

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2530

03/14/2019 Authored by Schultz and Lislegard The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; income; reducing the dividends received deduction for debt
1.3 financed stock; amending Minnesota Statutes 2018, section 290.21, subdivision
1.4 4.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2018, section 290.21, subdivision 4, is amended to read:

1.7 Subd. 4. Dividends received from another corporation. (a)(1) Eighty percent of
1.8 dividends received by a corporation during the taxable year from another corporation, in
1.9 which the recipient owns 20 percent or more of the stock, by vote and value, not including
1.10 stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate
1.11 stock with respect to which dividends are paid does not constitute the stock in trade of the
1.12 taxpayer or would not be included in the inventory of the taxpayer, or does not constitute
1.13 property held by the taxpayer primarily for sale to customers in the ordinary course of the
1.14 taxpayer's trade or business, or when the trade or business of the taxpayer does not consist
1.15 principally of the holding of the stocks and the collection of the income and gains therefrom;
1.16 and

1.17 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in
1.18 an affiliated company transferred in an overall plan of reorganization and the dividend is
1.19 eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended
1.20 through December 31, 1989;

1.21 (ii) the remaining 20 percent of dividends if the dividends are received from a corporation
1.22 which is subject to tax under section 290.36 and which is a member of an affiliated group
1.23 of corporations as defined by the Internal Revenue Code and the dividend is eliminated in

2.1 consolidation under Treasury Department Regulation 1.1502-14(a), as amended through  
2.2 December 31, 1989, or is deducted under an election under section 243(b) of the Internal  
2.3 Revenue Code; or

2.4 (iii) the remaining 20 percent of the dividends if the dividends are received from a  
2.5 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a  
2.6 member of an affiliated group of corporations as defined by the Internal Revenue Code and  
2.7 either: (A) the dividend is eliminated in consolidation under Treasury Regulation  
2.8 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted  
2.9 under an election under section 243(b) of the Internal Revenue Code.

2.10 (b) Seventy percent of dividends received by a corporation during the taxable year from  
2.11 another corporation in which the recipient owns less than 20 percent of the stock, by vote  
2.12 or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code  
2.13 when the corporate stock with respect to which dividends are paid does not constitute the  
2.14 stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily  
2.15 for sale to customers in the ordinary course of the taxpayer's trade or business, or when the  
2.16 trade or business of the taxpayer does not consist principally of the holding of the stocks  
2.17 and the collection of income and gain therefrom.

2.18 (c) The dividend deduction provided in this subdivision shall be allowed only with  
2.19 respect to dividends that are included in a corporation's Minnesota taxable net income for  
2.20 the taxable year.

2.21 The dividend deduction provided in this subdivision does not apply to a dividend from  
2.22 a corporation which, for the taxable year of the corporation in which the distribution is made  
2.23 or for the next preceding taxable year of the corporation, is a corporation exempt from tax  
2.24 under section 501 of the Internal Revenue Code.

2.25 The dividend deduction provided in this subdivision does not apply to a dividend received  
2.26 from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

2.27 The dividend deduction provided in this subdivision applies to the amount of regulated  
2.28 investment company dividends only to the extent determined under section 854(b) of the  
2.29 Internal Revenue Code.

2.30 The dividend deduction provided in this subdivision shall not be allowed with respect  
2.31 to any dividend for which a deduction is not allowed under the provisions of section 246(c)  
2.32 or 246A of the Internal Revenue Code.

3.1 (d) If dividends received by a corporation that does not have nexus with Minnesota under  
3.2 the provisions of Public Law 86-272 are included as income on the return of an affiliated  
3.3 corporation permitted or required to file a combined report under section 290.17, subdivision  
3.4 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to  
3.5 whether the trade or business of the corporation consists principally of the holding of stocks  
3.6 and the collection of income and gains therefrom shall be made with reference to the trade  
3.7 or business of the affiliated corporation having a nexus with Minnesota.

3.8 (e) The deduction provided by this subdivision does not apply if the dividends are paid  
3.9 by a FSC as defined in section 922 of the Internal Revenue Code.

3.10 (f) If one or more of the members of the unitary group whose income is included on the  
3.11 combined report received a dividend, the deduction under this subdivision for each member  
3.12 of the unitary business required to file a return under this chapter is the product of: (1) 100  
3.13 percent of the dividends received by members of the group; (2) the percentage allowed  
3.14 pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income  
3.15 apportionable to this state for the taxable year under section 290.191 or 290.20.

3.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.17 31, 2019.