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March 20, 2024

VIA EMAIL

Senate Taxes Committee
Minnesota Legislature

Re: COST's Opposition to S.F. 4750 – Corporate Income Tax Disclosure

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

On behalf of the Council On State Taxation (COST), I am writing to oppose S.F. 4750 (and its companion bill in the House, H.F. 4513). This legislation would place an unprecedented reporting requirement on corporations doing business in Minnesota with \$250 million or more in aggregate gross sales in a taxable year. S.F. 4750 would violate taxpayers' privacy rights and longstanding practices of fair tax administration by requiring reporting and disclosure of confidential tax information and making that information publicly available on the Minnesota Department of Revenue's website three years after a taxpayer's taxable year ends.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members conduct operations in Minnesota that would be negatively impacted by this unwarranted disclosure legislation.

COST Supports Confidentiality of Taxpayer Information

The COST Board of Directors has adopted a formal policy statement in opposition to disclosure and publication of confidential taxpayer information¹. The policy position states:

¹ See COST Policy Statement: <https://cost.org/globalassets/cost/state-tax-resources-pdfpages/costpolicy-positions/confidentialityoftaxpayerinformation.pdf>.

Taxpayers have a justifiable expectation of privacy. State departments of revenue audit business taxpayers on a regular basis to ensure that all relevant tax laws are appropriately enforced; releasing specific business tax returns or information from those returns to the public would serve no policy purpose.

Disclosure of Corporate Taxpayer Information Serves No Public Policy Purpose

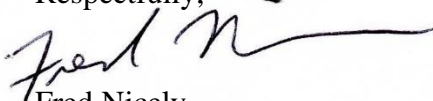
COST has consistently warned against violating taxpayer confidentiality under the guise of transparency. Rather than inform the public policy debate, S.F. 4750 could, through its sole focus on the income tax, mislead both legislators and the public into thinking that businesses do not pay substantial taxes, when in fact businesses pay substantial taxes, especially in areas other than the corporate income tax.² The corporate income tax is the most volatile state revenue stream because of business cycles and intended tax code features. If the Legislature is concerned that certain classes of taxpayers are inappropriately taxed, it can and should ask the Department of Revenue for aggregate information that does not identify a specific taxpayer. Showing that a corporation did not pay any income tax for a given year – because of loss carryovers, current year profitability, tax credits, reinvestment, or some other reason – does not benefit the policy debate. In fact, it will likely harm the debate, as the reasons for a corporation's income tax liability will likely not be apparent or understood from the information disclosed. S.F. 4750 would make a corporation's tax information a matter of public record; however, it would not raise additional revenue and would facilitate the harassment of individual corporations.

No other state requires detailed public disclosure of confidential taxpayer information. While this bill excludes the disclosure of federal income tax information (as required by Internal Revenue Code § 6103) the corporate income calculation form, Form M4I, is based on federal tax information and that information carries over to other tax forms. This bill will also serve to discourage corporations from making investments in the State (infrastructure and jobs). It should be noted that disclosures such as those required by S.F. 4750 would make sensitive information available for use by taxpayers' competitors, including competitors not subject to the State's tax system.

Conclusion

For these reasons, COST respectfully urges this Committee to reject S.F. 4750.

Respectfully,



Fred Nicely

cc: COST Board of Directors
Patrick J. Reynolds, COST President & Executive Director

² COST, in conjunction with EY, annually publishes a "Total State and Local Business Taxes Burden Study," available at: www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/ey-50-state-tax-burden-study-fy22.pdf. Of note, corporations paid \$2.9 billion in corporate income taxes in Minnesota for fiscal year 2022, but also paid \$5.5 billion in property taxes and \$3.6 billion in sales taxes (includes only business-to-business transactions).