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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 1041

02/17/2025 Authored by Smith; Hanson, J.; Lee, K.; Her; Kozlowski and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; corporate franchise; imposing an additional tax on certain
1.3 corporations with high principal executive officer to median worker pay ratios;
1.4 disqualifying certain companies from receiving state subsidies and grants; amending
1.5 Minnesota Statutes 2024, sections 16B.981, by adding a subdivision; 290.06,
1.6 subdivision 1.

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

1.8 Section 1. Minnesota Statutes 2024, section 16B.981, is amended by adding a subdivision
1.9 to read:

1.10 Subd. 7. Disqualification from eligibility to receive grants. A corporation that is
1.11 subject to the additional tax under section 290.06, subdivision 1, paragraphs (b) to (j), is
1.12 ineligible to receive a grant. The agency may require any additional information to make
1.13 this determination.

1.14 EFFECTIVE DATE. This section is effective January 1, 2026.

1.15 Sec. 2. Minnesota Statutes 2024, section 290.06, subdivision 1, is amended to read:

1.16 Subdivision 1. **Computation, corporations.** (a) The franchise tax imposed upon
1.17 corporations shall be computed by applying to their taxable income the rate of 9.8 percent.

1.18 (b) The tax rate under paragraph (a) is increased as provided in paragraphs (c) to (i) if
1.19 the corporation's pay ratio meets the requirements of paragraphs (c) to (j).

1.20 (c) An additional tax equal to 0.2 percent is imposed for the taxable year if the
1.21 corporation's pay ratio is at least 50:1 but less than 100:1.

2.1 (d) An additional tax equal to 0.4 percent is imposed for the taxable year if the  
2.2 corporation's pay ratio is at least 100:1 but less than 200:1.

2.3 (e) An additional tax equal to 0.6 percent is imposed for the taxable year if the  
2.4 corporation's pay ratio is at least 200:1 but less than 300:1.

2.5 (f) An additional tax equal to 0.8 percent is imposed for the taxable year if the  
2.6 corporation's pay ratio is at least 300:1 but less than 400:1.

2.7 (h) An additional tax equal to one percent is imposed for the taxable year if the  
2.8 corporation's pay ratio is at least 400:1 but less than 500:1.

2.9 (i) An additional tax equal to 1.5 percent is imposed for the taxable year if the  
2.10 corporation's pay ratio is at least 500:1.

2.11 (j) For purposes of this subdivision, "pay ratio" means the pay ratio disclosed under  
2.12 Code of Federal Regulations, title 17, section 229.402(u)(1)(iii), during the taxable year,  
2.13 except that a unitary business must determine its pay ratio by calculating the cumulative  
2.14 pay ratio of all members of the unitary group.

2.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
2.16 31, 2025.