

**SENATE  
STATE OF MINNESOTA  
NINETY-FOURTH SESSION**

**S.F. No. 3401**

(SENATE AUTHORS: DIBBLE, McEwen, Hoffman and Pappas)

<b>DATE</b>	<b>D-PG</b>	<b>OFFICIAL STATUS</b>
04/22/2025	3718	Introduction and first reading Referred to Taxes

1.1 A bill for an act

1.2 relating to taxation; corporate franchise and unitary taxation; expanding the unitary

1.3 group to foreign corporations; amending Minnesota Statutes 2024, sections 290.01,

1.4 subdivision 19; 290.0132, by adding subdivisions; 290.0134, by adding

1.5 subdivisions; 290.17, subdivision 4; repealing Minnesota Statutes 2024, section

1.6 290.21, subdivisions 9, 10.

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

1.8 Section 1. Minnesota Statutes 2024, section 290.01, subdivision 19, is amended to read:

1.9 Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a

1.10 corporation taxable under section 290.02, the term "net income" means the federal taxable

1.11 income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through

1.12 the date named in this subdivision, incorporating the federal effective dates of changes to

1.13 the Internal Revenue Code and any elections made by the taxpayer in accordance with the

1.14 Internal Revenue Code in determining federal taxable income for federal income tax

1.15 purposes, and with the modifications provided in sections 290.0131 to 290.0136.

1.16 (b) For an individual, the term "net income" means federal adjusted gross income with

1.17 the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

1.18 (c) In the case of a regulated investment company or a fund thereof, as defined in section

1.19 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment

1.20 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,

1.21 except that:

1.22 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal

1.23 Revenue Code does not apply;

2.1 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue  
2.2 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest  
2.3 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;  
2.4 and

2.5 (3) the deduction for dividends paid must also be applied in the amount of any  
2.6 undistributed capital gains which the regulated investment company elects to have treated  
2.7 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

2.8 (d) The net income of a real estate investment trust as defined and limited by section  
2.9 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
2.10 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

2.11 (e) The net income of a designated settlement fund as defined in section 468B(d) of the  
2.12 Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal  
2.13 Revenue Code.

2.14 (f) The Internal Revenue Code of 1986, as amended through May 1, 2023, applies for  
2.15 taxable years beginning after December 31, 1996.

2.16 (g) Except as otherwise provided, references to the Internal Revenue Code in this  
2.17 subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of  
2.18 determining net income for the applicable year.

2.19 (h) In the case of a partnership electing to file a composite return under section 289A.08,  
2.20 subdivision 7, "net income" means the partner's share of federal adjusted gross income from  
2.21 the partnership modified by the additions provided in section 290.0131, subdivisions 8 to  
2.22 10, 16, and 17, and the subtractions provided in: (1) section 290.0132, subdivisions 9, 27,  
2.23 and 28, to the extent the amount is assignable or allocable to Minnesota under section 290.17;  
2.24 and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132,  
2.25 subdivision 9, is only allowed on the composite tax computation to the extent the electing  
2.26 partner would have been allowed the subtraction.

2.27 (i) In the case of a qualifying entity electing to pay the pass-through entity tax under  
2.28 section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal  
2.29 adjusted gross income from the qualifying entity modified by the additions provided in  
2.30 section 290.0131, subdivisions 5, 8 to 10, 16, and 17, and the subtractions provided in: (1)  
2.31 section 290.0132, subdivisions 3, 9, 27, and 28, to the extent the amount is assignable or  
2.32 allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The  
2.33 subtraction allowed under section 290.0132, subdivision 9, is only allowed on the  
2.34 pass-through entity tax computation to the extent the qualifying owners would have been

3.1 allowed the subtraction. The income of both a resident and nonresident qualifying owner  
3.2 is allocated and assigned to this state as provided for nonresident partners and shareholders  
3.3 under sections 290.17, 290.191, and 290.20.

3.4 (j) For a foreign corporation or other foreign entity that is unitary under section 290.17,  
3.5 subdivision 4, "net income" means federal taxable income, as provided in paragraph (a). If  
3.6 the commissioner finds that the determination of a foreign corporation's or foreign entity's  
3.7 federal taxable income is not administrable, then for purposes of determining net income  
3.8 the commissioner may require the use of profit and loss statements, provided that the  
3.9 statements conform to generally accepted accounting principles or United States Securities  
3.10 and Exchange Commission filings or reports. The commissioner may require any method  
3.11 of information reporting the commissioner deems necessary to administer this section,  
3.12 including translation requirements or currency conversions.

3.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.14 31, 2025.

3.15 Sec. 2. Minnesota Statutes 2024, section 290.0132, is amended by adding a subdivision  
3.16 to read:

3.17 Subd. 36. **Global intangible low-taxed income.** The amount of global intangible  
3.18 low-taxed income included in gross income under section 951A of the Internal Revenue  
3.19 Code is a subtraction.

3.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.21 31, 2025.

3.22 Sec. 3. Minnesota Statutes 2024, section 290.0132, is amended by adding a subdivision  
3.23 to read:

3.24 Subd. 37. **Subpart F income.** The amount of subpart F income included in gross income  
3.25 under section 951 of the Internal Revenue Code is a subtraction.

3.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.27 31, 2025.

4.1 Sec. 4. Minnesota Statutes 2024, section 290.0134, is amended by adding a subdivision  
4.2 to read:

4.3 Subd. 21. **Global intangible low-taxed income.** The amount of global intangible  
4.4 low-taxed income included in gross income under section 951A of the Internal Revenue  
4.5 Code is a subtraction.

4.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.7 31, 2025.

4.8 Sec. 5. Minnesota Statutes 2024, section 290.0134, is amended by adding a subdivision  
4.9 to read:

4.10 Subd. 22. **Subpart F income.** The amount of subpart F income included in gross income  
4.11 under section 951 of the Internal Revenue Code is a subtraction.

4.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.13 31, 2025.

4.14 Sec. 6. Minnesota Statutes 2024, section 290.17, subdivision 4, is amended to read:

4.15 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within  
4.16 this state or partly within and partly without this state is part of a unitary business, the entire  
4.17 worldwide income of the unitary business is subject to apportionment pursuant to section  
4.18 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary  
4.19 business is considered to be derived from any particular source and none may be allocated  
4.20 to a particular place except as provided by the applicable apportionment formula. The  
4.21 provisions of this subdivision do not apply to business income subject to subdivision 5,  
4.22 income of an insurance company, or income of an investment company determined under  
4.23 section 290.36.

4.24 (b) The term "unitary business" means business activities or operations which result in  
4.25 a flow of value between them. The term may be applied within a single legal entity or  
4.26 between multiple entities and without regard to whether each entity is a sole proprietorship,  
4.27 a corporation, a partnership or a trust.

4.28 (c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced  
4.29 by centralized management or executive force, centralized purchasing, advertising,  
4.30 accounting, or other controlled interaction, but the absence of these centralized activities  
4.31 will not necessarily evidence a nonunitary business. Unity is also presumed when business

5.1 activities or operations are of mutual benefit, dependent upon or contributory to one another,  
5.2 either individually or as a group.

5.3 (d) Where a business operation conducted in Minnesota is owned by a business entity  
5.4 that carries on business activity outside the state different in kind from that conducted within  
5.5 this state, and the other business is conducted entirely outside the state, it is presumed that  
5.6 the two business operations are unitary in nature, interrelated, connected, and interdependent  
5.7 unless it can be shown to the contrary.

5.8 (e) Unity of ownership does not exist when two or more corporations are involved unless  
5.9 more than 50 percent of the voting stock of each corporation is directly or indirectly owned  
5.10 by a common owner or by common owners, either corporate or noncorporate, or by one or  
5.11 more of the member corporations of the group. For this purpose, the term "voting stock"  
5.12 shall include membership interests of mutual insurance holding companies formed under  
5.13 section 66A.40.

5.14 (f) The net income and apportionment factors under section 290.191 or 290.20 of foreign  
5.15 corporations and other foreign entities, ~~but excluding~~ including a disqualified captive  
5.16 insurance company, which are part of a unitary business shall ~~not~~ be included in the net  
5.17 income or the apportionment factors of the unitary business; ~~except that~~. The income and  
5.18 apportionment factors of a foreign entity, other than an entity treated as a C corporation for  
5.19 federal income tax purposes, that are included in the federal taxable income, as defined in  
5.20 section 63 of the Internal Revenue Code as amended through the date named in section  
5.21 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be  
5.22 included in determining net income and the factors to be used in the apportionment of net  
5.23 income pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity  
5.24 which is not included on a combined report and which is required to file a return under this  
5.25 chapter shall file on a separate return basis.

5.26 (g) For purposes of determining the net income of a unitary business and the factors to  
5.27 be used in the apportionment of net income pursuant to section 290.191 or 290.20, there  
5.28 must be included ~~only~~ the income and apportionment factors of domestic and foreign  
5.29 corporations or other domestic and foreign entities that are determined to be part of the  
5.30 unitary business pursuant to this subdivision, ~~notwithstanding that foreign corporations or~~  
5.31 ~~other foreign entities might be included in the unitary business; except that~~. The income  
5.32 and apportionment factors of a foreign entity, other than an entity treated as a C corporation  
5.33 for federal income tax purposes, that is included in the federal taxable income, as defined  
5.34 in section 63 of the Internal Revenue Code as amended through the date named in section  
5.35 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be

6.1 included in determining net income and the factors to be used in the apportionment of net  
6.2 income pursuant to section 290.191 or 290.20.

6.3 (h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary  
6.4 business must file combined reports as the commissioner determines. On the reports, all  
6.5 intercompany transactions between entities included pursuant to paragraph (g) must be  
6.6 eliminated and the entire net income of the unitary business determined in accordance with  
6.7 this subdivision is apportioned among the entities by using each entity's Minnesota factors  
6.8 for apportionment purposes in the numerators of the apportionment formula and the total  
6.9 factors for apportionment purposes of all entities included pursuant to paragraph (g) in the  
6.10 denominators of the apportionment formula. Except as otherwise provided by paragraph  
6.11 (f), all sales of the unitary business made within this state pursuant to section 290.191 or  
6.12 290.20 must be included on the combined report of a corporation or other entity that is a  
6.13 member of the unitary business and is subject to the jurisdiction of this state to impose tax  
6.14 under this chapter.

6.15 (i) If a corporation has been divested from a unitary business and is included in a  
6.16 combined report for a fractional part of the common accounting period of the combined  
6.17 report:

6.18 (1) its income includable in the combined report is its income incurred for that part of  
6.19 the year determined by proration or separate accounting; and

6.20 (2) its sales, property, and payroll included in the apportionment formula must be prorated  
6.21 or accounted for separately.

6.22 (j) For purposes of this subdivision, "insurance company" means an insurance company,  
6.23 as defined in section 290.01, subdivision 5b, that is not a disqualified captive insurance  
6.24 company.

6.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.26 31, 2025.

6.27 Sec. 7. **REPEALER.**

6.28 Minnesota Statutes 2024, section 290.21, subdivisions 9 and 10, are repealed.

6.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.30 31, 2025.

**290.21 DEDUCTIONS ALLOWED TO CORPORATIONS.**

Subd. 9. **Controlled foreign corporations.** The net income of a corporation that is included pursuant to section 951 of the Internal Revenue Code is dividend income.

Subd. 10. **Global intangible low-taxed income.** Any amounts included in taxable income pursuant to section 951A of the Internal Revenue Code, are dividend income.