

**HF4513 - 0 - Corporate Franchise Tax Info Disclosure Req'd**

Chief Author: **Emma Greenman**  
 Committee: **Taxes**  
 Date Completed: **3/5/2024 7:55:23 PM**  
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
<b>Local Fiscal Impact</b>		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	480	198	198	
<b>Total</b>	-	-	<b>480</b>	<b>198</b>	<b>198</b>	
<b>Biennial Total</b>			<b>480</b>			<b>396</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	2.6	1.17	1.17
<b>Total</b>	-	-	<b>2.6</b>	<b>1.17</b>	<b>1.17</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joel Enders      **Date:** 3/5/2024 7:55:23 PM  
**Phone:** 651-284-6542      **Email:** joel.enders@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	480	198	198	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>198</b>	<b>198</b>	
<b>Biennial Total</b>			<b>480</b>		<b>396</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	480	198	198	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>198</b>	<b>198</b>	
<b>Biennial Total</b>			<b>480</b>		<b>396</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Biennial Total</b>			<b>-</b>		<b>-</b>	

**Bill Description**

This bill proposes a new law in Minnesota Statutes, chapter 270B, pertaining to the disclosure of corporate franchise tax information.

This bill establishes that the Department of Revenue (Revenue) must make corporate franchise tax returns available on its website by January 1 of each year for the taxable year three years prior to the current taxable year. No federal tax information will be disclosed. This will be applicable for businesses required to file corporate income tax returns under Minnesota statute, section 289A.08, subdivision 3, including unitary business under section 290.17, subdivision 4, having \$250,000,000 or more in aggregate gross sales or receipts in a taxable year.

This bill is effective for returns and forms required to be made available in calendar years beginning after December 31, 2024. The first returns would be required to be published on or before January 1, 2025.

**Assumptions**

The Department of Revenue (Revenue) assumes 4,616 filers will need to disclose the information outlined in the bill each tax year and that Revenue will add the information to a website. Revenue assumes it will post the information identified in the bill on the website once a year and that it will not update the information during the year or post amended returns. Revenue assumes it will create the webpage as a searchable database, similar to the Internal Revenue Service’s Tax Exempt Organization Search tool.

Revenue assumes that only the M4 series returns (M4, M4A, M4I, and M4T) will be posted, not the full return or all the schedules provided by the taxpayer along with the Minnesota returns (i.e. federal returns and supplemental schedules filed with Minnesota returns). Revenue assumes it will review the M4 series returns to determine what data from them is disclosable under this new requirement, as well as review the initial publication to ensure compliance with the department’s disclosure laws.

The Corporate Franchise Tax (CFT) Division assumes it will facilitate information sharing, assist MN.IT and Communications to create a website/webpage for information to be published, and create an SQR to pull the affected taxpayer information. CFT and Tax Operations will validate and test the pulled information prior to posting on the website. CFT is assuming 100% data validation in the fiscal note period, with continuous random sampling to validate data after the fiscal note period.

CFT assumes it will need 1.7 FTE in FY25 to get the website, procedures, testing, and data validation set up, including .48 FTE for assistance in webpage creation, 1.11 FTE for data validation, and .10 FTE for procedures creation. CFT also

assumes .48 FTE in FY25 for their GenTax (the Integrated Tax System) coordinators to conduct system analysis and testing. In FY26 and FY27 CFT assumes it will need 1.11 FTE for data validation.

The Appeals, Legal Services, and Disclosure (ALSD) Division assumes it will need a total of .24 FTE in FY25. Of that, .1 FTE is for CFT attorneys to review the changes to external websites, forms, and other notifications and answering legal questions as to which forms and schedules are required to be published. Also included is .14 FTE to determine what data is disclosable under this new requirement and review the initial publication to ensure compliance with the department's disclosure laws.

The Communication Division assumes it will assist CFT with the creation of the webpage, perform simple or moderately complex usability testing on the program, and notify the public of the change using a press release and GovDelivery messages. Communications assumes it will need .03 FTE in FY25 for this work.

MN.IT assumes system development costs of \$51,000 in FY25 based on creating a non-logged in e-Services process. Work would involve adding an attribute to GenTax (the Integrated Tax System) registration to identify the corporations with more than \$250 million in sales, creating the non-logged in e-Services screens and the process to retrieve, and compiling and displaying the data to the public. Ongoing systems support of \$9,900 annually is assumed to begin in FY26.

The Tax Operations Division assumes it will need .15 FTE in FY 25 and .06 FTE in FY26 and ongoing. Of that, .1 FTE in FY25 is needed for business systems development to create and test a non-logged in e-Services process and .01 FTE in FY26 and ongoing for annual recurring maintenance and testing. Also included is .05 FTE beginning in FY25 and ongoing for data validation (comparing GenTax data to website data).

**FTE Impact**

FTEs	FY 2024	FY 2025	FY 2026	FY 2027
Appeals, Legal, and Disclosure staff (attorneys)		0.24		
Communications staff (MAPE)		0.03		
Corporate Franchise Tax staff		2.18	1.11	1.11
MAPE		2.17	1.11	1.11
MMA		0.01		
Tax Operations staff (MAPE)		0.15	0.06	0.06
Total FTE Impact		2.60	1.17	1.17

Note: Totals may vary slightly due to rounding.

**Expenditure and/or Revenue Formula**

**Administrative Impact**

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employee Compensation			429,072	188,531	188,531
Systems Development			51,000		
Systems Support				9,900	9,900
Total Administrative Costs (Savings)			480,072	198,431	198,431

Note: This table uses whole numbers. Totals may vary slightly due to rounding.

**Long-Term Fiscal Considerations**

Ongoing costs include maintenance and updating webpage and random data validation sampling beyond the fiscal note

period.

**Local Fiscal Impact**

N/A

**References/Sources**

Internal Revenue Service's Tax Exempt Organization Search tool

[Search for Tax Exempt Organizations | Internal Revenue Service \(irs.gov\)](#)

Revenue assumes an average of 4,616 affected filed returns each tax year, based on M4A Everywhere Sales from 2019 through 2022.

Agency staff provided information for this fiscal note.

If information technology costs are included, my agency's Chief Business Technology Officer has reviewed the estimate.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Chelsea Magadance

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