

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Deferred Compensation And Biotechnology Grants

April 1, 2004

	Yes	No
Separate Official Fiscal Note Requested		
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue
Analysis of S.F. 3000 (Pogemiller) / H.F. 3147 (Kahn)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>FY2006</u>	<u>FY2007</u>
		(000's)		
Individual Income Tax	0	\$1,750	\$1,850	\$1,950
Biotechnology Grants	<u>0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
General Fund	0	(Unknown)	(Unknown)	(Unknown)

Tax provision effective for tax years beginning after December 31, 2003.
Grant program effective July 1, 2004.

EXPLANATION OF THE BILL

Current Law:

Individual Income Tax

Under M.S. 290.17, Subd. 2, Minnesota law exempts wage income that was earned while the taxpayer was a resident but received in a year that the taxpayer was a nonresident for the full year.

Biotechnology Grants

No biotechnology grants are authorized under current law.

Proposed Law:

Individual Income Tax

The bill would remove the provision in M.S. 290.17, Subd. 2, which exempts wage income that was earned while the taxpayer was a resident but received in a year that the taxpayer was a nonresident for the full year.

Biotechnology Grants

The Commissioner of Employment and Economic Development would be authorized to award grants to support the startup and growth of biotechnology and health sciences businesses. The maximum grant to a business is \$500,000 per year. The grants may be awarded until December 31, 2007. The grants would be funded by an open appropriation from the general fund.

REVENUE ANALYSIS DETAIL

Individual Income Tax Provision

- The estimates are based on information that was developed following the Minnesota Supreme Court decision in *Victor C. Benda v. James Girard in His Capacity as Commissioner of Revenue, et al.*
- Amended returns filed in response to the court case were the primary source of information, supplemented with a sample of 1997 individual income tax returns of nonresidents.
- Annual growth of 5% was assumed.

Biotechnology Grants

- The total dollar amount of grants that would be issued is not known. There is a limit of \$500,000 per business per year, but there is no limit on the number of businesses receiving grants or on the total amount granted.

Number of Taxpayers Affected: Unknown.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

SF3000(HF3147)-1 /dkd