

HOUSE RESEARCH

Bill Summary

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Authors: Abrams

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Analyst: Joel Michael, 651-296-5057
Karen Baker, 651-296-8959
Steve Hinze, 651-296-8956
Pat Dalton, 651-296-7434
Nina Manzi, 651-296-5204

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Article 1: Federal Update

Overview

Updates references to Internal Revenue Code for purposes of the income and franchise taxes, property tax refund, and general tax administration to address federal changes made since the last update to June 15, 2003, which occurred in chapter 21 of the 2003 special session.

Changes to the Internal Revenue Code that are adopted consist of various exclusions for benefits to members of the military and their survivors enacted in the Military Family Tax Relief Act of 2003.

Changes to the Internal Revenue Code that are not adopted are deductions provided in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 for

1. contributions to health savings accounts
2. distributions from health savings accounts that are used for qualified medical expenses; and
3. federal subsidies paid to employers who provide medical coverage for retirees.

Provides additions and subtractions at the individual and corporate levels for provisions that are not adopted.

- 1 Federal update; administrative. Updates the administrative chapter Internal Revenue Code reference to federal changes through April 10, 2004.
- 2 Net income. Conforms to federal changes to the definition of net income. Three federal laws enacted since the 2003 legislative session affected the definition of net income.

The Military Family Tax Relief Act of 2003 :

- Increases the exclusion from taxable income of the death gratuity benefit paid to survivors of member of the military who is killed in the line of duty that is excluded from \$3,000 to \$12,000 (also increased the benefit from \$6,000 to \$12,000). Effective for deaths after September 10, 2001.
- Excludes from taxable income the cost of dependent care assistance provided by the military to a service member. Effective beginning in tax year 2003.
- Excludes from taxable income payments from the Department of Defense Homeowner Assistance program to members of the military to offset the adverse effects of military base closings on housing values. Effective for payments made after November 11, 2003.
- Suspends the running of the five-year period for purposes of meeting the two out of five year "use of house as principal residence" test used to qualify for the exclusion of the gain on sale of the residence for up to 10 years for members of the military on official extended duty. Effective for sales after May 6, 1997.

- Provides a deduction for unreimbursed travel, meal, and lodging expenses of members of the national guard and reserves when they travel at least 100 miles and must stay overnight to attend a guard or reserve meeting. Effective beginning in tax year 2003.
- Exempts astronauts who lose their life on a space mission from income tax. Effective for deaths after December 31, 2002.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003:

- Allows the deduction of contributions to a health savings account for individuals with high-deductible medical health plan coverage. The maximum deduction is \$2,250 for individuals with self-only coverage and \$4,500 for individuals with family coverage. The maximum deduction is \$500 higher for individuals age 55 or older, and is increased by an additional \$100 per year until tax year 2009, when it will be \$1,000 higher than the maximum deduction for individuals under age 55. "High-deductible" plan is defined as having an annual deductible of at least \$1,000 for self-only coverage and \$2,000 for family coverage, and having a maximum combined deductible and out-of-pocket expense requirement of at most \$5,000 for self-only coverage and \$10,000 for family coverage. Earnings on amounts contributed to HSAs are tax-exempt. Distributions from HSAs are tax-exempt if used for medical expenses. Effective beginning in tax year 2004.
- Exempts federal subsidies paid to employers who provide medical coverage for retirees. Provides for federal subsidies to be paid beginning in 2006.

PL108-218, amending the Employee Retirement Income Security Act (ERISA) of 1974:

- Temporarily reduces pension plan funding requirements for certain employers

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Additions to taxable income; individuals. Provides individual income tax additions for

- federal subsidies paid to employers who provide medical coverage for retirees;
- contributions to health savings accounts
- distributions from health savings accounts that represent growth over the life of the account

Federal subsidies paid to employers who provide medical coverage to retirees are excluded at the federal level under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and are first scheduled to be paid beginning in 2006. Contributions to health savings are allowed as a deduction under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The Medicare Act excludes distributions from health savings accounts from taxable income if they are used for qualifying medical expenses.

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Subtractions from taxable income. Allows a subtraction for military pay received by members of the military stationed in Minnesota but domiciled in another state. Current law provides for these individuals to calculate their tax based on total taxable income and then apportion the result based on the ratio of Minnesota source income to taxable income. Public

Law 108-189 revised the Soldiers' and Sailors' Civil Relief Act of 1940 to require states to allow a subtraction for nonresident active service members of the military rather than apportioning tax. The Department of Revenue is complying with this change to federal law.

Also allows subtractions for distributions from health savings accounts that represent return of contributions that were required to be added to taxable income under section 0, to the extent the distributions are used for non-qualifying purposes and not deducted at the federal level, and for distributions from health savings accounts that would have qualified for the federal itemized deduction for medical expenses had the distributions not been excluded from taxable income as a result of being from a health savings account.

- 5 Additions to taxable income; corporations. Provides a corporate franchise tax addition for federal subsidies paid to employers who provide medical coverage for retirees. These subsidies are excluded at the federal level under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and are first scheduled to be paid beginning in 2006.
- 6 Income tax definitions. Updates the income tax chapter Internal Revenue Code reference to federal changes made through April 10, 2004. The effect of this would be to allow the exclusion of all the Military Family Tax Relief Act items and HSA contributions as well as distributions used for medical expenses from Minnesota's alternative minimum tax, and to allow the deduction of national guard and reserve travel expenses and HSA contributions from household income used to determine eligibility for the dependent care credit, and K-12 education credit. The remaining Military Family Tax Relief Act items and distributions from HSAs would be included in household income.
- 7 Nonresident ratio. Adjusts the nonresident ratio used in apportioning tax to Minnesota for the subtraction for military pay received by members of the military stationed in Minnesota but domiciled in another state that is required under federal law.
- 8 Alternative minimum taxable income; individuals. Includes in individual alternative minimum taxable income federal subsidies paid to employers who provide medical coverage for retirees. These subsidies are excluded at the federal level under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and are first scheduled to be paid beginning in 2006.
- 9 Alternative minimum taxable income; corporations. Includes in corporate alternative minimum taxable income federal subsidies paid to employers who provide medical coverage for retirees. These subsidies are excluded at the federal level under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and are first scheduled to be paid beginning in 2006.
- 10 Federal update; property tax refund. Updates the property tax refund chapter Internal Revenue Code reference to federal changes through April 10, 2004. This conforms the property tax refund to changes in the definition of net income. The effect is to exclude national guard and reserve travel expenses and HSA contributions from household income used to determine eligibility for the property tax refund for homeowners and renters. The remaining Military Family Tax Relief Act items and distributions from HSAs would be included in household income.
- 11 Federal update; estate tax. Conforms Minnesota's estate tax to a federal change exempting the estate of astronauts who die on a space mission. Effective for deaths after January 31, 2003.

Article 2: Department of Revenue Policy Provisions

Overview

This article consists of provisions from the Department of Revenue's policy bill.

1. 1 Taxpayer rights advocate as case reviewer. Provides that the taxpayer rights advocate act as case reviewer in the collection of non-tax debts. Authorizes the advocate to issue debtor assistance orders if the manner in which state non-tax debt collection is being administered would create an unjust and inequitable result for the debtor. The taxpayer rights advocate has the same authority under current law with respect to tax debts. Effective the day following final enactment.
- 2 Delegation of commissioner's authority. Provides that delegations of authority granted by the commissioner of revenue remain in effect until revoked by that commissioner or a successor commissioner. Effective the day following final enactment.
- 3 Commissioner's authority to negotiate; Streamlined Sales Tax. Authorizes the commissioner of revenue to negotiate with Streamlined Sales Tax Agreement member states on the amount of monetary allowance for sellers and certified service providers who purchase certified software for sales tax collection.
- 4 Mailing of notices. Provides that notices of a determination or action of the commissioner may be sent to the last known address of the taxpayer or affected person, if another method is not specifically provided. Effective for notices sent on or after the day following final enactment.
- 5 Transcription of liens. Provides that state tax liens filed in a county may be transcribed to the secretary of state within ten years of the date of filing. Under current law state tax liens filed in one county may be transcribed to any other county. In no case does the transcription extend the period in which the lien is enforceable.
- 6 Blind/disabled homestead application private data. Provides that applications for blind/disabled homestead classification are private data, protected from disclosure to anyone other than the applicant unless otherwise provided in law.
- 7 Blind/disabled homestead disclosure. Authorizes the commissioner to disclose the names of qualified applicants for blind/disabled homestead status to county assessors and their designees.
- 8 Property tax exemption. Clarifies that the property tax exemption for biotech zones applies to property occupied by a qualified business by July 1 of the assessment year.
- 9 Electronic filing requirement; partnerships. Requires partnerships that have more than 100 partners and are required their federal partnership return electronically to file their Minnesota partnership return electronically as well. Imposes a penalty of \$50 for each partner over 100 if the return is filed in paper form, but authorizes the commissioner to waive the penalty if the partnership demonstrates that filing electronically creates a hardship. Effective beginning with tax year 2004 returns.
- 10 Limits on recalculation of separate spouse liability. Exempts the commissioner from recalculating separate liability for an ex-spouse when a request is made six years or longer after the due date of the return. Also exempts the commissioner from recalculating separate liability if the remaining unpaid liability for which the recalculation is requested is \$100 or less. Effective for requests for relief made on or after the day following final enactment.
- 11 Sales tax refund claims in biotech and border city zones; interest. Provides that sales tax refund claims in biotech and border city zones bear interest beginning 90 days after the date of filing.
- 12 Research and development subtraction. Limits the corporate income tax subtraction for

- research and development expenses to expenses in excess of both the research and development credit and the biotechnology and health sciences industry zone credit.
- 13 Withholding on payments to non-Minnesota residents on construction contracts. Reduces the dollar threshold that triggers withholding on nonresidents contracted with to provide construction work from a contract expected to exceed \$100,000 to aggregate contract payments during the calendar year in excess of \$50,000. Effective for payments made after December 31, 2004.
- 14 Sustainable forests; acquisition for public purpose. Allows early withdrawal from the sustainable forest program of land acquired for a public purpose. Clarifies that if a portion of land is acquired for a public purpose, only the portion acquired is withdrawn and the rest remains enrolled in the program.
- 15 Vendor allowances; Streamlined Sales Tax. Provides that allowances that the states provide to sellers and certified service providers for the purchase of certified software for sales tax collection are netted out of the sales tax collected by the sellers and certified service providers before they remit the tax to the department of revenue.
- 16 Sales tax refund claims in border city development zones; interest. Provides that sales tax refund claims in border city development zones bear interest beginning 90 days after the date of filing.
- 17 Qualified business; JOBZ. Clarifies that the definition of "qualified business" is limited to parcels of land included in a business subsidy agreement with the local government unit.
- 18 Qualified business; biotech zones. Clarifies that the definition of qualified business is limited to parcels of land included in a business subsidy agreement with the local government unit.
- 19 Corporate minimum fee; biotech zone. Exempts from the corporate minimum fee a business with all its Minnesota property in a biotech zone and all of its Minnesota payroll treated as biotech zone payroll.
- 20 Fiscal disparities; area. Clarifies that the geographic area for the metro area fiscal disparities program excludes major and intermediate airports.
- 21 Repealer. Repeals language allowing the Alexandria Lake Area sanitary sewer district and the Central Lakes region sanitary sewer district to levy property taxes on an alternative tax base that includes only 25 percent of the net tax capacity of agricultural property.

Article 3: Property Taxes Technical

Overview

Makes various technical changes recommended by the Department of Revenue.

1. 1 Population estimates. Requires the state demographer to certify estimates of population and households to the commissioner of revenue by July 15, each year, including estimates under objection. Provides that changes to population estimates made after July 15, other than those relating to clerical errors, will not be considered in determining aid calculations. Also changes the date for estimates of household size in cities with 2,500 or more in population from May 1 to June 1, and the date by which a municipality may challenge an estimate from June 10 to June 24. These dates are consistent with the new dates imposed on the metropolitan council estimates.
- 2 Payment of current taxes requirement for manufactured homes. Clarifies that all personal property taxes payable in the current year on a manufactured home must be paid before the title may be transferred. Current law refers to taxes levied on the manufactured home, but since the levy date for manufactured home taxes is May 30, there would otherwise be a five-month window during which the new owner could obtain a certificate of title without paying

all the personal liability taxes assessed to the seller. Collection problems would arise if these taxes are not paid at the time title is transferred because neither the property nor the new owner would be liable for those taxes without the change proposed in this section. Effective the day following final enactment.

- 3 Homestead verification. Authorizes the commissioner of revenue to verify to an assessor if an individual requesting or receiving homestead classification has filed an income tax return as a resident. Current law authorizes the commissioner to share such information with assessors when the commissioner determines that an individual is a nonresident or part-year resident for income tax purposes. Effective the day following final enactment.
- 4 Exemption for property used under cooperative farming agreements and for leased housing and redevelopment authority property. Clarifies that property used under a cooperative farming agreement and that HRA leased property is not subject to property tax. These cross references do not create new exemptions as these uses are exempt under other sections of statute. Effective the day following final enactment.
- 5 Property tax exemptions. Replaces obsolete references to repealed provisions with a general reference to other provisions of applicable law. Effective the day following final enactment.
- 6 Institutions of purely public charity. Clarifies that government rent assistance and government contract payments are not donations or gifts for the purposes of the property tax exemption for institutions of public charity. Effective for taxes payable in 2004 and thereafter.
- 7 Property subject to taconite production tax or net proceeds tax. Adds a new subdivision that describes the property tax exemptions related to the taconite production tax and net proceeds tax. Effective the day following final enactment.
- 8 Cross reference to exemption for religious corporations. Adds a new subdivision providing a cross-reference in the property tax chapter to language in the nonprofit corporation chapter that exempts personal and real property that a religious corporation necessarily uses for a religious purpose. Effective the day following final enactment.
- 9 Cross reference to exemption for children's homes. Adds a new subdivision providing a cross-reference in the property tax chapter to language in the nonprofit corporation chapter that exempts property owned by children's home corporations. Effective the day following final enactment.
- 10 Cross reference to exemption for housing and redevelopment authority property and tribal housing authority property. Adds a new subdivision providing a cross-reference in the property tax chapter to language in the economic development chapter that exempts property owned by a housing and redevelopment authority or a tribal housing authority. Effective the day following final enactment.
- 11 Agricultural homesteads for entity-owned land. Clarifies that a limited liability company must operate a "family farm" in order to receive an agricultural homestead classification. Effective the day following final enactment.
- 12 Cross reference to exemption for cooperative farming agreements and leased HRA property. Provides that cooperative farming agreements and occupancy agreements are not considered leases and therefore do not cause property to become subject to property tax. These are cross references to existing laws and do not create new exemptions. Effective the day following final enactment.
- 13 County board meeting dates. Strikes obsolete language that allowed county boards of equalization to meet on any ten consecutive days in June, rather than the last ten days, if the actual meeting days were listed on the valuation notices. Other provisions of law require meeting dates to be listed on the valuation notices, making the stricken language superfluous. Also clarifies that "meeting day" excludes Saturdays and Sundays. Effective the day following final enactment.

- 14 Date to certify levies and tax rates. Changes the date by which county auditors must certify levy and tax rate information to other county auditors with respect to taxing jurisdictions that cross county boundaries from September 20 to October 5. September 20 is not practical because school districts do not certify their levies until September 30. Effective the day following final enactment.
- 15 Disparity reduction aid levy adjustment. Strikes language requiring levies to be reduced by Disparity Reduction Aid (DRA), since DRA acts to reduce disparities in local tax rates, not levies. This change will not affect the amount of DRA received by a jurisdiction. Effective the day following final enactment.
- 16 Reporting special levies on surveys. Gives the commissioner the option of excluding detailed special levy information from levy information that county auditors are required to report annually. Effective the day following final enactment.
- 17 Transmittal of state property tax levy receipts. Changes the date by which county treasurers must transmit the state's share of property tax receipts to the department from "on or before June 29" to "on or before two business days before June 30." This is necessary to insure that property taxes are transmitted to the state within the fiscal year of receipt by the county, even during years in which June 29 falls on a Saturday. Effective the day following final enactment.
- 18 Tax-forfeited property; prohibited purchasers. Clarifies and expands the language prohibiting county auditors, treasurers, attorneys, court administrators, and assessors from purchasing or from having someone purchase on their behalf tax-forfeited land. Further clarifies that these prohibitions only apply to tax-forfeited land in the county for which the specified office-holders perform duties. Effective the day following final enactment.
- 19 Tax-forfeited land; duties of the commissioner of finance. Clarifies that the commissioner of finance's responsibility for issuing conveyances for tax-forfeited land apply only to lands in conservation areas. Effective the day following final enactment.
- 20 Tax-forfeited land; duties of the commissioner of natural resources. Clarifies that the commissioner of natural resources' responsibilities with respect to issuing conveyances of tax forfeited property apply only to tax forfeited agricultural lands in the Red Lake Preserve. Effective the day following final enactment.
- 21 Tax-forfeited land; duties of the commissioner of revenue. Clarifies that statutory procedures and the duties of the commissioner of revenue with respect to repurchases of tax-forfeited land relate to all repurchases of tax forfeited land authorized in chapter 282. Effective the day following final enactment.
- 22 Metro area population estimates. Requires the metropolitan council to prepare estimates of population and households of municipalities in the metro area by June 1 of each year. Allows municipalities to challenge estimates by June 24, and to hold a special census at its own cost. Requires the metropolitan council to certify population estimates to the commissioner of revenue by July 15 each year, including estimates under objection. Provides changes to estimates made after July 15, other than those relating to clerical errors, will not be considered in determining aid calculations. Although the council has always prepared estimates, there currently are no deadlines for certifying the estimates.
- 23 Population; definition. Makes a conforming cross-reference to section 0.
- 24 Population; definition. Makes a conforming cross-reference to sections 1 and 0.
- 25 City aid base definition. Strikes grandfathered aid base from the city aid base definition. This change was inadvertently omitted in the 2003 restructuring of Local Government Aid for cities, and is consistent with current program administration. Effective beginning with aids payable in 2004.
- 26 Local impact note and public defender costs. Clarifies the amounts of the appropriations for local impact note costs and public defender costs provided in the 2003 tax law. Effective for

aid payable 2004 and thereafter.
27 2004 city aid reductions. Clarifies that a city's 2004 initial aid reduction amount is not
applied to its 2004 local government aid amount specified in section 477A.013, because that
amount already includes the initial aid reduction amount. Effective for aids payable in 2004.
28 "Levy plus aid revenue base" for counties. Excludes attached machinery aid from the "levy
plus aid revenue base" used to compute the 2004 aid reductions for counties. Effective for
aids payable in 2004.
29 Repealers. Repeals

- § 273.19, subd. 5, which provides a limited exemption for some hydroelectric facilities on government owned sites, duplicating a non-limited exemption provided in § 272.02, subd. 15.
- § 274.05, which is obsolete certification between county auditors and assessors
- § 275.15, containing obsolete language relating to levy limits.
- § 283.07, containing obsolete language relating to refunding of property taxes on railroad property in certain circumstances.

Effective the day following final enactment.

Article 4: Sales and Use Taxes Technical

Overview

Makes various technical changes proposed by the Department of Revenue.

1. 1 Omission of use tax. Clarifies that the period for assessing additional taxes is 6 1/2 years after the due date of the return if the return omits use tax in excess of 25 percent of the amount of use tax reported. Current law references only sales and withholding tax returns. Effective the day following final enactment.
- 2 Definition of "bad debt." Clarifies that the exclusions from the definition of "bad debt" are allowed only in the case of refund claims relating to overpayment of sales and use taxes attributable to a loss from a bad debt. The definition for purposes of refund claims for other taxes continues to follow the federal definition. The exclusions were enacted in 2003 as part of the Streamlined Sales Tax Project, and were intended to relate to sales tax only, but current law could be interpreted to allow the exclusions for taxes other than sales tax.
- 3 Sourcing; watercraft, aircraft, modular homes, manufactured homes, and mobile homes. Clarifies that the sourcing provisions enacted as part of the Streamlined Sales Tax Project apply to sourcing for watercraft, aircraft, modular homes, manufactured homes, and mobile homes. The Streamlined Sales Tax Agreement does not require member states to apply the sourcing rules to these items, but Minnesota does so. Effective the date following final enactment.
- 4 Sourcing of first periodic payment to recurring lease or rental payments. Corrects a citation to clarify that sourcing of first periodic payment of recurring lease or rental payments is in accordance with the general sourcing rules adopted as part of the Streamlined Sales Tax Project. Effective for sales and purchases made on or after January 1, 2004, consistent with the effective date of the language enacted in 2003.

5 Sourcing of transportation equipment purchases. Adds

- aircraft operated by air carriers for the transport of persons or property in interstate commerce and
- containers designed for use on and component parts attached or secured on railcars, tracks, and aircraft

to the list of items subject to the sourcing provisions for transportation equipment. These items are included in the definition of transportation equipment in the Streamlined Sales Tax Agreement, and were inadvertently omitted from the 2003 legislation. Effective for sales and purchases made on or after January 1, 2004, consistent with the effective date of the language enacted in 2003.

6 Service address definition for telecommunication sourcing. Corrects references in the service address definition used in telecommunications sourcing. Effective for sales and purchases made on or after January 1, 2004, consistent with the effective date of the language enacted in 2003.

7 Industrial production. Clarifies that the industrial production exemption does not include materials and supplies used or consumed in providing services that were added to the sales tax base in 1987, which are not considered to be tangible personal property for purposes of the exemption. Effective the day following final enactment.

8 Capital equipment. Clarifies that capital equipment does not include

- machinery and equipment used in providing services that were added to the sales tax base in 1987, or
- machinery and equipment used primarily in the furnishing, preparing, and serving of prepared food by restaurants.

Clarifies that these services and prepared foods are not considered to be tangible personal property for purposes of the capital equipment exemption. Also corrects a reference to equipment used primarily in providing online data retrieval services that was inadvertently omitted during recodification. Effective the day following final enactment.

9 Preexisting construction contracts and bids. Clarifies that the transition period for preexisting construction contracts and construction bids applies to tax rate increases in addition to sales tax base changes. Effective the day following final enactment.

10 Repeal of obsolete sales and use tax rules. Repeals sales and use tax rules that are obsolete or that merely duplicate statutory language. Some are obsolete due to specific law changes; some were incorporated into statute as part of the 2001 sales tax recodification; while others conflict with language enacted as part of the Streamlined Sales Tax Project.

- Minnesota Rules, parts 8130.0110, subpart 4, stating that the order of subject matter in the sales and use tax rules follows the order in statutes;
- 8130.0200, subparts 5 and 6, relating to the tax incidence on the transfer of title for special tooling, and stating that sales tax on title transfers not specifically described in the rule must be decided on the basis of relevant facts;
- 8130.0400, subpart 9, providing guidance for distinguishing a lease from a

conditional sales contract;

- 8130.1200, subparts 5 and 6, relating to the application of sales tax to construction contracts;
- 8130.2900, providing that all sales are presumed to be subject to sales tax unless the seller proves otherwise;
- 8130.3100, subpart 1, specifying the content of sales tax exemption certificates;
- 8130.4000, subparts 1 and 2, specifying the incidence of the duty to collect sales tax;
- 8130.4200, subpart 1, relating to the duty to obtain a sales tax permit;
- 8130.4400, subpart 3, limiting the credit paid to other states;
- 8130.5200, relating to sales taxation of cartons and containers used by moving and transfer companies;
- 8130.5600, subpart 3, relating to the sales taxation of paper and ink products;
- 8130.5800, subpart 5, relating to sales by nonprofit organizations;
- 8130.7300, subpart 5, relating to remitting local use taxes; and
- 8130.8800, subpart 4, relating to exemption certificates presented to commercial artists and photographers.

Effective the day following final enactment.

Article 5: Special Taxes Technical

Overview

Makes various technical changes proposed by the Department of Revenue.

1. 1 Mortgage registry tax exemption. Provides that the mortgage registry tax does not apply to mortgages on armories. Effective the day following final enactment.
- 2 MinnesotaCare health care provider definition. Replaces a reference to residential care homes licensed under chapter 144B, which has been repealed, with a reference to housing with services establishment registered under chapter 144D. These facilities are generally also licensed as foster homes or board and lodging establishments and are already excluded from the definition of a health care provider. Effective the day following final enactment.
- 3 Petroleum tax penalty abatement. Adds a new subdivision to provide the commissioner with general penalty abatement authority and a time frame for making appeals of penalty abatement denials. This section is effective for penalties imposed on or after the day following final enactment.
- 4 Distributor. Expands the definition of distributor to include a linked bingo game provider,

with the effect of requiring reporting of sales of gambling product. Effective the day following final enactment.

- 5 Gambling product. Expands the definition of gambling product to include linked bingo paper sheets. Effective the day following final enactment.
- 6 Linked bingo game. Provides a definition of "linked bingo game" for use in administering the gambling tax. Effective the day following final enactment.
- 7 Linked bingo game provider. Provides a definition of "linked bingo game provider" for use in administering the gambling tax. Effective the day following final enactment.
- 8 Inspection rights. Authorizes the commissioner of revenue to inspect the place of business of a linked bingo game provider and the books, records, and other documents required to be maintained under law. Effective the day following final enactment.
- 9 Cigarettes in interstate commerce. Clarifies that reporting requirements for cigarettes transported outside of Minnesota only apply to companies that are not original or subsequent participating manufacturers in the Master Settlement Agreement with other states. Effective the day following final enactment.
- 10 Cigarette tax returns; June acceleration. Clarifies the due dates of returns for May and June liability for cigarette distributors subject to the June accelerated payment requirements. Effective the day following final enactment.
- 11 Tobacco products tax return; June acceleration. Clarifies the due dates of returns for May and June liability for tobacco products distributors subject to the June accelerated payment requirements. Effective the day following final enactment.
- 12 Reinsurance. Provides a definition of "reinsurance" for use in administering the insurance premiums tax. Effective the day following final enactment.
- 13 Medium-sized mutual companies. Conforms language in statute to the decision of the Minnesota Supreme Court in CUNA Mutual Insurance Society vs. Commissioner of Revenue, 647 N.W.2d 533 (Minn. 2002), relating to taxation of certain medium sized mutual companies. Effective for returns, taxes, surcharges and estimated payments required to be filed or paid for tax years beginning on or after January 1, 2004.
- 14 Gross premiums tax. Clarifies that the gross premiums tax on health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks does not apply to return premiums on direct business whether received in cash or otherwise. Also strikes obsolete language.
- 15 Repealer. Repeals a lawful gambling tax provision dealing with allocation of payments since Minn. Stat. § 270.652 already deals with allocation of payments. Effective the day following final enactment.

Article 6: Miscellaneous Technical

Overview

Makes various technical changes proposed by the Department of Revenue. Article

1. 1 Date of assessment; consent agreement. Clarifies that in the case of a consent agreement in which the taxpayer is agreeing to a change in tax as the result of an audit, the date of assessment is the notice date shown on the consent form signed by the taxpayer. Effective the day following final enactment.
- 2 Extension to file estate tax return. Replaces the requirement that the commissioner find good cause in allowing a Minnesota estate tax return filing extension with an automatic filing extension for requests received within nine months of the decedent's death. Effective for estates of decedents dying after December 31, 2003.

3 Sending orders of assessment by electronic mail. Provides that an order of assessment may
be sent by electronic mail to the taxpayer's electronic mailing address, as set forth in the
Uniform Electronic Transactions Act. Effective the day following final enactment.

4 Civil fraud penalty. Clarifies that the imposition and calculation of the 50 percent civil fraud
penalty is the same for someone who fails to file a return with intent to evade tax as it is for
someone who files a fraudulent return. Effective the day following final enactment.

5 Additions to taxable income; income taxes paid to other states. Changes references from
"income taxes" to "taxes based on net income" for consistency with other statutes. Effective
for tax years beginning after December 31, 2003.

6 Credit for taxes paid to other states; income taxes paid to other states. Changes references
from "taxes on or measured by net income" to "taxes based on net income" for consistency
with other statutes. Also corrects a cross-reference. Effective for tax years beginning after
December 31, 2003.

7 K-12 education credit; qualifying curriculum areas. Updates a reference specifying
curriculum areas of study for which fees for instruction qualify for the education credit, made
necessary by the 2003 repeal of the graduation standards and profiles of learning.

8 Personal liability standard for withholding tax. Makes the personal liability standard in the
withholding tax statute consistent with the general standard of personal liability for trust
taxes, by clarifying the definition of employer to mean someone with either actual or legal
control over the payment of wages. Effective the day following final enactment.

9 Annual sustainable forest incentive act annual certification. Clarifies that failure to return the
annual certification required under the sustainable forest program by the due date is treated
like any other program violation and does not result in immediate removal from the program.
Current language requires that land be removed from the program immediately upon failure
to return the annual certification by the due date, but current practice is to treat late filing of
the annual certification like other program violations and allow 60 days for appeal. Effective
the day following final enactment.

10 Sustainable forest incentive act; length of covenant. Adds a new section to the sustainable
forest incentive act that addresses issues related to the length of the covenant. This repeats
language in other sections of the act, and

- specifies that the covenant remains in effect for a minimum of 8 years, unless an exception applies;
- explains how the 4-year waiting period in § 290C.10 functions and
- explains how to determine when the covenant ends.

Effective the day following final enactment.

11 Unfair cigarette sales act. Strikes language authorizing revocation of a cigarette distributor's
license by the commissioner of commerce since licensure is under the authority of the
commissioner of revenue. Effective the day following final enactment.

12 Metropolitan solid waste landfill fee penalty. Clarifies that the penalties provided for
corporate franchise taxes also apply when penalties are required under the metropolitan solid
waste landfill fee. A similar change was recently enacted for the hazardous waste generator
tax. Effective the day following final enactment.

13 Rule repealer. Repeals

- Minnesota Rules, part 8093.2000, providing guidance for corporate taxpayers

subject to estimated tax provisions, and recently replaced with statutory language.

- Minnesota Rules, part 8093.3000, permitting the commissioner to grant a reasonable extension of time for filing a declaration of estimated tax. The corresponding subdivision of statute was recently repealed.