STARR PARTNERSHIP

April 27, 2023

Senator Ann Rest, Chair, Taxes Committee
Senator Matt Klein, Chair, Taxes Committee
Senator Bill Weber, Ranking Minority Member, Taxes Committee
Senate Taxes Committee

Subject: Testimony in Opposition to Worldwide Combined Reporting Provisions in SF 1811

Dear Chair Rest, Vice-Chair Klein, Ranking Minority Member Weber, and Members of the Committee:

We are writing on behalf of the STARR Partnership to oppose the worldwide combined reporting provisions included in the April 25th amendment to SF 1811. We concur with the Council on State Taxation (COST) testimony regarding the legal and practical challenges of imposing worldwide combined reporting.

Additionally, mandatory worldwide combined reporting legislation is an ineffectual and economically harmful tax policy. Mandatory worldwide combined reporting, or the practice of computing state tax liability using the combined income of all of a company's global affiliates, is a relic of the past and should remain there. No state has a true mandatory worldwide combined reporting regime (Alaska is the only state that imposes it, and only on specific industries). This is for good reason: **mandatory worldwide combined reporting punishes large, multinational corporations currently located in your state, and discourages others from relocating to or forming in your state.** These companies provide career-oriented jobs, high wages and benefits, and make significant capital investments. Imposing taxes on foreign income is a clear sign of an unwelcome business environment, particularly when no other state in the country mandates worldwide combined reporting.

Over the long term, worldwide combined reporting potentially represents a significant tax increase for a lot of companies in a time of economic uncertainty. In a survey of leading economists from businesses, trade associations, and academia, more than half of economists predict that the US will enter a recession this year. Economic uncertainty not only has a negative impact on the business community and hiring, but on states as well – and moving to worldwide combined reporting would only make that uncertainty worse for Minnesota. On the other hand, adopting worldwide combined reporting in a period of economic uncertainty is a recipe for revenue volatility and uncertainty as taxpayers may offset income and loss in new ways. As such, it is extremely unlikely that Minnesota would receive the predicted amount of revenue from worldwide combined reporting, putting the state at risk for an unanticipated shortfall.

Thus, we oppose the inclusion of worldwide combined reporting. Thank you for your consideration.

Sincerely,

Joseph R. Crosby

Joseph Crosby

Stephen Kranz

Stephen Kranz

About Us: The STARR (State Taxes After Reform and Recession) Partnership was formed to help the business community navigate the state legislative, executive, and regulatory reaction to federal tax reform. Please visit our website for more information about the STARR Partnership and our work (www.star-partners.org).