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Reducing tax complexity for Minnesota's businesses

STATE POLICYMAKERS SHOULD:

- **Conform Minnesota to the federal depletion schedule**
- **Eliminate the Alternative Minimum Tax for corporations**

Minnesota ranked 45th out of 50 states in the Tax Foundation's 2022 State Business Tax Climate Index. This was partly driven by our state's high corporate tax rates, where we ranked 45th in the United States. To make serious progress up these

rankings, we need to see this rate come down.

But there are other factors dragging Minnesota down the rankings; fixing them would help us climb them. They are small but necessary steps in the right direction.

Conform to the federal depletion schedule

Minnesota is one of thirteen states that doesn't fully conform to the federal system for the deduction for depletion. This works like depreciation but applies to natural resources. By imposing its own

schedule, Minnesota makes its tax system unnecessarily complex.

Conforming to the federal schedule would help this.

Eliminate the Alternative Minimum Tax for corporations

Minnesota is one of only six states imposing an alternative minimum tax (AMT) for corporations.

These corporate AMTs exist to prevent corporations from reducing their corporate income tax liability beyond a certain level but they are an inefficient means of doing so. This inefficiency contributed to

their repeal in several states and on the federal level.

Minnesota's AMT requires corporations meeting certain requirements to compute their tax liability under two systems and to pay the higher amount. This undermines structural elements of the tax code, such as net operating loss provisions and deduc-



