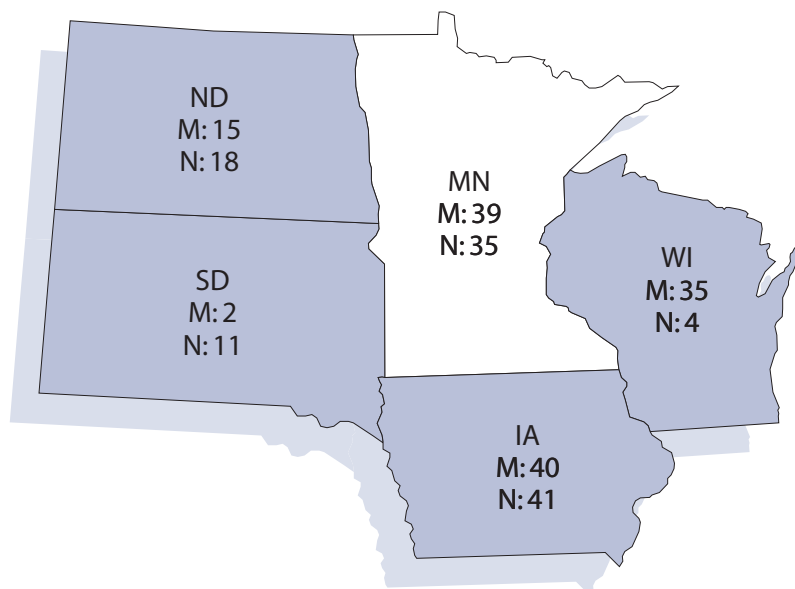


M = Rank for mature firms
N = Rank for new firms



Minnesota ranks 39th overall for mature operations and 35th overall for newly established operations. Specifically,

- Minnesota ranks sixth for new capital-intensive manufacturing, despite having one of the highest corporate income tax rates in the nation at 9.8 percent. The operation has a total tax burden 51 percent less than the national average, in large measure due to low property tax rates and a modest property tax abatement. The operation does, however, have an above-average income tax burden despite the state's sales-weighted apportionment factor and no throwback rule. The state ranks seventh for mature capital-intensive manufacturing for similar reasons.
- The state ranks 14th for the mature R&D operation, which has a tax burden 19 percent below the national average. This operation

benefits greatly from the favorable apportionment rules, but faces high unemployment insurance (UI) taxes and the second-highest property tax burden of this firm type in the nation. The state offers a modest R&D tax credit.

- Minnesota ranks 49th for the new call center operation. This firm has a tax burden 57 percent above the national average, in large measure because of the state's high UI taxes. The state's UI taxes are among the highest in the nation for call centers. The property taxes for this firm are also well above average.
- The new retail establishment ranks 42nd, and the mature retail establishment ranks 47th. These operations are particularly impacted by the state's high corporate tax rate, the second-highest property tax burden in the country, and high UI taxes.

Minnesota

Corporate income tax

Main tax rate	9.800%
Applies to income over	–
Specific adjustments:	
- s.199 deduction disallowed	

Apportionment	Property	Payroll	Sales
Standard factors	5.0%	5.0%	90.0%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			No
Interstate services income apportionment			Benefits

Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Minneapolis	7.342%	4.266%	4.266%	–	–
Tier 2	Rochester	7.375%	3.416%	3.416%	–	–

a. Sales tax on manufacturing machinery is refundable

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
3.50%	\$27,000	0.025%	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	n/a							
Job creation	n/a							
Withholdings	n/a							
R&D	10% of in-state R&D expenses, per federal concepts						✓	
Property tax	50% abatement x 10 years to max. \$200,000 per year	✓	✓		✓			

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	5.6%	12.0%	39.1%	50.3%	26.0%	15.3%	40.9%		6.2%	10.0%	27.9%	45.9%	22.4%	10.4%	24.9%			
Index	49.0	102.2	156.7	139.0	161.2	103.7	125.7	119.6	49.1	86.3	132.9	149.7	142.7	81.1	147.1	112.7		
Rank	6	29	49	44	46	23	42	35	7	23	45	46	47	14	47	39		

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