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This Week in State Tax (TWIST)

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MINNESOTA

MN

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Minnesota: Tax Agreement Reportedly Reached

In case you have missed it, legislators in Minnesota have spent the last several days in conference committee trying to reach agreement on an omnibus tax package. It has recently been reported that an agreement has been reached on revenue raising provisions, at least in principle. While the agreement includes individual income tax relief and other measure, it also includes revenues raisers for corporations. However, the final agreement does not include the adoption of worldwide combined reporting, which was included in earlier iterations of the bills until the Senate pulled its support. Currently, 100 percent of the gross GILTI amount is excluded in computing Minnesota taxable income and an addition is required for the amount of any special deduction allowed under IRC section 250. Under the agreement, GILTI would be included in the tax base with 50 percent dividends received deduction. There would be no IRC section 250 deduction allowed. The agreement would also reduce the dividends received deduction for dividends received from domestic subsidiaries to 50 percent or 40 percent, depending on the ownership percentage. Currently, the amount of the Minnesota NOL deduction "must not exceed 80 percent of taxable net income in a single taxable year." If the agreement is enacted, NOL carryovers in a given year could not exceed 70 percent of taxable income and unused amounts could be carried forward for 15 years. Finally, the agreement provides for a new 1 percent tax on all net investment income (interest, dividends, annuities, royalties and other gains not derived from a trade or business, but excluding gains from agricultural land sales) of individuals, estates, and trusts over $1 million. The agreement as a whole is projected to increase receipts by about $1 billion in the FY 2023-2025 biennium. Please stay tuned to TWIST for future updates on the Minnesota omnibus bill.

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