MINNESOTA · REVENUE

GROSS PREMIUM TAX
Small Business Investment Credit

April 14, 2009

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 292 (Saltzman) / HF 475 (Winkler)

	Fund Impact			
	F.Y. 2010	**F.Y. 2011**	**F.Y. 2012**	**F.Y. 2013**
	(000's)			
General Fund	$0	$0	$0	($20,000)

Credit is effective beginning with tax year 2013.
Provisions relating to investments are effective the day following final enactment.

EXPLANATION OF THE BILL

A nonrefundable credit against the gross premium tax would be allowed for investments made in a Minnesota small business investment company. The primary purpose of a Minnesota small business investment company is to invest its capital in a qualified business. A qualified business must be independently owned and have no more than 100 employees. Also, the bill restricts the primary activity of businesses that may be classified as a qualified business. The bill has a limitation on the total amount of tax credits of $160 million.

Provided that Minnesota small business investment companies are set up soon after enactment, an insurance company could make investments as soon as tax year 2010. However, no tax credits can be claimed until tax year 2013. The credit is equal to 80% of insurance company investments in a Minnesota small business investment company. The credit is taken in equal parts over a period of four years. When the credit exceeds tax, the credit is carried over, with no limitation on the number of years to which it may be carried.

If an insurance company is domiciled in a state that imposes retaliatory taxation and claims the tax credit, no retaliatory taxation can be imposed on the insurance company as a result of claiming the credit. Insurance companies domiciled in states other than Hawaii, Massachusetts, New York, New Mexico, and Rhode Island are subject to retaliatory taxation. Under retaliatory taxation, an insurance company pays a gross premium tax equal to the greater of the tax computed under Minnesota law or the tax computed under laws where the company is domiciled.

REVENUE ANALYSIS DETAIL

- It was assumed that the maximum credit of $40 million per year would be claimed and that the credit would first be available for tax year 2013. It was estimated that one-half of the tax year 2013 impact would occur in fiscal year 2013.

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