

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 705

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Version: As introduced

Authors: Lenczewski and others

Subject: Corporate franchise tax - increasing sales weighting of apportionment

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Overview

This bill increases the sales weighting under the apportionment formula under the Minnesota corporate franchise tax. Present law uses a formula that weights sales at 75% (12.5% each for property and payroll). The bill proposes to increase sales weighting to 90%. 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. The bill will increase taxes on corporations with the reverse situation-i.e., with 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, 12.5% for property, and 12.5% for payroll) with a 90% - 5% - 5% formula. This formula is used to determine how much income of a multi-state corporation is attributable to Minnesota. This section applies to corporations that are not financial institutions or investment companies.

Effective date: Beginning for tax year 2005.
- 2** **Financial institutions.** Makes comparable changes to those in section 0 to the apportionment formula for financial institutions.

Section

Effective date: Beginning for tax year 2005.