

SENATE

STATE OF MINNESOTA

EIGHTY-EIGHTH SESSION

S.F. No. 2693

(SENATE AUTHORS: SKOE, Hoffman, Jensen, Clausen and Schmit)

DATE	D-PG	OFFICIAL STATUS
03/17/2014	6277	Introduction and first reading Referred to Taxes

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A bill for an act relating to taxation; providing tax relief; making changes to various income and franchise, estate and gift, sales and use, and miscellaneous tax provisions; appropriating money; amending Minnesota Statutes 2012, sections 116J.8737, subdivisions 5, 12; 272.03, subdivision 1; 289A.02, subdivision 7; 289A.18, subdivision 3; 290.01, subdivision 19a, by adding a subdivision; 290.067, subdivision 2a, by adding a subdivision; 290.0671, subdivision 1; 290.0674, subdivision 2; 291.03, by adding a subdivision; 297A.67, by adding a subdivision; 297A.68, by adding a subdivision; Minnesota Statutes 2013 Supplement, sections 289A.10, subdivision 1; 290.01, subdivisions 19, 19b, 31; 290A.03, subdivision 15; 291.005, subdivision 1; 291.03, subdivision 1; 297A.61, subdivision 3; 297A.68, subdivision 5; 297A.70, subdivisions 2, 13, 14; proposing coding for new law in Minnesota Statutes, chapters 291; 477A; repealing Minnesota Statutes 2012, sections 290.067, subdivisions 2, 2a, 2b; 291.03, subdivision 1b; Minnesota Statutes 2013 Supplement, sections 291.03, subdivision 1c; 292.16; 292.17; 292.18; 292.19; 292.20; 292.21; 297A.61, subdivision 57.

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

1.18

ARTICLE 1

1.19

INCOME TAX RELIEF

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Section 1. Minnesota Statutes 2012, section 289A.02, subdivision 7, is amended to read:

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Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through April 14, 2011 December 31, 2013.

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

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Sec. 2. Minnesota Statutes 2013 Supplement, 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 ~~April 14, 2011~~ December 31, 2013, shall be in effect for taxable years beginning after December 31, 1996, ~~and before January 1, 2012, and for taxable years beginning after December 31, 2012.~~ The Internal Revenue Code of 1986, as amended through January 3, 2013, is in effect for ~~taxable years beginning after December 31, 2011, and before January 1, 2013.~~

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

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 following final enactment except that the changes incorporated by federal changes are effective retroactively from the same time the changes became effective for federal purposes.

Sec. 3. Minnesota Statutes 2012, 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

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

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

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

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

(2) the amount of income, or sales and use, ~~motor vehicle sales, or excise taxes~~ paid or accrued within the taxable year under this chapter ~~and~~ or chapter 297A, the amount of taxes based on net income paid, or sales and use, ~~motor vehicle sales, or excise taxes~~ paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the ~~itemized deductions as allowed under section 63(d) of the Internal Revenue Code~~ state itemized deduction exceeds the amount of the

standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code, minus any addition that would have been required under clause (21) if the taxpayer had claimed the standard deduction. For the purpose of this paragraph, ~~the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed~~ income and sales and use taxes are the last itemized deductions disallowed under clause (19) or subdivision 29a, paragraph (b);

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

(4) the amount of income taxes paid or accrued within the taxable year under this chapter and taxes based on net income paid to any other state or any province or territory of Canada, to the extent allowed as a deduction in determining federal adjusted gross income. For the purpose of this paragraph, income taxes do not include the taxes imposed 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) 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) for taxable years beginning before January 1, 2010, 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) for taxable years beginning before January 1, 2010, 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;

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

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

(19) to the extent included in the computation of federal taxable income in taxable years beginning after December 31, 2010, and before January 1, 2014, the amount of disallowed itemized deductions, but the amount of disallowed itemized deductions plus the addition required under clause (2) may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, ~~disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code~~, and reduced by any addition that would have been required under clause (21) if the taxpayer had claimed the standard deduction:

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

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

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

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

(A) such dollar amount, multiplied by

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

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

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

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

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

(20) to the extent included in federal taxable income in taxable years beginning after December 31, 2010, and before January 1, 2014, the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount:

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

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

(iii) the term "threshold amount" means:

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

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

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

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

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

(A) such dollar amount, multiplied by

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

(21) to the extent deducted in the computation of federal taxable income, for taxable years beginning after December 31, 2010, and before January 1, ~~2013~~ 2014, the difference between the standard deduction allowed under section 63(c) of the Internal Revenue Code and the standard deduction allowed for 2011 ~~and~~ 2012, and 2013 under the Internal Revenue Code as amended through December 1, 2010.

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

Sec. 4. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 19b, is amended to read:

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

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the

purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

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

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

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

(10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service, excluding compensation for services performed

9.1 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active
9.2 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause
9.3 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision
9.4 5b, but "active service" excludes service performed in accordance with section 190.08,
9.5 subdivision 3;

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

9.10 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a
9.11 qualified donor's donation, while living, of one or more of the qualified donor's organs
9.12 to another person for human organ transplantation. For purposes of this clause, "organ"
9.13 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;
9.14 "human organ transplantation" means the medical procedure by which transfer of a human
9.15 organ is made from the body of one person to the body of another person; "qualified
9.16 expenses" means unreimbursed expenses for both the individual and the qualified donor
9.17 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
9.18 may be subtracted under this clause only once; and "qualified donor" means the individual
9.19 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An
9.20 individual may claim the subtraction in this clause for each instance of organ donation for
9.21 transplantation during the taxable year in which the qualified expenses occur;

9.22 (13) in each of the five tax years immediately following the tax year in which an
9.23 addition is required under subdivision 19a, clause (8), or 19c, clause (13), in the case of a
9.24 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
9.25 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (13), in the
9.26 case of a shareholder of a corporation that is an S corporation, minus the positive value of
9.27 any net operating loss under section 172 of the Internal Revenue Code generated for the
9.28 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a
9.29 subtraction is not allowed under this clause;

9.30 (14) to the extent included in the federal taxable income of a nonresident of
9.31 Minnesota, compensation paid to a service member as defined in United States Code, title
9.32 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief
9.33 Act, Public Law 108-189, section 101(2);

9.34 (15) to the extent included in federal taxable income, the amount of national service
9.35 educational awards received from the National Service Trust under United States Code,

title 42, sections 12601 to 12604, for service in an approved Americorps National Service program;

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

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

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

(19) for taxable years beginning after December 31, 2012, and before January 1, 2014, the amount of the limitation on itemized deductions under section 68 of the Internal Revenue Code; and

(20) for taxable years beginning after December 31, 2012, and before January 1, 2014, the amount of the phaseout of personal exemptions under section 151(d) of the Internal Revenue Code.

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

Sec. 5. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision to read:

Subd. 29a. **State itemized deduction.** (a) "State itemized deduction" for taxable years beginning after December 31, 2012, and before January 1, 2014, means federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding any limitation under section 68 of the Internal Revenue Code, and reduced by the amount of the addition required under subdivision 19a, clause (19).

(b) "State itemized deduction" for taxable years beginning after December 31, 2013, means federal itemized deductions, as defined in section 63(d) of the Internal Revenue Code, after any limitation under section 68 of the Internal Revenue Code.

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

Sec. 6. Minnesota Statutes 2013 Supplement, section 290.01, subdivision 31, is amended to read:

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

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

Sec. 7. Minnesota Statutes 2012, section 290.067, subdivision 2a, is amended to read:

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

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

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

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

- 12.1 (vi) interest received from the federal or a state government or any instrumentality
12.2 or political subdivision thereof;
- 12.3 (vii) workers' compensation;
- 12.4 (viii) nontaxable strike benefits;
- 12.5 (ix) the gross amounts of payments received in the nature of disability income or
12.6 sick pay as a result of accident, sickness, or other disability, whether funded through
12.7 insurance or otherwise;
- 12.8 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
12.9 1986, as amended through December 31, 1995;
- 12.10 (xi) contributions made by the claimant to an individual retirement account,
12.11 including a qualified voluntary employee contribution; simplified employee pension plan;
12.12 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)
12.13 of the Internal Revenue Code; or deferred compensation plan under section 457 of the
12.14 Internal Revenue Code;
- 12.15 (xii) nontaxable scholarship or fellowship grants;
- 12.16 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue
12.17 Code;
- 12.18 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal
12.19 Revenue Code;
- 12.20 (xv) the amount of deducted for tuition expenses ~~required to be added to income~~
12.21 ~~under section 290.01, subdivision 19a, clause (12)~~ 222 of the Internal Revenue Code;
- 12.22 (xvi) the amount deducted for certain expenses of elementary and secondary school
12.23 teachers under section 62(a)(2)(D) of the Internal Revenue Code; and
- 12.24 (xvii) unemployment compensation.
- 12.25 In the case of an individual who files an income tax return on a fiscal year basis, the
12.26 term "federal adjusted gross income" means federal adjusted gross income reflected in the
12.27 fiscal year ending in the next calendar year. Federal adjusted gross income may not be
12.28 reduced by the amount of a net operating loss carryback or carryforward or a capital loss
12.29 carryback or carryforward allowed for the year.
- 12.30 (b) "Income" does not include:
- 12.31 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- 12.32 (2) amounts of any pension or annuity that were exclusively funded by the claimant
12.33 or spouse if the funding payments were not excluded from federal adjusted gross income
12.34 in the years when the payments were made;
- 12.35 (3) surplus food or other relief in kind supplied by a governmental agency;
- 12.36 (4) relief granted under chapter 290A;

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

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

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

Sec. 8. Minnesota Statutes 2012, section 290.067, is amended by adding a subdivision to read:

Subd. 2c. Dependent care credit; temporary definition. For taxable years beginning after December 31, 2012, and before January 1, 2014, for purposes of this section, "section 21 of the Internal Revenue Code" means section 21 of the Internal Revenue Code as amended through June 1, 2001.

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

Sec. 9. Minnesota Statutes 2012, section 290.0671, subdivision 1, is amended to read:

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

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

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

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

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.01, subdivision 19b, clause ~~(9)~~ (14), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to tax under this chapter."

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

(g) For tax years beginning after December 31, 2007, and before December 31, 2010, and for taxable years beginning after December 31, 2017, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For 2009, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h) For tax years beginning after December 31, 2010, and before January 1, 2012, and for taxable years beginning after December 31, 2012, and before January 1, 2018, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2010, and before January 1, 2012, and for taxable years beginning after December 31, 2012, and before January 1, 2018, the commissioner shall annually adjust the \$5,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word "1992." For 2011, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2010, and in each subsequent year from the 12 months ending on August 31, 2008, to the 12 months

ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

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

Sec. 10. Minnesota Statutes 2012, section 290.0674, subdivision 2, is amended to read:

Subd. 2. **Limitations.** (a) For claimants with income not greater than \$33,500, the maximum credit allowed for a family is \$1,000 multiplied by the number of qualifying children in kindergarten through grade 12 in the family. The maximum credit for families with one qualifying child in kindergarten through grade 12 is reduced by \$1 for each \$4 of household income over \$33,500, and the maximum credit for families with two or more qualifying children in kindergarten through grade 12 is reduced by \$2 for each \$4 of household income over \$33,500, but in no case is the credit less than zero.

For purposes of this section "income" has the meaning given in section ~~290.067~~, ~~subdivision 2a~~ 290A.03, subdivision 3, paragraphs (1) and (2). In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(b) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 11. Minnesota Statutes 2013 Supplement, section 290A.03, subdivision 15, is amended to read:

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

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

Sec. 12. **INDIVIDUAL INCOME TAX COLLECTION ACTION PROHIBITED.**

Notwithstanding any law to the contrary, the commissioner of revenue must not increase the amount due or decrease the refund for an individual tax return for a taxable year beginning after December 31, 2012, and before January 1, 2014, to the extent the amount due was understated or the refund was overstated because the taxpayer calculated their tax or refund based on the Internal Revenue Code as amended through April 14, 2011, rather than based on the Internal Revenue Code as amended through December 31, 2013, as provided in this article.

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

Sec. 13. **APPROPRIATION.**

\$1,101,000 is appropriated from the general fund to the commissioner of revenue in fiscal year 2014 for the costs of administering this act. This appropriation does not cancel, but is available until June 30, 2015. This is a onetime appropriation and does not renew or become part of the base budget.

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

Sec. 14. **REPEALER.**

Minnesota Statutes 2012, section 290.067, subdivisions 2, 2a, and 2b, are repealed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

ARTICLE 2

SALES AND USE TAX RELIEF

Section 1. Minnesota Statutes 2013 Supplement, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision. In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include the taxable services listed in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by

an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

(b) Sale and purchase include:

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

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

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

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy;

(4) dietary supplements; and

(5) all food sold through vending machines.

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

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

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

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

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in

18.1 a specific facility, other than the renting or leasing of it for a continuous period of 30 days
18.2 or more under an enforceable written agreement that may not be terminated without prior
18.3 notice and including accommodations intermediary services provided in connection with
18.4 other services provided under this clause;

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

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

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

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

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

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

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

18.21 (i) public roads;

18.22 (ii) cartways; and

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

18.25 (6) services as provided in this clause:

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

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

18.33 (iii) building and residential cleaning, maintenance, and disinfecting services and
18.34 pest control and exterminating services;

18.35 (iv) detective, security, burglar, fire alarm, and armored car services; but not
18.36 including services performed within the jurisdiction they serve by off-duty licensed peace

19.1 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit
19.2 organization or any organization at the direction of a county for monitoring and electronic
19.3 surveillance of persons placed on in-home detention pursuant to court order or under the
19.4 direction of the Minnesota Department of Corrections;

19.5 (v) pet grooming services;

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

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

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

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

19.21 (i) A sale and a purchase includes the furnishing for a consideration of
19.22 telecommunications services, ancillary services associated with telecommunication
19.23 services, and pay television services. Telecommunication services include, but are
19.24 not limited to, the following services, as defined in section 297A.669: air-to-ground
19.25 radiotelephone service, mobile telecommunication service, postpaid calling service,
19.26 prepaid calling service, prepaid wireless calling service, and private communication
19.27 services. The services in this paragraph are taxed to the extent allowed under federal law.

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

19.31 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
19.32 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
19.33 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
19.34 59B.02, subdivision 11.

19.35 (l) A sale and a purchase includes furnishing for a consideration of specified digital
19.36 products or other digital products or granting the right for a consideration to use specified

digital products or other digital products on a temporary or permanent basis and regardless of whether the purchaser is required to make continued payments for such right. Wherever the term "tangible personal property" is used in this chapter, other than in subdivisions 10 and 38, the provisions also apply to specified digital products, or other digital products, unless specifically provided otherwise or the context indicates otherwise.

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

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

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

~~(3) warehousing or storage services for tangible personal property, excluding:~~
~~(i) agricultural products;~~
~~(ii) refrigerated storage;~~
~~(iii) electronic data; and~~
~~(iv) self-storage services and storage of motor vehicles, recreational vehicles, and boats, not eligible to be deducted as a business expense under the Internal Revenue Code.~~

EFFECTIVE DATE. This section is effective for sales and purchases made after March 31, 2014.

Sec. 2. Minnesota Statutes 2012, section 297A.67, is amended by adding a subdivision to read:

Subd. 33. Presentations accessed as digital audio and audiovisual works.
The charge for a live or prerecorded presentation, such as a lecture, seminar, workshop, or course, where participants access the presentation as a digital audio work or digital audiovisual work, and are connected to the presentation via the Internet, telecommunications equipment or other device that transfers the presentation electronically, is exempt if:

21.1 (1) participants and the presenter, during the time that participants access the
21.2 presentation, are able to give, receive, and discuss the presentation with each other,
21.3 although the amount of interaction and when in the presentation the interaction occurs
21.4 may be limited by the presenter; and

21.5 (2) for those presentations where participants are given the option to attend the
21.6 same presentation in person:

21.7 (i) any limitations on the amount of interaction and when it occurs during the
21.8 presentation are the same for those participants accessing the presentation electronically
21.9 as those attending in person; and

21.10 (ii) the admission to the in person presentation is not subject to tax under this chapter.

21.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
21.12 June 30, 2014.

21.13 Sec. 3. Minnesota Statutes 2013 Supplement, section 297A.68, subdivision 5, is
21.14 amended to read:

21.15 Subd. 5. **Capital equipment.** (a) Capital equipment is exempt.

21.16 "Capital equipment" means machinery and equipment purchased or leased, and used
21.17 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,
21.18 or refining tangible personal property to be sold ultimately at retail if the machinery and
21.19 equipment are essential to the integrated production process of manufacturing, fabricating,
21.20 mining, or refining. Capital equipment also includes machinery and equipment
21.21 used primarily to electronically transmit results retrieved by a customer of an online
21.22 computerized data retrieval system.

21.23 (b) Capital equipment includes, but is not limited to:

21.24 (1) machinery and equipment used to operate, control, or regulate the production
21.25 equipment;

21.26 (2) machinery and equipment used for research and development, design, quality
21.27 control, and testing activities;

21.28 (3) environmental control devices that are used to maintain conditions such as
21.29 temperature, humidity, light, or air pressure when those conditions are essential to and are
21.30 part of the production process;

21.31 (4) materials and supplies used to construct and install machinery or equipment;

21.32 (5) repair and replacement parts, including accessories, whether purchased as spare
21.33 parts, repair parts, or as upgrades or modifications to machinery or equipment;

21.34 (6) materials used for foundations that support machinery or equipment;

22.1 (7) materials used to construct and install special purpose buildings used in the
22.2 production process;

22.3 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed
22.4 as part of the delivery process regardless if mounted on a chassis, repair parts for
22.5 ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and

22.6 (9) machinery or equipment used for research, development, design, or production
22.7 of computer software.

22.8 (c) Capital equipment does not include the following:

22.9 (1) motor vehicles taxed under chapter 297B;

22.10 (2) machinery or equipment used to receive or store raw materials;

22.11 (3) building materials, except for materials included in paragraph (b), clauses (6)
22.12 and (7);

22.13 (4) machinery or equipment used for nonproduction purposes, including, but not
22.14 limited to, the following: plant security, fire prevention, first aid, and hospital stations;
22.15 support operations or administration; pollution control; and plant cleaning, disposal of
22.16 scrap and waste, plant communications, space heating, cooling, lighting, or safety;

22.17 (5) farm machinery and aquaculture production equipment as defined by section
22.18 297A.61, subdivisions 12 and 13;

22.19 (6) machinery or equipment purchased and installed by a contractor as part of an
22.20 improvement to real property;

22.21 (7) machinery and equipment used by restaurants in the furnishing, preparing, or
22.22 serving of prepared foods as defined in section 297A.61, subdivision 31;

22.23 (8) machinery and equipment used to furnish the services listed in section 297A.61,
22.24 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

22.25 (9) machinery or equipment used in the transportation, transmission, or distribution
22.26 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,
22.27 tanks, mains, or other means of transporting those products. This clause does not apply to
22.28 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section
22.29 239.77; or

22.30 (10) any other item that is not essential to the integrated process of manufacturing,
22.31 fabricating, mining, or refining.

22.32 (d) For purposes of this subdivision:

22.33 (1) "Equipment" means independent devices or tools separate from machinery but
22.34 essential to an integrated production process, including computers and computer software,
22.35 used in operating, controlling, or regulating machinery and equipment; and any subunit or

23.1 assembly comprising a component of any machinery or accessory or attachment parts of
23.2 machinery, such as tools, dies, jigs, patterns, and molds.

23.3 (2) "Fabricating" means to make, build, create, produce, or assemble components or
23.4 property to work in a new or different manner.

23.5 (3) "Integrated production process" means a process or series of operations through
23.6 which tangible personal property is manufactured, fabricated, mined, or refined. For
23.7 purposes of this clause, (i) manufacturing begins with the removal of raw materials
23.8 from inventory and ends when the last process prior to loading for shipment has been
23.9 completed; (ii) fabricating begins with the removal from storage or inventory of the
23.10 property to be assembled, processed, altered, or modified and ends with the creation
23.11 or production of the new or changed product; (iii) mining begins with the removal of
23.12 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and
23.13 ends when the last process before stockpiling is completed; and (iv) refining begins with
23.14 the removal from inventory or storage of a natural resource and ends with the conversion
23.15 of the item to its completed form.

23.16 (4) "Machinery" means mechanical, electronic, or electrical devices, including
23.17 computers and computer software, that are purchased or constructed to be used for the
23.18 activities set forth in paragraph (a), beginning with the removal of raw materials from
23.19 inventory through completion of the product, including packaging of the product.

23.20 (5) "Machinery and equipment used for pollution control" means machinery and
23.21 equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity
23.22 described in paragraph (a).

23.23 (6) "Manufacturing" means an operation or series of operations where raw materials
23.24 are changed in form, composition, or condition by machinery and equipment and which
23.25 results in the production of a new article of tangible personal property. For purposes of
23.26 this subdivision, "manufacturing" includes the generation of electricity or steam to be
23.27 sold at retail.

23.28 (7) "Mining" means the extraction of minerals, ores, stone, or peat.

23.29 (8) "Online data retrieval system" means a system whose cumulation of information
23.30 is equally available and accessible to all its customers.

23.31 (9) "Primarily" means machinery and equipment used 50 percent or more of the time
23.32 in an activity described in paragraph (a).

23.33 (10) "Refining" means the process of converting a natural resource to an intermediate
23.34 or finished product, including the treatment of water to be sold at retail.

24.1 (11) This subdivision does not apply to telecommunications equipment as provided
24.2 in subdivision 35 35a, and does not apply to wire, cable, fiber, poles, or conduit for
24.3 telecommunications services.

24.4 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
24.5 March 31, 2014.

24.6 Sec. 4. Minnesota Statutes 2012, section 297A.68, is amended by adding a subdivision
24.7 to read:

24.8 **Subd. 35a. Telecommunications, cable television, and direct satellite machinery**
24.9 **and equipment.** (a) Telecommunications, cable television, and direct satellite machinery
24.10 and equipment purchased or leased for use directly by a telecommunications, cable
24.11 television, or direct satellite provider primarily in the provision of telecommunications,
24.12 cable television, or direct satellite services that are ultimately to be sold at retail are
24.13 exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

24.14 (b) For purposes of this subdivision, "telecommunications, cable television, or direct
24.15 satellite machinery and equipment" includes, but is not limited to:

24.16 (1) machinery, equipment, and fixtures utilized in receiving, initiating,
24.17 amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring
24.18 telecommunications, cable television, or direct satellite services, such as computers,
24.19 transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items
24.20 performing comparable functions;

24.21 (2) machinery, equipment, and fixtures used in the transportation of
24.22 telecommunications, cable television, or direct satellite services, such as radio transmitters
24.23 and receivers, satellite equipment, microwave equipment, and other transporting media,
24.24 but not wire, cable, fiber, poles, or conduit;

24.25 (3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or
24.26 enable the machinery in clauses (1) and (2) to accomplish its intended function, such as
24.27 auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning
24.28 equipment necessary to the operation of the telecommunications, cable television, or direct
24.29 satellite equipment; and software necessary to the operation of the telecommunications,
24.30 cable television, or direct satellite equipment; and

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

24.33 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
24.34 March 31, 2014.

Sec. 5. Minnesota Statutes 2013 Supplement, section 297A.70, subdivision 2, is amended to read:

Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

(1) the United States and its agencies and instrumentalities;

(2) school districts, local governments, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts Education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;

(3) hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by hospitals and nursing homes;

~~(4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip operations provided for in section 473.4051;~~

~~(5)~~ (4) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and

~~(6)~~ (5) public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the Legislative Reference Library.

(b) This exemption does not apply to the sales of the following products and services:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except for leases entered into by the United States or its agencies or instrumentalities;

(4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic beverages purchased directly by the United States or its agencies or instrumentalities; or

(5) goods or services purchased by a local government as inputs to goods and services that are generally provided by a private business and the purchases would be taxable if made by a private business engaged in the same activity.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

(d) As used in this subdivision, "local governments" means cities, counties, and townships, special districts as defined in section 6.465, any instrumentality of a city, county, or township as defined in section 471.59, and any joint powers board or organization created under section 471.59.

(e) As used in this subdivision, "goods or services generally provided by a private business" include, but are not limited to, goods or services provided by liquor stores, gas and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes, and laundromats. "Goods or services generally provided by a private business" do not include housing services, sewer and water services, wastewater treatment, ambulance and other public safety services, correctional services, chore or homemaking services provided to elderly or disabled individuals, or road and street maintenance or lighting.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2014.

Sec. 6. Minnesota Statutes 2013 Supplement, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

27.1 (b) The exemptions listed in paragraph (a) are limited in the following manner:

27.2 (1) the exemption under paragraph (a), clauses (1) and (2), applies only if to the first
27.3 \$20,000 of the gross annual receipts of the organization from fund-raising do not exceed
27.4 \$10,000; and

27.5 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are
27.6 derived from admission charges or from activities for which the money must be deposited
27.7 with the school district treasurer under section 123B.49, subdivision 2, or be recorded in
27.8 the same manner as other revenues or expenditures of the school district under section
27.9 123B.49, subdivision 4.

27.10 (c) Sales of tangible personal property and services are exempt if the entire proceeds,
27.11 less the necessary expenses for obtaining the property or services, will be contributed to
27.12 a registered combined charitable organization described in section 43A.50, to be used
27.13 exclusively for charitable, religious, or educational purposes, and the registered combined
27.14 charitable organization has given its written permission for the sale. Sales that occur over
27.15 a period of more than 24 days per year are not exempt under this paragraph.

27.16 (d) For purposes of this subdivision, a club, association, or other organization of
27.17 elementary or secondary school students organized for the purpose of carrying on sports,
27.18 educational, or other extracurricular activities is a separate organization from the school
27.19 district or school for purposes of applying the ~~\$10,000~~ \$20,000 limit.

27.20 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
27.21 June 30, 2014.

27.22 Sec. 7. Minnesota Statutes 2013 Supplement, section 297A.70, subdivision 14, is
27.23 amended to read:

27.24 Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of
27.25 tangible personal property or services at, and admission charges for fund-raising events
27.26 sponsored by, a nonprofit organization are exempt if:

27.27 (1) all gross receipts are recorded as such, in accordance with generally accepted
27.28 accounting practices, on the books of the nonprofit organization; and

27.29 (2) the entire proceeds, less the necessary expenses for the event, will be used solely
27.30 and exclusively for charitable, religious, or educational purposes. Exempt sales include
27.31 the sale of prepared food, candy, and soft drinks at the fund-raising event.

27.32 (b) This exemption is limited in the following manner:

27.33 (1) it does not apply to admission charges for events involving bingo or other
27.34 gambling activities or to charges for use of amusement devices involving bingo or other
27.35 gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

(6) it does not apply to fund-raising events conducted on premises leased for more than five days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues forgone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

(d) For purposes of this subdivision, "fund-raising events" means activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, door-to-door sales of merchandise, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. Fund-raising events do not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, regularly scheduled classes, or other activities carried out in the normal course of business.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2014.

Sec. 8. **REPEALER.**

Minnesota Statutes 2013 Supplement, section 297A.61, subdivision 57, is repealed.

EFFECTIVE DATE. This section is effective for sales and purchases made after March 31, 2014.

ARTICLE 3**ESTATE AND GIFT TAX REFORM**

Section 1. Minnesota Statutes 2013 Supplement, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. **Return required.** In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, if:

(1) a federal estate tax return is required to be filed; or

(2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue Code, made within three years of the date of the decedent's death exceeds \$1,000,000 \$1,200,000 for estates of decedents dying in 2014; \$1,400,000 for estates of decedents dying in 2015; \$1,600,000 for estates of decedents dying in 2016; \$1,800,000 for estates of decedents dying in 2017; and \$2,000,000 for estates of decedents dying in 2018 and thereafter.

The return must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2013.

Sec. 2. Minnesota Statutes 2012, section 289A.18, subdivision 3, is amended to read:

Subd. 3. **Estate tax returns.** An estate tax return must be filed with the commissioner within nine months after the decedent's death. ~~Except in the case of the estate of a decedent dying after December 31, 2009, and before December 17, 2010, then an estate tax return must be filed with the commissioner within nine months after the decedent's death; within the time provided by section 289A.19, subdivision 4; or before September 20, 2011; whichever is later.~~

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

Sec. 3. Minnesota Statutes 2013 Supplement, section 291.005, subdivision 1, is amended to read:

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

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

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

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through January 3, 2013, but without regard to the provisions of section 2011, paragraph (f), of the Internal Revenue Code March 1, 2014.

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

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

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

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

~~(5)~~ (4) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included ~~therein~~ in the estate which has its situs outside Minnesota, and (b) including ~~therein~~ any property omitted from the federal gross estate which is includable ~~therein~~ in the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

~~(6)~~ (5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

~~(7)~~ (6) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

~~(8)~~ (7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

~~(9)~~ (8) "Situs of property" means, with respect to:

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

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

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

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

~~(10)~~ (9) "Pass-through entity" includes the following:

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

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

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

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

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2013.

Sec. 4. **[291.016] MINNESOTA TAXABLE ESTATE.**

Subdivision 1. General. For purposes of the tax under this chapter, the Minnesota taxable estate equals the federal taxable estate as provided under section 2051 of the Internal Revenue Code, without regard to whether the estate is subject to the federal estate tax:

(1) increased by the additions under subdivision 2; and

(2) decreased by the subtraction under subdivision 3.

Subd. 2. Additions. The following amounts, to the extent deducted in computing the federal taxable estate, must be added in computing the Minnesota taxable estate:

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

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

(3) the aggregate amount of taxable gifts as defined in section 2053 of the Internal Revenue Code, made by the decedent within three years of the date of death. For purposes

of this clause, the amount of the addition equals the value of the gift under section 2512 of the Internal Revenue Code and excludes any value of the gift included in the federal estate.

Subd. 3. Subtraction. (a) The value of qualified small business property under section 291.03, subdivision 9, and the value of qualified farm property under section 291.03, subdivision 10, or the result of \$5,000,000 minus the amount for the year of death listed in paragraph (b), whichever is less, may be subtracted in computing the Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero.

(b) \$1,200,000 for estates of decedents dying in 2014; \$1,400,000 for estates of decedents dying in 2015; \$1,600,000 for estates of decedents dying in 2016; \$1,800,000 for estates of decedents dying in 2017; and \$2,000,000 for estates of decedents dying in 2018 and thereafter.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2013.

Sec. 5. Minnesota Statutes 2013 Supplement, section 291.03, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

The tax imposed must be computed by applying to the Minnesota taxable estate the following schedule of rates and then the resulting amount multiplied by a fraction, not greater than one, the numerator of which is the value of the Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3), with a Minnesota situs, and the denominator of which is the federal gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3):

(a) For estate of decedents dying in 2014:

<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of Tax</u>
<u>Not over \$1,200,000</u>	<u>None</u>
<u>Over \$1,200,000 but not over \$1,400,000</u>	<u>nine percent of the excess over \$1,200,000</u>
<u>Over \$1,400,000 but not over \$3,600,000</u>	<u>\$18,000 plus ten percent of the excess over \$1,400,000</u>
<u>Over \$3,600,000 but not over \$4,100,000</u>	<u>\$238,000 plus 10.4 percent of the excess over \$3,600,000</u>
<u>Over \$4,100,000 but not over \$5,100,000</u>	<u>\$290,000 plus 11.2 percent of the excess over \$4,100,000</u>
<u>Over \$5,100,000 but not over \$6,100,000</u>	<u>\$402,000 plus 12 percent of the excess over \$5,100,000</u>
<u>Over \$6,100,000 but not over \$7,100,000</u>	<u>\$522,000 plus 12.8 percent of the excess over \$6,100,000</u>
<u>Over \$7,100,000 but not over \$8,100,000</u>	<u>\$650,000 plus 13.6 percent of the excess over \$7,100,000</u>
<u>Over \$8,100,000 but not over \$9,100,000</u>	<u>\$786,000 plus 14.4 percent of the excess over \$8,100,000</u>
<u>Over \$9,100,000 but not over \$10,100,000</u>	<u>\$930,000 plus 15.2 percent of the excess over \$9,100,000</u>
<u>Over \$10,100,000</u>	<u>\$1,082,000 plus 16 percent of the excess over \$10,100,000</u>

(b) For estate of decedents dying in 2015:

<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of Tax</u>
<u>Not over \$1,400,000</u>	<u>None</u>
<u>Over \$1,400,000 but not over \$3,600,000</u>	<u>ten percent of the excess over \$1,400,000</u>
<u>Over \$3,600,000 but not over \$6,100,000</u>	<u>\$220,000 plus 12 percent of the excess over \$3,600,000</u>
<u>Over \$6,100,000 but not over \$7,100,000</u>	<u>\$520,000 plus 12.8 percent of the excess over \$6,100,000</u>
<u>Over \$7,100,000 but not over \$8,100,000</u>	<u>\$648,000 plus 13.6 percent of the excess over \$7,100,000</u>

34.1	<u>Over \$8,100,000 but not over \$9,100,000</u>	<u>\$784,000 plus 14.4 percent of the excess</u>
34.2		<u>over \$8,100,000</u>
34.3	<u>Over \$9,100,000 but not over \$10,100,000</u>	<u>\$928,000 plus 15.2 percent of the excess</u>
34.4		<u>over \$9,100,000</u>
34.5	<u>Over \$10,100,000</u>	<u>\$1,080,000 plus 16 percent of the excess</u>
34.6		<u>over \$10,100,000</u>

34.7 (c) For estate of decedents dying in 2016:

34.8	<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of Tax</u>
34.9	<u>Not over \$1,600,000</u>	<u>None</u>
34.10	<u>Over \$1,600,000 but not over \$2,600,000</u>	<u>ten percent of the excess over \$1,600,000</u>
34.11	<u>Over \$2,600,000 but not over \$6,100,000</u>	<u>\$100,000 plus 12 percent of the excess over</u>
34.12		<u>\$2,600,000</u>
34.13	<u>Over \$6,100,000 but not over \$7,100,000</u>	<u>\$520,000 plus 12.8 percent of the excess</u>
34.14		<u>over \$6,100,000</u>
34.15	<u>Over \$7,100,000 but not over \$8,100,000</u>	<u>\$648,000 plus 13.6 percent of the excess</u>
34.16		<u>over \$7,100,000</u>
34.17	<u>Over \$8,100,000 but not over \$9,100,000</u>	<u>\$784,000 plus 14.4 percent of the excess</u>
34.18		<u>over \$8,100,000</u>
34.19	<u>Over \$9,100,000 but not over \$10,100,000</u>	<u>\$928,000 plus 15.2 percent of the excess</u>
34.20		<u>over \$9,100,000</u>
34.21	<u>Over \$10,100,000</u>	<u>\$1,080,000 plus 16 percent of the excess</u>
34.22		<u>over \$10,100,000</u>

34.23 (d) For estates of decedents dying in 2017:

34.24	<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of Tax</u>
34.25	<u>Not over \$1,800,000</u>	<u>None</u>
34.26	<u>Over \$1,800,000 but not over \$2,100,000</u>	<u>ten percent of the excess over \$1,800,000</u>
34.27	<u>Over \$2,100,000 but not over \$5,100,000</u>	<u>\$30,000 plus 12 percent of the excess over</u>
34.28		<u>\$2,100,000</u>
34.29	<u>Over \$5,100,000 but not over \$7,100,000</u>	<u>\$390,000 plus 12.8 percent of the excess</u>
34.30		<u>over \$5,100,000</u>
34.31	<u>Over \$7,100,000 but not over \$8,100,000</u>	<u>\$646,000 plus 13.6 percent of the excess</u>
34.32		<u>over \$7,100,000</u>
34.33	<u>Over \$8,100,000 but not over \$9,100,000</u>	<u>\$782,000 plus 14.4 percent of the excess</u>
34.34		<u>over \$8,100,000</u>
34.35	<u>Over \$9,100,000 but not over \$10,100,000</u>	<u>\$926,000 plus 15.2 percent of the excess</u>
34.36		<u>over \$9,100,000</u>
34.37	<u>Over \$10,100,000</u>	<u>\$1,078,000 plus 16 percent of the excess</u>
34.38		<u>over \$10,100,000</u>

34.39 (e) For estates of decedents dying in 2018 and thereafter:

34.40	<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of Tax</u>
34.41	<u>Not over \$2,000,000</u>	<u>None</u>
34.42	<u>Over \$2,000,000 but not over \$2,600,000</u>	<u>ten percent of the excess over \$2,000,000</u>
34.43	<u>Over \$2,600,000 but not over \$7,100,000</u>	<u>\$60,000 plus 13 percent of the excess over</u>
34.44		<u>\$2,600,000</u>

35.1	<u>Over \$7,100,000 but not over \$8,100,000</u>	<u>\$645,000 plus 13.6 percent of the excess</u>
35.2		<u>over \$7,100,000</u>
35.3	<u>Over \$8,100,000 but not over \$9,100,000</u>	<u>\$781,000 plus 14.4 percent of the excess</u>
35.4		<u>over \$8,100,000</u>
35.5	<u>Over \$9,100,000 but not over \$10,100,000</u>	<u>\$925,000 plus 15.2 percent of the excess</u>
35.6		<u>over \$9,100,000</u>
35.7	<u>Over \$10,100,000</u>	<u>\$1,077,000 plus 16 percent of the excess</u>
35.8		<u>over \$10,100,000</u>

35.9 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
 35.10 dying after December 31, 2013.

35.11 Sec. 6. Minnesota Statutes 2012, section 291.03, is amended by adding a subdivision
 35.12 to read:

35.13 Subd. 1d. **Elections.** (a) For the purposes of this section, the value of the Minnesota
 35.14 taxable estate is determined by taking into account the deduction available under section
 35.15 2056(b) of the Internal Revenue Code. An election under section 2056(b) of the Internal
 35.16 Revenue Code may be made for Minnesota estate tax purposes regardless of whether the
 35.17 election is made for federal estate tax purposes. The value of the gross estate includes
 35.18 the value of any property in which the decedent had a qualifying income interest for life
 35.19 for which an election was made under this subdivision.

35.20 (b) Except for an election made under section 2056(b) of the Internal Revenue Code,
 35.21 no federal election is allowable in determining the value of the Minnesota taxable estate
 35.22 unless the election is made on the federal estate tax return and the election is allowed
 35.23 under federal law.

35.24 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
 35.25 dying after December 31, 2013.

35.26 Sec. 7. **[291.031] CREDITS.**

35.27 (a) The estate of a nonresident decedent that is subject to tax under this chapter on
 35.28 the value of Minnesota situs property held in a pass-through entity is allowed a credit
 35.29 against the tax due under this section equal to the lesser of:

35.30 (1) the amount of estate or inheritance tax paid to another state that is attributable to
 35.31 the Minnesota situs property held in the pass-through entity; or

35.32 (2) the amount of tax paid under this section attributable to the Minnesota situs
 35.33 property held in the pass-through entity.

35.34 (b) The amount of tax attributable to the Minnesota situs property held in the
 35.35 pass-through entity must be determined by the increase in the estate or inheritance tax that

results from including the market value of the property in the estate or treating the value as a taxable inheritance to the recipient of the property.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2013.

Sec. 8. **REPEALER.**

(a) Minnesota Statutes 2013 Supplement, sections 292.16; 292.17; 292.18; 292.19; 292.20; and 292.21, are repealed.

(b) Minnesota Statutes 2012, section 291.03, subdivision 1b, and Minnesota Statutes 2013 Supplement, section 291.03, subdivision 1c, are repealed.

EFFECTIVE DATE. Paragraph (a) is effective retroactively for gifts made after June 30, 2013. Paragraph (b) is effective retroactively for estates of decedents dying after December 31, 2013.

ARTICLE 4

ANGEL INVESTMENT CREDIT

Section 1. Minnesota Statutes 2012, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than ~~\$11,000,000~~ \$27,000,000

in credits to qualified investors or qualified funds for taxable years beginning after December 31, ~~2009~~ 2013, and before January 1, ~~2011~~ 2015, and must not allocate more than ~~\$12,000,000~~ \$15,000,000 in credits per year for taxable years beginning after December 31, ~~2010~~ 2014, and before January 1, ~~2015~~ 2017. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is \$250,000, and for all other filers the maximum is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if the investor receives more than 50 percent of the investor's gross annual income from the qualified small business in which the qualified investment is proposed. A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's Web site by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made, and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

(1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;

(2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;

(3) the qualified small business is sold before the end of the three-year period; ~~or~~

(4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period; or

(5) the qualified investor dies before the end of the three-year period.

(h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

EFFECTIVE DATE. This section is effective the day following final enactment and applies regardless of the taxable year in which the credit was originally allowed.

Sec. 2. Minnesota Statutes 2012, section 116J.8737, subdivision 12, is amended to read:

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, ~~2014~~ 2016, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through ~~2016~~ 2018 for qualified investors and qualified funds, and through ~~2018~~ 2020 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through ~~2019~~ 2021, and the appropriation in subdivision 11 remains in effect through ~~2018~~ 2020.

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

39.1 **ARTICLE 5**

39.2 **MISCELLANEOUS**

39.3 Section 1. Minnesota Statutes 2012, section 272.03, subdivision 1, is amended to read:

39.4 Subdivision 1. **Real property.** (a) For the purposes of taxation, "real property"
39.5 includes the land itself, rails, ties, and other track materials annexed to the land, and all
39.6 buildings, structures, and improvements or other fixtures on it, bridges of bridge companies,
39.7 and all rights and privileges belonging or appertaining to the land, and all mines, iron ore
39.8 and taconite minerals not otherwise exempt, quarries, fossils, and trees on or under it.

39.9 (b) A building or structure shall include the building or structure itself, together with
39.10 all improvements or fixtures annexed to the building or structure, which are integrated
39.11 with and of permanent benefit to the building or structure, regardless of the present use
39.12 of the building, and which cannot be removed without substantial damage to itself or to
39.13 the building or structure.

39.14 (c)(i) Real property does not include tools, implements, machinery, and equipment
39.15 attached to or installed in real property for use in the business or production activity
39.16 conducted thereon, regardless of size, weight or method of attachment, and mine shafts,
39.17 tunnels, and other underground openings used to extract ores and minerals taxed under
39.18 chapter 298 together with steel, concrete, and other materials used to support such openings.

39.19 (ii) The exclusion provided in clause (i) shall not apply to machinery and equipment
39.20 includable as real estate by paragraphs (a) and (b) even though such machinery and
39.21 equipment is used in the business or production activity conducted on the real property if
39.22 and to the extent such business or production activity consists of furnishing services or
39.23 products to other buildings or structures which are subject to taxation under this chapter.

39.24 (iii) The exclusion provided in clause (i) does not apply to the exterior shell of a
39.25 structure which constitutes walls, ceilings, roofs, or floors if the shell of the structure has
39.26 structural, insulation, or temperature control functions or provides protection from the
39.27 elements, unless the structure is primarily used in the production of biofuels, wine, beer,
39.28 distilled beverages, or dairy products. Such an exterior shell is included in the definition
39.29 of real property even if it also has special functions distinct from that of a building, or if
39.30 such an exterior shell is primarily used for the storage of ingredients or materials used in
39.31 the production of biofuels, wine, beer, distilled beverages, or dairy products, or for the
39.32 storage of biofuels, wine, beer, distilled beverages, or dairy products.

39.33 (d) The term real property does not include tools, implements, machinery,
39.34 equipment, poles, lines, cables, wires, conduit, and station connections which are part of a

telephone communications system, regardless of attachment to or installation in real property and regardless of size, weight, or method of attachment or installation.

EFFECTIVE DATE. This section is effective beginning with assessment year 2015.

Sec. 2. **[477A.18] PRODUCTION PROPERTY TRANSITION AID.**

Subdivision 1. Definitions. (a) When used in this section, the following terms have the meanings indicated in this section.

(b) "Local unit" means a home rule charter or statutory city, or a town.

(c) "Net tax capacity differential" means the positive difference, if any, by which the local unit's net tax capacity was reduced from assessment year 2014 to assessment year 2015 due to the change in the definition of real property in section 272.03, subdivision 1, enacted by article 5, section 1, of this act. For purposes of determining the net tax capacity differential, any property in a job opportunity building zone under section 469.314 may not be included when calculating a local unit's net tax capacity.

Subd. 2. Aid eligibility; payment. (a) If the net tax capacity differential of the local unit exceeds five percent of its 2015 net tax capacity, the local unit is eligible for transition aid computed under paragraphs (b) to (f).

(b) For aids payable in 2016, transition aid under this section for an eligible local unit equals (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2015.

(c) For aids payable in 2017, transition aid under this section for an eligible local unit equals 80 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2016.

(d) For aids payable in 2018, transition aid under this section for an eligible local unit equals 60 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2017.

(e) For aids payable in 2019, transition aid under this section for an eligible local unit equals 40 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2018.

(f) For aids payable in 2020, transition aid under this section for an eligible local unit equals 20 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2019.

(g) No aids shall be payable under this section in 2021 and thereafter.

(h) The commissioner of revenue shall compute the amount of transition aid payable to each local unit under this section. On or before August 1 of each year, the commissioner shall certify the amount of transition aid computed for aids payable in the following year

41.1 for each recipient local unit. The commissioner shall pay transition aid to local units
41.2 annually at the times provided in section 477A.015.

41.3 (i) The commissioner of revenue may require counties to provide any data that the
41.4 commissioner deems necessary to administer this section.

41.5 Subd. 3. **Appropriation.** An amount sufficient to pay transition aid under this
41.6 section is annually appropriated to the commissioner of revenue from the general fund.

41.7 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2015.

41.8 Sec. 3. **BUDGET RESERVE INCREASE.**

41.9 By June 30, 2014, based on the February 2014 budget and economic forecast
41.10 adjusted for any revenue or expenditure changes enacted in the 2014 legislative session,
41.11 the commissioner of management and budget shall transfer the projected general fund
41.12 budgetary balance for the current biennium to the budget reserve account under Minnesota
41.13 Statutes, section 16A.152, subdivision 1a.

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

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Article locations in 14-3483

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ARTICLE 2	SALES AND USE TAX RELIEF	Page.Ln 16.22
ARTICLE 3	ESTATE AND GIFT TAX REFORM	Page.Ln 29.1
ARTICLE 4	ANGEL INVESTMENT CREDIT	Page.Ln 36.13
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290.067 DEPENDENT CARE CREDIT.

Subd. 2. **Limitations.** The credit for expenses incurred for the care of each dependent shall not exceed \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The maximum total credit shall be reduced according to the amount of the income of the claimant and a spouse, if any, as follows:

income up to \$18,040, \$720 maximum for one dependent, \$1,440 for all dependents;
income over \$18,040, the maximum credit for one dependent shall be reduced by \$18 for every \$350 of additional income, \$36 for all dependents.

The commissioner shall construct and make available to taxpayers tables showing the amount of the credit at various levels of income and expenses. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transitions between expenses and income brackets.

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

- (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and
- (2) the sum of the following amounts to the extent not included in clause (1):
 - (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;
 - (vii) workers' compensation;
 - (viii) nontaxable strike benefits;
 - (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;
 - (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;
 - (xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;
 - (xii) nontaxable scholarship or fellowship grants;
 - (xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;
 - (xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;
 - (xv) the amount of tuition expenses required to be added to income under section 290.01, subdivision 19a, clause (12);
 - (xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code; and
 - (xvii) unemployment compensation.

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

(b) "Income" does not include:

- (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- (2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

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- (3) surplus food or other relief in kind supplied by a governmental agency;
- (4) relief granted under chapter 290A;
- (5) child support payments received under a temporary or final decree of dissolution or legal separation; and
- (6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 2 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

291.03 RATES.

Subd. 1b. **Qualified terminable interest property.** For estates of decedents dying after December 31, 2009, and before January 1, 2011, if a federal election under section 301(c) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Public Law 111-312, is made, the executor may make a qualified terminable interest property election, as defined in section 2056(b)(7) of the Internal Revenue Code, for purposes of computing the tax under this chapter. The election may not reduce the taxable estate under this chapter below \$3,500,000. The election must be made on the tax return under this chapter and is irrevocable. All tax under this chapter must be determined using the qualified terminable interest property election made on the Minnesota return. For purposes of applying sections 2044 and 2207A of the Internal Revenue Code when computing the tax under this chapter for the estate of the decedent's surviving spouse, regardless of the date of death of the surviving spouse, amounts for which a qualified terminable interest property election has been made under this section must be treated as though a valid federal qualified terminable interest property election under section 2056(b)(7) of the Internal Revenue Code has been made.

Subd. 1c. **Nonresident decedent tax credit.** (a) The estate of a nonresident decedent that is subject to tax under this chapter on the value of Minnesota situs property held in a pass-through entity is allowed a credit against the tax due under this section equal to the lesser of:

- (1) the amount of estate or inheritance tax paid to another state that is attributable to the Minnesota situs property held in the pass-through entity; or
- (2) the amount of tax paid under this section attributable to the Minnesota situs property held in the pass-through entity.

(b) The amount of tax attributable to the Minnesota situs property held in the pass-through entity must be determined by the increase in the estate or inheritance tax that results from including the market value of the property in the estate or treating the value as a taxable inheritance to the recipient of the property.

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.

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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 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.

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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.

297A.61 DEFINITIONS.

Subd. 57. **Self-storage service.** "Self-storage service" means a storage service that provides secure areas, such as rooms, units, compartments, or containers, whether accessible from outside or from within a building, that are designated for the use of a purchaser, where the purchaser retains the care, custody, and control of the purchaser's property, including self-storage units, mini-storage units, and areas by any other name to which the purchaser retains either unlimited free access or free access within reasonable business hours or upon reasonable notice to the service provider to add or remove property, but does not mean the rental of an entire building, such as a warehouse. Self-storage service does not include general warehousing and storage services where the warehouse typically handles, stores, and retrieves a purchaser's property using the warehouse's staff and equipment, and does not allow the purchaser free access to the storage space and does not include bailments.