MINNESOTA · REVENUE

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November 23, 2005

Governor Tim Pawlenty

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

Dear Governor Pawlenty, 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 The list must also include an explanation of why the rule or portion of the rule is obsolete, unnecessary, or duplicative of other state or federal statutes or rules.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. The Department continues with an ongoing process to review all of its rules, to repeal obsolete and duplicative provisions, clarify current language and to recommend clean-up language.

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Corporate Franchise Taxes:
In last year's Obsolete Rule Report we reiterated that the following parts are obsolete or duplicative: Parts 8093.2000 and 8093.3000. They were repealed during the 2005 Legislative Session.

We also stated in last year's report that the Department also recognizes that Part 8017.6000 is obsolete because it was promulgated under statutory language that has been repealed, and that the Department is reviewing what action it should take, if any. The Department is currently looking at whether or not to include this in another rule project.

Income Taxes:
The Department of Revenue has reviewed the Income Tax Rules and finds no rules that are obsolete, unnecessary, or duplicative of statutory provisions such that they should be repealed.

Withholding Taxes:
The Department of Revenue has reviewed the Withholding Tax Rules and finds no rules that are obsolete, unnecessary, or duplicative of statutory provisions such that they should be repealed.

Sales & Use Taxes:
In last year's report, we stated that the list of obsolete or duplicative rules which we would propose be repealed legislatively during the 2005 legislative session were as follows: Parts 8130.0110, subpart 4; 8130.0200, subparts 5 and 6; 8130.0400, subpart 9; 8130.1200, subparts 5 and 6; 8130.2900; 8130.3100, subpart 1; 8130.4000, subparts 1 and 2; 8130.4200, subpart 1; 8130.4400, Subpart 3; 8130.5200; 8130.5600, subpart 3; 8130.5800, subpart 5; 8130.7300, subpart 5; and 8130.8800, subpart 4. These rules were repealed during the 2005 session.

This year, we find that the following rules are obsolete or duplicative such that they should be repealed, and suggest repeal during the 2006 legislative session: Part 8130.0400, subpart 3; 8130.4800; 8130.5100; 8130.5400; and 8130.5800, subpart 6.

We continue to work on a rule project (using the "good cause" exemption to the rule process) to clean up the sales and use tax rules. Part of the project involves repealing those parts and subparts that are obsolete, are duplicative of statutes, or unnecessary. We have to date identified the following as appropriate for repeal through this rule project: Parts 8130.0900, subpart 8; 8130.4200; and 8130.8400. We are reviewing other rules which have obsolete provisions and appear to duplicate statutes to determine whether it is best to amend them or to repeal them. At this time we expect that this particular rule project will be completed in early 2006.

The Department of Revenue has reviewed the Sales and Use Tax Rules and finds no other rules that are obsolete, unnecessary, or duplicative of statutory provisions such that they should be proposed for repeal at this time.

Property Equalization, Ad Valorem Taxes, Utilities:
The Department of Revenue has reviewed Chapter 8100 and finds no rules that are obsolete, unnecessary, or duplicative of statutory provisions.

Ad Valorem Tax, Valuation and Assessment of Railroads:
The Department of Revenue has reviewed Chapter 8106 and finds no rules that are obsolete, unnecessary, or duplicative of statutory provisions.

Certificate of Real Estate Value:
The Department of Revenue reviewed Chapter 8110 and found no rules that were obsolete, unnecessary, or duplicative of statutory provisions.

Cigarette and Tobacco Product Taxes:
The Department of Revenue reviewed Chapter 8120 and found no rules that were obsolete, unnecessary, or duplicative of statutory provisions.

Metropolitan Solid Waste Landfill Fee:
The Department of Revenue reviewed Chapter 8121 and found no rules that were obsolete, unnecessary, or duplicative of statutory provisions.

Lawful Gambling Tax:
The Department of Revenue reviewed Chapter 8122 and found no rules that were obsolete, unnecessary, or duplicative of statutory provisions.

Petroleum Tax:
The Department of Revenue reviewed Chapter 8125 and found no rules that were obsolete, unnecessary, or duplicative of statutory provisions.

Minnesota State Board of Assessors:
As stated above, the Department of Revenue is responsible for Chapter 1950, the Minnesota State Board of Assessors' rules. The Department of Revenue reviewed Chapter 1950 and found no rules that were obsolete, unnecessary, or duplicative of statutory provisions.

Continuing process.
At this time, we have identified no other specific Department of Revenue rules that are obsolete, unnecessary, or duplicative, such that they should be repealed. 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,

Susan E. Barry

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cc: Terese Mitchell, Director, Appeals & Legal Services, Department of Revenue
Mike Roelofs, Legislative Liaison, Department of Revenue
Rima Kawas, Governor's Office
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