

EXHIBIT
Average Effective Rates of R&D Credit, Based on Financial Data for 3M

State	Statutory Rate	Simulated Effective Rate, 2002	Simulated Effective Rate, 2003	Simulated Effective Rate, 2004	Average Effective Rate
Arizona	20%	0.58%	0.67%	0.64%	0.63%
Arkansas	10	0.00	0.00	0.00	0.00 ¹
California	15	0.76	0.89	0.85	0.83
Colorado	3	0.00	0.07	0.15	0.07
Connecticut	1-6	NA ²	NA	NA	NA
Delaware	10	0.00	0.26	0.47	0.24
Florida	NA ³	NA	NA	NA	NA
Georgia	10	0.00	0.00	0.00	0.00 ⁴
Hawaii	20	10.00	10.00	10.00	10.00 ⁷
Idaho	5	0.25	0.30	0.28	0.28
Illinois	6.5	0.00	0.10	0.22	0.10
Indiana	10	0.51	0.59	0.57	0.55
Iowa	6.5	0.33	0.38	0.37	0.36
Kansas	NA ⁵	NA	NA	NA	NA
Kentucky	5	NA ⁶	NA	NA	NA
Louisiana	8	0.47	0.40	0.45	0.44
Maine	5	0.00	0.08	0.25	0.11
Maryland	10	3.06	3.29	3.43	3.26
Massachusetts	10	0.51	0.59	0.57	0.55
Michigan	6.5	0.00	0.00	0.00	0.00 ⁸
Minnesota	5	0.13	0.15	0.15	0.14
Mississippi	NA	4.67	4.54	4.37	4.53
Montana	5	0.25	0.30	0.28	0.28
Nebraska	3	0.00	0.07	0.15	0.07
New Jersey	10	0.51	0.59	0.57	0.55
New Mexico	NA ⁹	NA	NA	NA	NA
New York	4 ¹⁰	2.34	2.27	2.22	2.23
North Carolina	5	0.25	0.30	0.28	0.28
North Dakota	8	0.21	0.24	0.23	0.23
Ohio	7	0.00	0.11	0.35	0.15
Oklahoma	NA ¹¹	2.34	2.27	2.19	2.26
Oregon	5	2.53	2.95	2.84	2.77
Pennsylvania	10	0.10	0.26	0.47	0.28
Rhode Island	22.5	0.85	1.00	0.96	0.94
South Carolina	5	5.00	5.00	5.00	5.00
Texas	5	0.25	0.30	0.28	0.28
Utah	6	0.30	0.35	0.34	0.33
West Virginia	10	3.00	3.00	3.00	3.00
Wisconsin	5	0.25	0.30	0.28	0.28
Washington	0.75-1.5 ¹²	4.26	5.03	6.04	5.11

NA = Not applicable

¹ The simulated rate is 0.0045%, shown as 0.00% due to rounding.

² Simulated rates not developed due to lack of workforce reduction data.

³ Florida adopted an Innovation Incentive Program based on agreement between the qualified business with the Office of Tourism, Trade and Economic Development, upon the governor's approval.

⁴ 3M's R&D expenditures fail to qualify for the Georgia research tax credit, resulting in an 0.00% simulated average effective rate.

⁵ Kansas grants tax credit to research and production in bioscience, which is not applicable to 3M.

⁶ Kentucky's tax credit is on the cost of qualified research-related activities such as construction and expansion; the data are lacking for simulation.

⁷ The maximum amount of credit that may be earned by all qualified taxpayers for any one taxable year is \$7.5 million in the aggregate.

⁸ The 6.5% incremental R&D tax credit is for pharmaceutical companies only. Qualified high-technology businesses may claim a refundable SBT credit for the creation of qualified new jobs in Michigan. Taxpayers also may claim a credit for R&D activities in an alternative-energy or pharmaceutical-renaissance zone. Credits are also offered for up to 100% of the incremental SBT liability attributable to an expansion or relocation, or the amount of personal income tax attributable to new jobs created. Starting in 2006, a taxpayer can claim a new refundable property tax credit equal to 15% of the personal property tax paid on personal property used in manufacturing and R&D.

⁹ In the simulation 3M did not qualify for the research credit.

¹⁰ Does not include the portion of the 7% credit on property used in conducting R&D.

¹¹ The author assumed that 3M was awarded the maximum credit in each year.

¹² The formula for computing research tax credit of the State of Washington is complex because the statutory range from 0.75% to 1.5% depending on the year in which the credit is claimed.