

Subject Corporate franchise tax – tax havens

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Overview

H.F. 1849 requires the income and apportionment factors of foreign corporations incorporated in, or that derive 20 percent of their income from, tax haven countries to be included in the combined report of the unitary business. The bill defines a tax haven as a country on a list of foreign countries that have been publicly identified as having favorable tax provisions for corporate taxpayers. By treating these entities as domestic corporations, the bill would subject their income to tax based on the unitary business' Minnesota sales factors under the apportionment formula.

Summary

| Section | Description |
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| 1 | <p>Domestic corporation definitions.</p> <p>Modifies the definition of a domestic corporation to include corporations that:</p> <ul style="list-style-type: none">• are incorporated in a tax haven;• are engaged in business activity in a tax haven such that the tax haven could impose an income tax on the business and attributes more than 20 percent of its income to the tax haven; or• has 20 percent or more of its property, payroll, and sales in the United States. <p>Domestic corporations that are part of a corporate unitary group must be included in a corporation's combined report. By deeming a foreign corporation to be a domestic corporation, the income and apportionment factors of the foreign corporation would be subject to tax.</p> <p>Effective date: Tax year 2019.</p> |
| 2 | <p>Tax haven.</p> <p>Defines "tax haven" as a country on a list of countries that have been publicly identified by both the Organization of Economic Cooperation and Development (OECD) and the Internal Revenue Service (based on federal court documents). The listing does not apply to a country in the first taxable year after the United States enters into an agreement</p> |

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|---------|---|
| 3 | <p>with a country to provide an exchange of information with the United States to enforce U.S. tax law, for individuals and corporations.</p> <p>Effective date: Tax year 2019.</p> <p>Nonseverable.</p> <p>States that if the provision in section 1 deeming certain foreign corporations to be domestic corporations is found unconstitutional, the provisions excluding all foreign corporations from the combined report are void.</p> <p>Effective date: Tax year 2019.</p> |



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