

A bill for an act

relating to state government finance; making changes to tax aids and credits and reducing payments; conforming to certain changes in the Internal Revenue Code; amending Minnesota Statutes 2010, sections 270A.03, subdivision 7; 273.1384, subdivision 6; 289A.02, subdivision 7; 289A.50, subdivision 1; 290.01, subdivisions 6, 19, 19a, 19c, 31; 290A.03, subdivisions 11, 13, 15; 290C.07; 477A.013, subdivision 9; 477A.03; proposing coding for new law in Minnesota Statutes, chapter 477A; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 290.06, subdivision 23.

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

ARTICLE 1

TAX AIDS AND CREDITS

Section 1. Minnesota Statutes 2010, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **Refund.** "Refund" means an individual income tax refund ~~or political contribution refund~~, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives Subcommittee on Claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total

refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 2. Minnesota Statutes 2010, section 273.1384, subdivision 6, is amended to read:

Subd. 6. **Credit reduction.** In 2011 and each year thereafter, the market value credit reimbursement amount for each taxing jurisdiction determined under this section is reduced by the dollar amount of the reduction in market value credit reimbursements for that taxing jurisdiction in 2010 due to the reductions under ~~section~~ sections 477A.0133 and 477A.0134. No taxing jurisdiction's market value credit reimbursements are reduced to less than zero under this subdivision. The commissioner of revenue shall pay the annual market value credit reimbursement amounts, after reduction under this subdivision, to the affected taxing jurisdictions as provided in this section.

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

Sec. 3. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. **General right to refund.** (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the

commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds \$1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount of the excess is considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also considered an overpayment.~~ The requirements of section 270C.33 do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than \$1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay refunds allowed under this section.

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term "taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after June 30, 2011.

Sec. 5. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes" means ~~19~~ 15 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any calendar year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the calendar year, and which

rent constitutes the basis, in the succeeding calendar year of a claim for relief under this chapter by the claimant.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include ~~19~~ 15 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 7. Minnesota Statutes 2010, section 290C.07, is amended to read:

290C.07 CALCULATION OF INCENTIVE PAYMENT.

(a) An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. Subject to the limitation contained in paragraph (b), the payment shall equal the greater of:

(1) the difference between the property tax that would be paid on the land using the previous year's statewide average total township tax rate and a class rate of one percent, if the land were valued at (i) the average statewide managed forest land market value per acre calculated under section 290C.06, and (ii) the average statewide managed forest land current use value per acre calculated under section 290C.02, subdivision 5; or

(2) two-thirds of the property tax amount determined by using the previous year's statewide average total township tax rate, the estimated market value per acre as calculated in section 290C.06, and a class rate of one percent, provided that the payment shall be no less than \$7 per acre for each acre enrolled in the sustainable forest incentive program.

(b) The annual payment under this section per each Social Security number or state or federal business tax identification number must not exceed \$100,000.

EFFECTIVE DATE. This section is effective for payments in calendar year 2011 and thereafter.

Sec. 8. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

(b) For aids payable in ~~2011~~ 2012 only, the total aid in the previous year for any city shall mean the amount of aid it was certified to receive for aids payable in ~~2010~~ 2011 under this section minus the amount of its aid reduction under section ~~477A.0134~~ 477A.0135. For aids payable in ~~2012~~ 2013 and thereafter, the total aid in the previous year for any city means the amount of aid it was certified to receive under this section in the previous payable year.

(c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total

aid for any city with a population of 2,500 or more may not be less than its total aid under this section in the previous year minus the lesser of \$10 multiplied by its population, or ten percent of its net levy in the year prior to the aid distribution.

(d) For aids payable in 2010 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus the lesser of \$10 multiplied by its population, or five percent of its 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a population less than 2,500 must not be less than what it received under this section in the previous year unless its total aid in calendar year 2008 was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum aid is zero.

(e) A city's aid loss under this section may not exceed \$300,000 in any year in which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or greater than the appropriation under that subdivision in the previous year, unless the city has an adjustment in its city net tax capacity under the process described in section 469.174, subdivision 28.

(f) If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax-exempt Indian land, the city's maximum allowed aid increase under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2012 and thereafter.

Sec. 9. [477A.0135] 2011 REDUCTIONS; COUNTIES AND CITIES.

The commissioner of revenue must compute and apply reductions to each county's aid under section 477A.0124 and each city's aid under section 477A.013, subdivision 9, for 2011 under this section. The reduction is equal to 48.5358 percent of each county's total county program aid reductions and 91.53216 percent of each city's local government aid reductions for aids payable in 2010 under sections 477A.0133 and 477A.0134. The reduction shall be limited to (1) the amount a county is certified to receive in aid in 2011 under section 477A.0124 and (2) the amount a city is certified to receive in aid in 2011 under section 477A.013, subdivision 9.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011.

Sec. 10. Minnesota Statutes 2010, section 477A.03, is amended to read:

477A.03 APPROPRIATION.

Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

Subd. 2a. **Cities.** For aids payable in ~~2011~~ 2012 and thereafter, the total aid paid under section 477A.013, subdivision 9, is ~~\$527,100,646~~ \$426,438,012.

Subd. 2b. **Counties.** (a) For aids payable in ~~2011~~ 2012 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is ~~\$96,395,000~~ \$80,795,000. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation under this paragraph. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in ~~2011~~ 2012 and thereafter, the total aid under section 477A.0124, subdivision 4, is ~~\$101,309,575~~ \$84,909,575. The commissioner of management and budget shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of management and budget and the commissioner of education for the preparation of local impact notes.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2012 and thereafter.

Sec. 11. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.**

In administering sections 5 and 6 for claims for refunds submitted using 19 percent of gross rent as rent constituting property taxes under prior law, the commissioner shall recalculate and pay the refund amounts using 15 percent of gross rent. The commissioner shall notify the claimant that the recalculation was mandated by action of the 2011 Legislature.

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

Sec. 12. **REPEALER.**

(a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; and 13.4967, subdivision 2, are repealed.

(b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for refund claims based on contributions made after June 30, 2011.

ARTICLE 2

FEDERAL UPDATE

Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010.

EFFECTIVE DATE. This section is effective the day after final enactment.

Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment

company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010, shall be in effect for taxable years beginning after December 31, 1996. The provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits for charitable cash contributions for the relief of victims of the Haitian earthquake, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (6).

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE. This section is effective the day after final enactment.

Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute; and

10.1 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
10.2 Code, except:

10.3 (A) the portion of the exempt-interest dividends exempt from state taxation under
10.4 the laws of the United States; and

10.5 (B) the portion of the exempt-interest dividends derived from interest income
10.6 on obligations of the state of Minnesota or its political or governmental subdivisions,
10.7 municipalities, governmental agencies or instrumentalities, but only if the portion of the
10.8 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
10.9 95 percent or more of the exempt-interest dividends, including any dividends exempt
10.10 under subitem (A), that are paid by the regulated investment company as defined in section
10.11 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
10.12 defined in section 851(g) of the Internal Revenue Code, making the payment; and

10.13 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal
10.14 government described in section 7871(c) of the Internal Revenue Code shall be treated as
10.15 interest income on obligations of the state in which the tribe is located;

10.16 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid
10.17 or accrued within the taxable year under this chapter and the amount of taxes based on
10.18 net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other
10.19 state or to any province or territory of Canada, to the extent allowed as a deduction
10.20 under section 63(d) of the Internal Revenue Code, but the addition may not be more
10.21 than the amount by which the itemized deductions as allowed under section 63(d) of
10.22 the Internal Revenue Code exceeds the amount of the standard deduction as defined in
10.23 section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under
10.24 sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of
10.25 this paragraph, the disallowance of itemized deductions under section 68 of the Internal
10.26 Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are
10.27 the last itemized deductions disallowed;

10.28 (3) the capital gain amount of a lump-sum distribution to which the special tax under
10.29 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

10.30 (4) the amount of income taxes paid or accrued within the taxable year under this
10.31 chapter and taxes based on net income paid to any other state or any province or territory
10.32 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
10.33 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
10.34 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

(7) 80 percent of the depreciation deduction allowed under section 168(k) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k) is allowed;

(8) for taxable years beginning before January 1, 2011, 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

(9) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

(10) for taxable years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

(11) the amount of expenses disallowed under section 290.10, subdivision 2;

(12) the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

(14) the additional standard deduction for property taxes payable that is allowable under section 63(c)(1)(C) of the Internal Revenue Code;

(15) the additional standard deduction for qualified motor vehicle sales taxes allowable under section 63(c)(1)(E) of the Internal Revenue Code;

(16) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

12.1 (17) the amount of unemployment compensation exempt from tax under section
12.2 85(c) of the Internal Revenue Code.

12.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
12.4 December 31, 2009.

12.5 Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, is amended to read:

12.6 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,
12.7 there shall be added to federal taxable income:

12.8 (1) the amount of any deduction taken for federal income tax purposes for income,
12.9 excise, or franchise taxes based on net income or related minimum taxes, including but not
12.10 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,
12.11 another state, a political subdivision of another state, the District of Columbia, or any
12.12 foreign country or possession of the United States;

12.13 (2) interest not subject to federal tax upon obligations of: the United States, its
12.14 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
12.15 state, any of its political or governmental subdivisions, any of its municipalities, or any
12.16 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
12.17 tribal governments;

12.18 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal
12.19 Revenue Code;

12.20 (4) the amount of any net operating loss deduction taken for federal income tax
12.21 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss
12.22 deduction under section 810 of the Internal Revenue Code;

12.23 (5) the amount of any special deductions taken for federal income tax purposes
12.24 under sections 241 to 247 and 965 of the Internal Revenue Code;

12.25 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,
12.26 clause (a), that are not subject to Minnesota income tax;

12.27 (7) the amount of any capital losses deducted for federal income tax purposes under
12.28 sections 1211 and 1212 of the Internal Revenue Code;

12.29 (8) the exempt foreign trade income of a foreign sales corporation under sections
12.30 921(a) and 291 of the Internal Revenue Code;

12.31 (9) the amount of percentage depletion deducted under sections 611 through 614 and
12.32 291 of the Internal Revenue Code;

12.33 (10) for certified pollution control facilities placed in service in a taxable year
12.34 beginning before December 31, 1986, and for which amortization deductions were elected
12.35 under section 169 of the Internal Revenue Code of 1954, as amended through December

13.1 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
13.2 income for those facilities;

13.3 (11) the amount of any deemed dividend from a foreign operating corporation
13.4 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
13.5 shall be reduced by the amount of the addition to income required by clauses (20), (21),
13.6 (22), and (23);

13.7 (12) the amount of a partner's pro rata share of net income which does not flow
13.8 through to the partner because the partnership elected to pay the tax on the income under
13.9 section 6242(a)(2) of the Internal Revenue Code;

13.10 (13) the amount of net income excluded under section 114 of the Internal Revenue
13.11 Code;

13.12 (14) any increase in subpart F income, as defined in section 952(a) of the Internal
13.13 Revenue Code, for the taxable year when subpart F income is calculated without regard to
13.14 the provisions of Division C, title III, section 303(b) of Public Law 110-343;

13.15 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
13.16 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
13.17 has an activity that in the taxable year generates a deduction for depreciation under
13.18 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
13.19 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
13.20 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
13.21 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
13.22 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
13.23 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
13.24 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

13.25 (16) for taxable years beginning before January 1, 2011, 80 percent of the amount by
13.26 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the
13.27 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended
13.28 through December 31, 2003;

13.29 (17) to the extent deducted in computing federal taxable income, the amount of the
13.30 deduction allowable under section 199 of the Internal Revenue Code;

13.31 (18) for taxable years beginning before January 1, 2013, the exclusion allowed
13.32 under section 139A of the Internal Revenue Code for federal subsidies for prescription
13.33 drug plans;

13.34 (19) the amount of expenses disallowed under section 290.10, subdivision 2;

13.35 (20) an amount equal to the interest and intangible expenses, losses, and costs paid,
13.36 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit

14.1 of a corporation that is a member of the taxpayer's unitary business group that qualifies
14.2 as a foreign operating corporation. For purposes of this clause, intangible expenses and
14.3 costs include:

14.4 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,
14.5 use, maintenance or management, ownership, sale, exchange, or any other disposition of
14.6 intangible property;

14.7 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
14.8 transactions;

14.9 (iii) royalty, patent, technical, and copyright fees;

14.10 (iv) licensing fees; and

14.11 (v) other similar expenses and costs.

14.12 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
14.13 applications, trade names, trademarks, service marks, copyrights, mask works, trade
14.14 secrets, and similar types of intangible assets.

14.15 This clause does not apply to any item of interest or intangible expenses or costs paid,
14.16 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect
14.17 to such item of income to the extent that the income to the foreign operating corporation
14.18 is income from sources without the United States as defined in subtitle A, chapter 1,
14.19 subchapter N, part 1, of the Internal Revenue Code;

14.20 (21) except as already included in the taxpayer's taxable income pursuant to clause
14.21 (20), any interest income and income generated from intangible property received or
14.22 accrued by a foreign operating corporation that is a member of the taxpayer's unitary
14.23 group. For purposes of this clause, income generated from intangible property includes:

14.24 (i) income related to the direct or indirect acquisition, use, maintenance or
14.25 management, ownership, sale, exchange, or any other disposition of intangible property;

14.26 (ii) income from factoring transactions or discounting transactions;

14.27 (iii) royalty, patent, technical, and copyright fees;

14.28 (iv) licensing fees; and

14.29 (v) other similar income.

14.30 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
14.31 applications, trade names, trademarks, service marks, copyrights, mask works, trade
14.32 secrets, and similar types of intangible assets.

14.33 This clause does not apply to any item of interest or intangible income received or accrued
14.34 by a foreign operating corporation with respect to such item of income to the extent that

the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(22) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation;

(23) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States;

(24) the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

(25) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010. Internal Revenue Code also includes any uncoded provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

EFFECTIVE DATE. This section is effective the day following final enactment except that the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable on or after December 31, 2010, and rent paid on or after December 31, 2009.

16.1 Sec. 7. **CORRECTED FORM W-2 NOT REQUIRED.**

16.2 Employers who have prepared and distributed form W-2, wage and tax statement,
16.3 for tax year 2010, that reported to employees the amount of health coverage provided to
16.4 adult children under age 27 includable in net income under prior law, are not required to
16.5 prepare and distribute corrected tax year 2010 form W-2.

APPENDIX
Article locations in H0129-1

ARTICLE 1 TAX AIDS AND CREDITS Page.Ln 1.11

ARTICLE 2 FEDERAL UPDATE Page.Ln 8.14

10A.322 SPENDING LIMIT AGREEMENTS.

Subd. 4. **Refund receipt forms; penalty.** The board must make available to a political party on request and to any candidate for whom an agreement under this section is effective, a supply of official refund receipt forms that state in boldface type that (1) a contributor who is given a receipt form is eligible to claim a refund as provided in section 290.06, subdivision 23, and (2) if the contribution is to a candidate, that the candidate has signed an agreement to limit campaign expenditures as provided in this section. The forms must provide duplicate copies of the receipt to be attached to the contributor's claim. A candidate who does not sign an agreement under this section and who willfully issues an official refund receipt form or a facsimile of one to any of the candidate's contributors is guilty of a misdemeanor.

13.4967 OTHER TAX DATA CODED ELSEWHERE.

Subd. 2. **Political contribution refund.** Certain political contribution refund data in the Revenue Department are classified under section 290.06, subdivision 23.

290.06 RATES OF TAX; CREDITS.

Subd. 23. **Refund of contributions to political parties and candidates.** (a) A taxpayer may claim a refund equal to the amount of the taxpayer's contributions made in the calendar year to candidates and to a political party. The maximum refund for an individual must not exceed \$50 and for a married couple, filing jointly, must not exceed \$100. A refund of a contribution is allowed only if the taxpayer files a form required by the commissioner and attaches to the form a copy of an official refund receipt form issued by the candidate or party and signed by the candidate, the treasurer of the candidate's principal campaign committee, or the chair or treasurer of the party unit, after the contribution was received. The receipt forms must be numbered, and the data on the receipt that are not public must be made available to the campaign finance and public disclosure board upon its request. A claim must be filed with the commissioner no sooner than January 1 of the calendar year in which the contribution was made and no later than April 15 of the calendar year following the calendar year in which the contribution was made. A taxpayer may file only one claim per calendar year. Amounts paid by the commissioner after June 15 of the calendar year following the calendar year in which the contribution was made must include interest at the rate specified in section 270C.405.

(b) No refund is allowed under this subdivision for a contribution to a candidate unless the candidate:

(1) has signed an agreement to limit campaign expenditures as provided in section 10A.322;

(2) is seeking an office for which voluntary spending limits are specified in section 10A.25; and

(3) has designated a principal campaign committee.

This subdivision does not limit the campaign expenditures of a candidate who does not sign an agreement but accepts a contribution for which the contributor improperly claims a refund.

(c) For purposes of this subdivision, "political party" means a major political party as defined in section 200.02, subdivision 7, or a minor political party qualifying for inclusion on the income tax or property tax refund form under section 10A.31, subdivision 3a.

A "major party" or "minor party" includes the aggregate of that party's organization within each house of the legislature, the state party organization, and the party organization within congressional districts, counties, legislative districts, municipalities, and precincts.

"Candidate" means a candidate as defined in section 10A.01, subdivision 10, except a candidate for judicial office.

"Contribution" means a gift of money.

(d) The commissioner shall make copies of the form available to the public and candidates upon request.

(e) The following data collected or maintained by the commissioner under this subdivision are private: the identities of individuals claiming a refund, the identities of candidates to whom those individuals have made contributions, and the amount of each contribution.

(f) The commissioner shall report to the campaign finance and public disclosure board by each August 1 a summary showing the total number and aggregate amount of political contribution refunds made on behalf of each candidate and each political party. These data are public.

(g) The amount necessary to pay claims for the refund provided in this section is appropriated from the general fund to the commissioner of revenue.

APPENDIX

Repealed Minnesota Statutes: H0129-1

(h) For a taxpayer who files a claim for refund via the Internet or other electronic means, the commissioner may accept the number on the official receipt as documentation that a contribution was made rather than the actual receipt as required by paragraph (a).