

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH SESSION

S.F. No. 2361

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DATE	D-PG	OFFICIAL STATUS
03/06/2014	5990	Introduction and first reading Referred to Taxes

A bill for an act

1.1 relating to taxation; repealing various tax provisions and reinstating certain
 1.2 exemptions; appropriating money; amending Minnesota Statutes 2012, sections
 1.3 289A.02, subdivision 7; 289A.08, subdivision 7; 290.01, subdivision 19a,
 1.4 by adding a subdivision; 290.067, subdivision 2a; 290.0671, subdivision 1;
 1.5 290.0675, subdivision 1; 297A.68, by adding a subdivision; Minnesota Statutes
 1.6 2013 Supplement, sections 270B.01, subdivision 8; 270B.03, subdivision 1;
 1.7 290.01, subdivisions 19, 19b, 31; 290.06, subdivision 2c; 290.091, subdivision
 1.8 2; 290A.03, subdivision 15; 291.005, subdivision 1; 291.03, subdivision 1;
 1.9 297A.61, subdivision 3; repealing Minnesota Statutes 2013 Supplement, sections
 1.10 292.16; 292.17; 292.18; 292.19; 292.20; 292.21.
 1.11

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

1.13 Section 1. Minnesota Statutes 2013 Supplement, section 270B.01, subdivision 8, is
 1.14 amended to read:

1.15 Subd. 8. **Minnesota tax laws.** For purposes of this chapter only, unless expressly
 1.16 stated otherwise, "Minnesota tax laws" means:

1.17 (1) the taxes, refunds, and fees administered by or paid to the commissioner under
 1.18 chapters 115B, 289A (except taxes imposed under sections 298.01, 298.015, and 298.24),
 1.19 290, 290A, 291, ~~292~~, 295, 297A, 297B, 297H, and 403, or any similar Indian tribal tax
 1.20 administered by the commissioner pursuant to any tax agreement between the state and
 1.21 the Indian tribal government, and includes any laws for the assessment, collection, and
 1.22 enforcement of those taxes, refunds, and fees; and

1.23 (2) section 273.1315.

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

2.1 Sec. 2. Minnesota Statutes 2013 Supplement, section 270B.03, subdivision 1, is
2.2 amended to read:

2.3 Subdivision 1. **Who may inspect.** Returns and return information must, on request,
2.4 be made open to inspection by or disclosure to the data subject. The request must be made
2.5 in writing or in accordance with written procedures of the chief disclosure officer of the
2.6 department that have been approved by the commissioner to establish the identification
2.7 of the person making the request as the data subject. For purposes of this chapter, the
2.8 following are the data subject:

2.9 (1) in the case of an individual return, that individual;

2.10 (2) in the case of an income tax return filed jointly, either of the individuals with
2.11 respect to whom the return is filed;

2.12 (3) in the case of a return filed by a business entity, an officer of a corporation,
2.13 a shareholder owning more than one percent of the stock, or any shareholder of an S
2.14 corporation; a general partner in a partnership; the owner of a sole proprietorship; a
2.15 member or manager of a limited liability company; a participant in a joint venture; the
2.16 individual who signed the return on behalf of the business entity; or an employee who is
2.17 responsible for handling the tax matters of the business entity, such as the tax manager,
2.18 bookkeeper, or managing agent;

2.19 (4) in the case of an estate return:

2.20 (i) the personal representative or trustee of the estate; and

2.21 (ii) any beneficiary of the estate as shown on the federal estate tax return;

2.22 (5) in the case of a trust return:

2.23 (i) the trustee or trustees, jointly or separately; and

2.24 (ii) any beneficiary of the trust as shown in the trust instrument;

2.25 (6) if liability has been assessed to a transferee under section 270C.58, subdivision
2.26 1, the transferee is the data subject with regard to the returns and return information
2.27 relating to the assessed liability;

2.28 (7) in the case of an Indian tribal government or an Indian tribal government-owned
2.29 entity,

2.30 (i) the chair of the tribal government, or

2.31 (ii) any person authorized by the tribal government; and

2.32 (8) in the case of a successor as defined in section 270C.57, subdivision 1, paragraph
2.33 (b), the successor is the data subject and information may be disclosed as provided by
2.34 section 270C.57, subdivision 4; ~~and~~

2.35 ~~(9) in the case of a gift return, the donor.~~

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

3.1 Sec. 3. Minnesota Statutes 2012, section 289A.02, subdivision 7, is amended to read:

3.2 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
3.3 Revenue Code" means the Internal Revenue Code of 1986, as amended through April
3.4 ~~14, 2011~~ January 3, 2013.

3.5 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
3.6 beginning after December 31, 2012.

3.7 Sec. 4. Minnesota Statutes 2012, section 289A.08, subdivision 7, is amended to read:

3.8 Subd. 7. **Composite income tax returns for nonresident partners, shareholders,**
3.9 **and beneficiaries.** (a) The commissioner may allow a partnership with nonresident
3.10 partners to file a composite return and to pay the tax on behalf of nonresident partners who
3.11 have no other Minnesota source income. This composite return must include the names,
3.12 addresses, Social Security numbers, income allocation, and tax liability for the nonresident
3.13 partners electing to be covered by the composite return.

3.14 (b) The computation of a partner's tax liability must be determined by multiplying
3.15 the income allocated to that partner by the highest rate used to determine the tax liability
3.16 for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
3.17 deductions, or personal exemptions are not allowed.

3.18 (c) The partnership must submit a request to use this composite return filing method
3.19 for nonresident partners. The requesting partnership must file a composite return in the
3.20 form prescribed by the commissioner of revenue. The filing of a composite return is
3.21 considered a request to use the composite return filing method.

3.22 (d) The electing partner must not have any Minnesota source income other than the
3.23 income from the partnership and other electing partnerships. If it is determined that the
3.24 electing partner has other Minnesota source income, the inclusion of the income and tax
3.25 liability for that partner under this provision will not constitute a return to satisfy the
3.26 requirements of subdivision 1. The tax paid for the individual as part of the composite return
3.27 is allowed as a payment of the tax by the individual on the date on which the composite
3.28 return payment was made. If the electing nonresident partner has no other Minnesota
3.29 source income, filing of the composite return is a return for purposes of subdivision 1.

3.30 (e) This subdivision does not negate the requirement that an individual pay estimated
3.31 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
3.32 The individual's liability to pay estimated tax is, however, satisfied when the partnership
3.33 pays composite estimated tax in the manner prescribed in section 289A.25.

3.34 (f) If an electing partner's share of the partnership's gross income from Minnesota
3.35 sources is less than the filing requirements for a nonresident under this subdivision, the tax

4.1 liability is zero. However, a statement showing the partner's share of gross income must
4.2 be included as part of the composite return.

4.3 (g) The election provided in this subdivision is only available to a partner who has
4.4 no other Minnesota source income and who is either (1) a full-year nonresident individual
4.5 or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of
4.6 the Internal Revenue Code.

4.7 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
4.8 make an election under this paragraph. The provisions covering the partnership apply to
4.9 the corporation and the provisions applying to the partner apply to the shareholder.

4.10 (i) Estates and trusts distributing current income only and the nonresident individual
4.11 beneficiaries of the estates or trusts may make an election under this paragraph. The
4.12 provisions covering the partnership apply to the estate or trust. The provisions applying to
4.13 the partner apply to the beneficiary.

4.14 (j) For the purposes of this subdivision, "income" means the partner's share of
4.15 federal adjusted gross income from the partnership modified by the additions provided in
4.16 section 290.01, subdivision 19a, clauses (6) to ~~(10)~~ (9), and the subtractions provided in:
4.17 (i) section 290.01, subdivision 19b, clause (8), to the extent the amount is assignable or
4.18 allocable to Minnesota under section 290.17; and (ii) section 290.01, subdivision 19b,
4.19 clause (13). The subtraction allowed under section 290.01, subdivision 19b, clause (8), is
4.20 only allowed on the composite tax computation to the extent the electing partner would
4.21 have been allowed the subtraction.

4.22 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
4.23 beginning after December 31, 2012.

4.24 Sec. 5. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19, is
4.25 amended to read:

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

4.32 In the case of a regulated investment company or a fund thereof, as defined in section
4.33 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
4.34 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
4.35 except that:

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

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

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

5.10 The net income of a real estate investment trust as defined and limited by section
5.11 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
5.12 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

5.16 The Internal Revenue Code of 1986, as amended through ~~April 14, 2011~~ January 3,
5.17 2013, shall be in effect for taxable years beginning after December 31, 1996, ~~and before~~
5.18 ~~January 1, 2012, and for taxable years beginning after December 31, 2012.~~ The Internal
5.19 Revenue Code of 1986, as amended through January 3, 2013, is in effect for taxable years
5.20 beginning after ~~December 31, 2011,~~ and before January 1, 2013.

5.21 ~~The provisions of sections 315 and 331 of the American Taxpayer Relief Act of~~
5.22 ~~2012, Public Law 112-240, extension of increased expensing limitations and treatment~~
5.23 ~~of certain real property as section 179 property and extension and modification of bonus~~
5.24 ~~depreciation, are effective at the same time they become effective for federal purposes.~~

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

5.28 **EFFECTIVE DATE.** This section is effective the day following final enactment,
5.29 except the changes incorporated by federal changes are effective retroactively at the same
5.30 time as the changes were effective for federal purposes.

5.31 Sec. 6. Minnesota Statutes 2012, section 290.01, subdivision 19a, is amended to read:

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

5.34 (1)(i) interest income on obligations of any state other than Minnesota or a political
5.35 or governmental subdivision, municipality, or governmental agency or instrumentality

6.1 of any state other than Minnesota exempt from federal income taxes under the Internal
6.2 Revenue Code or any other federal statute; and

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

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

6.7 (B) the portion of the exempt-interest dividends derived from interest income
6.8 on obligations of the state of Minnesota or its political or governmental subdivisions,
6.9 municipalities, governmental agencies or instrumentalities, but only if the portion of the
6.10 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
6.11 95 percent or more of the exempt-interest dividends, including any dividends exempt
6.12 under subitem (A), that are paid by the regulated investment company as defined in section
6.13 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
6.14 defined in section 851(g) of the Internal Revenue Code, making the payment; and

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

6.18 (2) to the extent allowed as a deduction under section 63(d) of the Internal Revenue
6.19 Code, the amount of income, sales and use, motor vehicle sales, or excise taxes paid or
6.20 accrued within the taxable year under this chapter and the amount of taxes based on net
6.21 income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or
6.22 to any province or territory of Canada, ~~to the extent allowed as a deduction under section~~
6.23 ~~63(d) of the Internal Revenue Code~~, but the addition may not be more than the amount by
6.24 which the ~~itemized deductions as allowed under section 63(d) of the Internal Revenue~~
6.25 ~~Code~~ state itemized deduction exceeds the amount of the standard deduction as defined
6.26 in section 63(c) of the Internal Revenue Code, ~~disregarding the amounts allowed under~~
6.27 ~~sections 63(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue Code~~, minus any addition
6.28 that would have been required under clause (21) if the taxpayer had claimed the standard
6.29 deduction. For the purpose of this paragraph, the disallowance of itemized deductions
6.30 under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor
6.31 vehicle sales, or excise taxes are the last itemized deductions disallowed. For purposes
6.32 of this clause, income, sales and use, motor vehicle sales, and excise taxes are the last
6.33 itemized deductions disallowed under clause (13);

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

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

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

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

7.12 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
7.13 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
7.14 in the taxable year generates a deduction for depreciation under section 168(k) and the
7.15 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
7.16 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
7.17 limited to excess of the depreciation claimed by the activity under section 168(k) over the
7.18 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
7.19 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
7.20 under section 168(k) is allowed;

7.21 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
7.22 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
7.23 Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

7.29 ~~(12) for taxable years beginning before January 1, 2010, the amount deducted for~~
7.30 ~~qualified tuition and related expenses under section 222 of the Internal Revenue Code, to~~
7.31 ~~the extent deducted from gross income;~~

7.32 ~~(13) for taxable years beginning before January 1, 2010, the amount deducted for~~
7.33 ~~certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)~~
7.34 ~~of the Internal Revenue Code, to the extent deducted from gross income;~~

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

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

8.3 ~~(16) (11) discharge of indebtedness income resulting from reacquisition of business~~
8.4 ~~indebtedness and deferred under section 108(i) of the Internal Revenue Code;~~

8.5 ~~(17) the amount of unemployment compensation exempt from tax under section~~
8.6 ~~85(e) of the Internal Revenue Code;~~

8.7 ~~(18) (12) changes to federal taxable income attributable to a net operating loss that~~
8.8 ~~the taxpayer elected to carry back for more than two years for federal purposes but for~~
8.9 ~~which the losses can be carried back for only two years under section 290.095, subdivision~~
8.10 ~~11, paragraph (c);~~

8.11 ~~(19) (13) to the extent included in the computation of federal taxable income in~~
8.12 ~~taxable years beginning after December 31, 2010, the amount of disallowed itemized~~
8.13 ~~deductions, but the amount of disallowed itemized deductions plus the addition required~~
8.14 ~~under clause (2) may not be more than the amount by which the itemized deductions as~~
8.15 ~~allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the~~
8.16 ~~standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding~~
8.17 ~~the amounts allowed under sections 63(e)(1)(C) and 63(e)(1)(E) of the Internal Revenue~~
8.18 ~~Code, and reduced by any addition that would have been required under clause (21) if the~~
8.19 ~~taxpayer had claimed the standard deduction:~~

8.20 (i) the amount of disallowed itemized deductions is equal to the lesser of:

8.21 (A) three percent of the excess of the taxpayer's federal adjusted gross income
8.22 over the applicable amount; or

8.23 (B) 80 percent of the amount of the itemized deductions otherwise allowable to the
8.24 taxpayer under the Internal Revenue Code for the taxable year;

8.25 (ii) the term "applicable amount" means \$100,000, or \$50,000 in the case of a
8.26 married individual filing a separate return. Each dollar amount shall be increased by
8.27 an amount equal to:

8.28 (A) such dollar amount, multiplied by

8.29 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
8.30 Revenue Code for the calendar year in which the taxable year begins, by substituting
8.31 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof;

8.32 (iii) the term "itemized deductions" does not include:

8.33 (A) the deduction for medical expenses under section 213 of the Internal Revenue
8.34 Code;

8.35 (B) any deduction for investment interest as defined in section 163(d) of the Internal
8.36 Revenue Code; and

9.1 (C) the deduction under section 165(a) of the Internal Revenue Code for casualty or
 9.2 theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue
 9.3 Code or for losses described in section 165(d) of the Internal Revenue Code;

9.4 ~~(20) (14)~~ to the extent included in federal taxable income in taxable years beginning
 9.5 after December 31, 2010, the amount of disallowed personal exemptions for taxpayers
 9.6 with federal adjusted gross income over the threshold amount:

9.7 (i) the disallowed personal exemption amount is equal to the dollar amount of the
 9.8 personal exemptions claimed by the taxpayer in the computation of federal taxable income
 9.9 multiplied by the applicable percentage;

9.10 (ii) "applicable percentage" means two percentage points for each \$2,500 (or
 9.11 fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable
 9.12 year exceeds the threshold amount. In the case of a married individual filing a separate
 9.13 return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In
 9.14 no event shall the applicable percentage exceed 100 percent;

9.15 (iii) the term "threshold amount" means:

9.16 (A) \$150,000 in the case of a joint return or a surviving spouse;

9.17 (B) \$125,000 in the case of a head of a household;

9.18 (C) \$100,000 in the case of an individual who is not married and who is not a
 9.19 surviving spouse or head of a household; and

9.20 (D) \$75,000 in the case of a married individual filing a separate return; and

9.21 (iv) the thresholds shall be increased by an amount equal to:

9.22 (A) such dollar amount, multiplied by

9.23 (B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal
 9.24 Revenue Code for the calendar year in which the taxable year begins, by substituting
 9.25 "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

9.26 ~~(21) to the extent deducted in the computation of federal taxable income, for taxable~~
 9.27 ~~years beginning after December 31, 2010, and before January 1, 2013, the difference~~
 9.28 ~~between the standard deduction allowed under section 63(c) of the Internal Revenue Code~~
 9.29 ~~and the standard deduction allowed for 2011 and 2012 under the Internal Revenue Code~~
 9.30 ~~as amended through December 1, 2010.~~

9.31 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 9.32 beginning after December 31, 2012.

9.33 Sec. 7. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19b, is
 9.34 amended to read:

10.1 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,
10.2 and trusts, there shall be subtracted from federal taxable income:

10.3 (1) net interest income on obligations of any authority, commission, or
10.4 instrumentality of the United States to the extent includable in taxable income for federal
10.5 income tax purposes but exempt from state income tax under the laws of the United States;

10.6 (2) if included in federal taxable income, the amount of any overpayment of income
10.7 tax to Minnesota or to any other state, for any previous taxable year, whether the amount
10.8 is received as a refund or as a credit to another taxable year's income tax liability;

10.9 (3) the amount paid to others, less the amount used to claim the credit allowed under
10.10 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
10.11 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
10.12 transportation of each qualifying child in attending an elementary or secondary school
10.13 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
10.14 resident of this state may legally fulfill the state's compulsory attendance laws, which
10.15 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
10.16 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or
10.17 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
10.18 "textbooks" includes books and other instructional materials and equipment purchased
10.19 or leased for use in elementary and secondary schools in teaching only those subjects
10.20 legally and commonly taught in public elementary and secondary schools in this state.
10.21 Equipment expenses qualifying for deduction includes expenses as defined and limited in
10.22 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
10.23 books and materials used in the teaching of religious tenets, doctrines, or worship, the
10.24 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
10.25 or materials for, or transportation to, extracurricular activities including sporting events,
10.26 musical or dramatic events, speech activities, driver's education, or similar programs. No
10.27 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or
10.28 the qualifying child's vehicle to provide such transportation for a qualifying child. For
10.29 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
10.30 given in section 32(c)(3) of the Internal Revenue Code;

10.31 (4) income as provided under section 290.0802;

10.32 (5) to the extent included in federal adjusted gross income, income realized on
10.33 disposition of property exempt from tax under section 290.491;

10.34 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)
10.35 of the Internal Revenue Code in determining federal taxable income by an individual
10.36 who does not itemize deductions for federal income tax purposes for the taxable year, an

11.1 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
11.2 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,
11.3 under the provisions of Public Law 109-1 and Public Law 111-126;

11.4 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not
11.5 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover
11.6 of subnational foreign taxes for the taxable year, but not to exceed the total subnational
11.7 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,
11.8 "federal foreign tax credit" means the credit allowed under section 27 of the Internal
11.9 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed
11.10 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to
11.11 the extent they exceed the federal foreign tax credit;

11.12 (8) in each of the five tax years immediately following the tax year in which an
11.13 addition is required under subdivision 19a, clause (7), or 19c, clause (12), in the case of a
11.14 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
11.15 delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount
11.16 of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c,
11.17 clause (12), in the case of a shareholder of an S corporation, minus the positive value of
11.18 any net operating loss under section 172 of the Internal Revenue Code generated for the
11.19 tax year of the addition. The resulting delayed depreciation cannot be less than zero;

11.20 (9) job opportunity building zone income as provided under section 469.316;

11.21 (10) to the extent included in federal taxable income, the amount of compensation
11.22 paid to members of the Minnesota National Guard or other reserve components of the
11.23 United States military for active service, excluding compensation for services performed
11.24 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active
11.25 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause
11.26 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision
11.27 5b, but "active service" excludes service performed in accordance with section 190.08,
11.28 subdivision 3;

11.29 (11) to the extent included in federal taxable income, the amount of compensation
11.30 paid to Minnesota residents who are members of the armed forces of the United States
11.31 or United Nations for active duty performed under United States Code, title 10; or the
11.32 authority of the United Nations;

11.33 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a
11.34 qualified donor's donation, while living, of one or more of the qualified donor's organs
11.35 to another person for human organ transplantation. For purposes of this clause, "organ"
11.36 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;

12.1 "human organ transplantation" means the medical procedure by which transfer of a human
12.2 organ is made from the body of one person to the body of another person; "qualified
12.3 expenses" means unreimbursed expenses for both the individual and the qualified donor
12.4 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
12.5 may be subtracted under this clause only once; and "qualified donor" means the individual
12.6 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An
12.7 individual may claim the subtraction in this clause for each instance of organ donation for
12.8 transplantation during the taxable year in which the qualified expenses occur;

12.9 (13) in each of the five tax years immediately following the tax year in which an
12.10 addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a
12.11 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
12.12 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the
12.13 case of a shareholder of a corporation that is an S corporation, minus the positive value of
12.14 any net operating loss under section 172 of the Internal Revenue Code generated for the
12.15 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a
12.16 subtraction is not allowed under this clause;

12.17 (14) to the extent included in the federal taxable income of a nonresident of
12.18 Minnesota, compensation paid to a service member as defined in United States Code, title
12.19 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief
12.20 Act, Public Law 108-189, section 101(2);

12.21 (15) to the extent included in federal taxable income, the amount of national service
12.22 educational awards received from the National Service Trust under United States Code,
12.23 title 42, sections 12601 to 12604, for service in an approved Americorps National Service
12.24 program;

12.25 (16) to the extent included in federal taxable income, discharge of indebtedness
12.26 income resulting from reacquisition of business indebtedness included in federal taxable
12.27 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
12.28 to the extent that the income was included in net income in a prior year as a result of the
12.29 addition under section 290.01, subdivision 19a, clause (16);

12.30 (17) the amount of the net operating loss allowed under section 290.095, subdivision
12.31 11, paragraph (c); ~~and~~

12.32 (18) the amount of expenses not allowed for federal income tax purposes due
12.33 to claiming the railroad track maintenance credit under section 45G(a) of the Internal
12.34 Revenue Code;

12.35 (19) the amount of the limitation on itemized deductions under section 68(b) of
12.36 the Internal Revenue Code; and

13.1 (20) the amount of the phaseout of personal exemptions under section 151(d) of the
13.2 Internal Revenue Code.

13.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
13.4 beginning after December 31, 2012.

13.5 Sec. 8. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision
13.6 to read:

13.7 Subd. 29a. **State itemized deduction.** The term "state itemized deduction" means
13.8 federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code,
13.9 disregarding any limitation under section 68 of the Internal Revenue Code, and reduced
13.10 by the amount of the addition required under subdivision 19a, clause (13).

13.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
13.12 beginning after December 31, 2012.

13.13 Sec. 9. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 31, is
13.14 amended to read:

13.15 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, for
13.16 taxable years beginning before January 1, 2012, and after December 31, 2012, "Internal
13.17 Revenue Code" means the Internal Revenue Code of 1986, as amended through April 14,
13.18 2011; and for taxable years beginning after December 31, 2011, and before January 1,
13.19 2013, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended
13.20 through January 3, 2013. Internal Revenue Code also includes any uncodified provision in
13.21 federal law that relates to provisions of the Internal Revenue Code that are incorporated
13.22 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,
13.23 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as
13.24 amended through March 18, 2010.

13.25 **EFFECTIVE DATE.** This section is effective the day following final enactment,
13.26 except the changes incorporated by federal changes are effective retroactively at the same
13.27 time the changes were effective for federal purposes.

13.28 Sec. 10. Minnesota Statutes 2013 Supplement, section 290.06, subdivision 2c, is
13.29 amended to read:

13.30 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income
13.31 taxes imposed by this chapter upon married individuals filing joint returns and surviving

14.1 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by
14.2 applying to their taxable net income the following schedule of rates:

- 14.3 (1) On the first \$35,480, 5.35 percent;
14.4 (2) On all over \$35,480, but not over \$140,960, 7.05 percent;
14.5 (3) On all over \$140,960, but not over \$250,000, 7.85 percent;
14.6 (4) On all over \$250,000, 9.85 percent.

14.7 Married individuals filing separate returns, estates, and trusts must compute their
14.8 income tax by applying the above rates to their taxable income, except that the income
14.9 brackets will be one-half of the above amounts.

14.10 (b) The income taxes imposed by this chapter upon unmarried individuals must be
14.11 computed by applying to taxable net income the following schedule of rates:

- 14.12 (1) On the first \$24,270, 5.35 percent;
14.13 (2) On all over \$24,270, but not over \$79,730, 7.05 percent;
14.14 (3) On all over \$79,730, but not over \$150,000, 7.85 percent;
14.15 (4) On all over \$150,000, 9.85 percent.

14.16 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying
14.17 as a head of household as defined in section 2(b) of the Internal Revenue Code must be
14.18 computed by applying to taxable net income the following schedule of rates:

- 14.19 (1) On the first \$29,880, 5.35 percent;
14.20 (2) On all over \$29,880, but not over \$120,070, 7.05 percent;
14.21 (3) On all over \$120,070, but not over \$200,000, 7.85 percent;
14.22 (4) On all over \$200,000, 9.85 percent.

14.23 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the
14.24 tax of any individual taxpayer whose taxable net income for the taxable year is less than
14.25 an amount determined by the commissioner must be computed in accordance with tables
14.26 prepared and issued by the commissioner of revenue based on income brackets of not
14.27 more than \$100. The amount of tax for each bracket shall be computed at the rates set
14.28 forth in this subdivision, provided that the commissioner may disregard a fractional part of
14.29 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

14.30 (e) An individual who is not a Minnesota resident for the entire year must compute
14.31 the individual's Minnesota income tax as provided in this subdivision. After the
14.32 application of the nonrefundable credits provided in this chapter, the tax liability must
14.33 then be multiplied by a fraction in which:

- 14.34 (1) the numerator is the individual's Minnesota source federal adjusted gross income
14.35 as defined in section 62 of the Internal Revenue Code and increased by the additions
14.36 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (11),

15.1 ~~and (12), (13), and (16) to (18)~~, and reduced by the Minnesota assignable portion of the
 15.2 subtraction for United States government interest under section 290.01, subdivision 19b,
 15.3 clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (8), (9),
 15.4 (13), (14), (16), and (17), after applying the allocation and assignability provisions of
 15.5 section 290.081, clause (a), or 290.17; and

15.6 (2) the denominator is the individual's federal adjusted gross income as defined in
 15.7 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in
 15.8 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (11), and (12), ~~(13), and~~
 15.9 ~~(16) to (18)~~, and reduced by the amounts specified in section 290.01, subdivision 19b,
 15.10 clauses (1), (8), (9), (13), (14), (16), and (17).

15.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 15.12 beginning after December 31, 2012.

15.13 Sec. 11. Minnesota Statutes 2012, section 290.067, subdivision 2a, is amended to read:

15.14 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of
 15.15 the following:

15.16 (1) federal adjusted gross income as defined in section 62 of the Internal Revenue
 15.17 Code; and

15.18 (2) the sum of the following amounts to the extent not included in clause (1):

15.19 (i) all nontaxable income;

15.20 (ii) the amount of a passive activity loss that is not disallowed as a result of section
 15.21 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity
 15.22 loss carryover allowed under section 469(b) of the Internal Revenue Code;

15.23 (iii) an amount equal to the total of any discharge of qualified farm indebtedness
 15.24 of a solvent individual excluded from gross income under section 108(g) of the Internal
 15.25 Revenue Code;

15.26 (iv) cash public assistance and relief;

15.27 (v) any pension or annuity (including railroad retirement benefits, all payments
 15.28 received under the federal Social Security Act, supplemental security income, and veterans
 15.29 benefits), which was not exclusively funded by the claimant or spouse, or which was
 15.30 funded exclusively by the claimant or spouse and which funding payments were excluded
 15.31 from federal adjusted gross income in the years when the payments were made;

15.32 (vi) interest received from the federal or a state government or any instrumentality
 15.33 or political subdivision thereof;

15.34 (vii) workers' compensation;

15.35 (viii) nontaxable strike benefits;

16.1 (ix) the gross amounts of payments received in the nature of disability income or
 16.2 sick pay as a result of accident, sickness, or other disability, whether funded through
 16.3 insurance or otherwise;

16.4 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
 16.5 1986, as amended through December 31, 1995;

16.6 (xi) contributions made by the claimant to an individual retirement account,
 16.7 including a qualified voluntary employee contribution; simplified employee pension plan;
 16.8 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)
 16.9 of the Internal Revenue Code; or deferred compensation plan under section 457 of the
 16.10 Internal Revenue Code;

16.11 (xii) nontaxable scholarship or fellowship grants;

16.12 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue
 16.13 Code;

16.14 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal
 16.15 Revenue Code;

16.16 (xv) the amount of ~~deducted for~~ tuition expenses required to be added to income
 16.17 under section 290.01, subdivision 19a, clause (12) under section 222 of the Internal
 16.18 Revenue Code; and

16.19 (xvi) the amount deducted for certain expenses of elementary and secondary school
 16.20 teachers under section 62(a)(2)(D) of the Internal Revenue Code; ~~and~~

16.21 ~~(xvii) unemployment compensation.~~

16.22 In the case of an individual who files an income tax return on a fiscal year basis, the
 16.23 term "federal adjusted gross income" means federal adjusted gross income reflected in the
 16.24 fiscal year ending in the next calendar year. Federal adjusted gross income may not be
 16.25 reduced by the amount of a net operating loss carryback or carryforward or a capital loss
 16.26 carryback or carryforward allowed for the year.

16.27 (b) "Income" does not include:

16.28 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

16.29 (2) amounts of any pension or annuity that were exclusively funded by the claimant
 16.30 or spouse if the funding payments were not excluded from federal adjusted gross income
 16.31 in the years when the payments were made;

16.32 (3) surplus food or other relief in kind supplied by a governmental agency;

16.33 (4) relief granted under chapter 290A;

16.34 (5) child support payments received under a temporary or final decree of dissolution
 16.35 or legal separation; and

17.1 (6) restitution payments received by eligible individuals and excludable interest as
17.2 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of
17.3 2001, Public Law 107-16.

17.4 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
17.5 beginning after December 31, 2012.

17.6 Sec. 12. Minnesota Statutes 2012, section 290.0671, subdivision 1, is amended to read:

17.7 Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax
17.8 imposed by this chapter equal to a percentage of earned income. To receive a credit, a
17.9 taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

17.10 (b) For individuals with no qualifying children, the credit equals 1.9125 percent of
17.11 the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned
17.12 income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no
17.13 case is the credit less than zero.

17.14 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first
17.15 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than
17.16 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,
17.17 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

17.18 (d) For individuals with two or more qualifying children, the credit equals ten percent
17.19 of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less
17.20 than \$16,800. The credit is reduced by 10.3 percent of earned income or adjusted gross
17.21 income, whichever is greater, in excess of \$17,890, but in no case is the credit less than zero.

17.22 (e) For a nonresident or part-year resident, the credit must be allocated based on the
17.23 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

17.24 (f) For a person who was a resident for the entire tax year and has earned income
17.25 not subject to tax under this chapter, including income excluded under section 290.01,
17.26 subdivision 19b, clause (9), the credit must be allocated based on the ratio of federal
17.27 adjusted gross income reduced by the earned income not subject to tax under this chapter
17.28 over federal adjusted gross income. For purposes of this paragraph, the subtractions
17.29 for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not
17.30 considered "earned income not subject to tax under this chapter."

17.31 For the purposes of this paragraph, the exclusion of combat pay under section 112
17.32 of the Internal Revenue Code is not considered "earned income not subject to tax under
17.33 this chapter."

17.34 (g) For tax years beginning after December 31, 2007, and before December 31,
17.35 2010, and for tax years beginning after December 31, 2017, the \$5,770 in paragraph (b),

18.1 the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for
18.2 inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint
18.3 returns. For tax years beginning after December 31, 2008, the commissioner shall annually
18.4 adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f)
18.5 of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be
18.6 substituted for the word "1992." For 2009, the commissioner shall then determine the
18.7 percent change from the 12 months ending on August 31, 2007, to the 12 months ending on
18.8 August 31, 2008, and in each subsequent year, from the 12 months ending on August 31,
18.9 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The
18.10 earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the
18.11 amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the
18.12 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

18.13 (h) For tax years beginning after December 31, 2010, and before January 1, 2012,
18.14 and for tax years beginning after December 31, 2012, and before January 1, 2018, the
18.15 \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph
18.16 (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000
18.17 for married taxpayers filing joint returns. For tax years beginning after December 31,
18.18 2010, and before January 1, 2012, and for tax years beginning after December 31, 2012,
18.19 and before January 1, 2018, the commissioner shall annually adjust the \$5,000 by the
18.20 percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue
18.21 Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word
18.22 "1992." For 2011, the commissioner shall then determine the percent change from the 12
18.23 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in
18.24 each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months
18.25 ending on August 31 of the year preceding the taxable year. The earned income thresholds
18.26 as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the
18.27 amount is rounded up to the nearest \$10. The determination of the commissioner under
18.28 this subdivision is not a rule under the Administrative Procedure Act.

18.29 (i) The commissioner shall construct tables showing the amount of the credit at
18.30 various income levels and make them available to taxpayers. The tables shall follow
18.31 the schedule contained in this subdivision, except that the commissioner may graduate
18.32 the transition between income brackets.

18.33 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
18.34 beginning after December 31, 2012.

18.35 Sec. 13. Minnesota Statutes 2012, section 290.0675, subdivision 1, is amended to read:

19.1 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms
19.2 have the meanings given.

19.3 (b) "Earned income" means the sum of the following, to the extent included in
19.4 Minnesota taxable income:

19.5 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

19.6 (2) income received from a retirement pension, profit-sharing, stock bonus, or
19.7 annuity plan; and

19.8 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue
19.9 Code.

19.10 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

19.11 (d) "Earned income of lesser-earning spouse" means the earned income of the
19.12 spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable
19.13 year minus the sum of (i) the amount for one exemption under section 151(d) of the
19.14 Internal Revenue Code and (ii) one-half the amount of the standard deduction under
19.15 section 63(c)(2)(A) and (4) of the Internal Revenue Code ~~minus one-half of any addition~~
19.16 ~~required under section 290.01, subdivision 19a, clause (21), and one-half of the addition~~
19.17 ~~that would have been required under section 290.01, subdivision 19a, clause (21), if the~~
19.18 ~~taxpayer had claimed the standard deduction.~~

19.19 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
19.20 beginning after December 31, 2012.

19.21 Sec. 14. Minnesota Statutes 2013 Supplement, section 290.091, subdivision 2, is
19.22 amended to read:

19.23 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following
19.24 terms have the meanings given:

19.25 (a) "Alternative minimum taxable income" means the sum of the following for
19.26 the taxable year:

19.27 (1) the taxpayer's federal alternative minimum taxable income as defined in section
19.28 55(b)(2) of the Internal Revenue Code;

19.29 (2) the taxpayer's itemized deductions allowed in computing federal alternative
19.30 minimum taxable income, but excluding:

19.31 (i) the charitable contribution deduction under section 170 of the Internal Revenue
19.32 Code;

19.33 (ii) the medical expense deduction;

19.34 (iii) the casualty, theft, and disaster loss deduction; and

19.35 (iv) the impairment-related work expenses of a disabled person;

20.1 (3) for depletion allowances computed under section 613A(c) of the Internal
 20.2 Revenue Code, with respect to each property (as defined in section 614 of the Internal
 20.3 Revenue Code), to the extent not included in federal alternative minimum taxable income,
 20.4 the excess of the deduction for depletion allowable under section 611 of the Internal
 20.5 Revenue Code for the taxable year over the adjusted basis of the property at the end of the
 20.6 taxable year (determined without regard to the depletion deduction for the taxable year);

20.7 (4) to the extent not included in federal alternative minimum taxable income, the
 20.8 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the
 20.9 Internal Revenue Code determined without regard to subparagraph (E);

20.10 (5) to the extent not included in federal alternative minimum taxable income, the
 20.11 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

20.12 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)
 20.13 to (9), (11), and (12), ~~(13), and (16) to (18)~~;

20.14 less the sum of the amounts determined under the following:

20.15 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

20.16 (2) an overpayment of state income tax as provided by section 290.01, subdivision
 20.17 19b, clause (2), to the extent included in federal alternative minimum taxable income;

20.18 (3) the amount of investment interest paid or accrued within the taxable year on
 20.19 indebtedness to the extent that the amount does not exceed net investment income, as
 20.20 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
 20.21 amounts deducted in computing federal adjusted gross income;

20.22 (4) amounts subtracted from federal taxable income as provided by section 290.01,
 20.23 subdivision 19b, clauses (6), (8) to (14), and (16); and

20.24 (5) the amount of the net operating loss allowed under section 290.095, subdivision
 20.25 11, paragraph (c).

20.26 In the case of an estate or trust, alternative minimum taxable income must be
 20.27 computed as provided in section 59(c) of the Internal Revenue Code.

20.28 (b) "Investment interest" means investment interest as defined in section 163(d)(3)
 20.29 of the Internal Revenue Code.

20.30 (c) "Net minimum tax" means the minimum tax imposed by this section.

20.31 (d) "Regular tax" means the tax that would be imposed under this chapter (without
 20.32 regard to this section and section 290.032), reduced by the sum of the nonrefundable
 20.33 credits allowed under this chapter.

20.34 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable
 20.35 income after subtracting the exemption amount determined under subdivision 3.

21.1 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 21.2 beginning after December 31, 2012.

21.3 Sec. 15. Minnesota Statutes 2013 Supplement, section 290A.03, subdivision 15,
 21.4 is amended to read:

21.5 Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1,~~
 21.6 ~~2012, and after December 31, 2012,~~ "Internal Revenue Code" means the Internal Revenue
 21.7 Code of 1986, as amended through April 14, 2011; ~~and for taxable years beginning after~~
 21.8 ~~December 31, 2011, and before January 1, 2013,~~ "Internal Revenue Code" means the
 21.9 Internal Revenue Code of 1986, as amended through January 3, 2013.

21.10 **EFFECTIVE DATE.** This section is effective retroactively for property tax refunds
 21.11 based on property taxes payable after December 31, 2013, and rent paid after December
 21.12 31, 2012.

21.13 Sec. 16. Minnesota Statutes 2013 Supplement, section 291.005, subdivision 1, is
 21.14 amended to read:

21.15 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following
 21.16 terms used in this chapter shall have the following meanings:

21.17 (1) "Commissioner" means the commissioner of revenue or any person to whom the
 21.18 commissioner has delegated functions under this chapter.

21.19 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued
 21.20 and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

21.21 (3) "Internal Revenue Code" means the United States Internal Revenue Code of
 21.22 1986, as amended through January 3, 2013, but without regard to the provisions of section
 21.23 2011, paragraph (f), of the Internal Revenue Code.

21.24 (4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as
 21.25 defined by section 2011(b)(3) of the Internal Revenue Code, plus

21.26 (i) the amount of deduction for state death taxes allowed under section 2058 of
 21.27 the Internal Revenue Code; less

21.28 ~~(ii) the amount of taxable gifts, as defined in section 292.16, and made by the~~
 21.29 ~~decedent within three years of the decedent's date of death; less~~

21.30 ~~(iii) (ii)(A) the value of qualified small business property under section 291.03,~~
 21.31 ~~subdivision 9, and the value of qualified farm property under section 291.03, subdivision~~
 21.32 ~~10, or (B) \$4,000,000, whichever is less.~~

21.33 (5) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
 21.34 excluding therefrom any property included therein which has its situs outside Minnesota,

22.1 and (b) including therein any property omitted from the federal gross estate which is
22.2 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing
22.3 authorities.

22.4 (6) "Nonresident decedent" means an individual whose domicile at the time of
22.5 death was not in Minnesota.

22.6 (7) "Personal representative" means the executor, administrator or other person
22.7 appointed by the court to administer and dispose of the property of the decedent. If there
22.8 is no executor, administrator or other person appointed, qualified, and acting within this
22.9 state, then any person in actual or constructive possession of any property having a situs in
22.10 this state which is included in the federal gross estate of the decedent shall be deemed
22.11 to be a personal representative to the extent of the property and the Minnesota estate tax
22.12 due with respect to the property.

22.13 (8) "Resident decedent" means an individual whose domicile at the time of death
22.14 was in Minnesota.

22.15 (9) "Situs of property" means, with respect to:

22.16 (i) real property, the state or country in which it is located;

22.17 (ii) tangible personal property, the state or country in which it was normally kept
22.18 or located at the time of the decedent's death ~~or for a gift of tangible personal property~~
22.19 ~~within three years of death, the state or country in which it was normally kept or located~~
22.20 ~~when the gift was executed; and~~

22.21 (iii) intangible personal property, the state or country in which the decedent was
22.22 domiciled at death ~~or for a gift of intangible personal property within three years of death,~~
22.23 ~~the state or country in which the decedent was domiciled when the gift was executed.~~

22.24 For a nonresident decedent with an ownership interest in a pass-through entity
22.25 with assets that include real or tangible personal property, situs of the real or tangible
22.26 personal property is determined as if the pass-through entity does not exist and the real
22.27 or tangible personal property is personally owned by the decedent. If the pass-through
22.28 entity is owned by a person or persons in addition to the decedent, ownership of the
22.29 property is attributed to the decedent in proportion to the decedent's capital ownership
22.30 share of the pass-through entity.

22.31 (10) "Pass-through entity" includes the following:

22.32 (i) an entity electing S corporation status under section 1362 of the Internal Revenue
22.33 Code;

22.34 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

23.1 (iii) a single-member limited liability company or similar entity, regardless of
 23.2 whether it is taxed as an association or is disregarded for federal income tax purposes
 23.3 under Code of Federal Regulations, title 26, section 301.7701-3; or

23.4 (iv) a trust to the extent the property is includible in the decedent's federal gross estate.

23.5 **EFFECTIVE DATE.** This section is effective retroactively for gifts made after
 23.6 June 30, 2013.

23.7 Sec. 17. Minnesota Statutes 2013 Supplement, section 291.03, subdivision 1, is
 23.8 amended to read:

23.9 Subdivision 1. **Tax amount.** (a) The tax imposed shall be an amount equal to the
 23.10 proportion of the maximum credit for state death taxes computed under section 2011 of
 23.11 the Internal Revenue Code, but using Minnesota adjusted taxable estate instead of federal
 23.12 adjusted taxable estate, as the Minnesota gross estate bears to the value of the federal
 23.13 gross estate. The tax is reduced by:

23.14 ~~(1) the gift tax paid by the decedent under section 292.17 on gifts included in the~~
 23.15 ~~Minnesota adjusted taxable estate and not subtracted as qualified farm or small business~~
 23.16 ~~property; and~~

23.17 ~~(2) any credit allowed under subdivision 1c.~~

23.18 (b) The tax determined under this subdivision must not be greater than the sum of
 23.19 the following amounts multiplied by a fraction, the numerator of which is the Minnesota
 23.20 gross estate and the denominator of which is the federal gross estate:

23.21 (1) the rates and brackets under section 2001(c) of the Internal Revenue Code
 23.22 multiplied by the sum of:

23.23 (i) the taxable estate, as defined under section 2051 of the Internal Revenue Code; plus

23.24 (ii) adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue
 23.25 Code; less

23.26 (iii) the lesser of (A) the sum of the value of qualified small business property
 23.27 under subdivision 9, and the value of qualified farm property under subdivision 10, or
 23.28 (B) \$4,000,000; less

23.29 (2) the amount of tax allowed under section 2001(b)(2) of the Internal Revenue
 23.30 Code; and less

23.31 (3) the federal credit allowed under section 2010 of the Internal Revenue Code.

23.32 (c) For purposes of this subdivision, "Internal Revenue Code" means the Internal
 23.33 Revenue Code of 1986, as amended through December 31, 2000.

24.1 **EFFECTIVE DATE.** This section is effective retroactively for gifts made after
24.2 June 30, 2013.

24.3 Sec. 18. Minnesota Statutes 2013 Supplement, section 297A.61, subdivision 3, is
24.4 amended to read:

24.5 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited
24.6 to, each of the transactions listed in this subdivision. In applying the provisions of this
24.7 chapter, the terms "tangible personal property" and "retail sale" include the taxable
24.8 services listed in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision
24.9 of these taxable services, unless specifically provided otherwise. Services performed by
24.10 an employee for an employer are not taxable. Services performed by a partnership or
24.11 association for another partnership or association are not taxable if one of the entities owns
24.12 or controls more than 80 percent of the voting power of the equity interest in the other
24.13 entity. Services performed between members of an affiliated group of corporations are not
24.14 taxable. For purposes of the preceding sentence, "affiliated group of corporations" means
24.15 those entities that would be classified as members of an affiliated group as defined under
24.16 United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

24.17 (b) Sale and purchase include:

24.18 (1) any transfer of title or possession, or both, of tangible personal property, whether
24.19 absolutely or conditionally, for a consideration in money or by exchange or barter; and

24.20 (2) the leasing of or the granting of a license to use or consume, for a consideration
24.21 in money or by exchange or barter, tangible personal property, other than a manufactured
24.22 home used for residential purposes for a continuous period of 30 days or more.

24.23 (c) Sale and purchase include the production, fabrication, printing, or processing of
24.24 tangible personal property for a consideration for consumers who furnish either directly or
24.25 indirectly the materials used in the production, fabrication, printing, or processing.

24.26 (d) Sale and purchase include the preparing for a consideration of food.

24.27 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
24.28 to, the following:

24.29 (1) prepared food sold by the retailer;

24.30 (2) soft drinks;

24.31 (3) candy;

24.32 (4) dietary supplements; and

24.33 (5) all food sold through vending machines.

24.34 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
24.35 gas, water, or steam for use or consumption within this state.

25.1 (f) A sale and a purchase includes the transfer for a consideration of prewritten
25.2 computer software whether delivered electronically, by load and leave, or otherwise.

25.3 (g) A sale and a purchase includes the furnishing for a consideration of the following
25.4 services:

25.5 (1) the privilege of admission to places of amusement, recreational areas, or athletic
25.6 events, and the making available of amusement devices, tanning facilities, reducing
25.7 salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities;

25.8 (2) lodging and related services by a hotel, rooming house, resort, campground,
25.9 motel, or trailer camp, including furnishing the guest of the facility with access to
25.10 telecommunication services, and the granting of any similar license to use real property in
25.11 a specific facility, other than the renting or leasing of it for a continuous period of 30 days
25.12 or more under an enforceable written agreement that may not be terminated without prior
25.13 notice and including accommodations intermediary services provided in connection with
25.14 other services provided under this clause;

25.15 (3) nonresidential parking services, whether on a contractual, hourly, or other
25.16 periodic basis, except for parking at a meter;

25.17 (4) the granting of membership in a club, association, or other organization if:

25.18 (i) the club, association, or other organization makes available for the use of its
25.19 members sports and athletic facilities, without regard to whether a separate charge is
25.20 assessed for use of the facilities; and

25.21 (ii) use of the sports and athletic facility is not made available to the general public
25.22 on the same basis as it is made available to members.

25.23 Granting of membership means both onetime initiation fees and periodic membership
25.24 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
25.25 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
25.26 swimming pools; and other similar athletic or sports facilities;

25.27 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate
25.28 material used in road construction; and delivery of concrete block by a third party if the
25.29 delivery would be subject to the sales tax if provided by the seller of the concrete block.

25.30 For purposes of this clause, "road construction" means construction of:

25.31 (i) public roads;

25.32 (ii) cartways; and

25.33 (iii) private roads in townships located outside of the seven-county metropolitan area
25.34 up to the point of the emergency response location sign; and

25.35 (6) services as provided in this clause:

26.1 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,
26.2 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,
26.3 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not
26.4 include services provided by coin operated facilities operated by the customer;

26.5 (ii) motor vehicle washing, waxing, and cleaning services, including services
26.6 provided by coin operated facilities operated by the customer, and rustproofing,
26.7 undercoating, and towing of motor vehicles;

26.8 (iii) building and residential cleaning, maintenance, and disinfecting services and
26.9 pest control and exterminating services;

26.10 (iv) detective, security, burglar, fire alarm, and armored car services; but not
26.11 including services performed within the jurisdiction they serve by off-duty licensed peace
26.12 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit
26.13 organization or any organization at the direction of a county for monitoring and electronic
26.14 surveillance of persons placed on in-home detention pursuant to court order or under the
26.15 direction of the Minnesota Department of Corrections;

26.16 (v) pet grooming services;

26.17 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting
26.18 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor
26.19 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land
26.20 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for
26.21 public utility lines. Services performed under a construction contract for the installation of
26.22 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

26.23 (vii) massages, except when provided by a licensed health care facility or
26.24 professional or upon written referral from a licensed health care facility or professional for
26.25 treatment of illness, injury, or disease; and

26.26 (viii) the furnishing of lodging, board, and care services for animals in kennels and
26.27 other similar arrangements, but excluding veterinary and horse boarding services.

26.28 (h) A sale and a purchase includes the furnishing for a consideration of tangible
26.29 personal property or taxable services by the United States or any of its agencies or
26.30 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political
26.31 subdivisions.

26.32 (i) A sale and a purchase includes the furnishing for a consideration of
26.33 telecommunications services, ancillary services associated with telecommunication
26.34 services, and pay television services. Telecommunication services include, but are
26.35 not limited to, the following services, as defined in section 297A.669: air-to-ground
26.36 radiotelephone service, mobile telecommunication service, postpaid calling service,

27.1 prepaid calling service, prepaid wireless calling service, and private communication
 27.2 services. The services in this paragraph are taxed to the extent allowed under federal law.

27.3 (j) A sale and a purchase includes the furnishing for a consideration of installation if
 27.4 the installation charges would be subject to the sales tax if the installation were provided
 27.5 by the seller of the item being installed.

27.6 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
 27.7 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
 27.8 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
 27.9 59B.02, subdivision 11.

27.10 (l) A sale and a purchase includes furnishing for a consideration of specified digital
 27.11 products or other digital products or granting the right for a consideration to use specified
 27.12 digital products or other digital products on a temporary or permanent basis and regardless
 27.13 of whether the purchaser is required to make continued payments for such right. Wherever
 27.14 the term "tangible personal property" is used in this chapter, other than in subdivisions 10
 27.15 and 38, the provisions also apply to specified digital products, or other digital products,
 27.16 unless specifically provided otherwise or the context indicates otherwise.

27.17 ~~(m) A sale and purchase includes the furnishing for consideration of the following~~
 27.18 ~~services:~~

27.19 ~~(1) repairing and maintaining electronic and precision equipment, which service can~~
 27.20 ~~be deducted as a business expense under the Internal Revenue Code. This includes, but~~
 27.21 ~~is not limited to, repair or maintenance of electronic devices, computers and computer~~
 27.22 ~~peripherals, monitors, computer terminals, storage devices, and CD-ROM drives; other~~
 27.23 ~~office equipment such as photocopying machines, printers, and facsimile machines;~~
 27.24 ~~televisions, stereos, sound systems, video or digital recorders and players; two-way radios~~
 27.25 ~~and other communications equipment; radar and sonar equipment, scientific instruments,~~
 27.26 ~~microscopes, and medical equipment;~~

27.27 ~~(2) repairing and maintaining commercial and industrial machinery and equipment.~~
 27.28 ~~For purposes of this subdivision, the following items are not commercial or industrial~~
 27.29 ~~machinery and equipment: (i) motor vehicles; (ii) furniture and fixtures; (iii) ships; (iv)~~
 27.30 ~~railroad stock; and (v) aircraft; and~~

27.31 ~~(3) warehousing or storage services for tangible personal property, excluding:~~

27.32 ~~(i) agricultural products;~~

27.33 ~~(ii) refrigerated storage;~~

27.34 ~~(iii) electronic data; and~~

27.35 ~~(iv) self-storage services and storage of motor vehicles, recreational vehicles, and~~
 27.36 ~~boats, not eligible to be deducted as a business expense under the Internal Revenue Code.~~

28.1 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
 28.2 made after June 30, 2013. Any person that paid tax on purchases under the stricken
 28.3 paragraph (m) after June 30, 2013, may apply for a direct refund. If the purchaser qualifies
 28.4 for applying for a refund under section 289A.50, subdivision 2a, they must file under that
 28.5 provision; all others may apply for a direct refund under section 20.

28.6 Sec. 19. Minnesota Statutes 2012, section 297A.68, is amended by adding a
 28.7 subdivision to read:

28.8 Subd. 45. **Telecommunications and pay television services machinery and**
 28.9 **equipment.** (a) Telecommunications or pay television services machinery and equipment
 28.10 purchased or leased for use directly by a telecommunications or pay television service
 28.11 provider primarily in the provision of telecommunications or pay television services
 28.12 that are ultimately to be sold at retail are exempt, regardless of whether purchased by
 28.13 the owner, a contractor, or a subcontractor.

28.14 (b) For purposes of this subdivision, "telecommunications or pay television services
 28.15 machinery and equipment" includes, but is not limited to:

28.16 (1) machinery, equipment, and fixtures utilized in receiving, initiating,
 28.17 amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring
 28.18 telecommunications or pay television services, such as computers, transformers, amplifiers,
 28.19 routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

28.20 (2) machinery, equipment, and fixtures used in the transportation of
 28.21 telecommunications or pay television services, radio transmitters and receivers, satellite
 28.22 equipment, microwave equipment, and other transporting media, but not wire, cable,
 28.23 fiber, poles, or conduit;

28.24 (3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or
 28.25 enable the machinery in clauses (1) and (2) to accomplish its intended function, such as
 28.26 auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning
 28.27 equipment necessary to the operation of the telecommunications or pay television services
 28.28 equipment, and software necessary to the operation of the telecommunications or pay
 28.29 television services equipment; and

28.30 (4) repair and replacement parts, including accessories, whether purchased as spare
 28.31 parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

28.32 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
 28.33 made after June 30, 2013.

28.34 Sec. 20. **SALES TAX; TEMPORARY REFUND MECHANISM.**

29.1 Any purchaser that paid sales tax on items under the stricken paragraph (m) of
29.2 Minnesota Statutes, section 297A.61, subdivision 3, that may not file for a refund
29.3 under Minnesota Statutes, section 289A.50, subdivision 2a, may apply directly to the
29.4 commissioner of revenue for a refund under this section. This provision only applies to
29.5 sales made after June 30, 2013, and before July 1, 2014. The application must be made on
29.6 forms prescribed by the commissioner and the purchaser may make only one application
29.7 for the entire period. Interest on the refund shall be paid at the rate in Minnesota Statutes,
29.8 section 270C.405, from 90 days after the refund claim is filed with the commissioner
29.9 of revenue. The amount required to make the refunds is annually appropriated to the
29.10 commissioner of revenue.

29.11 Sec. 21. **REPEALER.**

29.12 Minnesota Statutes 2013 Supplement, sections 292.16; 292.17; 292.18; 292.19;
29.13 292.20; and 292.21, are repealed.

29.14 **EFFECTIVE DATE.** This section is effective for gifts made after June 30, 2013.

292.16 DEFINITIONS.

- (a) For purposes of this chapter, the following definitions apply.
- (b) The definitions of terms defined in section 291.005 apply.
- (c) "Resident" has the meaning given in section 290.01, subdivision 7, paragraph (a).
- (d) "Taxable gifts" means:
 - (1) the transfers by gift which are included in taxable gifts for federal gift tax purposes under the following sections of the Internal Revenue Code:
 - (i) section 2503;
 - (ii) sections 2511 to 2514; and
 - (iii) sections 2516 to 2519; less
 - (2) the deductions allowed in sections 2522 to 2524 of the Internal Revenue Code.

292.17 GIFT TAX.

Subdivision 1. **Imposition.** (a) A tax is imposed on the transfer of property by gift by any individual resident or nonresident in an amount equal to ten percent of the amount of the taxable gift.

(b) The donor is liable for payment of the tax. If the gift tax is not paid when due, the donee of any gift is personally liable for the tax to the extent of the value of the gift.

Subd. 2. **Lifetime credit.** A credit is allowed against the tax imposed under this section equal to \$100,000. This credit applies to the cumulative amount of taxable gifts made by the donor during the donor's lifetime.

Subd. 3. **Out-of-state gifts.** Taxable gifts exclude the transfer of:

- (1) real property located outside of this state;
- (2) tangible personal property that was normally kept at a location outside of the state on the date the gift was executed; and
- (3) intangible personal property made by an individual who is not a resident at the time the gift was executed.

292.18 RETURNS.

(a) Any individual who makes a taxable gift during the taxable year shall file a gift tax return in the form and manner prescribed by the commissioner.

(b) If the donor dies before filing the return, the executor of the donor's will or the administrator of the donor's estate shall file the return. If the donor becomes legally incompetent before filing the return, the guardian or conservator shall file the return.

(c) The return must include:

- (1) each gift made during the calendar year which is to be included in computing the taxable gifts;
- (2) the deductions claimed and allowable under section 292.16, paragraph (d), clause (2);
- (3) a description of the gift, and the donee's name, address, and Social Security number;
- (4) the fair market value of gifts not made in money; and
- (5) any other information the commissioner requires to administer the gift tax.

292.19 FILING REQUIREMENTS.

Gift tax returns must be filed by the April 15 following the close of the calendar year, except if a gift is made during the calendar year in which the donor dies, the return for the donor must be filed by the last date, including extensions, for filing the gift tax return for federal gift tax purposes for the donor.

292.20 APPRAISAL OF PROPERTY; DECLARATION BY DONOR.

The commissioner may require the donor or the donee to show the property subject to the tax under section 292.17 to the commissioner upon demand and may employ a suitable person to appraise the property. The donor shall submit a declaration, in a form prescribed by the commissioner and including any certification required by the commissioner, that the property

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shown by the donor on the gift tax return includes all of the property transferred by gift for the calendar year and not deductible under section 292.16, paragraph (d), clause (2).

292.21 ADMINISTRATIVE PROVISIONS.

Subdivision 1. **Payment of tax; penalty for late payment.** The tax imposed under section 292.17 is due and payable to the commissioner by the April 15 following the close of the calendar year during which the gift was made. The return required under section 292.19 must be included with the payment. If a taxable gift is made during the calendar year in which the donor dies, the due date is the last date, including extensions, for filing the gift tax return for federal gift tax purposes for the donor. If any person fails to pay the tax due within the time specified under this section, a penalty applies equal to ten percent of the amount due and unpaid or \$100, whichever is greater. The unpaid tax and penalty bear interest at the rate under section 270C.40 from the due date of the return.

Subd. 2. **Extensions.** The commissioner may, for good cause, extend the time for filing a gift tax return, if a written request is filed with a tentative return accompanied by a payment of the tax, which is estimated in the tentative return, on or before the last day for filing the return. Any person to whom an extension is granted must pay, in addition to the tax, interest at the rate under section 270C.40 from the date on which the tax would have been due without the extension.

Subd. 3. **Changes in federal gift tax.** If the amount of a taxpayer's taxable gifts for federal gift tax purposes, as reported on the taxpayer's federal gift tax return for any calendar year, is changed or corrected by the Internal Revenue Service or other officer of the United States or other competent authority, the taxpayer shall report the change or correction in federal taxable gifts within 180 days after the final determination of the change or correction, and concede the accuracy of the determination or provide a letter detailing how the federal determination is incorrect or does not change the Minnesota gift tax. Any taxpayer filing an amended federal gift tax return shall also file within 180 days an amended return under this chapter and shall include any information the commissioner requires. The time for filing the report or amended return may be extended by the commissioner upon due cause shown. Notwithstanding any limitation of time in this chapter, if, upon examination, the commissioner finds that the taxpayer is liable for the payment of an additional tax, the commissioner shall, within a reasonable time from the receipt of the report or amended return, notify the taxpayer of the amount of additional tax, together with interest computed at the rate under section 270C.40 from the date when the original tax was due and payable. Within 30 days of the mailing of the notice, the taxpayer shall pay the commissioner the amount of the additional tax and interest. If, upon examination of the report or amended return and related information, the commissioner finds that the taxpayer has overpaid the tax due the state, the commissioner shall refund the overpayment to the taxpayer.

Subd. 4. **Application of federal rules.** In administering the tax under this chapter, the commissioner shall apply the provisions of sections 2701 to 2704 of the Internal Revenue Code. The words "secretary or his delegate," as used in those sections of the Internal Revenue Code, mean the commissioner.