CORPORATE FRANCHISE TAX
Tax Havens

March 19, 2013

	Yes	No
DOR Administrative Costs/Savings	x	

Department of Revenue
Analysis of H.F. 1440 (Hornstein) / S.F. 1237 (Dibble)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
		(000's)		
General Fund	$21,600	$14,900	$14,100	$14,300

Effective beginning with tax year 2013.

EXPLANATION OF THE BILL

Current Law: Under current law, only corporations chartered in the United States are included in the unitary group. Corporations chartered in foreign countries are excluded from the unitary group.

Proposed Law: Corporations chartered in foreign countries could be included in the unitary group if one of three conditions is met.

Under the first condition, all corporations that are chartered in any one of the thirty-five specified countries must be included in the unitary group. The bill defines these thirty-five countries as tax havens. The list of tax haven countries originates from work done by the Organization for Economic Co-operation and Development (OECD). In 1998 the OECD developed criteria for identifying a tax haven country.

Under the second condition, a foreign corporation not chartered in a tax haven country may be included in the unitary group. A corporation is included in the unitary group if 20% or more of all its business income is attributable to a tax haven country.

Under the third condition, a foreign corporation can be included in the unitary group if 20% or more of the average of its property, payroll and sales comes from activity in the United States.

REVENUE ANALYSIS DETAIL

- The estimate for tax havens is based on the experience of Montana with a similar law.
- All of tax year 2013 was allocated to fiscal year 2014. Other tax years were allocated 30/70 to fiscal years.

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

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