

March 29, 2019

| | | |
|----------------------------------|------------|-----------|
| | Yes | No |
| DOR Administrative Costs/Savings | | X |

Department of Revenue
Analysis of H.F. 1822 (Loeffler), As Proposed to be Amended (H1822DE2)

| | Fund Impact | | | |
|--------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>F.Y. 2020</u> | <u>F.Y. 2021</u> | <u>F.Y. 2022</u> | <u>F.Y. 2023</u> |
| | (000's) | | | |
| General Fund | \$3,000 | \$2,300 | \$2,300 | \$2,300 |

Effective beginning tax year 2019.

EXPLANATION OF THE BILL

Current Law: Beginning in tax year 2014, the Minnesota portion of the income of a C corporation is determined by the ratio between Minnesota sales and the sales everywhere. Minnesota sales are determined by the destination of the sale.

Proposed Law: The bill creates a throwback provision that classifies certain sales shipped from Minnesota to out-of-state customers as Minnesota sales for apportionment purposes.

The throwback provision would be triggered if tangible property is shipped from Minnesota and the customer is the United States government. Such sales are not attributed to Minnesota under current law. The effect of the reclassified sales increases the percentage of total income apportioned to Minnesota.

REVENUE ANALYSIS DETAIL

- The estimates are based on the estimates in the 2018 Tax Expenditure Budget. The estimates were adjusted to reflect the change in projected corporate tax revenue according to the February 2019 forecast.
- The apportionment percentage of corporations with sales to the federal government was recalculated with the proposed throwback rule.
- All of tax year 2019 revenue gain is allocated to fiscal year 2020. Other tax years were allocated 30/70 to fiscal years.

Number of Taxpayers: About 700 returns.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx