

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 2871

03/10/2016 Authored by Davids
The bill was read for the first time and referred to the Committee on Taxes
04/25/2016 Adoption of Report: Placed on the General Register as Amended
Read Second Time

1.1 A bill for an act
1.2 relating to taxation; making policy, technical, and clarifying changes to property
1.3 tax, estate tax, sales tax, income and corporate franchise taxes, and other
1.4 miscellaneous taxes and tax provisions; amending Minnesota Statutes 2014,
1.5 sections 273.13, subdivision 22; 273.372, subdivision 1; 289A.09, subdivision
1.6 2; 289A.18, subdivision 1, by adding a subdivision; 289A.20, subdivision 2;
1.7 289A.31, subdivision 1; 289A.35; 289A.37, subdivision 2; 290.068, subdivision
1.8 2; 290.17, subdivision 2; 290.31, subdivision 1; 291.016, subdivisions 2, 3;
1.9 291.03, subdivision 9; 297A.61, subdivision 10; proposing coding for new law in
1.10 Minnesota Statutes, chapter 273; repealing Minnesota Rules, parts 8092.1400;
1.11 8100.0700.

1.12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.13 **ARTICLE 1**

1.14 **DEPARTMENT OF REVENUE TECHNICAL PROVISIONS:**
1.15 **PROPERTY, INCOME, ESTATE, AND SALES AND USE TAXES**

1.16 Section 1. Minnesota Statutes 2014, section 273.13, subdivision 22, is amended to read:

1.17 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b)
1.18 and (c), real estate which is residential and used for homestead purposes is class 1a. In the
1.19 case of a duplex or triplex in which one of the units is used for homestead purposes, the
1.20 entire property is deemed to be used for homestead purposes. The market value of class 1a
1.21 property must be determined based upon the value of the house, garage, and land.

1.22 The first \$500,000 of market value of class 1a property has a net classification rate
1.23 of one percent of its market value; and the market value of class 1a property that exceeds
1.24 \$500,000 has a classification rate of 1.25 percent of its market value.

1.25 (b) Class 1b property includes homestead real estate or homestead manufactured
1.26 homes used for the purposes of a homestead by:

2.1 (1) any person who is blind as defined in section 256D.35, or the blind person and
2.2 the blind person's spouse;

2.3 (2) any person who is permanently and totally disabled or by the disabled person and
2.4 the disabled person's spouse; or

2.5 (3) the surviving spouse of a permanently and totally disabled veteran homesteading
2.6 a property classified under this paragraph for taxes payable in 2008.

2.7 Property is classified and assessed under clause (2) only if the government agency or
2.8 income-providing source certifies, upon the request of the homestead occupant, that the
2.9 homestead occupant satisfies the disability requirements of this paragraph, and that the
2.10 property is not eligible for the valuation exclusion under subdivision 34.

2.11 Property is classified and assessed under paragraph (b) only if the commissioner
2.12 of revenue or the county assessor certifies that the homestead occupant satisfies the
2.13 requirements of this paragraph.

2.14 Permanently and totally disabled for the purpose of this subdivision means a
2.15 condition which is permanent in nature and totally incapacitates the person from working
2.16 at an occupation which brings the person an income. The first \$50,000 market value of
2.17 class 1b property has a net classification rate of .45 percent of its market value. The
2.18 remaining market value of class 1b property ~~has a classification rate using the rates for~~ is
2.19 classified as class 1a or class 2a property, whichever is appropriate, ~~of similar market value.~~

2.20 (c) Class 1c property is commercial use real and personal property that abuts public
2.21 water as defined in section 103G.005, subdivision 15, and is devoted to temporary and
2.22 seasonal residential occupancy for recreational purposes but not devoted to commercial
2.23 purposes for more than 250 days in the year preceding the year of assessment, and that
2.24 includes a portion used as a homestead by the owner, which includes a dwelling occupied
2.25 as a homestead by a shareholder of a corporation that owns the resort, a partner in a
2.26 partnership that owns the resort, or a member of a limited liability company that owns the
2.27 resort even if the title to the homestead is held by the corporation, partnership, or limited
2.28 liability company. For purposes of this paragraph, property is devoted to a commercial
2.29 purpose on a specific day if any portion of the property, excluding the portion used
2.30 exclusively as a homestead, is used for residential occupancy and a fee is charged for
2.31 residential occupancy. Class 1c property must contain three or more rental units. A "rental
2.32 unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping
2.33 site equipped with water and electrical hookups for recreational vehicles. Class 1c property
2.34 must provide recreational activities such as the rental of ice fishing houses, boats and
2.35 motors, snowmobiles, downhill or cross-country ski equipment; provide marina services,
2.36 launch services, or guide services; or sell bait and fishing tackle. Any unit in which the

3.1 right to use the property is transferred to an individual or entity by deeded interest, or the
3.2 sale of shares or stock, no longer qualifies for class 1c even though it may remain available
3.3 for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c
3.4 is also class 1c, regardless of the term of the rental agreement, as long as the use of the
3.5 camping pad does not exceed 250 days. If the same owner owns two separate parcels that
3.6 are located in the same township, and one of those properties is classified as a class 1c
3.7 property and the other would be eligible to be classified as a class 1c property if it was
3.8 used as the homestead of the owner, both properties will be assessed as a single class 1c
3.9 property; for purposes of this sentence, properties are deemed to be owned by the same
3.10 owner if each of them is owned by a limited liability company, and both limited liability
3.11 companies have the same membership. The portion of the property used as a homestead
3.12 is class 1a property under paragraph (a). The remainder of the property is classified as
3.13 follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value
3.14 is tier II, and any remaining market value is tier III. The classification rates for class 1c
3.15 are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and
3.16 personal property devoted to temporary and seasonal residential occupancy for recreation
3.17 purposes in which all or a portion of the property was devoted to commercial purposes for
3.18 not more than 250 days in the year preceding the year of assessment desiring classification
3.19 as class 1c, must submit a declaration to the assessor designating the cabins or units
3.20 occupied for 250 days or less in the year preceding the year of assessment by January 15 of
3.21 the assessment year. Those cabins or units and a proportionate share of the land on which
3.22 they are located must be designated as class 1c as otherwise provided. The remainder of
3.23 the cabins or units and a proportionate share of the land on which they are located must be
3.24 designated as class 3a commercial. The owner of property desiring designation as class
3.25 1c property must provide guest registers or other records demonstrating that the units for
3.26 which class 1c designation is sought were not occupied for more than 250 days in the
3.27 year preceding the assessment if so requested. The portion of a property operated as a
3.28 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other
3.29 nonresidential facility operated on a commercial basis not directly related to temporary
3.30 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

3.31 (d) Class 1d property includes structures that meet all of the following criteria:

3.32 (1) the structure is located on property that is classified as agricultural property under
3.33 section 273.13, subdivision 23;

3.34 (2) the structure is occupied exclusively by seasonal farm workers during the time
3.35 when they work on that farm, and the occupants are not charged rent for the privilege of

4.1 occupying the property, provided that use of the structure for storage of farm equipment
4.2 and produce does not disqualify the property from classification under this paragraph;

4.3 (3) the structure meets all applicable health and safety requirements for the
4.4 appropriate season; and

4.5 (4) the structure is not salable as residential property because it does not comply
4.6 with local ordinances relating to location in relation to streets or roads.

4.7 The market value of class 1d property has the same classification rates as class
4.8 1a property under paragraph (a).

4.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.10 Sec. 2. Minnesota Statutes 2014, section 290.17, subdivision 2, is amended to read:

4.11 Subd. 2. **Income not derived from conduct of a trade or business.** The income of
4.12 a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or
4.13 business must be assigned in accordance with paragraphs (a) to (f):

4.14 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in
4.15 section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the
4.16 extent that, the work of the employee is performed within it; all other income from such
4.17 sources is treated as income from sources without this state.

4.18 Severance pay shall be considered income from labor or personal or professional
4.19 services.

4.20 (2) In the case of an individual who is a nonresident of Minnesota and who is an
4.21 athlete or entertainer, income from compensation for labor or personal services performed
4.22 within this state shall be determined in the following manner:

4.23 (i) The amount of income to be assigned to Minnesota for an individual who is a
4.24 nonresident salaried athletic team employee shall be determined by using a fraction in
4.25 which the denominator contains the total number of days in which the individual is under
4.26 a duty to perform for the employer, and the numerator is the total number of those days
4.27 spent in Minnesota. For purposes of this paragraph, off-season training activities, unless
4.28 conducted at the team's facilities as part of a team imposed program, are not included in
4.29 the total number of duty days. Bonuses earned as a result of play during the regular season
4.30 or for participation in championship, play-off, or all-star games must be allocated under
4.31 the formula. Signing bonuses are not subject to allocation under the formula if they are
4.32 not conditional on playing any games for the team, are payable separately from any other
4.33 compensation, and are nonrefundable; and

4.34 (ii) The amount of income to be assigned to Minnesota for an individual who is a
4.35 nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's

5.1 athletic or entertainment performance in Minnesota shall be determined by assigning to
5.2 this state all income from performances or athletic contests in this state.

5.3 (3) For purposes of this section, amounts received by a nonresident as "retirement
5.4 income" as defined in section (b)(1) of the State Income Taxation of Pension Income
5.5 Act, Public Law 104-95, are not considered income derived from carrying on a trade
5.6 or business or from wages or other compensation for work an employee performed in
5.7 Minnesota, and are not taxable under this chapter.

5.8 (b) Income or gains from tangible property located in this state that is not employed
5.9 in the business of the recipient of the income or gains must be assigned to this state.

5.10 (c) Income or gains from intangible personal property not employed in the business
5.11 of the recipient of the income or gains must be assigned to this state if the recipient of the
5.12 income or gains is a resident of this state or is a resident trust or estate.

5.13 Gain on the sale of a partnership interest is allocable to this state in the ratio of the
5.14 original cost of partnership tangible property in this state to the original cost of partnership
5.15 tangible property everywhere, determined at the time of the sale. If more than 50 percent
5.16 of the value of the partnership's assets consists of intangibles, gain or loss from the sale
5.17 of the partnership interest is allocated to this state in accordance with the sales factor of
5.18 the partnership for its first full tax period immediately preceding the tax period of the
5.19 partnership during which the partnership interest was sold.

5.20 Gain on the sale of an interest in a single member limited liability company that
5.21 is disregarded for federal income tax purposes is allocable to this state as if the single
5.22 member limited liability company did not exist and the assets of the limited liability
5.23 company are personally owned by the sole member.

5.24 Gain on the sale of goodwill or income from a covenant not to compete that is
5.25 connected with a business operating all or partially in Minnesota is allocated to this state
5.26 to the extent that the income from the business in the year preceding the year of sale was
5.27 ~~assignable~~ allocable to Minnesota under subdivision 3.

5.28 When an employer pays an employee for a covenant not to compete, the income
5.29 allocated to this state is in the ratio of the employee's service in Minnesota in the calendar
5.30 year preceding leaving the employment of the employer over the total services performed
5.31 by the employee for the employer in that year.

5.32 (d) Income from winnings on a bet made by an individual while in Minnesota is
5.33 assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75,
5.34 subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

5.35 (e) All items of gross income not covered in paragraphs (a) to (d) and not part of the
5.36 taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

6.1 (f) For the purposes of this section, working as an employee shall not be considered
6.2 to be conducting a trade or business.

6.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

6.4 Sec. 3. Minnesota Statutes 2014, section 291.016, subdivision 2, is amended to read:

6.5 Subd. 2. **Additions.** The following amounts, to the extent deducted in computing
6.6 or otherwise excluded from the federal taxable estate, must be added in computing the
6.7 Minnesota taxable estate:

6.8 (1) the amount of the deduction for state death taxes allowed under section 2058 of
6.9 the Internal Revenue Code;

6.10 (2) the amount of the deduction for foreign death taxes allowed under section
6.11 2053(d) of the Internal Revenue Code; and

6.12 (3) the aggregate amount of taxable gifts as defined in section 2503 of the Internal
6.13 Revenue Code, made by the decedent within three years of the date of death. For purposes
6.14 of this clause, the amount of the addition equals the value of the gift under section 2512 of
6.15 the Internal Revenue Code and excludes any value of the gift included in the federal estate.

6.16 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
6.17 dying after June 30, 2013.

6.18 Sec. 4. Minnesota Statutes 2014, section 291.016, subdivision 3, is amended to read:

6.19 Subd. 3. **Subtraction.** The following amounts, to the extent included in computing
6.20 the federal taxable estate, may be subtracted in computing the Minnesota taxable estate
6.21 but must not reduce the Minnesota taxable estate to less than zero:

6.22 (1) the value of property subject to an election under section 291.03, subdivision
6.23 1d; and

6.24 (2) the value of qualified small business property under section 291.03, subdivision
6.25 9, and the value of qualified farm property under section 291.03, subdivision 10, or the
6.26 result of \$5,000,000 minus the amount for the year of death listed in clauses (1) to (5)
6.27 items (i) to (v), whichever is less, may be subtracted in computing the Minnesota taxable
6.28 estate but must not reduce the Minnesota taxable estate to less than zero:

6.29 ~~(1)~~ (i) \$1,200,000 for estates of decedents dying in 2014;

6.30 ~~(2)~~ (ii) \$1,400,000 for estates of decedents dying in 2015;

6.31 ~~(3)~~ (iii) \$1,600,000 for estates of decedents dying in 2016;

6.32 ~~(4)~~ (iv) \$1,800,000 for estates of decedents dying in 2017; and

6.33 ~~(5)~~ (v) \$2,000,000 for estates of decedents dying in 2018 and thereafter.

7.1 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
7.2 dying after June 30, 2011.

7.3 Sec. 5. Minnesota Statutes 2014, section 291.03, subdivision 9, is amended to read:

7.4 Subd. 9. **Qualified small business property.** Property satisfying all of the following
7.5 requirements is qualified small business property:

7.6 (1) The value of the property was included in the federal adjusted taxable estate.

7.7 (2) The property consists of the assets of a trade or business or shares of stock or other
7.8 ownership interests in a corporation or other entity engaged in a trade or business. Shares
7.9 of stock in a corporation or an ownership interest in another type of entity do not qualify
7.10 under this subdivision if the shares or ownership interests are traded on a public stock
7.11 exchange at any time during the three-year period ending on the decedent's date of death.
7.12 For purposes of this subdivision, an ownership interest includes the interest the decedent
7.13 is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

7.14 (3) During the taxable year that ended before the decedent's death, the trade or
7.15 business must not have been a passive activity within the meaning of section 469(c) of the
7.16 Internal Revenue Code, and the decedent or the decedent's spouse must have materially
7.17 participated in the trade or business within the meaning of section 469(h) of the Internal
7.18 Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other
7.19 provision provided by United States Treasury Department regulation that substitutes
7.20 material participation in prior taxable years for material participation in the taxable year
7.21 that ended before the decedent's death.

7.22 (4) The gross annual sales of the trade or business were \$10,000,000 or less for the
7.23 last taxable year that ended before the date of the death of the decedent.

7.24 (5) The property does not ~~consist of~~ include:

7.25 (i) cash;

7.26 (ii) cash equivalents;

7.27 (iii) publicly traded securities; or

7.28 (iv) any assets not used in the operation of the trade or business.

7.29 (6) For property consisting of shares of stock or other ownership interests in an
7.30 entity, the value of cash, cash equivalents, publicly traded securities, or assets not used
7.31 in the operation of the trade or business held by the corporation or other entity items
7.32 described in clause (5) must be deducted from the value of the property qualifying under
7.33 this subdivision in proportion to the decedent's share of ownership of the entity on the date
7.34 of death excluded in the valuation of the decedent's interest in the entity.

8.1 ~~(6)~~ (7) The decedent continuously owned the property, including property the
 8.2 decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue
 8.3 Code, for the three-year period ending on the date of death of the decedent. In the case of
 8.4 a sole proprietor, if the property replaced similar property within the three-year period,
 8.5 the replacement property will be treated as having been owned for the three-year period
 8.6 ending on the date of death of the decedent.

8.7 ~~(7)~~ (8) For three years following the date of death of the decedent, the trade or business
 8.8 is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,
 8.9 and a family member materially participates in the operation of the trade or business within
 8.10 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)
 8.11 of the Internal Revenue Code and any other provision provided by United States Treasury
 8.12 Department regulation that substitutes material participation in prior taxable years for
 8.13 material participation in the three years following the date of death of the decedent.

8.14 ~~(8)~~ (9) The estate and the qualified heir elect to treat the property as qualified small
 8.15 business property and agree, in the form prescribed by the commissioner, to pay the
 8.16 recapture tax under subdivision 11, if applicable.

8.17 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
 8.18 dying after June 30, 2011.

8.19 Sec. 6. Minnesota Statutes 2014, section 297A.61, subdivision 10, is amended to read:

8.20 Subd. 10. **Tangible personal property.** (a) "Tangible personal property" means
 8.21 personal property that can be seen, weighed, measured, felt, or touched, or that is in any
 8.22 other manner perceptible to the senses. "Tangible personal property" includes, but is not
 8.23 limited to, electricity, water, gas, steam, and prewritten computer software.

8.24 (b) Tangible personal property does not include:

8.25 ~~(1) large ponderous machinery and equipment used in a business or production~~
 8.26 ~~activity which at common law would be considered to be real property;~~

8.27 ~~(2)~~ (1) property which is subject to an ad valorem property tax;

8.28 ~~(3)~~ (2) property described in section 272.02, subdivision 9, clauses (a) to (d);

8.29 ~~(4)~~ (3) property described in section 272.03, subdivision 2, clauses (3) and (5); and

8.30 ~~(5)~~ (4) specified digital products, or other digital products, transferred electronically.

8.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

8.32

ARTICLE 2

8.33

DEPARTMENT OF REVENUE POLICY PROVISIONS:

9.1 **INCOME AND CORPORATE FRANCHISE TAXES**

9.2 Section 1. Minnesota Statutes 2014, section 289A.09, subdivision 2, is amended to read:

9.3 Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold
9.4 from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision
9.5 2, or who would have been required to deduct and withhold a tax under section 290.92,
9.6 subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision
9.7 2, determined without regard to section 290.92, subdivision 19, if the employee or payee
9.8 had claimed no more than one withholding exemption, or who paid wages or made
9.9 payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923,
9.10 subdivision 2, to an employee or person receiving royalty payments in excess of \$600,
9.11 or who has entered into a voluntary withholding agreement with a payee under section
9.12 290.92, subdivision 20, must give every employee or person receiving royalty payments in
9.13 respect to the remuneration paid by the person to the employee or person receiving royalty
9.14 payments during the calendar year, on or before January 31 of the succeeding year, or, if
9.15 employment is terminated before the close of the calendar year, within 30 days after the
9.16 date of receipt of a written request from the employee if the 30-day period ends before
9.17 January 31, a written statement showing the following:

9.18 (1) name of the person;

9.19 (2) the name of the employee or payee and the employee's or payee's Social Security
9.20 account number;

9.21 (3) the total amount of wages as that term is defined in section 290.92, subdivision
9.22 1, paragraph (1); the total amount of remuneration subject to withholding under section
9.23 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the
9.24 Internal Revenue Code; and the amount of royalties subject to withholding under section
9.25 290.923, subdivision 2; and

9.26 (4) the total amount deducted and withheld as tax under section 290.92, subdivision
9.27 2a or 3, or 290.923, subdivision 2.

9.28 (b) The statement required to be furnished by paragraph (a) with respect to any
9.29 remuneration must be furnished at those times, must contain the information required, and
9.30 must be in the form the commissioner prescribes.

9.31 (c) The commissioner may prescribe rules providing for reasonable extensions of
9.32 time, not in excess of 30 days, to employers or payers required to give the statements to
9.33 their employees or payees under this subdivision.

9.34 (d) A duplicate of any statement made under this subdivision and in accordance
9.35 with rules prescribed by the commissioner, along with a reconciliation in the form the

10.1 commissioner prescribes of the statements for the calendar year, including a reconciliation
10.2 of the quarterly returns required to be filed under subdivision 1, must be filed with the
10.3 commissioner on or before ~~February 28~~ January 31 of the year after the payments were
10.4 made.

10.5 (e) If an employer cancels the employer's Minnesota withholding account number
10.6 required by section 290.92, subdivision 24, the information required by paragraph (d),
10.7 must be filed with the commissioner within 30 days of the end of the quarter in which
10.8 the employer cancels its account number.

10.9 (f) The employer must submit the statements required to be sent to the commissioner
10.10 in the same manner required to satisfy the federal reporting requirements of section
10.11 6011(e) of the Internal Revenue Code and the regulations issued under it. An employer
10.12 must submit statements to the commissioner required by this section by electronic means
10.13 if the employer is required to send more than 25 statements to the commissioner, even
10.14 though the employer is not required to submit the returns federally by electronic means.
10.15 For statements issued for wages paid in 2011 and after, the threshold is ten. All statements
10.16 issued for withholding required under section 290.92 are aggregated for purposes of
10.17 determining whether the electronic submission threshold is met.

10.18 (g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph
10.19 (a), clause (2), must submit the returns required by this subdivision and subdivision 1,
10.20 paragraph (a), with the commissioner by electronic means.

10.21 **EFFECTIVE DATE.** This section is effective for wages paid after December 31,
10.22 2015.

10.23 Sec. 2. Minnesota Statutes 2014, section 289A.18, is amended by adding a subdivision
10.24 to read:

10.25 Subd. 2a. **Annual withholding returns; eligible employers.** (a) An employer who
10.26 deducts and withholds an amount required to be withheld by section 290.92 may file an
10.27 annual return and make an annual payment of the amount required to be deducted and
10.28 withheld for that calendar year if the employer has received a notification under paragraph
10.29 (b). The ability to elect to file an annual return continues through the year following the
10.30 year where an employer is required to deduct and withhold more than \$500.

10.31 (b) The commissioner is authorized to determine which employers are eligible to
10.32 file an annual return and to notify employers who newly qualify to file an annual return
10.33 because the amount an employer is required to deduct and withhold for that calendar year
10.34 is \$500 or less based on the most recent period of four consecutive quarters for which the
10.35 commissioner has compiled data on that employer's withholding tax for that period. At the

11.1 time of notification, eligible employers may still decide to file returns and make deposits
11.2 quarterly. An employer who decides to file returns and make deposits quarterly is required
11.3 to make all returns and deposits required by this chapter and, notwithstanding paragraph
11.4 (a), is subject to all applicable penalties for failing to do so.

11.5 (c) If, at the end of any calendar month other than the last month of the calendar
11.6 year, the aggregate amount of undeposited tax withheld by an employer who has elected to
11.7 file an annual return exceeds \$500, the employer must deposit the aggregate amount with
11.8 the commissioner within 30 days of the end of the calendar month.

11.9 (d) If an employer who has elected to file an annual return ceases to pay wages
11.10 for which withholding is required, the employer must file a final return and deposit any
11.11 undeposited tax within 30 days of the end of the calendar month following the month in
11.12 which the employer ceased paying wages.

11.13 (e) An employer not subject to paragraph (c) or (d) who elects to file an annual
11.14 return must file the return and pay the tax not previously deposited before February 1 of
11.15 the year following the year in which the tax was withheld.

11.16 (f) A notification to an employer regarding eligibility to file an annual return under
11.17 Minnesota Rules, part 8092.1400, is considered a notification under paragraph (a).

11.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
11.19 December 31, 2015.

11.20 Sec. 3. Minnesota Statutes 2014, section 289A.20, subdivision 2, is amended to read:

11.21 Subd. 2. **Withholding from wages, entertainer withholding, withholding**
11.22 **from payments to out-of-state contractors, and withholding by partnerships, small**
11.23 **business corporations, trusts.** (a) Except as provided in section 289A.18, subdivision 2a,
11.24 a tax required to be deducted and withheld during the quarterly period must be paid on
11.25 or before the last day of the month following the close of the quarterly period, unless an
11.26 earlier time for payment is provided. A tax required to be deducted and withheld from
11.27 compensation of an entertainer and from a payment to an out-of-state contractor must be
11.28 paid on or before the date the return for such tax must be filed under section 289A.18,
11.29 subdivision 2. Taxes required to be deducted and withheld by partnerships, S corporations,
11.30 and trusts must be paid on a quarterly basis as estimated taxes under section 289A.25 for
11.31 partnerships and trusts and under section 289A.26 for S corporations.

11.32 (b) An employer who, during the previous quarter, withheld more than \$1,500 of
11.33 tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax
11.34 withheld under those sections with the commissioner within the time allowed to deposit
11.35 the employer's federal withheld employment taxes under Code of Federal Regulations,

12.1 title 26, section 31.6302-1, as amended through December 31, 2001, without regard to the
12.2 safe harbor or de minimis rules in paragraph (f) or the one-day rule in paragraph (c)(3).
12.3 Taxpayers must submit a copy of their federal notice of deposit status to the commissioner
12.4 upon request by the commissioner.

12.5 (c) The commissioner may prescribe by rule other return periods or deposit
12.6 requirements. In prescribing the reporting period, the commissioner may classify payors
12.7 according to the amount of their tax liability and may adopt an appropriate reporting
12.8 period for the class that the commissioner judges to be consistent with efficient tax
12.9 collection. In no event will the duration of the reporting period be more than one year.

12.10 (d) If less than the correct amount of tax is paid to the commissioner, proper
12.11 adjustments with respect to both the tax and the amount to be deducted must be made,
12.12 without interest, in the manner and at the times the commissioner prescribes. If the
12.13 underpayment cannot be adjusted, the amount of the underpayment will be assessed and
12.14 collected in the manner and at the times the commissioner prescribes.

12.15 (e) If the aggregate amount of the tax withheld is \$10,000 or more in a fiscal year
12.16 ending June 30, the employer must remit each required deposit for wages paid in all
12.17 subsequent calendar years by electronic means.

12.18 (f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph
12.19 (a), clause (2), who remits withholding deposits must remit all deposits by electronic
12.20 means as provided in paragraph (e), regardless of the aggregate amount of tax withheld
12.21 during a fiscal year for all of the employers.

12.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
12.23 December 31, 2015.

12.24 Sec. 4. Minnesota Statutes 2014, section 289A.31, subdivision 1, is amended to read:

12.25 Subdivision 1. **Individual income, fiduciary income, mining company, corporate**
12.26 **franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining
12.27 company, and corporate franchise taxes, and interest and penalties, must be paid by the
12.28 taxpayer upon whom the tax is imposed, except in the following cases:

12.29 (1) The tax due from a decedent for that part of the taxable year in which the
12.30 decedent died during which the decedent was alive and the taxes, interest, and penalty
12.31 due for the prior years must be paid by the decedent's personal representative, if any.
12.32 If there is no personal representative, the taxes, interest, and penalty must be paid by
12.33 the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive
12.34 property from the decedent;

13.1 (2) The tax due from an infant or other incompetent person must be paid by the
13.2 person's guardian or other person authorized or permitted by law to act for the person;

13.3 (3) The tax due from the estate of a decedent must be paid by the estate's personal
13.4 representative;

13.5 (4) The tax due from a trust, including those within the definition of a corporation, as
13.6 defined in section 290.01, subdivision 4, must be paid by a trustee; and

13.7 (5) The tax due from a taxpayer whose business or property is in charge of a receiver,
13.8 trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of
13.9 the business or property so far as the tax is due to the income from the business or property.

13.10 (b) Entertainment taxes are the joint and several liability of the entertainer and the
13.11 entertainment entity. The payor is liable to the state for the payment of the tax required to
13.12 be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the
13.13 entertainer for the amount of the payment.

13.14 (c) The ~~tax~~ taxes imposed under ~~section~~ sections 289A.35 and 290.0922 on
13.15 partnerships ~~is~~ are the joint and several liability of the partnership and the general partners.

13.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

13.17 Sec. 5. Minnesota Statutes 2014, section 289A.35, is amended to read:

13.18 **289A.35 ASSESSMENTS ON RETURNS.**

13.19 (a) The commissioner may audit and adjust the taxpayer's computation of federal
13.20 taxable income, items of federal tax preferences, or federal credit amounts to make them
13.21 conform with the provisions of chapter 290 or section 298.01. If a return has been filed,
13.22 the commissioner shall enter the liability reported on the return and may make any audit
13.23 or investigation that is considered necessary.

13.24 (b) Upon petition by a taxpayer, and when the commissioner determines that it is in
13.25 the best interest of the state, the commissioner may allow S corporations and partnerships
13.26 to receive orders of assessment issued under section 270C.33, subdivision 4, on behalf
13.27 of their owners, and to pay liabilities shown on such orders. In such cases, the owners'
13.28 liability must be calculated using the method provided in section 289A.08, subdivision 7,
13.29 paragraph (b).

13.30 (c) A taxpayer may petition the commissioner for the use of the method described
13.31 in paragraph (b) after the taxpayer is notified that an audit has been initiated and before
13.32 an order of assessment has been issued.

13.33 (d) A determination of the commissioner under paragraph (b) to grant or deny the
13.34 petition of a taxpayer cannot be appealed to the Tax Court or any other court.

14.1 ~~(b)~~ (e) The commissioner may audit and adjust the taxpayer's computation of
14.2 tax under chapter 291. In the case of a return filed pursuant to section 289A.10, the
14.3 commissioner shall notify the estate no later than nine months after the filing date, as
14.4 provided by section 289A.38, subdivision 2, whether the return is under examination
14.5 or the return has been processed as filed.

14.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

14.7 Sec. 6. Minnesota Statutes 2014, section 290.068, subdivision 2, is amended to read:

14.8 Subd. 2. **Definitions.** For purposes of this section, the following terms have the
14.9 meanings given.

14.10 (a) "Qualified research expenses" means (i) qualified research expenses and basic
14.11 research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except
14.12 it does not include expenses incurred for qualified research or basic research conducted
14.13 outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue
14.14 Code; and (ii) contributions to a nonprofit corporation established and operated pursuant
14.15 to the provisions of chapter 317A for the purpose of promoting the establishment and
14.16 expansion of business in this state, provided the contributions are invested by the nonprofit
14.17 corporation for the purpose of providing funds for small, technologically innovative
14.18 enterprises in Minnesota during the early stages of their development.

14.19 (b) "Qualified research" means qualified research as defined in section 41(d) of the
14.20 Internal Revenue Code, except that the term does not include qualified research conducted
14.21 outside the state of Minnesota.

14.22 (c) "Base amount" means base amount as defined in section 41(c) of the Internal
14.23 Revenue Code, except that the average annual gross receipts and aggregate gross receipts
14.24 must be calculated using Minnesota sales or receipts under section 290.191 and the
14.25 definitions contained in ~~clauses~~ paragraphs (a) and (b) shall apply.

14.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

14.27 Sec. 7. Minnesota Statutes 2014, section 290.31, subdivision 1, is amended to read:

14.28 Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided
14.29 under section 289A.35, paragraph (b), a partnership as such shall not be subject to the
14.30 income tax imposed by this chapter, but is subject to the tax imposed under section
14.31 290.0922. Persons carrying on business as partners shall be liable for income tax only
14.32 in their separate or individual capacities.

15.1 Sec. 8. **REPEALER.**15.2 Minnesota Rules, part 8092.1400, is repealed.

15.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
15.4 December 31, 2015, except that notifications from the Department of Revenue to
15.5 employers regarding eligibility to file an annual return for taxes withheld in calendar
15.6 year 2016 remain in force.

15.7 **ARTICLE 3**15.8 **DEPARTMENT OF REVENUE POLICY PROVISIONS:**
15.9 **PROPERTY TAX**

15.10 Section 1. Minnesota Statutes 2014, section 273.372, subdivision 1, is amended to read:

15.11 Subdivision 1. **Scope.** (a) As provided in this section, an appeal by a utility or
15.12 railroad company concerning property for which the commissioner of revenue has provided
15.13 the city or county assessor with valuations by order, or for which the commissioner
15.14 has recommended values to the city or county assessor, must be brought against the
15.15 commissioner; and ~~not against~~ the county or taxing district where the property is located.
15.16 Service must be made on the commissioner only, and not on the county or taxing district.

15.17 (b) This section governs administrative appeals and appeals to court of a claim that
15.18 utility or railroad operating property has been partially, unfairly, or unequally assessed,
15.19 or assessed at a valuation greater than its real or actual value, misclassified, or that the
15.20 property is exempt. This section applies only to property described in sections 270.81,
15.21 subdivision 1, 273.33, 273.35, 273.36, and 273.37, and only with regard to taxable net tax
15.22 capacities that have been provided to the city or county by the commissioner and which
15.23 have not been changed by city or county. If the taxable net tax capacity being appealed is
15.24 not the taxable net tax capacity established by the commissioner, or if the appeal claims
15.25 that the tax rate applied against the parcel is incorrect, or that the tax has been paid, this
15.26 section does not apply.

15.27 **EFFECTIVE DATE.** This section is effective for appeals of valuations made in
15.28 assessment year 2017 and thereafter.

15.29 Sec. 2. **[273.88] EQUALIZATION OF PUBLIC UTILITY STRUCTURES.**

15.30 After making the apportionment provided in Minnesota Rules, part 8100.0600, the
15.31 commissioner must equalize the values of the operating structures to the level accepted by
15.32 the State Board of Equalization if the appropriate sales ratio for each county, as conducted
15.33 by the Department of Revenue pursuant to section 270.12, subdivision 2, clause (6), is

16.1 outside the range accepted by the State Board of Equalization. The commissioner must
16.2 not equalize the value of the operating structures if the sales ratio determined pursuant to
16.3 this subdivision is within the range accepted by the State Board of Equalization.

16.4 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2016.

16.5 Sec. 3. **REPEALER.**

16.6 Minnesota Rules, part 8100.0700, is repealed.

16.7 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2016.

16.8 **ARTICLE 4**

16.9 **DEPARTMENT OF REVENUE POLICY PROVISIONS: MISCELLANEOUS**

16.10 Section 1. Minnesota Statutes 2014, section 289A.18, subdivision 1, is amended to read:

16.11 Subdivision 1. **Individual income, fiduciary income, corporate franchise, and**
16.12 **entertainment taxes; partnership and S corporation returns; information returns;**
16.13 **mining company returns.** The returns required to be made under sections 289A.08 and
16.14 289A.12 must be filed at the following times:

16.15 (1) returns made on the basis of the calendar year must be filed on April 15 following
16.16 the close of the calendar year, except that returns of corporations and partnerships must be
16.17 filed on the due date for filing the federal income tax return;

16.18 (2) returns made on the basis of the fiscal year must be filed on the 15th day of the
16.19 fourth month following the close of the fiscal year, except that returns of corporations and
16.20 partnerships must be filed on the due date for filing the federal income tax return;

16.21 (3) returns for a fractional part of a year must be filed on the due date for filing the
16.22 federal income tax return;

16.23 (4) in the case of a final return of a decedent for a fractional part of a year, the return
16.24 must be filed on the 15th day of the fourth month following the close of the 12-month
16.25 period that began with the first day of that fractional part of a year;

16.26 (5) in the case of the return of a cooperative association, returns must be filed on or
16.27 before the 15th day of the ninth month following the close of the taxable year;

16.28 (6) if a corporation has been divested from a unitary group and files a return for
16.29 a fractional part of a year in which it was a member of a unitary business that files a
16.30 combined report under section 290.17, subdivision 4, the divested corporation's return
16.31 must be filed on the 15th day of the third month following the close of the common
16.32 accounting period that includes the fractional year;

17.1 (7) returns of entertainment entities must be filed on April 15 following the close of
17.2 the calendar year;

17.3 (8) returns required to be filed under section 289A.08, subdivision 4, must be filed
17.4 on the 15th day of the fifth month following the close of the taxable year;

17.5 (9) returns of mining companies must be filed on May 1 following the close of the
17.6 calendar year; and

17.7 (10) returns required to be filed with the commissioner under section 289A.12,
17.8 subdivision 2, 4 to 10, or 16 must be filed within 30 days after being demanded by the
17.9 commissioner.

17.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.11 Sec. 2. Minnesota Statutes 2014, section 289A.37, subdivision 2, is amended to read:

17.12 Subd. 2. **Erroneous refunds.** ~~An erroneous refund is considered an underpayment~~
17.13 ~~of tax on the date made. An assessment of a deficiency arising out of an erroneous refund~~
17.14 ~~may be made at any time within two years from the making of the refund. If part of the~~
17.15 ~~refund was induced by fraud or misrepresentation of a material fact, the assessment may~~
17.16 ~~be made at any time.~~ (a) Except as provided in paragraph (b), an erroneous refund occurs
17.17 when the commissioner issues a payment to a person that exceeds the amount the person
17.18 is entitled to receive under law. An erroneous refund is considered an underpayment
17.19 of tax on the date issued.

17.20 (b) To the extent that the amount paid does not exceed the amount claimed by the
17.21 taxpayer, an erroneous refund does not include the following:

17.22 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by
17.23 a taxpayer, including but not limited to refunds of claims made under section 290.06,
17.24 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;
17.25 290.0681; or 290.0692; or chapter 290A; or

17.26 (2) any amount paid pursuant to a claim for refund of an overpayment of tax filed
17.27 by a taxpayer.

17.28 (c) The commissioner may make an assessment to recover an erroneous refund at
17.29 any time within two years from the issuance of the erroneous refund. If all or part of
17.30 the erroneous refund was induced by fraud or misrepresentation of a material fact, the
17.31 assessment may be made at any time.

17.32 (d) Assessments of amounts that are not erroneous refunds under paragraph (b)
17.33 must be conducted under section 289A.38.

18.1 **EFFECTIVE DATE.** This section is effective the day following final enactment and
18.2 applies retroactively to all refunds issued on, before, or after that date, but does not apply to
18.3 the refunds at issue in Connexus Energy et al. v. Commissioner of Revenue, 868 N.W.2d
18.4 234 (Minn. 2015). Notwithstanding any law to the contrary, the changes in this section do
18.5 not invalidate any assessments made by the commissioner prior to this effective date.

APPENDIX
Article locations in H2871-1

ARTICLE 1	DEPARTMENT OF REVENUE TECHNICAL PROVISIONS:PROPERTY, INCOME, ESTATE, AND SALES AND USE TAXES	Page.Ln 1.13
ARTICLE 2	DEPARTMENT OF REVENUE POLICY PROVISIONS:INCOME AND CORPORATE FRANCHISE TAXES	Page.Ln 8.32
ARTICLE 3	DEPARTMENT OF REVENUE POLICY PROVISIONS:PROPERTY TAX	Page.Ln 15.7
ARTICLE 4	DEPARTMENT OF REVENUE POLICY PROVISIONS: MISCELLANEOUS	Page.Ln 16.8

8092.1400 ANNUAL RETURNS.

Subpart 1. **General rule.** If an employer deducts and withholds an amount required by Minnesota Statutes, chapter 290, for a base year and the amount required is \$500 or less, the employer, for the qualifying year, may elect to file an annual return and make an annual payment of the amount required to be deducted and withheld in that calendar year and is thereafter relieved from filing quarterly returns and making quarterly payments. The annual return and payment are due on or before February 28 of the calendar year following the calendar year the amounts were deducted and withheld. The annual return will serve as the reconciliation required in Minnesota Statutes, section 289A.09, subdivision 2, paragraph (d), for those employers who have elected to file an annual return. The Department of Revenue, applying the criteria of this part, will annually determine which employers are eligible to file an annual return and notify those employers who qualify. Employers who have not filed all withholding tax returns required for the base year are not eligible to file an annual return. Only those employers so notified by the Department of Revenue are eligible to elect to file an annual return. At the time of notification, eligible employers may still elect to file returns and make deposits quarterly. Employers who make such election are required to make all returns and deposits required by Minnesota Statutes, chapter 289A, and will be subject to all applicable penalties.

Subp. 2. **Base year.** "Base year" means the most recent period of four consecutive quarters for which the Department of Revenue has compiled data on all employers withholding tax for that period. The first base year is the four-consecutive quarter period beginning January 1990 and ending December 1990.

Subp. 3. **Qualifying year.** "Qualifying year" means the calendar year for which the Department of Revenue notifies the employer that it is eligible to file an annual return. The first qualifying year is the 1992 calendar year.

Subp. 4. **Accelerated deposits.** If, at the end of any calendar month other than the last month of the calendar year, the aggregate amount of undeposited withholding tax withheld by an employer who has elected to file an annual return exceeds \$500, the employer must deposit the aggregate amount with the Department of Revenue within 30 days after the close of the calendar month.

Notwithstanding any other provision of this part, employers are subject to the eighth-monthly period deposit requirements of Minnesota Statutes, section 289A.20.

In the event an employer who has elected to file an annual return pursuant to this part permanently ceases to pay wages for which withholding of tax is required, the employer must file a final return and deposit any undeposited tax on or before the last day of the month following the month in which the discontinuance of such activity occurred.

Subp. 5. **Maximum withholding amount.** The commissioner of revenue shall annually recalculate the maximum withholding amount for annual filing, using the percentage calculated pursuant to Minnesota Statutes, section 290.06, subdivision 2d, paragraph (b). If the maximum withholding amount so calculated is more than \$100 above the maximum withholding amount for annual filing then in effect, the maximum withholding amount for annual filing must be increased by \$100. If the maximum withholding amount so calculated is less than \$100 above the maximum withholding amount then in effect, there shall be no change in the maximum withholding amount then in effect. When the maximum withholding amount is adjusted by the commissioner under this subpart, the maximum withholding amounts referred to in subparts 1 and 4 must be adjusted by the same amount by the commissioner.

8100.0700 EQUALIZATION.

Subpart 1. **In general.** After the apportionment of value referred to in part 8100.0600 has been made, the values of structures valued by the commissioner must be equalized to coincide with the assessment levels of commercial and industrial property within each respective county receiving a share of the apportioned utilities value. This equalization will be accomplished through the use of an assessment/sales ratio.

Subp. 2. **Assessment/sales ratio computation.** A comprehensive assessment/sales ratio study compiled annually by the sales ratio section of the Local Government Services Division of the Department of Revenue will be used in this computation. The portions of this study which will be used for purposes of this part are known as the "County Commercial and Industrial Sales Ratio."

This commercial and industrial (C & I) sales ratio is computed through an analysis of the certificates of real estate value filed by the buyers or sellers of commercial or industrial property within each county. The information contained on these certificates of real estate value is

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compiled pursuant to requests, standards, and methods set forth by the Minnesota Department of Revenue acting upon recommendations of the Minnesota Legislature. The most recent C & I study available will be used for purposes of this part.

The median C & I sales ratio from this County Commercial and Industrial Sales Ratio study will be used as a basis to estimate the current year C & I median ratio for each county.

The process used to estimate this current year median ratio will be as follows:

The State Board of Equalization abstract of market value will be examined. The current estimated market value of commercial and industrial property within each county will be taken from this abstract. The amount of the value of new commercial and industrial construction ("new" meaning since the last assessment period), as well as the value of commercial and industrial property which has changed classification (for example, commercial to tax exempt property) will also be taken from the abstract. The value of new construction will then be deducted from the estimated market value, resulting in a net estimated current year market value for commercial and industrial property within the county. The value of commercial and industrial property which has changed classification will be deducted from the previous years estimated market value to arrive at a net estimated previous year market value for commercial and industrial property within the county. The net current year value will be compared to the net previous year's estimated market value for commercial and industrial property within the county and the difference between the two values noted. This difference will be divided by the previous year's net estimated market value for commercial and industrial property to find the percentage of increase, or decrease, in assessment level for each year. This percent of change will be applied to the most recent C & I median ratio to estimate the current year's C & I median ratio. An example of this calculation for a typical county is shown below.

1990 E.M.V. for Commercial and Industrial Property	\$12,000,000	
Less: New Construction	1,500,000	
	\$ 10,500,000	
1990 Net E.M.V. for C & I property		\$ 10,500,000
1989 E.M.V. for C & I property	\$10,250,000	
Less: Classification changes	250,000	
	10,000,000	
1989 Net E.M.V. for C & I property		10,000,000
Difference 1989 vs 1990 E.M.V.		500,000
Percent of change (500,000/10,000,000)		5%
1989 Median C & I ratio		88%
1990 Estimated Median C & I ratio (88% x 105%)		92.4%

This same calculation is performed for each Minnesota county. If there are five or fewer valid sales of commercial and industrial property within a county during the study period, these few sales are insufficient to form the basis for a meaningful C & I ratio. Therefore, the median assessment/sales ratio to be used for purposes of the example computation in this subpart will not be the median C & I ratio but will be the weighted median ratio of all property classes within the county for which a sales ratio is available. This weighted median ratio is computed in the same manner using the same procedures and standards as the C & I ratio. In addition, the example computation in this subpart will not be performed using the commercial and industrial estimated market value but will use the estimated market value for all property within the county. All other aspects of the calculations are identical except for this substitution.

Class of Property	Amount of Value	Percent of Value	Median Ratio	Weighted Median Ratio
Residential	\$ 20,000,000	20%	86%	17.00%
Agricultural	55,000,000	55%	95%	52.25%
Seasonal - Recreational	5,000,000	5%	90%	4.50%

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Commercial Industrial	20,000,000	20%	85%	17.00%
Total	\$100,000,000	100%		90.75%

Subp. 3. **Application of the estimated current year median assessment/sales ratio.** After the estimated current year median ratio has been calculated under subpart 2, it is used to adjust the apportioned estimated market value of utility structures valued by the commissioner. The value of these structures is reduced by the difference between 95 percent and the median ratio as adjusted in subpart 2. This is done by subtracting the current year median ratio, as adjusted, from the 95 percent provided for in Minnesota Statutes, section 278.05, subdivision 4, to arrive at an equalization factor. The estimated market value of utility structures is multiplied by the equalization factor to arrive at the reduction amount. The reduction amount is subtracted from the estimated market value of the utility structures to arrive at the equalized market value of structures. In no instance will any adjustment be made if, after comparing the current year median sales ratio as adjusted to the assessment level of utility structures, the difference between the two is ten percent or less. An example of this adjustment is as follows:

	County A	County B
Estimated Level of Assessment for Utility Property*	100.00%	100.00%
95 percent provided for in Minnesota Statutes, section 278.05, subdivision 4	95.00%	95.00%
County Commercial/Industrial Sales Ratio	87.00%	93.00%
Equalization Factor	8.00%	0.00%
Estimated Market Value of Structures	1,000,000	1,000,000
Reduction in Value	80,000	0
	-----	-----
Equalized Market Value of Structures	920,000	1,000,000**
	=====	=====

*For purposes of this example, assume that utility property is assessed at 100 percent of market value.

**No adjustment is made because the Estimated Current Year Median Sales Ratio is within ten percent of the assessment level of utility property.

All utilities operating within a particular county will be equalized at the same percentage. No adjustment for equalization will be made to machinery or personal property.

These equalized estimated market values of utility structures valued by the commissioner will be forwarded to the county assessor denoting specific utility companies and taxing districts together with personal property and machinery values pursuant to Minnesota Statutes.