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March 1, 2021

**VIA EMAIL**  
Minnesota House  
House Committee on Taxes

**Re: COST Concerns with H.F. 1285 – Reporting Federal Adjustments**

Dear Chair Marquart, Vice Chair Lislegard, and Members of the Committee:

On behalf of the Council On State Taxation (COST), I am writing to express concerns with H.F. 1285, which primarily addresses the reporting of partnership federal tax adjustments. We encourage this Committee to work with interested parties to more closely follow model legislation adopted by the Multistate Tax Commission (MTC).

**About COST**

COST is a nonprofit trade association consisting of over 500 multistate corporations engaged in interstate and international business. COST's objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. COST has a significant number of members that own property, have employees, and make substantial sales in Minnesota.

**Improvements Needed to H.F. 1285**

COST, for the past two years, has raised concerns with the Minnesota Department of Revenue's approach to address the new federal audit procedures for partnerships.<sup>1</sup> We fully support the full adoption of the MTC's model legislation, model legislation that COST and other interested parties (including state tax administrators) worked on with the MTC.<sup>2</sup> One important issue to our membership is limiting the reporting of changes after Minnesota's general statute of limitations for assessments/refunds has expired to only those related to the federal adjustment. We recommend H.F. 1285 be amended to more closely follow the MTC model legislation, which includes this restriction.

**Conclusion**

COST urges the Committee to work with interested parties to improve H.F. 1285. Please let us know if COST can assist in that endeavor.

Sincerely,

Fredrick J. Nicely

cc: COST Board of Directors  
Douglas L. Lindholm, COST President & Executive Director

<sup>1</sup> See for example comments filed by COST last year on H.F. 3389 available at: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-comments-and-testimony/03042020-cost-testimony-re.-hf-3389-final.pdf>.

<sup>2</sup> MTC model legislation is available at: [https://www.mtc.gov/MTC/media/AUR/Proposed-Model-RAR-Statute-Technical-Corrections-\(10-25-20\).pdf](https://www.mtc.gov/MTC/media/AUR/Proposed-Model-RAR-Statute-Technical-Corrections-(10-25-20).pdf).