

MINNESOTA • REVENUE

CORPORATE FRANCHISE TAX Exempt Royalty Income from Technology Transfers

March 13, 2013

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1122 (Rest) As Proposed to be Amended (SCS1122A-1)

	<u>Fund Impact</u>			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
General Fund	\$0	(Unknown)	(Unknown)	(Unknown)

Effective beginning with tax year 2013 for technology transfer agreements.
Effective beginning with tax year 2014 for the subtraction of royalty income.

EXPLANATION OF THE BILL

A subtraction from federal taxable income would be allowed for royalty income associated with a licensing agreement to transfer technology to a qualified small business provided that certain conditions are met.

A qualified small business must have its headquarters in Minnesota and at least 51% of its payroll in Minnesota. Such a business must have gross sales of less than \$2 million in each of the past three years and been in operation for less than five years. As proposed to be amended, a qualified small business cannot be part of the same unitary group as the corporation that enters into the technology transfer licensing agreement.

The qualified small business must have a licensing agreement for qualified technology. Qualified technology is a proprietary process, formula, pattern, device, or technology information that is not in the public domain. All licensing agreements would need to be approved by the Department of Employment and Economic Development.

The exemption is \$10 million per technology transfer agreement or for a period up to ten years, whichever occurs first.

REVENUE ANALYSIS DETAIL

- No data was available to estimate the value of technology transfers by corporations subject to the corporate franchise tax.

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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