

April 27, 2026

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
Analysis of H.F. 4769 (Davids) / S.F. 4960 (Weber)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>	<b><u>F.Y. 2028</u></b>	<b><u>F.Y. 2029</u></b>
		(000's)		
General Fund	\$0	(\$229,900)	(\$176,600)	(\$176,500)

Effective beginning tax year 2026.

**EXPLANATION OF THE BILL**

**Current Law:** In Minnesota, shareholders of Controlled Foreign Corporations (CFC) include Global Intangible Low Taxed Income (GILTI) in their gross income for tax purposes. Minnesota taxpayers are allowed a 50% deduction for dividends received on GILTI included in income. There is currently no inclusion of the sales from CFCs that generate GILTI in the Minnesota apportionment calculation.

**Proposed Law:** The proposal gives factor relief to taxpayers that are primarily engaged in the business of manufacturing and include GILTI in Net Income by allowing shareholders of CFCs to include CFC sales in the apportionment denominator, proportional to the share of CFC Net Income that is GILTI. This is achieved by including what are called foreign pro rata sales. Foreign pro rata sales equal a qualified CFC's total sales factor wherever made multiplied by the CFC's foreign sales ratio. The foreign sales ratio is the amount of GILTI included in a qualified shareholder's net income divided by the net income of the qualified CFC:

$$\text{Foreign pro rata sales} = \text{CFC total sales factor} \times (\text{GILTI} / \text{CFC Net Income}).$$

The proposal also removes the deduction for dividends received on GILTI amounts for CFCs that are eligible for factor relief under this proposal.

**REVENUE ANALYSIS DETAIL**

- The estimate is based on GILTI subtractions reported on corporate franchise tax returns and information on international income from the IRS statistics of income (SOI).
- The amount of GILTI included in Minnesota income is estimated based on the amount of GILTI subtractions claimed before the subtraction was repealed. The amounts of CFC Net Income and CFC total sales factors are unknown on a taxpayer level in Minnesota.
- The IRS Statistics of Income releases statistical tables on U.S. Corporations and their Controlled Foreign Corporations in 2021. From the releases, current earnings and profits (less deficit) before income taxes is used as a proxy for CFC net income. Total receipts is used as a proxy for the CFC total sales factor.
- The amount of GILTI in the SOI data is divided by CFC net income to calculate a foreign sales ratio of nearly 62%.

## REVENUE ANALYSIS DETAIL (Cont.)

- The 2021 SOI value for GILTI is compared to the total GILTI subtractions reported in Minnesota in tax year 2021. Minnesota GILTI subtractions equal about 88% of the total GILTI in the SOI data. This number is used to scale the CFC Net Income and CFC total sales figures, to exclude CFC Net Income and sales that do not appear on returns filed in Minnesota.
- The 2021 and 2022 total GILTI subtractions reported in Minnesota are also compared to grow the 2021 SOI amounts to 2022, the most recent year of available Minnesota Corporate Franchise Tax return data. GILTI subtractions in Minnesota grew just over 20% from 2021 to 2022.
- After adjusting for growth in international income, gross receipts of CFCs in 2022 are estimated at \$9.78 trillion. After applying the foreign sales ratio, the amount of CFC sales that can be included in Minnesota apportionment is about \$6.02 trillion.
- To be considered primarily engaged in manufacturing, the taxpayer's activities must be classified under sector 31, 32, or 33 of the North American Industry Classification System. About 700 combined groups with 3,400 subsidiaries were identified as eligible for factor relief.
- CFC sales are assigned to each taxpayer's everywhere sales factors based on their share of total GILTI subtractions. For example, if a taxpayer had 2% of all GILTI, they are assumed to have 2% of total CFC sales.
- GILTI was removed from the calculation of the deductions for dividends received.
- After assigning all of the foreign pro rata sales to the everywhere sales factors of Minnesota taxpayers and removing GILTI from the deduction for dividends received, the tax was recalculated using their new apportionment factor to estimate the revenue impact in tax year 2022.
- The impact is grown using the Minnesota Management and Budget February 2026 corporate franchise tax forecast.
- Tax year 2026 is allocated to fiscal year 2027. All other tax year impacts are allocated to fiscal years 30% to the current fiscal year and 70% to the following fiscal year.

**Number of Taxpayers:** About 700 combined groups with 3,400 subsidiaries were identified as eligible for factor relief.

Minnesota Department of Revenue  
Tax Research Division  
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