

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 2645

**DATE:** March 5, 2004

**Version:** As introduced

**Authors:** Abrams and others

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

**Analyst:** Joel Michael, 651-296-5057

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd](http://www.house.mn/hrd).

---

### Overview

This bill replaces Minnesota's weighted apportionment formula under the corporate franchise tax with a formula based solely on the sales factor. This will 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.

#### Section

**1**      **General apportionment formula.** Replaces the weighted apportionment formula (weights of 75% for sales and 12.5% each for property and payroll) with single sales apportionment under the corporate franchise tax. This section applies to corporations that are not financial institutions or investment companies.

**Effective date:** Beginning for tax year 2004.

**2**      **Financial institutions.** Provides single sales apportionment for financial institutions.

**Effective date:** Beginning for tax year 2004.