

HOUSE RESEARCH

Bill Summary

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Subject: Withholding by publicly trade limited partnerships

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Overview

This bill exempts publicly traded partnerships from the requirement that partnership withhold Minnesota tax on the nonresident partners' distributions.

Section

- 1 Withholding by partnerships.** Exempts publicly traded partnerships from the requirement that the partnership withhold Minnesota income tax on income shares distributed to nonresident partners. Under present law, this withholding requirement only applies when the amount assignable to Minnesota exceeds \$1,000. Publicly traded partnerships are defined by reference to federal law, which defines them as partnerships whose interests trade on an established securities market (e.g., the New York Stock Exchange or the NASDAQ) or are readily tradable on a secondary market. Under federal law, many of these entities are taxed as C corporations (i.e., they are subject to an entity level tax, not flow through taxation of the partners), not as partnerships. This exemption would not affect entities taxed as corporations, since the withholding requirement applies only to entities taxed as partnerships.

Effective date : Beginning for tax year 2005.