

**Subject** GILTI; factor relief for manufacturers

**Authors** Davids

**Analyst** Chris Kleman

**Date** April 27, 2026

## **Overview**

H.F. 4769 would provide factor relief for manufacturers that include global intangible low-taxed income (GILTI) in their net income.

GILTI requires a corporation that is a shareholder of a controlled foreign corporation (CFC) to include a certain amount of the CFC's low-taxed foreign income in the shareholder's income. The amount is determined by federal law and allows (prior to the One Big Beautiful Bill Act) a deduction for a certain percentage return on a CFC's depreciable property.

Factor relief relates to how a corporation's income is apportioned to Minnesota. In Minnesota, income is apportioned based on a corporation's percentage sales in Minnesota, relative to all other sales. For unitary corporations, the income and sales of otherwise unitary foreign corporations are not used to determine net income or a corporation's apportionment percentage.

However, Minnesota does include foreign dividends in a corporation's net income and provides a dividend received deduction (DRD) of either 40 or 50 percent. The remaining amount is then apportioned to Minnesota based only on the taxpayer's domestic sales.

GILTI is treated as a dividend in Minnesota and receives the DRD. H.F. 4769 would eliminate the DRD for GILTI but would allow a percentage of CFC sales in the denominator of the taxpayer's Minnesota apportionment percentage. The general effect would be to increase the amount of income subject to apportionment but under a lower apportionment percentage.

## Summary

Section	Description
1	<p><b>Apportionment formula of general application.</b></p> <p>Requires a corporation's apportionment percentage to include foreign pro rata sales in the denominator of the percentage.</p> <p>Effective date: tax year 2026.</p>
2	<p><b>Factor relief for global intangible low-taxed income.</b></p> <p>Requires a manufacturer that includes GILTI in their net income to also include their foreign pro rata sales in the denominator of their apportionment formula. Foreign pro rata sales would be a percentage of CFC sales and would be based on the percentage of the taxpayer's GILTI to the CFC's net income.</p> <p>This section also includes the following definitions used to determine the calculation of foreign pro rata sales:</p> <ul style="list-style-type: none"><li>▪ "Foreign pro rata sales" means a CFC's sales factor multiplied by its foreign sales ratio.</li><li>▪ "Foreign sales ratio" means GILTI divided by CFC net income.</li><li>▪ "Global intangible low-taxed income" has the meaning provided under section 951A of the Internal Revenue Code (as of May 1, 2023).</li><li>▪ "Qualified controlled foreign corporation" means a manufacturer that is also a CFC as defined in section 975(a) of the Internal Revenue Code.</li><li>▪ "Qualified manufacturer" means a qualified shareholder that is primarily engaged in manufacturing and includes GILTI in their taxable income.</li><li>▪ "Qualified shareholder" means a shareholder of a CFC that is required to include GILTI in their gross income.</li></ul> <p>Effective date: tax year 2026.</p>
3	<p><b>Global intangible low-taxed income.</b></p> <p>Excludes a taxpayer that qualifies for factor relief in sections 1 and 2 of the bill from receiving the dividends received deduction.</p> <p>Effective date: tax year 2026.</p>



**MN HOUSE  
RESEARCH**

*Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.*

[www.house.mn.gov/hrd](http://www.house.mn.gov/hrd) | 651-296-6753 | Third Floor, Centennial Office Building | St. Paul, MN 55155