**ARTICLE 1. INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

**Sections 1 and 9 through 13. Cross reference changes.** Amend Minn. Stat §§ 289A.08, subd. 7, 290.06, subd. 2c, 290.067, subd. 1, 290.0671. subd. 1, 290.091, subd. 2 and 290.0921, subd. 3, to change cross references to Minn. Stat. § 290.01, subd. 19b or subd. 19d made necessary by the deletion of the obsolete small ethanol producers credit subtraction in sections 7 and 8. Effective the day following final enactment.

**Section 2. Due date of return of regulated investment companies.**  Amends Minn. Stat. § 289A.12, subd. 14, to provide that the return which regulated investment companies that pay municipal bond interest file with the department must be filed by June 1. Also changes the due date for the issuance of statements by those regulated investment companies to their investors to February 15. Effective for returns due after December 31, 2010.

**Section 3. Corporate franchise tax return due dates.** Amends Minn. Stat. § 289A.18, subd. 1, to conform the due dates for a corporate franchise tax calendar, fiscal year, or short period return to the federal due dates. Effective for taxable years beginning after December 31, 2009.

**Section 4. Paying estate tax in installments**. Amends Minn. Stat. § 289A.30, subd. 2 by clarifying that taxpayers electing to pay estate tax in installments must defer a percentage of Minnesota tax that does not exceed the percentage of federal estate tax deferred. Effective the day following final enactment.

**Section 5. Frivolous return penalty.** Amends Minn. Stat. § 289A.60, subd. 7, to use consistent terms throughout the provision, applying the penalty to a “taxpayer.” Effective for returns filed after the day following final enactment.

**Section 6. Municipal bond interest paid by a regulated investment company.** Amends Minn. Stat. § 290.01, subd. 19a, to clarify that the addition for federally exempt municipal bond interest paid by a regulated investment company does not require the inclusion of interest exempt from state taxation by operation of federal law, such as interest paid on obligations of a U.S. territory. Also clarifies that any interest from municipal bonds that is exempt from state taxation under the laws of the United States is treated as tax-exempt interest for purposes of determining whether 95% of the dividends paid by the regulated investment company are paid from obligations issued by Minnesota. Effective the day following final enactment.

**Sections 7 and 8. Small ethanol producer obsolete subtraction.** Amends Minn. Stat. § 290.01, subd. 19b, deleting paragraph (7) and subd. 19d, deleting paragraph (15) which provided for a subtraction from federal taxable income for the amount of the federal small ethanol producer credit in determining net income for Minnesota individual and corporate franchise tax. The subtractions for the small ethanol producer credit applied for taxable years beginning before January 1, 2008. Effective the day following final enactment.

**ARTICLE 2. SALES AND USE TAXES**

**Section 1. Combined sales tax rate.** Amends Minn. Stat. § 297A.62 to add a subdivision 4, to clarify that the combined sales tax rate of 6.875 percent applies throughout Minn. Stat. ch. 297A, not including sections 297A.62, subd. 3 [calculation of tax on manufactured homes], and 297A.65 [calculation of in-lieu lottery tax]. During the 2009 legislative session, section 297A.62, subd. 1a, was added, temporarily imposing a 0.375 percent tax rate in addition to the 6.5 percent tax rate of subd. 1, as mandated by our State’s Constitution. Currently, statutory exemption provisions in ch. 297A refer only to the tax rate of 297A.62, subd. 1. Effective retroactively for sales and purchases made after June 30, 2009.

**Section 2. 120 days to obtain exemption certificates.** Amends Minn. Stat. § 297A.665 to clarify that if a seller does not provide substantiation within 120 days after the date the commissioner requests substantiation, the exemptions claimed by the seller must be disallowed. The current law relieves the seller of liability if the seller provides the substantiation within 120 days. Effective the day following final enactment.

**Section 3. Transitional period for pre-existing contracts or bids.** Amends Minn. Stat. § 297A.68, subd. 39, to delete the requirement that for each qualifying contract or bid the contractor must give the seller documentation of the contract or bid, since the seller need only receive a fully completed exemption certificate, and to specifically require the contractor to keep the documentation. Effective the day following final enactment.

**Section 4. Fund-raising exemption.** Amends Minn. Stat. § 297A.70, subd. 13, to make it explicit that organizations that exist solely for the purpose of providing educational or social activities to young people must be nonprofit in order for their sales for fund-raising purposes to be exempt. When Minn. Stat. ch. 297A was recodified in the year 2000, the “nonprofit” designation was inadvertently omitted. Effective the day following final enactment.

**Section 5. Exemption from 5% motor vehicle rental fee; effective date change.** Amends 2009 Minn. Laws, chapter 88, article 4, section 5, to correct the effective date so that it applies to leases or rentals made or renewed on or after July 1, 2009, rather than to registrations made or renewed on or after that date. Effective retroactively to leases or rentals made or renewed after June 30, 2009.

**ARTICLE 3. SPECIAL TAXES**

**Section 1. Obtaining coverage from an ineligible surplus lines insurer.** Amends Minn. Stat. § 60A.209, subd. 1, to provide a cross-reference to Minn. Stat. ch. 297I, to clarify that upon obtaining coverage from an ineligible surplus lines insurer, a surplus lines licensee shall collect from the insured, premium taxes, as provided under ch. 297I, and report the transaction to the commissioner of revenue. Effective the day following final enactment.

**Sections 2 and 3. Underpayment of estimated tax.** Amends Minn. Stat. § 295.55, subds. 2 and 3, making the underpayment provision for MinnesotaCare taxes similar to the provision in Minn. Stat. § 297I.40, subds. 2 and 3. Under this proposal, a taxpayer who starts a new business, can still meet the estimated payment requirements by paying tax based on the prior year receipts, even if the taxpayer was not doing business the entire year. The change creates a safe harbor for taxpayers whose tax liability is $500 or less in the current or previous year. Effective for gross revenues received after December 31, 2010.

**Section 4. Sales to nonqualified buyers.** Amends Minn. Stat. § 297F.07, subd. 4, to delete an obsolete reference to selling contraband cigarettes. Effective the day following final enactment.

**Section 5. Return due dates.** Amends Minn. Stat. § 297I.30, subd. 1, to delete obsolete references to Minn. Stat. § 297I.05, and to give a specific due date for filing returns for certain taxes. Provisions within § 297I.05 were renumbered due to previous law changes (2008) Minn. Laws, ch. 366, art. 14, sec. 8, and 2002 Minn. Laws, ch. 379, art. 1, sec. 70). This amendment adds references to § 297I.05, subds. 9 and 10, and subd. 12, paragraph (c), to provide a specific due date for filing returns for the taxes which are currently given unspecified due dates under § 297I.30, subds. 4 [tax on those licensed to procure insurance from unlicensed foreign companies], 5 [tax on procuring insurance from an ineligible company], and 6 [joint self insurance plans]. Minn. Stat. § 297I.30, subds. 4, 5, and 6, are repealed in section 13 below. The amendment also adds references to § 297I.05, subds. 12, paragraph (d), and 14, to give a due date for filing returns for accountable provider networks and life insurance companies, as these provisions are not currently included in § 297I.30. Effective the day following final enactment.

**Section 6. Return due dates for surplus lines taxes.** Amends Minn. Stat. § 297I.30, subd. 2, to update obsolete references to Minn. Stat. § 297I.05. This section also clarifies the provision dealing with forms prescribed by the commissioner to be consistent with similar provisions dealing with other taxes. Effective the day following final enactment.

**Sections 7 and 8. Surcharges.** Amends Minn. Stat. § 297I.30, subds. 7 and 8, to clarify provisions dealing with forms prescribed by the commissioner to be consistent with similar provisions dealing with other taxes. Deletes subd. 7, clause (b) which refers to Minn. Stat. § 297I.10, subd. 2. Subdivision 2 has been repealed. Effective the day following final enactment.

**Section 9. Electronic payment of insurance tax.** Amends Minn. Stat. § 297I.35, subd. 2, relating to the electronic payment of insurance tax, to clarify that the threshold period is a fiscal year ending June 30. Effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

**Section 10. Estimated taxes.**  Amends Minn. Stat. § 297I.40, subd. 1, to correct an obsolete reference to Minn. Stat. § 297I.05. The section also adds a reference to § 297I.05, subd. 14, which deals with life insurance companies. Effective the day following final enactment.

**Section 11. Definition of tax.** Amends Minn. Stat. § 297I.40, subd. 5, to correct an obsolete reference to Minn. Stat. § 297I.05. The section also adds a reference to § 297I.05, subd. 14, which deals with life insurance companies. Effective the day following final enactment.

**Section 12. Distribution of production tax proceeds.** Amends Minn. Stat. § 298.282, subd. 1, correcting a reference to “tax relief area.” The correct term is “taconite assistance area.” Effective for distributions made the day following final enactment.

**Section 13. Repealer.** Repeals Minn. Stat. § 297I.30, subds. 4, 5, and 6, as these due date provisions are replaced in section 5 above. Effective the day following final enactment.

**ARTICLE 4. PROPERTY TAXES AND AIDS**

**Section 1. Regional library support-grant requirements**. Amends Minn. Stat. § 134.34, subd. 4, which limits department of education grants to regional library systems if a city or county participating in the system reduces its support of public library services beyond certain limits. Two references to Minn. Stat. § 273.1398 are corrected so that the references are to the proper section – § 273.1384. Also changes several references to “credits” and “credit reductions” to clarify that the involved language is referring to market value credit reimbursements under § 273.1384 and associated reimbursement-reductions. Effective retroactively to changes in support made in 2009 and thereafter for grants paid in FY10 and thereafter.

**Section 2. Erroneous cross reference correction.** Corrects an erroneous cross reference in Minn. Stat. § 270C.87 which requires the commissioner to periodically revise the Minnesota assessors’ manual. The current cross reference is to Minn. Stat. § 270C.06 which refers to the commissioner’s power to promulgate rules. The assessors’ manual is not a rule, therefore the correct cross reference is to Minn. Stat. § 270C.85 which refers to the commissioner’s powers and duties with respect to property tax administration. Effective the day following final enactment.

**Section 3. JOBZ wind energy production tax exemption.** Amends Minn. Stat. § 272.029, subd. 7, to clarify that the JOBZ exemption from the wind energy production tax is available only if the wind energy production system is owned by a taxpayer who has entered into a business subsidy agreement that covers the area where the system is situated. Effective the day following final enactment.

**Section 4. Rural reserve property tax program.** Amends Minn. Stat. § 273.114, subd. 2, to modify the requirements of the new Rural Reserve Property Tax Program. The prohibition against also being enrolled under Minn. Stat. § 273.117 is stricken because that is not a redundant benefit; and, a prohibition against also being enrolled in the Metropolitan Agricultural Preserve Program is added because that does provide virtually the same benefits. Effective the day following final enactment.

**Section 5. Truth in taxation (“TNT”).** Amends Minn. Stat. § 275.065, subd. 3, to clarify that only a single budget-discussion meeting need be identified on the TNT notices and held after 6:00 p.m. for the affected local taxing authorities. Law changes made in 2009 eliminated the requirement that counties, schools, cities over 500 population, regional library authorities, and metropolitan special taxing authorities hold a TNT meeting. However, a new requirement was enacted to require that the TNT notices indicate when each of the affected taxing authorities would hold budget-discussion public meetings, held after 6 p.m., at which the public would be allowed to speak. This implied that the TNT notices must contain information for every meeting at which the authority’s budget and levy would be discussed. The intent was only to require this for one public meeting. Also clarifies that this information need not be provided on the notices with regard to cities that were not required under prior laws to hold a TNT meeting in the first place (those of population 500 or less). Effective retroactively for taxes payable in 2010 and thereafter (TNT notices issued in 2009 and thereafter).

**Sections 6, 7, and 9. Overall levy limitations.** Amends Minn. Stat. §§ 275.70, subd. 5; 275.71, subd. 5; and 475.755. These changes add cross-references and clarifications so that the existing limitations on special levies in section 275.70, subd. 5, cl. (2) do not impinge on the new special levy authority under § 475.755 for repaying emergency debt certificates issued to cover revenue decreases resulting from unallotments. Additionally, the changes to the recently enacted § 275.70, subd. 5, cl. (22), limit that new special levy authority to covering the impact of announced unallotments on the following year’s revenues, even if more than one year of unallotments are known when the levy is being set. Amends Minn. Stat. § 275.71, subd. 5, to clarify that unallotments of aid amounts normally subtracted from a taxing authority’s levy limit base in computing the unit’s levy limit, do not reduce the aid amounts being subtracted so as to automatically increase the local unit’s levy authority; but, instead must be dealt with through use of special levy authorities, or by other means. Effective retroactively for taxes payable in 2010 and thereafter.

**Section 8. Obsolete references.** Amends Minn. Stat. § 279.37, subd. 1, having to do with allowing installment agreements for paying delinquent property taxes over an extended time. A reference to “timberland” is stricken, and replaced with references to “rural vacant land” and “managed forest land.” These changes were made necessary by the 2008 changes to the property tax classification statute and will not change the properties that qualify for the installment payment option. Effective the day following final enactment.

**Section 10. City local government aid.** Amends Minn. Stat. § 477A.013, subd. 8 to delete obsolete language, and to delete references to Minn. Stat. § 477A.011, subds. 3 and 35. The effect is to allow levy data not available as of January 1 of the aid determination year to be used in that year to compute each city’s maximum aid-increase and maximum aid-decrease amounts under Minn. Stat. § 477A.013, subd. 9. These corrections implement what was intended both, in 2008 when this language was originally enacted, and in 2009 when first changed. Effective for aid payable in 2010 and thereafter.

**Section 11. Emergency medical services districts.** Amends 2001 Minn. Laws, 1st Special Session, chapter 5, article 3, section 50, as amended by 2009 Minn. Laws, chapter 86, article 1, section 87. Two changes in 2009 amended different parts of the 2001 law related to emergency medical services special taxing districts. One change extended the sunset to 2012 with respect to Minn. Stat. § 275.066 (the list of special taxing districts), but another change eliminated the sunset with respect to Minn. Stat. § 144F.01 (the EMS statute). The effective date relating to Minn. Stat. § 275.066 is being changed here to eliminate the sunset. Effective day following final enactment.

**ARTICLE 5. MISCELLANEOUS**

**Section 1. Penalty abatements for disaster or emergency areas.** Amends Minn. Stat. § 270C.34, subd. 1.  Penalty abatements for late filing and late payment penalties for all tax types, and for the late filing penalty for the airflight property tax, are currently available for taxpayers located in a presidentially declared disaster area.  These provisions are amended to add areas declared to be in a state of emergency by the president or by the governor.  Effective the day following final enactment.

**Section 2. JOBZ time limit for requesting waiver of clawback.** Amends Minn. Stat. § 469.319, subd. 5, to require businesses no longer eligible to receive JOBZ benefits to request waiver of repayment of JOBZ benefits within 60 days of being assessed by the commissioner of revenue. For property taxes, the waiver must be requested within 60 days of mailing of a property tax bill by the county auditor. Effective for requests for waivers made in response to notifications provided by the commissioner after the day following final enactment.

**Section 3. Due date of annual JOBZ certification to commissioner of revenue.** Amends Minn. Stat. § 469.3193 to change the due date of the annual certification by qualified businesses of compliance with their JOBZ obligations from December 1 of each year to October 15 of each year. This coincides with the date that JOBZ businesses are required to file their annual JOBZ tax benefits summary under Minn. Stat. § 289A.12, subd. 15. Effective for certifications required to be made in 2010 and thereafter.