

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

**S.F. No. 793**

(SENATE AUTHORS: NELSON)

DATE  
01/26/2023

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413 Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to taxation; income and corporate franchise tax; modifying the research  
1.3 credit; amending Minnesota Statutes 2022, section 290.068, subdivision 2, by  
1.4 adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2022, section 290.068, subdivision 2, is amended to read:

1.7 Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings  
1.8 given.

1.9 (a) "Qualified research expenses" means (i) qualified research expenses and basic research  
1.10 payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does  
1.11 not include expenses incurred for qualified research or basic research conducted outside  
1.12 the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and  
1.13 (ii) contributions to a nonprofit corporation established and operated pursuant to the  
1.14 provisions of chapter 317A for the purpose of promoting the establishment and expansion  
1.15 of business in this state, provided the contributions are invested by the nonprofit corporation  
1.16 for the purpose of providing funds for small, technologically innovative enterprises in  
1.17 Minnesota during the early stages of their development.

1.18 (b) "Qualified research" means qualified research as defined in section 41(d) of the  
1.19 Internal Revenue Code, except that the term does not include qualified research conducted  
1.20 outside the state of Minnesota.

1.21 (c) "Base amount" means:

2.1 (1) for taxpayers not subject to clause (2), the base amount as defined in section 41(c)  
2.2 of the Internal Revenue Code, except that the average annual gross receipts and aggregate  
2.3 gross receipts must be calculated using Minnesota sales or receipts under section 290.191  
2.4 and the definitions contained in paragraphs (a) and (b) shall apply; or

2.5 (2) for a taxpayer with an alternative simplified credit election in place under subdivision  
2.6 2a for the taxable year, 50 percent of the average qualified Minnesota research expenses  
2.7 for the three taxable years preceding the taxable year for which the credit is being determined.

2.8 (d) "Liability for tax" means the sum of the tax imposed under section 290.06,  
2.9 subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits  
2.10 allowed under this chapter, on all of the entities required to be included on the combined  
2.11 report of the unitary business.

2.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
2.13 31, 2022.

2.14 Sec. 2. Minnesota Statutes 2022, section 290.068, is amended by adding a subdivision to  
2.15 read:

2.16 **Subd. 2a. Alternative simplified credit election.** (a) A corporation, partnership, or other  
2.17 taxpayer qualifying for a credit under this section may elect, not later than the time of filing  
2.18 the return for the taxable year, including all extensions, to calculate its base amount under  
2.19 subdivision 2, paragraph (c), clause (2), for the taxable year. An election made under this  
2.20 subdivision for a taxable year is irrevocable for that taxable year.

2.21 (b) For a partnership, the election must be made by the partnership on the partnership  
2.22 return or other form, as required by the commissioner, and applies to all of its partners.

2.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
2.24 31, 2022.