



# TAXATION IN MINNESOTA

# C Corporation Tax (1/2)

C corporations that have a nexus (connection) with Minnesota are required to file a corporate income tax return in the state. Nexus is typically established if the corporation has a physical presence, employees, property, or sales in Minnesota. The corporate income tax rate is 9.80%.

A

The due date for filing Minnesota corporate income tax returns is generally the 15th day of the ninth month following the end of the corporation's tax year.

B

The main form used for filing corporate income tax in Minnesota is **Form M4**, Minnesota Corporation Franchise Tax Return.

C

Minnesota allows for an automatic seven - month extension of time to file corporate income tax returns. However, it's important to note that the extension only applies to the filing of the return and not the payment of taxes owed. The estimated tax payment is still required by the original due date to avoid penalties and interest.





# C Corporation Tax (2/2)

## Estimated Tax Payment

C corporations in Minnesota are generally required to make estimated tax payments if their tax liability is expected to exceed USD 500. Estimated tax payments are typically due on the 15th day of the third, sixth, ninth, and twelfth months of the corporation's tax year.

## Penalty and Interest

**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.

**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.

**Interest on late payment** - The interest is charged on the unpaid tax plus penalty from the regular due date until the total is paid. To figure how much interest is due, use the following formula with the appropriate interest rate (the rate for 2023 is 5%).

$$\text{Interest} = (\text{tax} + \text{penalty}) \times \# \text{ of days late} \times \text{interest rate} \div 365$$



# S Corporation Tax (1/2)



The entire share of an entity's income is taxed to the shareholder, whether or not it is actually distributed. Each shareholder must include their share of income on their tax return. However, the S corporation taxes and minimum fee are paid by the entity. An S corporation is subject to a minimum fee if the sum of its Minnesota source property, payroll and sales or receipts is at least USD 1,080,000.

The due date for filing Minnesota corporate income tax returns is generally the 15th day of the fourth month following the end of the corporation's tax year.

S corporations in Minnesota must file Form M8, Minnesota S Corporation Return, to report their income or loss. Shareholders of the S corporation will receive Schedule K-1, which provides information on their share of income, deductions, and credits.

Minnesota allows for an automatic six-month extension of time to file S corporation returns. However, it's important to note that the extension only applies to the filing of the return and not the payment of taxes owed. The estimated tax payment is still required by the original due date to avoid penalties and interest.

# S Corporation Tax (2/2)



## Estimated Tax Payment

The s corporation in Minnesota may be required to make estimated tax payments if their tax liability is expected to exceed USD 500. Estimated tax payments are typically due on the 15th day of the fourth, sixth, ninth, and first month after the end of the entity's tax year.

## Penalty and Interest

**Late Payment** - A late payment penalty is assessed on any tax not paid by the regular due date. The penalty is 6% of the unpaid tax. If you file your return after the regular due date with a balance due, and you do not pay that balance, an additional 5% penalty will be assessed on the unpaid tax.

**Late Filing** - There is also a penalty if you file after the extended due date and owe tax. The late filing penalty is 5% of any tax not paid by the regular due date.

**Interest** - The corporation must also pay interest on the penalty and tax sending in late. The interest rate for 2023 is 5%.

# Partnership LLP & LLC Tax

All entities required to file a federal Form 1065, U.S. Return of Partnership Income, and have Minnesota gross income must file Form M3, Partnership Return. The entire share of an entity's income is taxed to the partner/member, whether or not it is actually distributed. Each partner/member must include their share of income on their tax return. However, the minimum fee is paid by the entity. A partnership is subject to a minimum fee if the sum of its Minnesota source property, payroll and sales or receipts is at least USD 1,080,000. However, the partnership is exempt from the minimum fee if more than 80% of its income is from farming.

Partnerships in Minnesota must file Form M3, Minnesota Partnership Return, to report their income or loss. Each partner will receive Schedule K-1, which provides information on their share of income, deductions, and credits. The due date for filing Minnesota corporate income tax returns for LLC & LLP is generally the 15th day of the fourth month following the end of the corporation's tax year.

Minnesota allows for an automatic six-month extension of time to file partnership returns

The Partnership in Minnesota may be required to make estimated tax payments if their tax liability is expected to exceed USD 500. Estimated tax payments are typically due on the 15th day of the fourth, sixth, ninth, and twelfth months of the entity's tax year. The annual payment is the lesser of 90% of current year's tax liability and 100% of prior year's liability.

Interest and penalty is same as S corporation for Partnership LLP & LLC

**NOTE – Minimum tax is nothing but franchise tax. Franchise Tax is the tax that is imposed for the right to do the business in the state.**

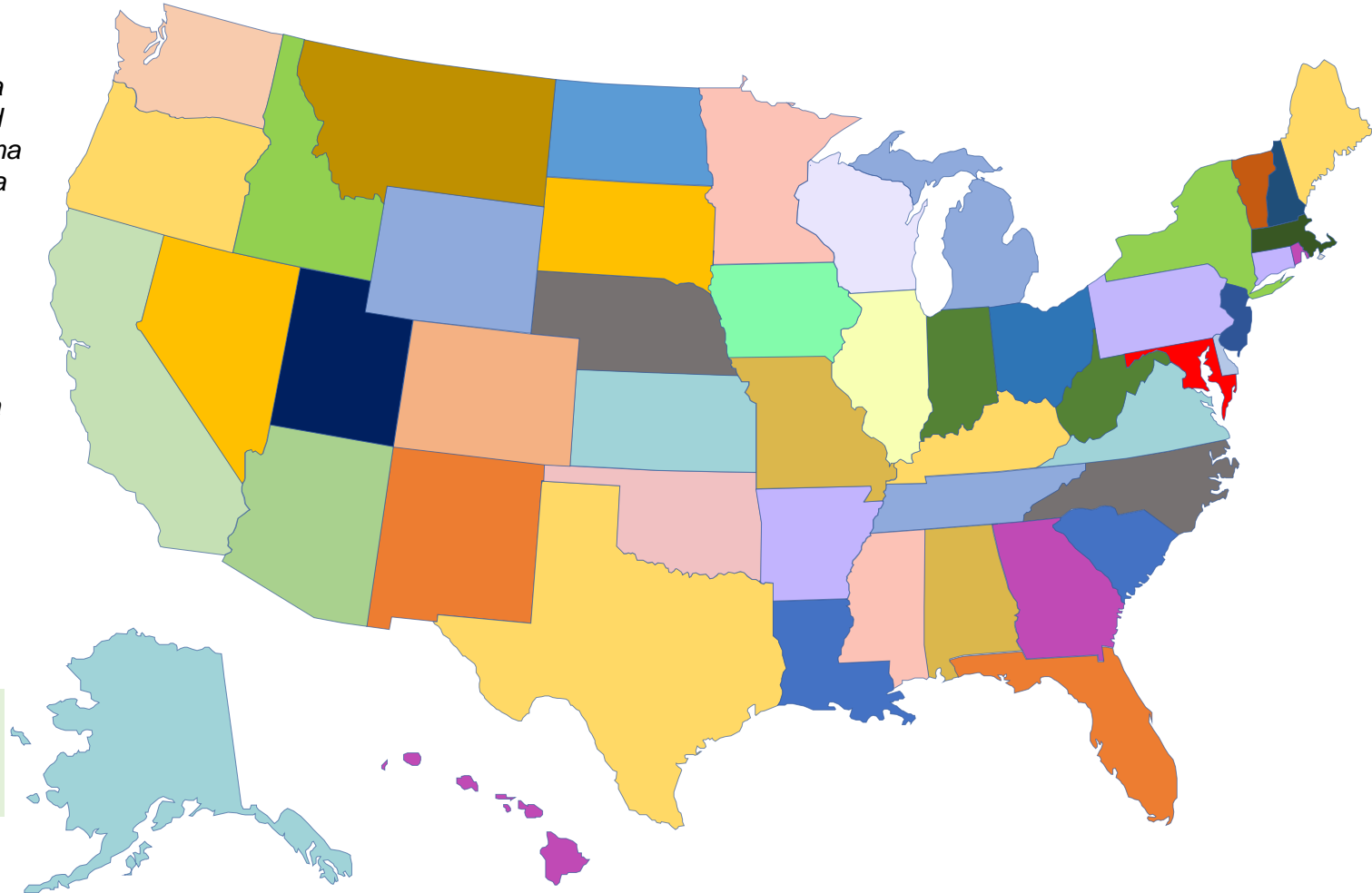


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