

Income/Franchise:

Minnesota Tax Court Holds Out-of-State Company's In-State Activities Exceed P.L. 86-272 Protections

Case No. 9435-R, Minn. Tax Ct. (6/23/23). Granting partial summary judgment for the Minnesota Department of Revenue, the Minnesota Tax Court (Court) held that an out-of-state company operating as a “business-to-business catalog” and web-based distributor of industrial and packaging products maintained sufficient minimum contacts in Minnesota to be subject to Minnesota’s corporate franchise tax during the years at issue. In doing so, the Court explained that the company’s Minnesota business activities went beyond solicitation of sales under P.L. 86-272, and were not *de minimis*, “forming a non-trivial connection with the state under Minnesota Statutes section 290.015.” Under the stipulated facts, the Court highlighted that the company’s in-state sales representatives regularly and systematically collect and report market data, including data concerning competitors, an activity that “at minimum was not ancillary to sales in Minnesota, but rather was a function of the representatives’ job duties” and a matter of corporate policy. Furthermore, according to the Court, “this degree and frequency of collection and reporting was not *de minimis* and established a taxable presence in Minnesota.” However, the Court did grant partial summary judgment for the company with respect to the Department’s attempt to impose a 20% penalty for substantial understatement of tax liability, holding that the taxpayer had “substantial authority” for its tax position. Please contact us with any questions.

URL: <https://mn.gov/tax-court-stat/published%20orders/2023/Uline%20Inc.%20v.%20COR%2006-23-23.pdf>

— Ray Goertz (Minneapolis)
Managing Director
Deloitte Tax LLP
rgoertz@deloitte.com

Roburt Waldow (Minneapolis)
Principal
Deloitte Tax LLP
rwaldow@deloitte.com

Mark Sanders (Minneapolis)
Senior Manager
Deloitte Tax LLP
msanders@deloitte.com

Sara Clear (Minneapolis)
Manager
Deloitte Tax LLP
sclear@deloitte.com

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