tax, you must report it on Form M4X.

Is a federal examination now in progress? (list years) _____

Tax years and expiration date(s) of federal waivers: _____

You must round amounts to nearest whole dollar

Tax, Payments and Credits

- 1 Minnesota tax liability (from M4T, line 21) 1
- 2 Minnesota Nongame Wildlife Fund donation (see instructions, pg. 5) 2
- 3 Add lines 1 and 2 3
- 4 Enterprise Zone Credit (attach Schedule EPC) 4
- 5 Historic Structure Rehabilitation Credit (attach credit certificate) and enter NPS project number: 5
- 6 Greater Minnesota Internship Credit (see instructions, pg. 5) 6
- 7 Amount credited from your 2015 return 7
- 8 Total corporate estimated tax payments made for 2016 8
- 9 2016 extension payment 9
- 10 Add lines 4 through 9 10
- 11 Tax due. If line 3 is more than line 10, subtract line 10 from line 3 11
- 12 Penalty (see instructions, pg. 5) 12
- 13 Interest (see instructions, pg. 5) 13
- 14 Additional charge for underpayment of estimated tax (attach Schedule M15C) 14

Continued next page



Corporation Franchise Tax Return 2016 (continued)

Name of Corporation/Designated Filer	FEIN	Minnesota Tax ID
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Amount Due or Overpaid	15 AMOUNT DUE. If you entered an amount on line 11, add lines 11 through 14. Payment Method: <input type="checkbox"/> Electronic (see inst., pg. 2), or <input type="checkbox"/> Check (see inst., pg. 2) 15 _____
	16 Overpayment. If line 10 is more than the sum of lines 3 and 14, subtract line 3 and line 14 from line 10. If line 10 is less than the sum of lines 3 and 14, see instructions, pg. 5 16 _____
	17 Amount of line 16 to be credited to your 2017 estimated tax 17 _____
	18 REFUND. Subtract line 17 from line 16 18 _____ If you have a refund, you must enter your banking information below. Account Type: Routing Number Account Number (use an account not associated with any foreign banks) <input type="checkbox"/> Checking <input type="checkbox"/> Savings _____ _____

Sign Here	<i>I declare that this return is correct and complete to the best of my knowledge and belief.</i>				I authorize the Minnesota Department of Revenue to discuss this tax return with the preparer.
	Authorized Signature	Title	Date	Daytime Phone	
	Signature of Preparer	PTIN	Date	Daytime Phone	
	Print name of person to contact within corporation to discuss this return	Title	Daytime Phone		

Attach a complete copy of your federal return including schedules as filed with the IRS. If you're paying by check, see inst., pg. 2.
Mail to: Minnesota Revenue, Mail Station 1250, St. Paul, MN 55145-1250

