

March 23, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 2228 (Howard)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	\$292,700	\$231,100	\$246,900	\$253,700

Effective beginning with tax year 2021.

EXPLANATION OF THE BILL

Current Law: A Minnesota unitary group includes related corporations with a domestic charter of incorporation.

Proposed Law: The bill would require a unitary group to report its worldwide income and apportion it to Minnesota. Under worldwide reporting, all related corporations make a unitary group regardless whether a corporation holds a domestic or a foreign charter. This is the most comprehensive method of reporting income, which apportions income to Minnesota based on Minnesota’s share of the worldwide apportionment factor.

All income must be reported according to generally accepted accounting practices and other tax accounting standards required by the Commissioner of Revenue. The profit and loss statement must be prepared in the currency used by the corporation. The final results must be reported in dollars.

REVENUE ANALYSIS DETAIL

- Based on an independent analysis by the Institute on Taxation and Economic Policy dated January 17, 2019, worldwide reporting would enable Minnesota to tax its share of an estimated \$235 billion of additional income.
- Unlike the independent analysis, the estimate assumes the Minnesota share of this additional income is 1%. This additional income would be taxed at 9.8%.
- The revenue estimate for fiscal year 2021 is projected to increase by the growth of corporate tax collections as projected by Minnesota Management and Budget in the November 2020 forecast.
- Due to the retroactive effective date, the revenue gain from tax year tax year 2021 that normally is associated with fiscal year 2021 is allocated to fiscal year 2022. As a result of the retroactive change, all of tax year 2021 revenue gain is allocated to fiscal year 2022. Other tax years were allocated 30% / 70% to fiscal years.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>