

1 Department of Revenue

2

3 Adopted Permanent Rules Relating to Taxation; Income; Air

4 Carriers

5

6 Rules as Adopted

7 8017.6000 APPORTIONMENT OF NET INCOME OF AIR CARRIERS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Minnesota plane miles of a flight in revenue service from a
2 Minnesota departure point to a Minnesota destination is the
3 airport-to-airport mileage.

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

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

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

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

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

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

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

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

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

36 C. All flight property owned or rented by the

1 taxpayer must be included in the numerator of the property
2 factor by multiplying the original cost of the flight property
3 by the Minnesota plane mile ratio. This calculation must be
4 made on a fleet type basis.

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

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

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

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

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

26 (1)(i) multiplying the total gross revenue from
27 the carriage of passengers by the ratio of Minnesota passenger
28 ton miles to total passenger ton miles; (ii) multiplying the
29 total gross revenue from the carriage of cargo by the ratio of
30 Minnesota cargo ton miles to total cargo ton miles; and (iii)
31 multiplying the total gross revenue from the carriage of mail by
32 the ratio of Minnesota mail ton miles to total mail ton miles;

33 (2)(i) multiplying the total gross revenue from
34 the carriage of passengers by the ratio of Minnesota departures
35 to total revenue departures; (ii) multiplying the total gross
36 revenue from the carriage of cargo by the ratio of Minnesota

1 departures to total departures; and (iii) multiplying the total
 2 gross revenue from the carriage of mail by the ratio of
 3 Minnesota departures to total departures; and

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

12	Passenger Ton Miles for		Total	Passenger Revenue
13	that Fleet Type		Passenger	for that
14	-----	X	Revenue	= Fleet Type
15	Total Passenger Ton Miles			
16	for all Fleet Types			
17				
18				
19	Cargo Ton Miles for		Total	Cargo Revenue
20	that Fleet Type		Cargo	for that
21	-----	X	Revenue	= Fleet Type
22	Total Cargo Ton Miles			
23	for all Fleet Types			
24				
25				
26	Mail Ton Miles for		Total	Mail Revenue
27	that Fleet Type		Mail	for that
28	-----	X	Revenue	= Fleet Type
29	Total Mail Ton Miles			
30	for all Fleet Types			