

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 2644

**DATE:** March 9, 2004

**Version:** As introduced

**Authors:** Abrams and others

**Subject:** Corporate Franchise Tax - Single Sales Apportionment

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### Overview

This bill phases-in single sales apportionment under the corporate franchise tax over five years.

#### Section

- 1 Phase-in of single sales apportionment.** Replaces the present weighted apportionment formula with single sales apportionment over a 5-year period. The table below shows the phase-in.

<b>Tax year</b>	<b>Sales factor</b>	<b>Property factor</b>	<b>Payroll factor</b>
<b>Present law</b>	75%	12.5%	12.5%
<b>2006</b>	78%	11%	11%
<b>2007</b>	82%	9%	9%
<b>2008</b>	86%	7%	7%
<b>2009</b>	90%	5%	5%
<b>2010</b>	95%	2.5%	2.5%
<b>2011 and later</b>	100%	0	0

## Section

**2**      **Apportionment financial institutions.** Adopts the same phase-in formula of single sales for financial institutions as is provided under section 0.

**Background:** Apportionment using more heavily weighted sales factor (or exclusively sales) will generally lower taxes for a corporation whose Minnesota sales factor is lower than the average of its property and payroll factor. Thus, corporations with proportionately larger operations (property and payroll) in Minnesota than their sales (i.e., they export or sell their products outside of Minnesota) will tend to benefit. Conversely, the bill will increase taxes on corporations with the reverse situation-i.e., proportionately more of their sales than of their property and payroll in Minnesota.