

Impact of 951A Income Inclusion



Anheuser

Agenda

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Introduction



Introduction

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About Us



General Background

- Anheuser-Busch (A-B) is part of the global company ABInBev
- ABInBev is the world's largest brewer by volume
 - ❖ 172 major breweries with operations in over 50 countries
 - ❖ Produce, market, distribute and sell over 500 brands
- A-B's US operations represent ~20% of global revenue
- Beer is local
 - ❖ Brands are often regional or country specific
 - ❖ Beer is heavy, difficult to transport, and perishable
 - ❖ "Brew Local, Drink Local"
- A-B is both owned by a Belgium company, but also owns foreign operations primarily in South America and Asia through a number of CFCs
- We are heavily regulated at the State and Federal level, and our CFCs are not licensed nor permitted to directly sell beer in Minnesota
- A-B has about 100 CFCs that manufacture, distribute and market beer primarily in their local country
 - ❖ In 2022, these CFCs accounted for \$46 billion of sales, \$31 billion of property, and \$859 million of payroll outside of the United States



**Sales Data from AB's 2023 Annual Report*

Anheuser-Busch in Minnesota

Agricultural Impact

- As the nation's leading brewer, Anheuser-Busch is a major purchaser of U.S. agricultural products, including Minnesota-grown malting barley.
- Each year we purchase **400 thousand bushels** of barley from Minnesota farmers, directly adding **\$2.3 million** to the state's economy.



Anheuser-Busch in Minnesota

Economic Impact

- Anheuser-Busch operations in Minnesota translate into Jobs, local purchases, and tax revenue, including:
 - \$1.2 million in payroll
 - \$6.7 million in state & local taxes
 - \$274.4 million in supplies & services purchased
 - \$1.4 million in capital investments

INDEPENDENT ANHEUSER-BUSCH DISTRIBUTORS

Our family of independent Anheuser-Busch distributors also significantly contributes to the economy in Minnesota:

11 DISTRIBUTORSHIPS	SUPPLIES PURCHASED	CAPITAL INVESTMENTS	ACCOUNTS SERVED
783 EMPLOYEES	\$32.6	\$85.8	6,120
\$61.5 MILLION PAYROLL	MILLION	MILLION	



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American & International Operations



American v. International Brewery Comparison

Budweiser (St. Louis, MO)



Anheuser-Busch Brewery built in the 1850s

Aguila (Colombia)



El Aguila Brewery built in the early 1900s

International Beer Production's Impact on Minnesota Tax Liability

Physical Breweries Outside of the U.S.

- 172 major breweries with operations in over 50 countries worldwide
- \$31 billion of property, and \$859 million of payroll outside of the United States

Locally-Brewed Beers

- In 2022, CFCs accounted for \$46 billion of sales
- CFCs are not licensed nor permitted to do business or sell beer in Minnesota
- 85% of global sales volume outside the U.S.

Generation of 951A

- 951A generated by tangible goods not intangible assets
- Calculation does not account for substantial foreign manufacturing
- Intended to tax intangible income, but is broadly applicable to capture everyone
- 951A generated in higher-tax jurisdictions than U.S.

MN Tax Liability Increase

- Over \$1.5 million of additional MN tax on foreign income, from:
 - Peru (30% tax rate)
 - Colombia (35%)
 - South Korea (24%)
 - China (25%)
- MN taxation of 951A does not reflect the economic realities of foreign manufacturing

Proposed Alternative Apportionment Method – Detroit Formula

- The Detroit Formula represents a reasonable methodology for an alternative apportionment method in Minnesota
- Has been statutorily adopted by other states such as Utah and New Mexico
 - ❖ From Utah Code Ann. § 59-7-106(3)(c)(ii): “For purposes of [foreign entity apportionment factor inclusion], the portion of the factors of a foreign subsidiary that has dividends that are partially subtracted under Subsection (1)(k) that shall be included in the combined report factors is calculated by multiplying each factor of the foreign subsidiary by a fraction:
 - Not to exceed 100%; and
 - The numerator of which is the amount of the dividend paid by the foreign subsidiary that is included in adjusted income; and
 - The denominator of which is the current year earnings and profits of the foreign subsidiary as determined under the IRC
 - ❖ New Mexico SB 151 was passed this year, which amended Section 7-4-10 NMSA as follows: “(A) If business income shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor and the denominator of which is three. The apportionment calculation shall include the factors of a controlled foreign corporation to the extent the income of the corporation is included in net income.”

Thank You

