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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. **2558**

03/18/2019 Authored by Gomez
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; apportionment of income; requiring equal three-factor
1.3 apportionment; amending Minnesota Statutes 2018, section 290.191, subdivisions
1.4 2, 3.

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

1.6 Section 1. Minnesota Statutes 2018, section 290.191, subdivision 2, is amended to read:

1.7 Subd. 2. **Apportionment formula of general application.** ~~(a)~~ Except for those trades
1.8 or businesses required to use a different formula under subdivision 3 or section 290.36, and
1.9 for those trades or businesses that receive permission to use some other method under section
1.10 290.20 ~~or under subdivision 4~~, a trade or business required to apportion its net income must
1.11 apportion its income to this state on the basis of the percentage obtained by taking the sum
1.12 of the following percentages and dividing by three:

1.13 ~~(1) the percent for the sales factor under paragraph (b)~~ of the percentage which the sales
1.14 made within this state in connection with the trade or business during the tax period are of
1.15 the total sales wherever made in connection with the trade or business during the tax period;

1.16 ~~(2) the percent for the property factor under paragraph (b)~~ of the percentage which the
1.17 total tangible property used by the taxpayer in this state in connection with the trade or
1.18 business during the tax period is of the total tangible property, wherever located, used by
1.19 the taxpayer in connection with the trade or business during the tax period; and

1.20 ~~(3) the percent for the payroll factor under paragraph (b)~~ of the percentage which the
1.21 taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed
1.22 in this state in connection with the trade or business during the tax period are of the taxpayer's
1.23 total payrolls paid or incurred in connection with the trade or business during the tax period.

(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply for the taxable years specified:

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	11	11
2008	81	9.5	9.5
2009	84	8	8
2010	87	6.5	6.5
2011	90	5	5
2012	93	3.5	3.5
2013	96	2	2
2014 and later calendar years	100	0	0

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2018.

Sec. 2. Minnesota Statutes 2018, section 290.191, subdivision 3, is amended to read:

Subd. 3. **Apportionment formula for financial institutions.** Except for an investment company required to apportion its income under section 290.36, a financial institution that is required to apportion its net income must apportion its net income to this state on the basis of the percentage obtained by taking the sum of the following percentages and dividing by three:

(1) ~~the percent for the sales factor under subdivision 2, paragraph (b),~~ of the percentage which the receipts from within this state in connection with the trade or business during the tax period are of the total receipts in connection with the trade or business during the tax period, from wherever derived;

(2) ~~the percent for the property factor under subdivision 2, paragraph (b),~~ of the percentage which the sum of the total tangible property used by the taxpayer in this state and the intangible property owned by the taxpayer and attributed to this state in connection with the trade or business during the tax period is of the sum of the total tangible property, wherever located, used by the taxpayer and the intangible property owned by the taxpayer and attributed to all states in connection with the trade or business during the tax period; and

(3) ~~the percent for the payroll factor under subdivision 2, paragraph (b),~~ of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of

3.1 the taxpayer's total payrolls paid or incurred in connection with the trade or business during
3.2 the tax period.

3.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.4 31, 2018.