

**CHAPTER 8097**  
**DEPARTMENT OF REVENUE**  
**INCOME TAX DIVISION**  
**SUBCHAPTER S CORPORATIONS**

8097.0200 TAXABLE INCOME DEFINED;  
 PARTNERSHIP RETURN  
 REQUIRED.

8097.0300 AMOUNT INCLUDED IN GROSS  
 INCOME OF SHAREHOLDER.

**8097.0200 TAXABLE INCOME DEFINED; PARTNERSHIP RETURN  
 REQUIRED.**

Any corporation which has elected under the provisions of Minnesota Statutes, section 290.972 to be taxed in accordance with the provisions of said section shall file with the commissioner of revenue a return on the form prepared for such purpose and in accordance with instructions issued by the commissioner. No corporate income tax return need be filed for such electing corporations.

**Statutory Authority:** *MS s 290.52*

NOTE: Minnesota Statutes, section 290.972, was repealed by Laws of Minnesota 1980, chapter 419, section 46; and 1981, chapter 344, section 4.

**8097.0300 AMOUNT INCLUDED IN GROSS INCOME OF SHAREHOLD-  
 ER.**

Individual shareholders of an electing corporation under Minnesota Statutes, section 290.972 shall be required to make an adjustment with respect to their federal adjusted gross income in determining Minnesota tax liability in the following situations:

A. Where the electing corporation has sustained capital gains during the taxable year and the adjusted basis of such capital assets is different for state and federal purposes, appropriate adjustment shall be made in conformance with the provisions of Minnesota Statutes, section 290.01, subdivision 20, paragraph (b), clause (2).

B. Where the business of the corporation is carried on both within and without the state of Minnesota, proper allocation of corporate income or loss attributable to shareholders shall be made under the provisions of Minnesota Statutes, sections 290.17, 290.18, and 290.19.

C. In cases where during the taxable year there has been a distribution of money or property in the form of dividends or otherwise to shareholders (other than in liquidation) in excess of the corporation's taxable income for the year then to the extent of the available surplus accumulated prior to years when the corporation was an electing corporation such excess shall be added to the shareholder's federal adjusted gross income in determining Minnesota tax liability.

The basis of a shareholder's stock in an electing small business corporation shall be reduced (but not below zero) by an amount equal to the amount of his portion of the corporation's net operating loss for any taxable year attributable to such stock (as determined under section 1374(c) of the Internal Revenue Code of 1954, as amended) and which loss was utilized as a deduction in determining the individual's Minnesota income tax liability.

In the event that an electing corporation under Minnesota Statutes, sections 290.971 to 290.975 pays a federal income tax liability of said corporation during the taxable year when the corporation was an electing corporation as stated above, the shareholders shall be entitled, on their individual returns, to deduct a proportionate amount of such federal income tax payment equal to their proportionate interest in the corporation.

**Statutory Authority:** *MS s 290.52*

NOTE: Minnesota Statutes, sections 290.971, 290.972, and 290.975, were repealed by Laws of Minnesota 1980, chapters 419, section 46; 607, article 1, section 33; 1981, chapter 344, section 4; and 1982, chapters 424, section 121; and 523, article 1, section 72.