

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX Credit for Transfer of Unused NOL Carryovers

March 11, 2013

Department of Revenue
Analysis of H.F. 1045 (Mahoney) / S.F. 1010 (Rest)

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
General Fund	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)

Effective beginning with tax year 2013.

EXPLANATION OF THE BILL

This bill would allow qualifying emerging technology and biotechnology corporations to transfer or sell unused Minnesota net operating loss (NOL) carryovers under the corporate franchise tax to other corporations. The selling price of the NOL carryover must equal at least 75% of the transferred tax benefit. The transferred tax benefit is the amount of the NOL carryover multiplied by the technology or biotechnology company's apportionment percentage multiplied by the corporate tax rate.

Corporations that purchase NOL carryovers would claim a separate tax credit for the value of the tax benefits of their purchased NOL carryover deductions.

To qualify, the selling or transferring corporation must have its headquarters or base of operations in Minnesota and have fewer than 250 full-time employees. It must not have had positive operating income for financial reporting purposes in the two previous years. Other requirements are listed in the bill.

In order to sell NOL carryovers, a qualifying company must apply to and obtain approval from the Department Employment and Economic Development. For each qualifying company, the cumulative total of tax benefits transferred is limited to \$15 million. The total annual amount of the tax benefits that may be transferred in any fiscal year is limited to \$60 million.

REVENUE ANALYSIS DETAIL

- It was assumed that the maximum credit of \$60 million per tax year would be claimed.
- Tax year impact is allocated to the following fiscal year.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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