MINNESOTA · REVENUE

November 21, 2006

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Senator William V. Belanger, Jr.
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Representative Jim Knoblach, Chair
Representative Loren Solberg, DFL Lead
House Ways & Means Committee

Representative Marty Seifert, Chair
Representative Bill Hilty, DFL Lead
House State Government Finance Committee

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 The list must also include an explanation of why the rule or portion of the rule is obsolete, unnecessary, or duplicative of other state or federal statutes or rules.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:
We stated in last year's report that the Department is reviewing what action if any it should take concerning Part 8017.6000, which is obsolete because it was promulgated under statutory language that has been repealed. The Department has concluded that this rule should be repealed.

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 2006 legislative session were as follows:: Part 8130.0400, subpart 3; 8130.4800; 8130.5100; 8130.5400; and 8130.5800, subpart 6. These rules were repealed during the 2006 legislative session.

We also stated in last year's report that we were continuing to work on a rule project (using the "good cause" exemption to the rule process) to clean up the sales and use tax rules. At that time we had identified the following as appropriate for repeal through this rule project: Parts 8130.0900, subpart 8; 8130.4200; and 8130.8400, and we expected that this rule project would be completed in early 2006. We have finished that rule project, repealing the rules identified last year, as well as several other rules (see the October 2, 2006, State Register at 31 S.R. 471).

The Department of Revenue has reviewed the Sales and Use Tax Rules and found 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 continually reviewing and updating current rules. 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
Linda Moser, Communication, Department of Revenue
Rima Kawas, Governor's Office
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