1 **Withholding EFT.** Clarifies that an employer must deposit Minnesota wage withholding by electronic funds transfers on amounts withheld in the year and not on the amounts deposited in the year. For example, if the employer withholds Minnesota taxes on December 20, 1999, and deposits the taxes on January 4, 2000, the employer would have to electronically transfer the withholding only if they were required to electronically transfer for calendar year 1999. Effective for wages paid after December 31, 1999.

2 **Payment of estimated taxes.** Deletes an obsolete reference to an election to file a single corporate franchise tax return. Effective day following final enactment.

3 **Corporate franchise tax minimum fee.** Clarifies that the corporate franchise tax minimum fee is a tax and must be added back to federal taxable income if it was deducted for federal income tax purposes. Effective for tax years beginning after December 31, 1999.

4-6 **Minimum contacts.** Clarifies that the presence of mobile property in Minnesota may subject a taxpayer to the income and franchise tax; clarifies the language that requires taxpayers to file a return if they have transactions with customers in Minnesota involving intangible property where the receipts are attributed to Minnesota; adds several statutory references; and deletes the clause providing that "business from within this state" for financial institutions includes receiving deposits from customers in this state. Changes unitary "group" to unitary "business" and makes other nonsubstantive changes to improve clarity. Effective for tax years beginning after December 31, 1999.

7 **Credit for taxes paid to other states.** Deletes an obsolete statutory reference. Effective the day following final enactment.

8-10 **Nonwage withholding rates.** Changes the statutorily set rates of Minnesota withholding on certain types of payments to conform to the income tax rate reductions enacted in the 1999
legislative session. Reduces the withholding tax rates as follows:

- on supplemental wage payments not tied to a specific wage period from the current 7% to 6.25%.
- on payments to jockeys and trainers from 7% to 6.25%.
- on lottery winnings from 8% to 7.25%.

Effective dates.

Article 2: Sales and Special Taxes

1. **Payment of newly mandated EFT payments.** Changes the effective date for newly mandated sales tax electronic funds transfers so that the first required EFT payment is made for the period beginning in the new calendar year rather than the first payment due in the new calendar year. Effective the day following final enactment.

2. **Penalty for misusing exemption certificates for purchases of taxable services.** Clarifies that the penalty for the misuse of an exemption certificate in an effort to evade sales tax, applies to purchases of taxable services as well as to purchases of taxable property. Effective for exemption certificates used on or after July 1, 2000.

3. **MTC bus exemption.** Clarifies that purchases and leases of Metropolitan Transit Council buses are exempt from sales tax. A 1997 law change had the unintentional effect of imposing sales tax on buses purchased or leased by the MTC. (The intent was to clarify that local governments are required to pay sales tax on their off-road vehicles.) This change corrects the oversight. Retroactively effective July 1, 1997.

4. **Motor vehicle transfers between related companies.** Expands the exemption for transfers between related companies to be consistent with the occasional sale exemption allowed for corporate mergers, liquidations, and reorganizations. The Department of Revenue has taken the position that vehicle transfers that are the result of legal mergers, liquidations and reorganizations are exempt from the sales tax on motor vehicles. Effective the day following final enactment.

5. **Definition of "consumer."** Clarifies that "consumer" means an individual who has title to or possession of cigarettes or tobacco products for personal consumption rather than for sale, for purposes of determining cigarette and tobacco products taxes. Effective the day following final enactment.

6. **Definition of "invoice."** Defines the term "invoice" for the cigarette and tobacco products taxes. Effective July 1, 2000.

7. **Definition of "retailer."** Defines "retailer" for the cigarette and tobacco products taxes to include persons licensed under Minn. Stat., chapter 461. Effective the day following final enactment.

8. **Definition of "unlicensed seller."** Defines the term "unlicensed seller" for the cigarette and tobacco products taxes. Effective the day following final enactment.

9. **Maintenance of invoices.** Requires that retailers and sub-jobbers maintain copies of invoices for all cigarettes or tobacco products at each licensed place of business for purposes of determining cigarette and tobacco products taxes. Effective July 1, 2000.

10. **Repealer.** Repeals an obsolete statute that requires the Commissioner to once a year visit and examine the books of account of railroads and other corporations and companies that pay taxes upon a gross earnings basis. Effective the day following final enactment.

11. Effective dates.
Article 3: Property Taxes

1, 2 and 8(a)  **Airflight property tax lien.** Clarifies that airflight property is valued for tax purposes as of January 2 in the assessment year. Under current law, it is unclear whether the lien for this tax attaches on the January 2\(^{nd}\) valuation date, on September 1\(^{st}\) when the tax amount for the following year is determined, or some other date. New language clarifies that the lien for the tax attaches on the same date. Since this is a personal property tax, the lien attaches to all of the taxpayer's property within the state. The repealer eliminates special provisions whereby, in order to enforce the tax, the Attorney General must bring an action in court. The tax, plus any applicable penalties and interest, will now be enforced under the general statutory lien and levy powers of the Commissioner of Revenue. Effective for taxes payable in 2001 and thereafter.

3  **Green acres.** Allows Green Acres treatment to extend to noncontiguous agricultural land that is farmed with qualifying agricultural land, if the noncontiguous parcel is within four townships of the qualifying land. Current law limits carryovers in these situations to noncontiguous land that is within two townships of the qualifying land. The changes made here are similar to the 1998 changes in the agricultural homestead definition statute, under which noncontiguous land up to four townships away will be included in the agricultural homestead for property tax purposes. Effective for taxes payable in 2000 and thereafter.

4  **Preferred-commercial class rates for utility property.** Clarifies that one parcel, per county, per owner of taxable utility property consisting of fixtures (i.e., poles, wires or pipes) qualifies for the first-tier commercial/industrial/public utility class rate of 2.4%. This change is made effective for taxes payable in 2000 and thereafter since it clarifies the intent of the 1999 law change that combined taxable utility property in class 3 (before the change, most public utility property was in class 5). Effective for taxes payable in 2000 and thereafter.

5  **Local government aid appropriation.** Increases the local government aid appropriation by the amount necessary to fold-in local performance aid. Under a 1999 law, cities that received local performance aid in 1999 were to have their city aid base increased for local government aid payments in 2000 and thereafter by the amount of their 1999 local performance aid payment, but the local government aid appropriation section was not amended to provide for this. This change is effective for aid payable in 2000 and thereafter.

6-7  **Hospital district levy.** Corrects a mathematical error made in converting mill rates to net tax capacity rates in 1999 legislation that increased the levy authority for a particular hospital district that covers portions of both St. Louis and Koochiching counties. The intent of the 1999 legislation was to increase the levy by approximately one-third, with the levy-authority increase specifically limited to ambulance acquisition and ambulance service purposes. In the course of converting the original 2-mill levy authority to a net tax capacity rate, a mathematical error occurred that resulted in the net tax capacity rates being one-tenth of what they should have been. To be consistent with the 1999 changes, the conversion of the hospital district's previously existing levy authority is effective for taxes payable in 2000 and thereafter, and the increased levy authority is effective for taxes payable in 2001 and thereafter.

(b)8(b)  **Repealers.** Paragraph (b) repeals the transition class rates for apartment properties that previously qualified for preferential treatment under the low- and moderate-income rental housing provisions in class 4c or class 4d, but which cannot qualify for the low- and moderate-income rental housing property tax benefits under the new class 4d. As a result of 1999 legislation, the 2.4% class rate for regular apartments for taxes payable in 2000 and thereafter, is lower than the 2.6% and 2.5% transitional class rates provided in this section for taxes payable in 2000. Transition class rates are provided in this section for taxes payable in 1998, 1999, and 2000 only. The repeal is effective for taxes payable in 2000 and thereafter.

Paragraph (c) repeals a description of the conditions under which the substandard housing
classification that used to be contained in Minn. Stat. § 273.13, subd. 25, para. (e) would have applied. Since the old paragraph (e) provisions no longer exist, this statute is irrelevant. These changes do not affect the provisions in the current Minn. Stat.

§ 273.1319 for noncompliant single family housing in Minneapolis and St. Paul. The repeal is effective the day following final enactment.

9 Effective dates.

**Article 4: Miscellaneous**

1 **Compromise of tax and fee claims.** Makes explicit the authority of the Attorney General to compromise not only tax debts, but also fees, surcharges, and assessments, for any case referred to the Attorney General by the Commissioner of Revenue. Effective for compromises entered into after the date of final enactment.

2 **Revenue recapture fees.** Deletes duplicative language that allows claimant agencies to add the $10 Revenue Recapture fee to the debt. This eliminates the possibility of double collection of the fee. Effective the day following final enactment.

3 **Notice of revenue recapture.** Clarifies that the debtor receives notice that their tax refund has been offset for Revenue Recapture purposes, regardless of whether only part of the refund has been taken or the entire refund has been taken. Effective the day following final enactment.

4 **Interest on penalties.** Changes from 10 to 60 the number of days during which a taxpayer has to pay certain non-timing related penalties without having to pay interest on the penalty. Effective for penalties assessed after the date of final enactment.

5 **Payments of refunds.** Clarifies that all refunds of the MinnesotaCare tax are paid out of the Health Care Access Fund. Under the current language, it is unclear how the research deduction should be paid. Effective for refunds made on or after January 1, 1999.

6-9 **Petroleum tax; related fees.** Corrects oversights to outdated references regarding fees related to the petroleum tax. Effective the day following final enactment.

10 **Implicit price deflator.** Defines "implicit price deflator" for purposes of the taconite production tax to be the gross domestic product implicit price deflator rather than the gross national product implicit price deflator. The domestic product is a better measure of experienced inflation in the United States and is the measure most commonly used and referenced in statutory language. Effective the day following final enactment.

11 **1999 Agricultural relief.** Clarifies that farmers who take care of other farmers' livestock (feedlot operators) qualify as "livestock producers" for purposes of the 1999 agricultural relief payments to farmers. Effective retroactively to April 23, 1999.

12 **1999 Sales tax rebate.** Clarifies that the 1999 sales tax rebate is not available to individuals who were not residents of Minnesota in 1997 merely because they had at least $1 of Minnesota individual income tax in 1997. Effective retroactively to May 25, 1999.

13 **Effective dates.**