

**Subject** Mandatory worldwide combined reporting

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## Overview

H.F. 2883 would require worldwide combined reporting for all unitary businesses having income subject to apportionment in Minnesota, a category of taxpayers largely composed of C-corporations. Minnesota currently requires “water’s edge” combined reporting, meaning that foreign entities are excluded from the unitary group and the entities’ income and sales factors are excluded from the group’s net income and apportionment percentage.

## Summary

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| 1 | <p><b>Unitary business principle.</b></p> <p>Applies the unitary business rules to foreign entities. Under these rules, transactions resulting in income and deductions among a unitary group’s various members would be eliminated and the group’s total worldwide income would be apportioned to Minnesota based on an apportionment percentage that includes the group’s worldwide sales.</p> <p>Effective date: tax year 2024 and thereafter.</p>  |
| 2 | <p><b>Foreign corporations and other foreign entities.</b></p> <p>Establishes provisions for the calculation of federal taxable income for the foreign entities that will be included in the unitary group due to the changes in section 1.</p> <p>Requires that:</p> <ul style="list-style-type: none"><li>▪ the profit and loss statements of foreign entities be prepared in the currency regularly used by the business;</li><li>▪ adjustments be made using generally accepted accounting principles in the United States and tax accounting standards required by the commissioner of revenue;</li></ul> |

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- the profit and loss and sales reported by the worldwide combined group be converted into the currency used by the parent to maintain its financial records; and
- the income of the group apportioned to this state must be expressed in dollars.

Effective date: tax year 2024 and thereafter.



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