

MINNESOTA • REVENUE
2009 JOBZ Tax Benefits

JOBZ

Job Opportunity Building Zone (JOBZ) Exemptions, Exclusions, Subtractions and Credit

Name of taxpayer claiming benefits _____ Minnesota tax ID or Social Security number _____

Name of qualified business operating in the zone, if different than taxpayer _____

Name of zone and subzone _____ BSA effective date _____ Benefit or operations start date _____

Type of taxpayer (check one box only):
 C corporation Partnership S corporation Sole proprietor Individual Tax-exempt nonprofit organization

Round amounts to the nearest whole dollar.
 If your property and payroll are located entirely within the zone, complete columns A and B, and enter 1.00000 on line 8.

A	B	C
In the zone	In Minnesota	A ÷ B
	<small>(Sole proprietors: see instructions)</small>	<small>(carry to 5 decimal places)</small>

**Section A—
 To be completed by all qualified businesses**

Exempt income from operating a qualified business

- 1** Average inventory **1** _____
- 2** Average tangible property and land owned/used (at original cost) **2** _____
- 3** Financial institutions only: Average intangible property owned **3** _____
- 4** Capitalized rents paid by the qualified business (gross rents paid x 8) **4** _____
- 5** Total property (add lines 1 through 4, columns A and B) **5** _____
- 6** Total payroll **6** _____
- 7** Total property and payroll (add line 5, column C, and line 6, column C) **7** _____
- 8** **Zone ratio** (divide line 7 by two; carry to five decimal places) **8** _____
- 9** Minnesota source income from the qualified business operating in the zone (determine from instructions) **9** _____
- 10** Multiply the zone ratio on line 8 by line 9 **10** _____
- Did the qualified business relocate under a fully executed business subsidy agreement after August 31, 2005?
 No. Skip lines 11, 12 and 13, and continue with line 14.
 Yes. Continue with line 11.
- 11** Adjusted 2009 relocated zone payroll (determine from instructions) **11** _____
- 12** Divide line 11 by line 6, column A (carry to five decimal places) **12** _____
- 13** Multiply line 10 by line 12 **13** _____
- 14** Adjusted basis of property at the time your property is first used in the zone **14** _____
- 15** Add line 6, column A, and line 14 **15** _____
- 16** **Limit** (multiply line 15 by .20) **16** _____
- 17** **Zone exemption.** Enter the amount from line 10 or line 16, whichever is less. Or if the qualified business relocated after August 31, 2005, enter the amount from line 13 or line 16, whichever is less **17** _____

C corporations: Include the result on Form M4T, line 9. *Partnerships, S corporations, estates and trusts:* Pass through to your partners, shareholders or beneficiaries (see instructions). *Sole proprietors:* Include the result on Schedule M1M, line 29. *Nonprofit organizations:* Include the result on Schedule M4NPI, line 2a.

Continued

Name of taxpayer _____

Minnesota tax ID or Social Security number _____

AMT exclusion

Section B—To be completed by qualified businesses that are C corporations

- 18** Alternative minimum taxable income before zone AMT exclusion (*from AMTI, line 17*) **18** _____
- 19** Multiply line 18 by the zone ratio on line 8. If the business relocated under a fully executed business subsidy agreement after August 31, 2005, see instructions **19** _____
- 20** **Zone AMT exclusion for corporation franchise** (*enter the amount from line 16 or 19, whichever is less*). Enter the result here and include on AMTI, line 18 **20** _____

Minimum fee adjustment

Section C—To be completed by qualified businesses that are corporations or partnerships

- 21** Total zone property and zone payroll (*add line 5, column A, and line 6, column A*). If your property and payroll are located entirely within the zone, skip lines 21 and 22 and enter zero on M4A, line 20 (C corporations); M3A, line 10 (partnerships); or M8A, line 21 (S corporations) **21** _____
- 22** **Zone minimum fee adjustment** (*enter the amount from line 16 or 21, whichever is less*) **22** _____
Include the result as a subtraction on Form: M4A, line 18 (C corporations); M8A, line 19 (S corporations); or M3A, line 8 (partnerships).

JOBZ rental income and gains

Section D—To be completed by partnerships, S corporations, estates, trusts, sole proprietors and individuals with rental income or gains from property used by a qualified business in a zone

- 23** Net rents derived from real or tangible personal property used by a qualified business located in the zone **23** _____
- 24** Number of days the property was used in the zone by a qualified business **24** _____
- 25** Divide line 24 by 365 (*enter 1.00 if the property was used in the zone for the entire year*) **25** . _____
- 26** JOBZ rent subtraction (*multiply line 23 by line 25*) **26** _____
- 27** Net gains from the sale or exchange of real property used by a qualified business located in the zone (*see instructions*) **27** _____
- 28** Net gains from the sale or exchange of tangible personal property used by a qualified business in the zone (*see instructions*) **28** _____
- 29** Net gains from the sale of an ownership interest in a qualified business (*see instructions*) **29** _____
- 30** **Zone investment income** (*add lines 26 through 29*) **30** _____
Partnerships and S corporations: See instructions. Estates and trusts: Include the result on Form M2, line 35. Individuals and sole proprietors: Include the result on Schedule M1M, line 29.

JOBZ jobs credit

Section E—To be completed by all qualified businesses

- 31** Zone payroll (*see instructions*) **31** _____
- 32** 2003 zone payroll (*see instructions*) **32** _____
- 33** Subtract line 32 from line 31 **33** _____
- 34** Total payroll in Minnesota (*amount from line 6, column B, of this schedule*) **34** _____
- 35** 2003 Minnesota payroll **35** _____
- 36** Subtract line 35 from line 34 **36** _____
- 37** Amount from line 33 or line 36, whichever is less (*if zero or less, stop here; you do not qualify*) . . . **37** _____
- 38** Number of full-time equivalent employees in zone during the taxable year **38** _____
- 39** Number of full-time equivalent employees in zone during 2003 **39** _____
- 40** Subtract line 39 from line 38 (*if zero or less, enter zero*) **40** _____
- 41** Multiply line 40 by \$35,070 **41** _____
- 42** Subtract line 41 from line 37 (*if zero or less, stop here; you do not qualify for this credit*) **42** _____
- 43** **JOBZ jobs credit** (*multiply line 42 by .07*) **43** _____
C corporations: Include the result on Form M4, line 5. S corporations: Include the result on Form M8, line 11. Partnerships: Include the result on Form M3, line 8. Estates and trusts: Include the result on Form M2, line 14c. Sole proprietors: Include the result on Form M1, line 31. Nonprofit organizations: Include the result on Schedule M4NPI, line 4a.

You must include this schedule when you file your tax return (Form M1, M2, M3, M4, M8 or M4NP).

2009 Schedule JOBZ Instructions

Job Opportunity Building Zone (JOBZ) Exemptions, Exclusions, Subtractions and Credits

Who is eligible

Qualified businesses

Tax benefits, such as exemptions from income and minimum fee adjustments, are available to qualified businesses operating in a designated Job Opportunity Building Zone (JOBZ).

You are a qualified business if your place of business is located within a zone and you have signed a Business Subsidy Agreement with the JOBZ zone administrator.

Agricultural processing facilities located in a designated agricultural processing facility zone are eligible for the same tax benefits as a qualified business located in a JOBZ zone.

Individuals

Individuals who invest in or operate a qualified business in a JOBZ zone can subtract the following types of income, to the extent that the income would otherwise be taxable:

- the income received for renting real or tangible personal property used by a qualified business located in a zone,
- income received from operating a qualified business in a zone,
- gains from the sale or exchange of real or tangible personal property used by a qualified business located in a zone, or
- gains from the sale of an ownership interest in a qualified business.

If you are a sole proprietor operating a qualified business, complete Sections A, D and E. Individuals who are not sole proprietors, should complete Section D only, and skip Sections A, B, C and E.

If you are a partner in a partnership or shareholder of an S corporation, you may need to contact the entity to obtain the required information to complete Schedule JOBZ.

Completing the schedule

BSA effective date

The BSA effective date is the date the qualified business's Business Subsidy Agreement (BSA) was signed by the zone administrator.

Benefit or operations start date

The benefit start date is the latter of the approval date or the date the business was staffed and running its business operations.

Annual reporting of all JOBZ tax benefits

Each qualified JOBZ business is required to annually file two forms with the Department of Revenue. These forms are filed separately from the qualified business's tax return.

1. By October 15, 2010, each qualified business must file Form M500, *Reporting of JOBZ Tax Benefits*, to report the amount of taxes the business would have paid in 2009 had it not been in a JOBZ zone.
2. By December 1, 2010, each qualified business must certify to the Department of Revenue that it is in compliance with the terms of its business subsidy agreement.

Failure to submit either of these reports will result in the business being removed from the JOBZ program.

Column instructions

Column A, lines 1–6. Enter the zone property and payroll items for the qualified business located in the zone.

Column B, lines 1–6. Enter the business's total property and payroll items in Minnesota. However, if you are a sole proprietor who is a Minnesota resident, change the column heading for column B from "In Minnesota" to "Worldwide business total" and enter the appropriate amounts on lines 1–6.

Unitary groups: In column B, lines 1–6, enter the total of all B columns for each line from the unitary group's M4A.

Column C, lines 5 and 6. Divide column A by column B, and enter the result in column C for each line. Be sure to carry the result to five decimal places.

Line instructions

Definitions for property and payroll on lines 1 through 6 are generally the same as those terms as defined for the three-factor apportionment.

Line 1—Inventory

Enter the average value of inventories for the business for the tax year.

Line 2—Tangible property and land

Enter the average value of total tangible property (real, personal and mixed) and used in connection with your business during the tax year. Property must be valued at original cost and includes land, buildings, machinery, equipment and other tangible personal property.

Line 3—Financial institutions only

For financial institutions only, you must include intangible assets in the property.

See page 11 of the Form M4, *Corporation Franchise Tax*, instructions for details.

Line 4—Capitalized rents

Rented property is based on the actual rent for property used during the tax year. Do not average rents paid during the year. Determine the value of rented property used in the zone and in Minnesota by multiplying the rent paid during the tax year by eight.

Line 6—Payroll

In column A, enter the total wages and salaries paid to individuals for services performed in the zone. If an individual works from an office within the zone and their employment requires them to work outside the zone, include their full wages and salaries only if the outside-zone work is incidental to the work performed by the individual within the zone.

In column B, enter the total payroll paid or incurred in Minnesota, or paid for labor performed in Minnesota, for the tax year in connection with the business.

Lines 9–16

Limit

The maximum amount you are allowed to subtract is 20 percent of the sum of the qualified business's zone payroll plus the adjusted basis of property at the time the property is first used by the business in the zone.

Line 9—Minnesota source income

Using the instructions below, enter your Minnesota source income (or your federal income if you are a Minnesota resident sole proprietor) from the qualified business that operates in the zone. Exclude any rental income or capital gains from the sale of property used by the qualified business

Continued

in the zone that may be included in the amount. You will report this income separately in Section D.

C corporations: Enter the amount from Form M4T, line 5.

S corporations: Multiply Form M8A, line 18, by Schedule K (1120S), line 1.

Partnerships: Multiply Form M3A, line 6, by Schedule K (1065), line 1.

Sole proprietors, estates and trusts: If you are a full-year Minnesota resident, enter the adjusted amount of Schedule C (1040), line 31, or Schedule C-EZ (1040), line 3.

If you're a part-year resident or nonresident, enter the amount from Schedule M1NR, line 3, column B.

Line 11—Adjusted relocated zone payroll

To determine line 11, follow the steps below:

- 1 2009 zone payroll (from line 6, column A)
- 2 Payroll from relocated operation for last full year prior to relocation
- 3 Subtract step 2 from step 1

Enter the result from step 3 on line 11.

Line 17—Zone exemption

Enter the amount from line 10 or line 16, whichever is less. However, if the qualified business relocated after August 31, 2005, enter the amount from line 13 or line 16, whichever is less.

C corporations: Include the result on Form M4T, line 9.

Partnerships: Include the partner's distributive share on Schedule KPI, line 10, or on Schedule KPC, line 3.

S corporations: Include the shareholder's pro rata share on Schedule KS, line 10.

Estates and trusts: Include the result on Form M2, line 36, and include the beneficiary's share on Schedule KF, line 12.

Sole proprietors: Include the result on Schedule M1M, line 29. Also, any child and dependent care and/or working family credit you may claim must be prorated to exclude your exempt earned income from operating a qualified business in the zone.

Line 19

If the qualified business relocated under a fully executed business subsidy agreement after August 31, 2005, multiply line 18 by line 8, and then multiply by line 12. Enter the result on line 19.

Lines 23–26—Rent subtraction

Enter the net rents you received from a qualified business for the rental of real or tangible personal property located in the

zone. If the personal property was used both within and outside the zone, you must prorate the rent received based on the number of days the property was used in the zone.

Line 27—Net gains from sale of real property

If you sold or exchanged real property used by a qualified business located in the zone, enter the net gains received on line 27. However, if you owned the property prior to the designation of the zone, follow the steps below to determine line 27:

- 1 Net gain from the sale or exchange of real property located in the zone
- 2 Number of days you held the property during the period of zone designation
- 3 Total number of days you held the property
- 4 Divide step 2 by step 3
- 5 Multiply step 1 by step 4. Enter the result here and on line 27

Line 28—Net gains from sale of tangible personal property

If you sold or exchanged tangible personal property that was used by a qualified business in the zone, enter the net gains received on line 28. However, if the tangible property was used both within and outside the zone or you owned the property before the zone was designated, follow the steps below to determine line 28:

- 1 Net gain from the sale or exchange of tangible personal property used by a qualified business in the zone
- 2 Number of days the tangible personal property was used in the zone
- 3 Total number of days you held the property
- 4 Divide step 2 by step 3
- 5 Multiply step 1 by step 4. Enter the result here and on line 28

Line 29—Gain from the sale of an ownership interest in a qualified business

If you sold a qualified business (a corporate stock, S corporate stock or partnership interest) in 2009 and the 2009 zone ratio of the business is at least 25 percent, you may qualify for a subtraction. (Use the steps below using 2009 figures to determine if your 2009 zone ratio is at least 25 percent. If step 6 using 2009 figures is less than 25 percent, you do not qualify for this subtraction.)

Follow the steps below to determine line 29:

- 1 Net gain from the sale of an ownership interest in a qualified business

- 2 From your 2008 Schedule JOBZ, divide line 5, column A, by your 2008 total property (within and outside Minnesota)
- 3 From your 2008 Schedule JOBZ, divide line 6, column A, by your 2008 total payroll (within and outside Minnesota)
- 4 Add steps 2 and 3
- 5 Divide step 4 by two (carry to five decimal places)
- 6 Multiply step 1 by step 5. Enter the result here and on line 29

Line 30—JOBZ investment income

Partnerships: Include the partner's distributive share on Schedule KPI, line 10, or on Schedule KPC, line 4.

S corporations: Include the shareholder's pro rata share on Schedule KS, line 10.

Estates and trusts: Include the result on Form M2, line 36, and pass through each beneficiary's share of the JOBZ investment income on Schedule KF, line 12.

Individuals and sole proprietors: Include the result on Schedule M1M, line 29.

Lines 31–43

JOBZ jobs credit

A refundable jobs credit based on higher paying jobs is available to qualified businesses located in a JOBZ zone. To qualify, the average wage per employee in the zone must be \$35,070 or more.

Line 31—Zone payroll

Enter line 6, column A. For employees whose wages are over \$116,880 exclude the amount over \$116,880.

Line 32—2003 zone payroll

Enter the amount of payroll in the zone for 2003. For employees whose wages are over \$116,880, exclude the amount over \$116,880.

Line 43—JOBZ jobs credit

Estates, trusts, partnerships and S corporations: Any remaining credit may be passed through to your beneficiaries, partners and shareholders on the appropriate line on Schedule KF, KPI, KPC or KS.

Definition

Full-time equivalent employee is the equivalent to 2,080 expected hours of work time. To determine, follow the steps below:

- 1 Number of full-time employees who worked the entire year
- 2 Total hours worked by all employees *not* included in step 1.
- 3 Divide step 2 by 2,080
- 4 Add step 1 and step 3