

SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 304

(SENATE AUTHORS: REST, Franzen, Anderson, P. and Senjem)

DATE	D-PG	OFFICIAL STATUS
01/22/2019		Introduction and first reading Referred to Taxes

1.1 A bill for an act

1.2 relating to taxation; individual income; providing certain business entities the

1.3 option to file as C corporations; amending Minnesota Statutes 2018, sections

1.4 289A.08, by adding a subdivision; 290.0132, by adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2018, section 289A.08, is amended by adding a subdivision

1.7 to read:

1.8 Subd. 7a. Election to file as a C corporation. (a) A qualifying entity may elect to file

1.9 a return as a C-option corporation and calculate its tax liability as a corporation. The election

1.10 is binding for the four taxable years following the taxable year of the election.

1.11 (b) For purposes of this subdivision:

1.12 (1) "qualifying entity" means a:

1.13 (i) partnership;

1.14 (ii) limited liability company; or

1.15 (iii) corporation organized under subchapter S of the Internal Revenue Code for federal

1.16 income tax purposes that does not have a qualified subsidiary also organized under subchapter

1.17 S of the Internal Revenue Code; and

1.18 (2) "C-option corporation" means a qualifying entity that has made the election under

1.19 paragraph (a).

1.20 (c) The election to file as a C-option corporation may only be made by persons who

1.21 hold more than 50 percent ownership interest in a qualifying entity.

2.1 (d) Tax liability must be calculated by multiplying the Minnesota taxable income of the
2.2 qualifying entity by the highest rate used to determine the tax liability for individuals under
2.3 section 290.06, subdivision 2c.

2.4 (e) The provisions of subdivision 17 apply to the election under this subdivision.

2.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.6 31, 2018.

2.7 Sec. 2. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
2.8 to read:

2.9 Subd. 27. **Income of partners, members, or shareholders.** The amount of income
2.10 received from a qualifying entity, as defined under section 289A.08, subdivision 7a, for
2.11 purposes of calculating federal taxable income by a partner, member, or shareholder of a
2.12 qualifying entity that has elected to file as a C-option corporation under section 289A.08,
2.13 subdivision 7a, is a subtraction.

2.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.15 31, 2018.