

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 2532

(SENATE AUTHORS: MCEWEN, Marty, Kunesh and Fateh)		
DATE	D-PG	OFFICIAL STATUS
05/14/2021	4217	Introduction and first reading
		Referred to Taxes
05/15/2021	4256	Author added Fateh

1.1

A bill for an act

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relating to taxation; corporate franchise; applying a rate increase to certain

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corporations; amending Minnesota Statutes 2020, sections 290.06, by adding a

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subdivision; 290.068, subdivision 2; 290.0921, subdivisions 1, 8.

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

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Section 1. Minnesota Statutes 2020, section 290.06, is amended by adding a subdivision

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to read:

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Subd. 1b. Tax rate for high pay ratio corporations. (a) For purposes of this subdivision,

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the following terms have the meanings given:

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(1) "executive hourly compensation" means wages and any noncash amounts, including

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benefits, paid or otherwise provided by a corporation in a taxable year to an executive or

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officer, expressed as an hourly amount equal to the total annual compensation under this

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clause, divided by:

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(i) 52 weeks; and

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(ii) 40 hours;

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(2) "pay ratio" means the ratio of:

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(i) the executive hourly compensation received by the corporation's highest paid executive

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or officer in the taxable year; to

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(ii) the hourly wage of the corporation's lowest paid employee or contractor in the taxable

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year; and

(3) "high pay ratio corporation" means a corporation with a pay ratio of greater than 50 to one in a taxable year.

(b) For a high pay ratio corporation, the tax rate imposed under subdivision 1 is increased by the amounts in clauses (1) to (6). If the pay ratio is:

(1) greater than 50 to one but not greater than 100 to one, one-half of one percentage point;

(2) greater than 100 to one but not greater than 200 to one, one percentage point;

(3) greater than 200 to one but not greater than 300 to one, 2 percentage points;

(4) greater than 300 to one but not greater than 400 to one, 3 percentage points;

(5) greater than 400 to one but not greater than 500 to one, 4 percentage points; and

(6) greater than 500 to one, 5 percentage points.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2021.

Sec. 2. Minnesota Statutes 2020, section 290.068, subdivision 2, is amended to read:

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

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

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

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts and aggregate gross receipts must be

calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in paragraphs (a) and (b) shall apply.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2021.

Sec. 3. Minnesota Statutes 2020, section 290.0921, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** In addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, for the taxable year of:

(1) 5.8 percent of Minnesota alternative minimum taxable income; over

(2) the tax imposed under section 290.06, ~~subdivision~~ subdivisions 1 and 1b, without regard to this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2021.

Sec. 4. Minnesota Statutes 2020, section 290.0921, subdivision 8, is amended to read:

Subd. 8. **Carryover credit.** (a) A corporation is allowed a credit against qualified regular tax for qualified alternative minimum tax previously paid. The credit is allowable only if the corporation has no tax liability under this section for the taxable year and if the corporation has an alternative minimum tax credit carryover from a previous year. The credit allowable in a taxable year equals the lesser of

(1) the excess of the qualified regular tax for the taxable year over the amount computed under subdivision 1, clause (1), for the taxable year or

(2) the carryover credit to the taxable year.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Qualified alternative minimum tax" equals the amount determined under subdivision 1 for the taxable year.

4.1 (2) "Qualified regular tax" means the tax imposed under section 290.06, ~~subdivision~~
4.2 subdivisions 1 and 1b.

4.3 (c) The qualified alternative minimum tax for a taxable year is an alternative minimum
4.4 tax credit carryover to each of the taxable years succeeding the taxable year. The entire
4.5 amount of the credit must be carried to the earliest taxable year to which the amount may
4.6 be carried. Any unused portion of the credit must be carried to the following taxable year.
4.7 No credit may be carried to a taxable year in which alternative minimum tax was paid.

4.8 (d) An acquiring corporation may carry over this credit from a transferor or distributor
4.9 corporation in a corporate acquisition. The provisions of section 381 of the Internal Revenue
4.10 Code apply in determining the amount of the carryover, if any.

4.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.12 31, 2021.