

Subject Single-member LLCs; income and sales tax

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Overview

H.F. 4318 would modify two provisions related to the individual income and sales taxes for a single-member LLC that is disregarded for federal tax purposes as an entity separate from its owner/member. Under the individual income tax, the bill would allow taxes paid to another state by an LLC with a resident member to qualify for the state's credit for taxes paid to other states. The sales tax exemption for certain sales of tangible business property would also be modified to apply to sales between the LLC and the member.

Summary

Section	Description
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1	Credit for taxes paid to another state.
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Allows a tax paid on net income by a single-member LLC in another state to be included in the credit for taxes paid to other states. Only a resident of Minnesota who is the sole member of an LLC that is treated as a disregarded entity under the Internal Revenue Code may include the tax paid for purposes of this credit.

Effective date: tax years in 2022.

2	Sale of property used in a trade or business.
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Allows a sale between the sole member of an LLC that is a disregarded entity and the LLC to qualify for the sales tax exemption for tangible property used in a trade or business that is not in the business of selling that property.

Effective date: sales and purchases after June 30, 2022.