

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 3144

DATE: February 19, 2008

Version: First engrossment

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Subject: Exceptions to establishing nexus for individual and corporate tax

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Overview

Prohibits the commissioner of revenue from considering an ownership interest in a qualified high technology business in determining if an individual or corporation has economic nexus with Minnesota and is subject to state individual income or corporate franchise tax.

Section

- 1 **Ownership interests excluded from consideration in determining nexus.** Expands the lists of ownership interests that the commissioner of revenue may not use as factors in determining if an individual or corporation has economic nexus with Minnesota and is subject to state individual income or corporate franchise tax to include interests in qualified high technology businesses. The business must meet the definition in section 0 when the individual or corporation acquires the ownership interest.
- 2 **Qualified high technology business; definition.** Provides a definition of “qualified high technology business” for use in determining economic nexus.

Qualified high technology business is defined as meeting the following requirements:

- Its headquarters are in Minnesota .
- It has fewer than 25 employees and at least 51 percent of them are located in Minnesota . The 25-employee limit applies to all employees of a unitary

Section

business; not merely to the high technology subsidiary.

- The business is engaged in
 - using advanced technology to add value to a product, process, or service in a qualified high technology field,
 - conducting research and development of a product, process, or service in a qualified high technology field, or
 - developing a new product, process, or service in a qualified high technology field.

“Qualified high technology field” is defined as including aerospace, agricultural processing, alternative energy, biotechnology, defense, drug delivery, environmental engineering, food technology, cellulosic ethanol, information technology, green manufacturing, materials science technology, medical devices, nanotechnology, pharmaceutical technology, and telecommunications.

- The business may not be engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, retail or wholesale trade, leisure, hospitality, transportation, construction, ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants.
- It has not been in operation for more than 10 consecutive years.
- It had less than \$1 million in net income in the preceding tax year.