CHAPTER 8017
DEPARTMENT OF REVENUE
INCOME AND FRANCHISE TAXES
ALLOCATION AND APPORTIONMENT OF INCOME

8017.0100 [Repealed, L 1987 c 268 art 1 s 128]

8017.2000 [Repealed, L 1987 c 268 art 1 s 128]

8017.3000 [Repealed, L 1987 c 268 art 1 s 128]

8017.4000 [Repealed, 18 SR 1890]

8017.5000 MR 1995 [Obsolete, MS s 14.47, subd. 6, paragraph (b)]

8017.6000 APPORTIONMENT OF NET INCOME OF AIR CARRIERS.

Subpart 1. **General information.** Minnesota Statutes, section 290.17, subdivision 3, provides that the net income of a trade or business carried on partly in and partly out of this state must be apportioned between this state and other states. Minnesota Statutes, section 290.191, provides general rules for the apportionment of the net income of a trade or business carried on partly in and partly out of this state. Minnesota Statutes, section 290.20, provides that if the methods prescribed by Minnesota Statutes, section 290.191, do not fairly reflect the net income allocable to this state, the commissioner of revenue may require the use of another method. The nature of the air carrier business requires use of a method other than those prescribed by Minnesota Statutes, section 290.191.

Subp. 2. **Definitions.** The definitions in this subpart apply to this part.

A. "Air carrier" means a person engaged in the paid carriage of passengers, cargo, or mail on regularly scheduled flights of aircraft.

B. "Aircraft" means a contrivance used or designed for the navigation of flight in the air.

C. "Airport-to-airport mileage" means the mileage, as determined by the United States Department of Transportation, between airports that are the point of origination and termination of a flight in service.

D. "Cargo ton mile" means the paid carriage of one ton of cargo for one mile.

E. "Departures" means departures of an aircraft while operating a flight in revenue service.

F. "Fixed property and payroll" means all property and payroll not defined as flight property or flight payroll.

G. "Fleet type" means each series within an aircraft model.

H. "Flight in revenue service" means the flight of an aircraft for the paid carriage of cargo, mail, or passengers.

I. "Flight payroll" means the payroll of persons engaged as staff, such as pilots and flight attendants, on the air carrier's aircraft.

J. "Flight property" means aircraft ready for flight, spare engines, and spare parts inventory that rotates into aircraft. Inventory that rotates is inventory that consists of aircraft parts that are replacements for defective or worn parts and may be placed into an aircraft for use more than one time.

K. "Mail ton mile" means the paid carriage of one ton of mail for one mile.

L. "Minnesota cargo ton mile" means the paid carriage of one ton of cargo for one Minnesota plane mile.

M. "Minnesota departures" means departures of aircraft from Minnesota facilities for flights in revenue service.

N. "Minnesota mail ton mile" means the paid carriage of one ton of mail for one Minnesota plane mile.

O. "Minnesota passenger ton mile" means the paid carriage of one ton of passengers for one Minnesota plane mile.

P. "Minnesota plane mile ratio" means the resultant ratio of Minnesota plane miles divided by total plane miles. A separate plane mile ratio must be computed for each fleet type.

Q. "Minnesota plane miles" means the number of miles on completed flights in revenue service using airport-to-airport mileage flown from a departure point in Minnesota to the border of the state or flown from the border of Minnesota to a destination within the state. Minnesota plane miles are calculated by multiplying the airport-to-airport mileage by the percentage resulting from the division of the Minnesota distance by total distance for each flight in revenue service. The Minnesota plane miles of a flight in revenue service from a Minnesota departure point to a Minnesota destination is the airport-to-airport mileage.

(1) Minnesota distance is the distance from the Minnesota airport to the Minnesota border and the Minnesota border to the Minnesota airport measured on a straight line between the originating airport and the destination airport.

(2) Total distance is the distance from the originating airport to the destination airport on a straight line using the same map that was used to measure Minnesota distance.

(3) Minnesota distance and total distance must be measured on a conformal conic projection map, used for aviation purposes, meeting the standards for accuracy of the Global Navigation and Planning Chart, United States Defense Mapping Agency, Lambert Conformal Conic Projection Map.

R. "Passenger ton mile" means the paid carriage of one ton of passengers for one mile. For this purpose, each passenger is considered to weigh 200 pounds.

S. "Plane miles" means the number of miles flown on completed flights in revenue service using airport-to-airport mileage. Plane miles must be accumulated on a fleet type basis.

Subp. 3. **Formula.** Except as provided in this part, the method of apportionment prescribed in Minnesota Statutes, section 290.191, governs the apportionment of the net income of air carriers by this state.

Subp. 4. **Property factor.** Items A to D govern inclusion of property for purposes of the property factor in Minnesota Statutes, section 290.191.

A. The denominator of the property factor must include the property permitted to be included under Minnesota Statutes, section 290.191, subdivisions 9 and 10.

B. Fixed property owned or rented and actually used by the air carrier in this state in carrying on business in this state must be included in the numerator of the property factor.

C. All flight property owned or rented by the taxpayer must be included in the numerator of the property factor by multiplying the original cost of the flight property by the Minnesota plane mile ratio. This calculation must be made on a fleet type basis.

D. Fixed and flight property that is rented by an air carrier is valued at eight times the net annual rental, as set forth in Minnesota Statutes, section 290.191, subdivision 10, paragraph (e).

Subp. 5. **Payroll factor.** The payroll factor must be determined under Minnesota Statutes, section 290.191, subdivision 12, except that flight payroll must be included in the numerator by multiplying the total flight payroll times the Minnesota plane mile ratio. This calculation must be made on a fleet type basis.

Subp. 6. **Receipts factor.** Items A and B govern inclusion of receipts for purposes of the receipts factor in Minnesota Statutes, section 290.191.

A. The denominator of the receipts factor includes all receipts from the paid carriage of passengers, cargo, and mail.

B. The numerator must be 85 percent of the sum of the amounts calculated in subitem (1) plus 15 percent of the sum of the amounts calculated in subitem (2). The Minnesota passenger, cargo, and mail revenue must be determined on a fleet type basis by:

(1) (i) multiplying the total gross revenue from the carriage of passengers by the ratio of Minnesota passenger ton miles to total passenger ton miles; (ii) multiplying the total gross revenue from the carriage of cargo by the ratio of Minnesota cargo ton miles to total cargo ton miles; and (iii) multiplying the total gross revenue from the carriage of mail by the ratio of Minnesota mail ton miles to total mail ton miles;

(2) (i) multiplying the total gross revenue from the carriage of passengers by the ratio of Minnesota departures to total revenue departures; (ii) multiplying the total gross revenue from the carriage of cargo by the ratio of Minnesota departures to total departures; and (iii) multiplying the total gross revenue from the carriage of mail by the ratio of Minnesota departures to total departures; and

(3) if records of either actual passenger revenue, freight revenue, or mail revenue generated by fleet type are not maintained, for purposes of subitems (1) and (2), passenger revenue, cargo revenue, and mail revenue must be allocated to aircraft types based on the ratios of the passenger ton miles, cargo ton miles, and mail ton miles of that fleet type to total system passenger, cargo, and mail ton miles. The computation for each fleet type is as follows:

$$\frac{\text{Passenger Ton Miles for that Fleet Type}}{\text{Total Passenger Ton Miles for all Fleet Types}} \times \text{Total Passenger Revenue} = \text{Passenger Revenue for that Fleet Type}$$

$$\frac{\text{Cargo Ton Miles for that Fleet Type}}{\text{Total Cargo Ton Miles for all Fleet Types}} \times \text{Total Cargo Revenue} = \text{Cargo Revenue for that Fleet Type}$$

$$\frac{\text{Mail Ton Miles for that Fleet Type}}{\text{Total Mail Ton Miles for all Fleet Types}} \times \text{Total Mail Revenue} = \text{Mail Revenue for that Fleet Type}$$

Statutory Authority: *MS s 270.06; 270C.06*

History: *17 SR 95; L 2005 c 151 art 1 s 114*