November 22, 2000

Governor Jesse Ventura
130 State Capitol

Senator Doug Johnson
Senate Tax Committee
205 State Capitol

Representative Steve Sviggum, Chair
Legislative Coordinating Commission
463 State Office Building

Representative Ron Abrams
House Tax Committee
443 State Office Building

Michele Timmons
Revisor of Statutes
700 State Office Building

Senator Larry Pogemiller
Senate Tax Committee
235 Capitol

Representative Philip Krinkie
House State Government Finance Comm.
365 State Office Building

Representative Ron Erhardt
House Tax Comm., Property Tax Division
591 State Office Building

Senator Richard Cohen
Senate State Gov't. Finance Comm.
317 Capitol

Senator Don Samuelson
Senate Tax Committee
124 Capitol

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Senator Don Betzold
Senate Tax Committee
306 Capitol

Re: Annual Report on Obsolete, Unnecessary, or Duplicative Rules, as Required by *Minnesota Statutes*, section 14.05, subdivision 5

Dear Governor Ventura, et al:

Minnesota Statutes, section 14.05, subdivision 5, states, in part: "By December 1 of each year, an agency must submit . . . a list of any rules or portions of rules that are obsolete, unnecessary, or duplicative of other state or federal statutes or rules. The list must also include an explanation of why the rule or portion of the rule is obsolete, unnecessary, or duplicative of other state or federal statutes or rules. By December 1, the agency must either report a timetable for repeal of the rule or portion of the rule, or must develop a bill for submission to the appropriate policy committee to repeal the obsolete, unnecessary, or duplicative rule. Such a bill must include proposed authorization to use the expedited procedures of section 14.389 to repeal or amend the obsolete, unnecessary, or duplicative

rule. A report submitted under this subdivision must be signed by the person in the agency who is responsible for identifying and initiating repeal of obsolete rules. The report also must identify the status of any rules identified in the prior year's report as obsolete, unnecessary, or duplicative. If none of an agency's rules are obsolete, unnecessary, or duplicative, an agency's December 1 report must state that conclusion. "

The rules of the Minnesota Department of Revenue fall within Chapters 8001 through 8175 of the *Minnesota Rules*. In addition, the Department of Revenue is responsible for Chapter 1950, the Minnesota State Board of Assessors rules.

In 1998 and 1999, the Department identified and recommended for repeal the following rules:

Minnesota Rules, part 8014.0100. "Adjustments to Basis," and Minnesota Rules, part 8038.0100, subparts 1,2,3,5,7,9, and 10 - "Income Tax Returns for Husband and Wife." These rules and many others are being addressed in a Corporate Franchise Tax rule clean-up which was begun in 1999. The Dual Notice and proposed rules/repealer will be published in the *State Register* on December 4, 2000, and a public hearing is scheduled for January 29, 2001.

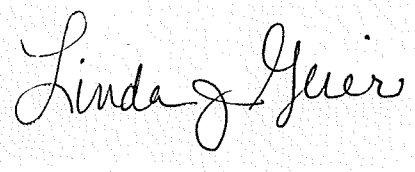
The Department has, for the past two years, been in the process of reviewing all of its rules, a chapter at a time, to repeal obsolete provisions, clarify current language and to recommend clean-up language. In addition to the proposed rule changes in the Corporate Franchise Tax area, we are also looking at cleaning up portions of the Sales Tax rules and the Individual Income Tax rules. The proposed Sales Tax rule changes are currently on hold as the Department awaits final decisions from the National Sales Tax Streamlining Project.

In addition, many provisions in the Cigarette and Tobacco Products chapter (*Minnesota Rules*, chapter 8120) are obsolete because of the recent recodification of the Cigarette and Tobacco Products Tax statutes (*Minnesota Statutes*, chapter 297F). The Department of Revenue has developed a bill for submission to the House and Senate Tax Committees to repeal these obsolete rules.

At this time, we have identified no other specific Department of Revenue rules that are obsolete, unnecessary, or duplicative. We will, however, continue our process of reviewing and updating current rules, a chapter at a time.

If you have any questions regarding this report, please feel free to contact me.

Sincerely,



Linda J. Geier
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Appeals & Legal Services Division
(651) 296-0562

cc: Jenny Engh, Assistant Commissioner, DOR
Terese Mitchell, Director, Appeals & Legal Services, DOR
Susan Eichhorst, Governor's Office