

(3) An injury to or death of a person, including a juvenile, who has been diverted from the court system and who is performing work in restitution as described in paragraph (1) or (2) pursuant to a written agreement signed by himself, and if a juvenile, by his parent or guardian.

Sec. 2. Minnesota Statutes 1982, section 3.739, subdivision 2, is amended to read:

Subd. 2. EVALUATION AND PAYMENT OF CLAIMS. Claims not to exceed \$500 arising out of this section shall be paid pursuant to legislative appropriation following evaluation of each claim by the appropriate committees of the senate and house of representatives. Compensation will not be paid for pain and suffering investigated by the state or local agency responsible for supervising the work to determine if the claim is valid and if the loss is covered by insurance. The investigating agency shall submit all appropriate claims to the department of corrections. The department shall pay the portion of any approved claim that is not covered by insurance within a reasonable period of time. On or before the first day of each legislative session, the department shall submit to the appropriate committees of the senate and the house of representatives a list of the claims paid by it during the preceding calendar year, and shall be reimbursed pursuant to legislative appropriation for the claims paid.

Any claim in excess of \$500, and any claim that was not paid by the department may be presented to, heard, and determined by the appropriate committees of the senate and the house of representatives and, if approved, shall be paid pursuant to legislative claims procedure.

No juvenile claimant receiving payment pursuant to this section may be identified by name either in the list of claimants submitted by the department or in the legislative appropriation.

Sec. 3. Minnesota Statutes 1982, section 3.739, is amended by adding a subdivision to read:

Subd. 2a. LIMITATIONS. No compensation shall be paid pursuant to this section for pain and suffering. Payments made pursuant to this section shall be reduced by any proceeds received by the claimant from any insurance policy covering the loss.

Approved April 25, 1984

CHAPTER 514 — H.F.No. 1528

An act relating to taxation; updating references to the internal revenue code; simplifying certain income tax and property tax refund provisions; making technical corrections and administrative changes to income tax, inheritance tax and property tax refund provisions; making child support withholding permanent; providing for withholding of attorneys fees and costs; amending Minnesota Statutes 1982, sections 10A.31, subdivision 1;

Changes or additions are indicated by underline, deletions by strikeout.

62E.11, subdivision 8; 171.31; 271.19; 290.01, subdivision 20e; 290.05, subdivision 4; 290.06, subdivisions 3e, and 3f; 290.095, subdivision 11; 290.17, subdivision 1a; 290.23, subdivision 3; 290.311, subdivision 1; 290.41, subdivision 2, and by adding a subdivision; 290.50, subdivision 6; 290.56, subdivisions 4 and 5; 290.61; 290.931, subdivision 1; 290A.07, subdivision 2a; 600.21; Minnesota Statutes 1983 Supplement, sections 176.186; 290.01, subdivisions 20, 20a, 20b, and 20f; 290.032, subdivision 2; 290.06, subdivisions 2c, 3d, 13, and 14; 290.067, subdivisions 1 and 2; 290.077, subdivision 4; 290.089, subdivisions 2 and 3; 290.09, subdivisions 5 and 29; 290.091; 290.10; 290.17, subdivisions 1 and 2; 290.174; 290.175; 290.18, subdivision 1; 290.21, subdivision 3; 290.37, subdivision 1; 290.431; 290.45, subdivision 1; 290.46; 290.92, subdivision 26; 290.93, subdivision 10; 290.9726, subdivision 5; 290A.03, subdivisions 3, 6, 11, 12, and 14; 290A.04, subdivisions 1 and 2; 290A.07, subdivision 3; and 296.18, subdivision 1; Laws 1980, chapter 439, section 36; Laws 1982, chapter 523, article 4, section 2; repealing Minnesota Statutes 1982, sections 290.011; 290.311, subdivision 2; Minnesota Statutes 1983 Supplement, section 290A.16; and Laws 1983, chapter 207, section 6.

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

ARTICLE 1

UPDATE

Section 1. Minnesota Statutes 1983 Supplement, section 290.01, subdivision 20, is amended to read:

Subd. 20. **GROSS INCOME.** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

The term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f, and with the modification that the federal deduction for personal exemptions for trusts and estates shall not be allowed.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income

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shall become effective for purposes of this chapter at the same time they become effective for federal income tax purposes.

The provisions of section 4 of P.L. 95-458, sections 131, 133, 134, 141, 152, 156, 157, 405, and 543 of P.L. 95-600, and section 2 of P.L. 96-608 (relating to pensions, individual retirement accounts, deferred compensation plans, the sale of a residence and to conservation payments to farmers) including the amendments made to these sections in P.L. 96-222 shall be effective at the same time that these provisions became effective for federal income tax purposes.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1979, shall be in effect for taxable years beginning after December 31, 1979.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1980, and as amended by sections 302(b) and 501 to 509 of Public Law Number 97-34, shall be in effect for taxable years beginning after December 31, 1980 including the provisions of section 404 (relating to partial exclusions of dividends and interest received by individuals) of the Crude Oil Windfall Profit Tax Act of 1980, P.L. 96-223. The provisions of P.L. 96-471 (relating to installment sales) sections 122, 123, 126, 201, 202, 203, 204, 211, 213, 214, 251, 261, 264, 265, 311(g)(3), 313, 314(a)(1), 321(a), 501 to 507, 811, and 812 of the Economic Recovery Tax Act of 1981, Public Law Number 97-34 and section 113 of Public Law Number 97-119 shall be effective at the same time that they become effective for federal income tax purposes.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. The provisions of sections 205(a), 214 to 222, 231, 232, 236, 247, 251, 252, 253, 265, 266, 285, 288, and 335 of the Tax Equity and Fiscal Responsibility Act of 1982, Public Law Number 97-248, section 6(b)(2) and (3) of the Subchapter S Revision Act of 1982, Public Law Number 97-354, section 517 of Public Law Number 97-424, sections 101(c) and (d), 102(a), (aa), (f)(4), (g), (j), (l), 103(c), 104(b)(3), 105, 305(d), 306(a)(9) of Public Law Number 97-448, and sections 101 and 102 of Public Law Number 97-473 shall be effective at the same time that they become effective for federal income tax purposes. The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4, shall be effective at the same time that it becomes effective for federal income tax purposes.

(v) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982.

(vi) The Internal Revenue Code of 1954, as amended through December 31, 1983, shall be in effect for taxable years beginning after December 31, 1983.

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, 20c, 20e, and 20f shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 2. Minnesota Statutes 1983 Supplement, section 290.01, subdivision 20b, is amended to read:

Subd. 20b. **MODIFICATIONS REDUCING FEDERAL ADJUSTED GROSS INCOME.** There shall be subtracted from federal adjusted gross income:

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

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to 40 per centum of the portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Income from the performance of personal or professional services which is subject to the reciprocity exclusion contained in section 290.081, clause (a);

(4) Losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks or out of state loss carryforwards resulting from the losses, and including any farm loss carryforwards or carrybacks;

(5) If included in federal adjusted gross income, the amount of any credit received, whether received as a refund or credit to another taxable year's income tax liability, pursuant to chapter 290A, and the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether the amount is received as a refund or credited to another taxable year's income tax liability;

(6) To the extent included in federal adjusted gross income, or the amount reflected as the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, notwithstanding any other law to the contrary, the amount received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue Code of 1954, or (iii) severance pay distributed to

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an individual upon discontinuance of the individual's employment due to termination of business operations by the individual's employer, provided that the termination is reasonably likely to be permanent, involves the discharge of at least 75 percent of the employees at that site within a one-year period, and the business is not acquired by another person who continues operations at that site. The maximum amount of this subtraction shall be \$11,000 less the amount by which the individual's federal adjusted gross income, plus the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, exceeds \$17,000. For purposes of the preceding sentence, "federal adjusted gross income" shall not include railroad retirement or social security benefit amounts provided in sections 86 and 72(r) of the Internal Revenue Code of 1954. For purposes of this clause, "severance pay" means an amount received for cancellation of an employment contract or a collectively bargained termination payment made as a substitute for income which would have been earned for personal services to be rendered in the future. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$11,000; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$17,000;

(7) To the extent included in the taxpayer's federal adjusted gross income for the taxable year, gain recognized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

(8) The amount of any distribution from a qualified pension or profit sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later;

(9) Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed before January 1, 1986 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60;

(10) The first \$3,000 of compensation for personal services in the armed forces of the United States or the United Nations, and the next \$2,000 of compensation for personal services in the armed forces of the United States or the United Nations wholly performed outside the state of Minnesota. This modification does not apply to compensation defined in subdivision 20b, clause (6);

(11) The amount of any income earned for personal services rendered outside of Minnesota prior to the date when the taxpayer became a resident of Minnesota. This modification does not apply to compensation defined in subdivision 20b, clause (6);

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(12) In the case of wages or salaries paid or incurred on or after January 1, 1977, the amount of any credit for employment of certain new employees under sections 44B and 51 to 53 of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(13) In the case of work incentive program expenses paid or incurred on or after January 1, 1979, the amount of any credit for expenses of work incentive programs under sections 40, 50A and 50B of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(14) Unemployment compensation to the extent includible in gross income for federal income tax purposes under section 85 of the Internal Revenue Code of 1954;

(15) The amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17;

(16) Interest earned on a contract for deed entered into for the sale of property for agricultural use if the rate of interest set in the contract is no more than nine percent per year for the duration of the term of the contract. This exclusion shall be available only if (1) the purchaser is an individual who, together with his spouse and dependents, has a total net worth valued at less than \$150,000 and (2) the property sold under the contract is farm land as defined in section 41.52, subdivision 6 of no more than 1,000 acres that the purchaser intends to use for agricultural purposes. Compliance with these requirements shall be stated in an affidavit to be filed with the first income tax return on which the taxpayer claims the exclusion provided in this clause. Upon request accompanied by the information necessary to make the determination, the commissioner shall determine whether interest to be paid on a proposed transaction will qualify for this exclusion; the determination shall be provided within 30 days of receipt of the request, unless the commissioner finds it necessary to obtain additional information, or verification of the information provided, in which case the determination shall be provided within 30 days of receipt of the final item of information or verification. The exclusion provided in this clause shall apply to interest earned on contracts for deed entered into after December 31, 1981 and before July 1, 1983;

(17) Income from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax;

(18) To the extent included in federal adjusted gross income, distributions from a qualified governmental pension plan which represent a return of designat-

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ed employee contributions to the plan and which contributions were included in gross income pursuant to subdivision 20a, clause (20); ~~and~~

(19) To the extent included in federal adjusted gross income, distributions from an individual retirement account which represent a return of designated employee contributions if the contributions were included in gross income pursuant to subdivision 20a, clause (19). The distribution shall be allocated first to return of contributions included in gross income until the amount of the contributions has been exhausted; and

(20) To the extent included in federal adjusted gross income, social security benefits as defined and as provided in section 86 of the Internal Revenue Code of 1954, railroad retirement benefits as provided in section 72(r) of the Internal Revenue Code of 1954, and sick pay paid under the Railroad Unemployment Insurance Act as provided in section 105(i) of the Internal Revenue Code of 1954, provided that any amount subtracted under this clause may not be subtracted under clause (6).

Sec. 3. Minnesota Statutes 1983 Supplement, section 290.10, is amended to read:

290.10 NONDEDUCTIBLE ITEMS.

In computing the net income no deduction shall in any case be allowed for:

- (1) Personal, living or family expenses;
- (2) Amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as otherwise provided in this chapter;
- (3) Amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;
- (4) Premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;
- (5) The shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;
- (6) Losses from sales or exchanges of property, directly or indirectly, between related taxpayers as defined and as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, 1982;
- (7) In computing net income, no deduction shall be allowed under section 290.09, subdivision 2, relating to expenses incurred or under section 290.09, subdivision 3, relating to interest accrued as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, 1982;

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(8) (a) Contributions by employees under the federal railroad retirement act and the federal social security act. (b) Payments to Minnesota or federal public employee retirement funds. (c) Three-fourths (75 percent) of the amount of taxes imposed on self-employment income under section 1401 of the Internal Revenue Code of 1954, as amended through December 31, 1982, provided that effective for taxable years beginning after December 31, 1989, no deduction is allowed for self-employment taxes where the taxpayer claimed a deduction for those taxes under section 164(f) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(9) Expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter.

(10) In situations where this chapter provides for a subtraction from gross income of a specific dollar amount of an item of income assignable to this state, and within the measure of the tax imposed by this chapter, that portion of the federal income tax liability assessed upon such income subtracted, and any expenses attributable to earning such income, shall not be deductible in computing net income.

(11) Amounts paid or accrued for such taxes and carrying charges as, under rules prescribed by the commissioner, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such rules, to treat such taxes or charges as so chargeable.

(12) No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if the trade or business (or the activities which comprise the trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the federal Controlled Substances Act) which is prohibited by federal law or the law of Minnesota.

Sec. 4. Minnesota Statutes 1982, section 290.41, subdivision 2, is amended to read:

Subd. 2. **BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS.** Every person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and every city, county and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 290.92, subdivision 7, or on account of earnings of \$10 or more distributed to its members by savings,

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building and loan associations or credit unions chartered under the laws of this state or the United States, (a) shall make a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and such return is therefore filed only with the commissioner of internal revenue pursuant to the applicable filing and informational reporting requirements of the Internal Revenue Code of 1954 as amended through December 31, 1981) in respect to such payments in excess of the amounts specified, giving the names and addresses of the persons to whom such payments were made, the amounts paid to each, and (b) shall make a return in respect to the total number of such payments and total amount of such payments, for each category of income specified, which were in excess of the amounts specified. This subdivision shall not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

A person, corporation, or cooperative required to file returns under this subdivision on interest, dividends, or patronage dividend payments with respect to more than 50 payees for any calendar year must file all of these returns on magnetic media unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

Sec. 5. Minnesota Statutes 1982, section 290.41, is amended by adding a subdivision to read:

Subd. 10. RETURNS RELATING TO SOCIAL SECURITY BENEFITS. The appropriate federal official who is required to make a return under section 6050F (relating to social security benefits) of the Internal Revenue Code of 1954, as amended through December 31, 1983, shall file with the commissioner a copy of the return containing the information required under that section.

Sec. 6. Minnesota Statutes 1983 Supplement, section 290.92, subdivision 26, is amended to read:

Subd. 26. EXTENSION OF WITHHOLDING TO CERTAIN PAYMENTS WHERE IDENTIFYING NUMBER NOT FURNISHED OR INACCURATE. (a) If, in the case of any ~~backup withholding reportable~~ payment, (1) the payee fails to furnish his social security account number to the payor, or (2) the commissioner notifies the payor that the social security account number furnished by the payee is incorrect, then the payor shall deduct and withhold from the payment a tax equal to five ten percent of the payment.

(b) (1) In the case of any failure described in clause (a) (1), clause (a) shall apply to any ~~backup withholding reportable~~ payment made by the payor during the period during which the social security account number has not been furnished.

(2) In any case where there is a notification described in clause (a)(2), clause (a) shall apply to any ~~backup withholding reportable~~ payment made by the payor (i) after the close of the ~~15th~~ 30th day after the day on which the payor

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was so notified received the notification, and (ii) before the payee furnishes another social security account number.

(3) (i) Unless the payor ~~otherwise elects not to have this subparagraph apply with respect to the payee~~, clause (a) shall also apply to any ~~backup withholding reportable~~ payment made after the close of the period described in paragraph (1) or (2) (as the case may be) and before the 30th day after the close of the period.

(ii) If the payor ~~so elects the application of this subparagraph with respect to the payee~~, clause (a) shall also apply to any ~~backup withholding reportable~~ payment made during the ~~15-day~~ 30-day period described in paragraph (2).

(iii) The payor may elect a period shorter than the grace period set forth in subparagraph (i) or (ii) as the case may be.

(c) The provisions of section 3402(s) 3406 of the Internal Revenue Code of 1954, as amended through December 31, ~~1982~~ 1983, shall apply and shall govern when withholding shall be required and the definition of terms. The term "~~back-up withholding reportable~~ payment" shall include only those payments for personal services. No tax shall be deducted or withheld under this subdivision with respect to any amount for which withholding is otherwise required under this section. For purposes of this section, payments which are subject to withholding under this subdivision shall be treated as if they were wages paid by an employer to an employee and amounts deducted and withheld under this subdivision shall be treated as if deducted and withheld under subdivision 2a.

(d) Whenever the commissioner notifies a payor under this subdivision that the social security account number furnished by any payee is incorrect, notwithstanding section 290.61, the commissioner shall at the same time furnish a copy of the notice to the payor, and the payor shall promptly furnish the copy to the payee. If the commissioner notifies a payor under this subdivision that the social security account number furnished by any payee is incorrect and the payee subsequently furnishes another social security account number to the payor, the payor shall promptly notify the commissioner of the other social security account number furnished.

Sec. 7. Minnesota Statutes 1983 Supplement, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **INCOME.** (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through ~~March 12, 1982~~ December 31, 1983; and

(b) the sum of the following amounts to the extent not included in clause (a):

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(i) additions to federal adjusted gross income as provided in Minnesota Statutes, section 290.01, subdivision 20a, clauses (1), (2), (6), (11), (12), and (16);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends and interest excluded from federal adjusted gross income under sections 116 or 128 of the Internal Revenue Code of 1954;

(v) cash public assistance and relief;

(vi) 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;

(vii) nontaxable interest received from the state or federal government or any instrumentality or political subdivision thereof;

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits; and

(xi) 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. In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback.

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, Sections 101(a), 102, 117, and 121;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

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

(d) relief granted under sections 290A.01 to 290A.20;

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

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(f) federal adjusted gross income shall be reduced by wage or salary expense, or expense of work incentive programs which are not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954; or

(g) federal adjusted gross income shall be reduced by the amount of the penalty on the early withdrawal of an all-savers certificate as provided in section 128(e) of the Internal Revenue Code of 1954.

Sec. 8. INSTRUCTIONS TO THE REVISOR.

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1954, as amended through December 31, 1983" for the words "Internal Revenue Code of 1954, as amended through December 31, 1982," or for the words "Internal Revenue Code of 1954, as amended through January 15, 1983," or for the words "Internal Revenue Code of 1954, as amended through March 12, 1983," wherever the phrase occurs in chapter 290, except section 290.01, subdivision 20.

Sec. 9. EFFECTIVE DATE.

Sections 1 and 2 are effective for taxable years beginning after December 31, 1983. Section 4 is effective for payments made after December 31, 1983. Section 5 is effective for benefits received after December 31, 1983. Section 6 is effective for payments made after May 15, 1984. Section 7 is effective for claims based on rent paid in 1983 and thereafter and property taxes payable in 1984 and thereafter. Section 8 is effective for taxable years beginning after December 31, 1983.

ARTICLE 2 SIMPLIFICATION

Section 1. Minnesota Statutes 1982, section 10A.31, subdivision 1, is amended to read:

Subdivision 1. Every individual resident of Minnesota who files a an income tax return or a renter and homeowner property tax refund return with the commissioner of revenue may designate on their original return that \$2 shall be paid from the general fund of the state into the state elections campaign fund. If a husband and wife file a joint return, each spouse may designate that \$2 shall be paid. An individual who is 18 years of age or older, who is a resident of Minnesota, and who is a dependent of another individual who files a tax return or a renter and homeowner property tax refund return, may designate that \$2 shall be paid from the general fund of the state into the state elections campaign fund. No individual shall be allowed to designate \$2 more than once in any year.

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Sec. 2. Minnesota Statutes 1982, section 62E.11, subdivision 8, is amended to read:

Subd. 8. Any annual fiscal year end or interim assessment levied against a contributing member may be offset, in an amount equal to the assessment paid to the association, against ~~the income tax or~~ the premium tax payable by that contributing member pursuant to section 60A.15 for the year in which the annual fiscal year end or interim assessment is levied. The commissioner of revenue shall annually, on or before January 15, report to the chairmen of the senate finance, house appropriations, senate commerce and house financial institutions and insurance committees as to the total amount of ~~income tax or~~ premium tax offset claimed by contributing members during the preceding calendar year.

Sec. 3. Minnesota Statutes 1983 Supplement, section 290.01, subdivision 20, is amended to read:

Subd. 20. **GROSS INCOME.** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

The term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f, ~~and with the modification that the federal deduction for personal exemptions for trusts and estates shall not be allowed.~~

(i) The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of this chapter at the same time they become effective for federal income tax purposes.

The provisions of section 4 of P.L. 95-458, sections 131, 133, 134, 141, 152, 156, 157, 405, and 543 of P.L. 95-600, and section 2 of P.L. 96-608 (relating to pensions, individual retirement accounts, deferred compensation plans, the sale of a residence and to conservation payments to farmers) including the amend-

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ments made to these sections in P.L. 96-222 shall be effective at the same time that these provisions became effective for federal income tax purposes.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1979, shall be in effect for taxable years beginning after December 31, 1979.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1980, and as amended by sections 302(b) and 501 to 509 of Public Law Number 97-34, shall be in effect for taxable years beginning after December 31, 1980 including the provisions of section 404 (relating to partial exclusions of dividends and interest received by individuals) of the Crude Oil Windfall Profit Tax Act of 1980, P.L. 96-223. The provisions of P.L. 96-471 (relating to installment sales) sections 122, 123, 126, 201, 202, 203, 204, 211, 213, 214, 251, 261, 264, 265, 311(g)(3), 313, 314(a)(1), 321(a), 501 to 507, 811, and 812 of the Economic Recovery Tax Act of 1981, Public Law Number 97-34 and section 113 of Public Law Number 97-119 shall be effective at the same time that they become effective for federal income tax purposes.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. The provisions of sections 205(a), 214 to 222, 231, 232, 236, 247, 251, 252, 253, 265, 266, 285, 288, and 335 of the Tax Equity and Fiscal Responsibility Act of 1982, Public Law Number 97-248, section 6(b)(2) and (3) of the Subchapter S Revision Act of 1982, Public Law Number 97-354, section 517 of Public Law Number 97-424, sections 101(c) and (d), 102(a), (aa), (f)(4), (g), (j), (l), 103(c), 104(b)(3), 105, 305(d), 306(a)(9) of Public Law Number 97-448, and sections 101 and 102 of Public Law Number 97-473 shall be effective at the same time that they become effective for federal income tax purposes. The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4, shall be effective at the same time that it becomes effective for federal income tax purposes.

(v) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982.

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, 20c, 20e, and 20f shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

Sec. 4. Minnesota Statutes 1983 Supplement, section 290.01, subdivision 20a, is amended to read:

Subd. 20a. **MODIFICATIONS INCREASING FEDERAL ADJUSTED GROSS INCOME.** There shall be added to federal adjusted gross income:

(1) Interest income on obligations of any state other than Minnesota or a political subdivision of any other state exempt from federal income taxes under the Internal Revenue Code of 1954;

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(2) Income taxes imposed by this state or any other taxing jurisdiction, to the extent deductible in determining federal adjusted gross income and not credited against federal income tax;

(3) ~~Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under this chapter, to the extent deductible in determining federal adjusted gross income;~~

(4) ~~In the case of a change of residence from Minnesota to another state or nation, the amount of moving expenses which exceed total reimbursements and which were therefore deducted in arriving at federal adjusted gross income;~~

(5) The amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954 to the extent of the credit under section 38 of the Internal Revenue Code of 1954 that was previously allowed as a deduction under Minnesota Statutes 1982, section 290.01, subdivision 20b, clause (7);

(6) ~~(4)~~ Expenses and losses arising from a farm which are not allowable under section 290.09, subdivision 29;

(7) ~~(5)~~ Expenses and depreciation attributable to substandard buildings disallowed by section 290.101;

(8) ~~(6)~~ The amount by which the gain determined pursuant to section 41.59, subdivision 2 exceeds the amount of such gain included in federal adjusted gross income;

(9) ~~(7)~~ To the extent deducted in computing the taxpayer's federal adjusted gross income for the taxable year, losses recognized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

(10) ~~(8)~~ Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, if the nonprofit corporation is domiciled outside of Minnesota;

(11) ~~(9)~~ Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, except for that portion of exempt-interest dividends derived from interest income on obligations of the state of Minnesota, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities;

(12) ~~(10)~~ The amount of any excluded gain recognized by a trust on the sale or exchange of property as defined in section 641(c)(1) of the Internal Revenue Code of 1954;

(13) ~~(11)~~ To the extent not included in the taxpayer's federal adjusted gross income, the amount of any gain, from the sale or other disposition of

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property having a lower adjusted basis for Minnesota income tax purposes than for federal income tax purposes. This modification shall not exceed the difference in basis. If the gain is considered a long term capital gain for federal income tax purposes, the modification shall be limited to 40 percent of the portion of the gain. This modification is limited to property that qualified for the equity investment credit contained in section 290.069, subdivision 4, and to property acquired in exchange for the release of the taxpayer's marital rights contained in section 290.14, clause (7);

(14) ~~(12)~~ For an estate or trust, the amount of any loss from a source outside of Minnesota which is not allowed under section 290.17 including any capital loss or net operating loss carryforwards or carrybacks resulting from the loss;

(15) ~~(13)~~ To the extent deducted in computing the ~~taxpayer's estate or trust's~~ federal adjusted gross taxable income, interest, taxes and other expenses which are not allowed under section 290.10, clause (9) or (10);

(16) ~~(14)~~ The deduction for two-earner married couples provided in section 221 of the Internal Revenue Code of 1954;

(17) ~~(15)~~ Losses from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax;

(18) ~~(16)~~ Expenses and depreciation attributable to property subject to Laws 1982, chapter 523, article 7, section 3 which has not been registered;

(19) ~~(17)~~ The amount of contributions to an individual retirement account, including a qualified voluntary employee contribution, simplified employee pension plan, or self-employed retirement plan which is allowed under sections 311 and 312 of Public Law Number 97-34, section 238 of Public Law Number 97-248, and section 103(d)(1)(B) of Public Law Number 97-448 to the extent those contributions were not an allowable deduction prior to the enactment of that law; and

(20) ~~(18)~~ To the extent not included in the taxpayer's federal adjusted gross income, the amount of any contributions to a qualified pension plan, designated as employee contributions but which the employing unit picks up and which are treated as employer contributions pursuant to section 414(h)(2) of the Internal Revenue Code of 1954.

Sec. 5. Minnesota Statutes 1983 Supplement, section 290.01, subdivision 20b, is amended to read:

Subd. 20b. **MODIFICATIONS REDUCING FEDERAL ADJUSTED GROSS INCOME.** There shall be subtracted from federal adjusted gross income:

(1) Interest income on obligations of any authority, commission or instrumentality of the United States to the extent includible in gross income for

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federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to 40 per centum of the portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Income from the performance of personal or professional services which is subject to the reciprocity exclusion contained in section 290.081, clause (a);

(4) Losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks or out of state loss carryforwards resulting from the losses, and including any farm loss carryforwards or carrybacks;

(5) If included in federal adjusted gross income, the amount of any credit received, whether received as a refund or credit to another taxable year's income tax liability, pursuant to chapter 290A, and the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether the amount is received as a refund or credited to another taxable year's income tax liability;

(6) To the extent included in federal adjusted gross income, or the amount reflected as the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, notwithstanding any other law to the contrary, the amount received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue Code of 1954, or (iii) severance pay distributed to an individual upon discontinuance of the individual's employment due to termination of business operations by the individual's employer, provided that the termination is reasonably likely to be permanent, involves the discharge of at least 75 percent of the employees at that site within a one-year period, and the business is not acquired by another person who continues operations at that site. The maximum amount of this subtraction shall be \$11,000 less the amount by which the individual's federal adjusted gross income, plus the ordinary income portion

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of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, exceeds \$17,000. For purposes of this clause, "severance pay" means an amount received for cancellation of an employment contract or a collectively bargained termination payment made as a substitute for income which would have been earned for personal services to be rendered in the future. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$11,000; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$17,000;

(7) To the extent included in the taxpayer's federal adjusted gross income for the taxable year, gain recognized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

(8) The amount of any distribution from a qualified pension or profit sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later;

(9) Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed before January 1, 1986 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60;

(10) The first \$3,000 of compensation for personal services in the armed forces of the United States or the United Nations, and the next \$2,000 of compensation for personal services in the armed forces of the United States or the United Nations wholly performed outside the state of Minnesota. This modification does not apply to compensation defined in subdivision 20b, clause (6);

(11) The amount of any income earned for personal services rendered outside of Minnesota prior to the date when the taxpayer became a resident of Minnesota. This modification does not apply to compensation defined in subdivision 20b, clause (6);

(12) In the case of wages or salaries paid or incurred on or after January 1, 1977, the amount of any credit for employment of certain new employees under sections 44B and 51 to 53 of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(13) In the case of work incentive program expenses paid or incurred on or after January 1, 1979, the amount of any credit for expenses of work incentive programs under sections 40, 50A and 50B of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to

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the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(14) ~~(12)~~ Unemployment compensation to the extent includible in gross income for federal income tax purposes under section 85 of the Internal Revenue Code of 1954;

~~(15)~~ ~~(13)~~ For an estate or trust, the amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17;

~~(16)~~ ~~(14)~~ Interest earned on a contract for deed entered into for the sale of property for agricultural use if the rate of interest set in the contract is no more than nine percent per year for the duration of the term of the contract. This exclusion shall be available only if (1) the purchaser is an individual who, together with his spouse and dependents, has a total net worth valued at less than \$150,000 and (2) the property sold under the contract is farm land as defined in section 41.52, subdivision 6 of no more than 1,000 acres that the purchaser intends to use for agricultural purposes. Compliance with these requirements shall be stated in an affidavit to be filed with the first income tax return on which the taxpayer claims the exclusion provided in this clause. Upon request accompanied by the information necessary to make the determination, the commissioner shall determine whether interest to be paid on a proposed transaction will qualify for this exclusion; the determination shall be provided within 30 days of receipt of the request, unless the commissioner finds it necessary to obtain additional information, or verification of the information provided, in which case the determination shall be provided within 30 days of receipt of the final item of information or verification. The exclusion provided in this clause shall apply to interest earned on contracts for deed entered into after December 31, 1981 and before July 1, 1983;

~~(17)~~ ~~(15)~~ Income from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax;

~~(18)~~ ~~(16)~~ To the extent included in federal adjusted gross income, distributions from a qualified governmental pension plan which represent a return of designated employee contributions to the plan and which contributions were included in gross income pursuant to subdivision 20a, clause ~~(20)~~ ~~(18)~~. The provisions of this clause shall apply before the provisions of clause (6) apply and an amount subtracted under this clause may not be subtracted under clause (6); and

~~(19)~~ ~~(17)~~ To the extent included in federal adjusted gross income, distributions from an individual retirement account which represent a return of designated employee contributions if the contributions were included in gross income pursuant to subdivision 20a, clause ~~(19)~~ ~~(17)~~. The distribution shall be allocated first to return of contributions included in gross income until the amount of the contributions has been exhausted.

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Sec. 6. Minnesota Statutes 1982, section 290.01, subdivision 20e, is amended to read:

Subd. 20e. **MODIFICATION IN COMPUTING TAXABLE INCOME OF THE ESTATE OF A DECEDENT.** Amounts allowable under section 291.07, subdivision 1, clause (2) in computing Minnesota inheritance or estate tax liability shall not be allowed as a deduction (or as an offset against the sales price of property in determining gain or loss) in computing the taxable income of the estate or any person unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have the amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents). ~~In the event that~~ The election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 ~~differs from the election made under this paragraph~~ appropriate modification of the estate's federal taxable income shall be made to implement the election made under this paragraph in accordance with regulations prescribed by the commissioner is binding for Minnesota tax purposes.

Sec. 7. Minnesota Statutes 1983 Supplement, section 290.01, subdivision 20f, is amended to read:

Subd. 20f. **MODIFICATION FOR ACCELERATED COST RECOVERY SYSTEM.** A modification shall be made for the allowable deduction under the accelerated cost recovery system. The allowable deduction for the accelerated cost recovery system as provided in section 168 of the Internal Revenue Code of 1954 shall be the same amount as provided in that section for individuals, estates, and trusts with the following modifications:

(1) For property placed in service after December 31, 1980, and for taxable years beginning before January 1, 1982, 15 percent of the allowance provided in section 168 of the Internal Revenue Code of 1954 shall not be allowed.

(2)(a) For taxable years beginning after December 31, 1981, and before January 1, 1983, for 15-year real property as defined in section 168 of the Internal Revenue Code of 1954, 40 percent of the allowance provided in section 168 of the Internal Revenue Code of 1954 shall not be allowed and for all other property, 17 percent of the allowance shall not be allowed.

(b) For taxable years beginning after December 31, 1982, and with respect to property placed in service in taxable years beginning before January 1, 1983, for 15-year real property as defined in section 168 of the Internal Revenue Code of 1954, 40 percent of the allowance provided in section 168 of the Internal

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Revenue Code of 1954 shall not be allowed and for all other property 20 percent of the allowance shall not be allowed.

(3) For property placed in service in taxable years beginning after December 31, 1982, the allowable deduction shall be the amount provided by section 168 of the Internal Revenue Code of 1954.

(4) For property placed in service after December 31, 1980, for which the taxpayer elects to use the straight line method provided in section 168(b)(3) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1954, the modifications provided in clauses (1) and (2) do not apply.

(5) For property subject to the modifications contained in clause (1) or (2) above ~~or subject to a reduction in basis pursuant to section 48(e) of the Internal Revenue Code of 1954~~, the following modification shall be made after the entire amount of the allowable deduction for that property under the provision of section 168 of the Internal Revenue Code of 1954 has been obtained. The remaining depreciable basis in those assets for Minnesota purposes shall be a depreciation allowance computed by using the straight line method over the following number of years:

- (a) 3 year property - 1 year.
- (b) 5 year property - 2 years.
- (c) 10 year property - 5 years.
- (d) All 15 year property - 7 years.

(6) The basis of property to which section 168 of the Internal Revenue Code of 1954 applies shall be its basis as provided in this chapter and including the modifications provided in this subdivision. The recapture tax provisions provided in sections 1245 and 1250 of the Internal Revenue Code of 1954 shall apply but shall be calculated using the basis provided in the preceding sentence. When an asset is exchanged for another asset including an involuntary conversion and under the provision of the Internal Revenue Code of 1954 gain is not recognized in whole or in part on the exchange of the first asset, the basis of the second asset shall be the same as its federal basis provided that the difference in basis due to clause (1) or (2) can be written off as provided in clause (5).

(7) The modifications provided in this subdivision shall apply before applying any limitation to ~~out-of-state losses contained in section 290.17~~ or farm losses contained in section 290.09, subdivision 29.

(8) The first taxable year after the entire amount of the allowable deduction for that property under the provisions of section 168 of the Internal Revenue Code of 1954 has been obtained, or where the straight line method provided in section 168(b)(3) is used, the last taxable year in which an amount of allowable depreciation for that property under section 168 is obtained, the

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remaining depreciable basis in those assets for Minnesota purposes that is allowable under clause (5) shall include the amount of any attributable to the basis reduction made for federal purposes under section 48(q) of the Internal Revenue Code of 1954 to reflect the investment tax credit shall be allowed as a deduction. No amount shall be allowed as a deduction under section 196 of the Internal Revenue Code of 1954.

Sec. 8. Minnesota Statutes 1982, section 290.05, subdivision 4, is amended to read:

Subd. 4. (a) Corporations, individuals, estates, trusts or organizations claiming exemption under the provisions of subdivision 2 shall furnish information as to their exempt status under the Internal Revenue Code.

(b) Such corporations, individuals, estates, trusts, and organizations shall file with the commissioner of revenue a copy of any annual report that is required to be filed with the Internal Revenue Service, no later than ten days after filing the same with the Internal Revenue Service. Any annual report required of a pension plan under sections 6057 to 6059 of the Internal Revenue Code of 1954, does not need to be filed with the commissioner.

Any person required to file a copy of a federal return pursuant to the preceding paragraph who wilfully fails to file such return shall be guilty of a misdemeanor.

(c) In the event that the Internal Revenue Service revokes, cancels or suspends, in whole or part, the exempt status of any corporation, individual, estate, trust or organization referred to in clause (a), or if the amount of gross income, deductions, credits, items of tax preference or taxable income is changed or corrected by either the taxpayer or the Internal Revenue Service, or if the taxpayer consents to any extension of time for assessment of federal income taxes such corporation, individual, estate, trust or organization shall notify the commissioner in writing of such action within 90 days thereafter.

(d) The periods of limitations contained in section 290.56 shall apply whenever there has been any action referred to in clause (c), notwithstanding any period of limitations to the contrary.

Sec. 9. Minnesota Statutes 1983 Supplement, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **SCHEDULE OF RATES FOR INDIVIDUALS, ESTATES AND TRUSTS.** (a) The income taxes imposed by this chapter upon individuals, estates and trusts, other than those taxable as corporations, shall be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$500, one and six-tenths percent;
- (2) On the second \$500, two and two-tenths percent;

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- (3) On the next \$1,000, three and five-tenths percent;
- (4) On the next \$1,000, five and eight-tenths percent;
- (5) On the next \$1,000, seven and three-tenths percent;
- (6) On the next \$1,000, eight and eight-tenths percent;
- (7) On the next \$2,000, ten and two-tenths percent;
- (8) On the next \$2,000, eleven and five-tenths percent;
- (9) On the next \$3,500, twelve and eight-tenths percent;
- (10) On all over \$12,500, and not over \$20,000, fourteen percent;
- (11) On all over \$20,000 and not over \$27,500, fifteen percent;
- (12) On all over \$27,500, sixteen percent.

(b) In lieu of a tax computed according to the rates set forth in clause (a) of this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than \$40,000 shall be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(c) An individual who is not a Minnesota resident for the entire year must compute his Minnesota income tax as provided in clause (a). After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota gross income, computed as if the provisions of section 290.17, subdivision 2, or 290.171 applied; and

(2) the denominator is the individual's federal adjusted gross income.

Sec. 10. Minnesota Statutes 1983 Supplement, section 290.06, subdivision 3d, is amended to read:

Subd. 3d. **LOW INCOME ALTERNATIVE TAX CREDIT.** A claimant as defined in section 290.012 ~~may~~ must pay a ~~the~~ tax computed under ~~this subdivision in lieu of the tax computed under~~ subdivision 2c as reduced by ~~this credit and by~~ any nonrefundable credits provided in this chapter ~~without the provisions of section 290.012 and this subdivision.~~

(1) The alternative tax shall be zero credit provided in this subdivision equals the tax liability for the following claimants:

(a) An unmarried claimant with an income of \$5,800 or less;

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- (b) A claimant with one dependent, with an income of \$7,400 or less;
 - (c) A claimant with two dependents, with an income of \$8,800 or less;
 - (d) A claimant with three dependents, with an income of \$10,000 or less;
 - (e) A claimant with four dependents, with an income of \$10,500 or less;
- and
- (f) A claimant with five or more dependents, with an income of \$11,000 or less.

(2) In the case of a claimant with an income in excess of that set forth in the appropriate category of clause (1), he may pay a tax equal to 15 percent of that portion of his income that is in excess of the amount set forth in the appropriate category of clause (1), or his tax obligation as it would have been in the absence of section 290.012 and this subdivision, whichever is less.

(3) The total income for the entire calendar year of the claimant and his spouse, if any, including income not assignable to this state, shall be the figure employed for the purposes of this subdivision. No individual dependent upon and receiving his chief support from any other individual may be a claimant under section 290.012 and this subdivision. The commissioner of revenue shall prescribe the additional forms or alterations in existing forms as necessary to comply with the provisions of section 290.012 and this subdivision. All claimants shall submit their returns on these forms.

~~The commissioner of revenue shall provide alternative tax tables.~~

Sec. 11. Minnesota Statutes 1982, section 290.06, subdivision 3e, is amended to read:

Subd. 3e. **HOMEMAKER CREDIT.** A credit of \$50 may be deducted from the tax due from the taxpayer and his spouse, if any, under this chapter if either the taxpayer or his spouse devotes his time to caring for his children and their home and is not employed outside of the home. A taxpayer would qualify for the credit if

(a) he has a child ~~who is twelve years of age or younger~~ under the age of 15 residing in his home at any time during the taxable year;

(b) either the taxpayer or his spouse remains unemployed throughout the taxable year for the purpose of caring for the child in the home; and

(c) the combined federal adjusted gross income, plus the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1981, of the taxpayer and his spouse is not in excess of \$25,000.

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A married claimant shall file his income tax return for the year for which he claims the credit either jointly or separately on one form with his spouse. In the case of the married claimant, only one spouse may claim the credit.

A taxpayer and his spouse, if any, may not claim this credit if they claim the dependent care credit provided in section 290.067.

Sec. 12. Minnesota Statutes 1982, section 290.06, subdivision 3f, is amended to read:

Subd. 3f. **CREDITS AGAINST TAX.** Subject to the provisions of subdivision 3g the taxes due under the computation in accordance with this section shall be credited with the following amounts:

(1) In the case of an unmarried individual ~~and in the case of the estate of a decedent, \$60,~~ and in the case of a trust, \$5 \$68;

(2) In the case of a married individual, ~~\$120~~ \$136. If the spouses file separate, combined or joint returns the personal credits may be taken by either or divided between them;

(3) In the case of an individual, ~~\$60~~ \$68 for each person (other than a spouse) dependent upon and receiving his chief support from the taxpayer. One taxpayer only shall be allowed this credit with respect to any given dependent. A payment to a divorced or separated spouse, other than a payment for support of minor children under a temporary order or final decree of dissolution or legal separation, shall not be considered a payment by the other spouse for the support of any dependent.

(4) (a) In the case of an unmarried individual who has attained the age of 65 before the close of his taxable year, an additional ~~\$60~~ \$68;

(b) In the case of an unmarried individual who is blind at the close of the taxable year, an additional ~~\$60~~ \$68;

(c) In the case of a married individual, an additional ~~\$60~~ \$68 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional ~~\$60~~ \$68 for each spouse who is blind at the close of the individual's taxable year. If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them;

(d) In the case of an individual, another ~~\$60~~ \$68 for each person, other than a spouse, who is blind and dependent upon and receiving his chief support from the taxpayer;

(e) For the purposes of subparagraphs (b), (c) and (d) of paragraph (4), an individual is blind if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

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(f) In the case of an unmarried individual who is deaf at the close of the taxable year, an additional ~~\$60~~ \$68.

(g) In the case of a married individual, an additional ~~\$60~~ \$68 for each spouse who is deaf at the close of the taxable year. If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them.

(h) In the case of an individual, an additional ~~\$60~~ \$68 for each person (other than a spouse) who is deaf and dependent upon and receiving his chief support from the taxpayer.

(i) For the purposes of subparagraphs (f), (g) and (h) of paragraph (4), an individual is deaf if the average loss in the speech frequencies (500-2000 Hertz) in the better ear, unaided, is 92 decibels, American National Standards Institute, or worse.

(5) (a) In the case of an unmarried individual who is a quadriplegic at the close of the taxable year, an additional ~~\$60~~ \$68;

(b) In the case of a married individual, an additional ~~\$60~~ \$68 for each spouse who is a quadriplegic at the close of the taxable year. If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them;

(c) In the case of an individual, another ~~\$60~~ \$68 for each person, other than a spouse, who is quadriplegic and dependent upon and receiving his chief support from the taxpayer; and

(d) For the purposes of subparagraphs (a), (b) and (c) of paragraph 5, "quadriplegic" means an individual who has a congenital or traumatic partial or total loss of all four limbs or who has a disability that substantially impairs the functioning of all four limbs.

(6) In the case of an insurance company, it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under this chapter is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by sections 69.54 to 69.56.

~~(7) In the case of a nonresident individual, credits under paragraphs 1, 2, 3, 4 and 5 shall be apportioned in the proportion of the gross income from sources in Minnesota to the gross income from all sources, and in any event a minimum credit of \$5 shall be allowed.~~

Sec. 13. Minnesota Statutes 1983 Supplement, section 290.06, subdivision 13, is amended to read:

Subd. 13. **GASOLINE AND SPECIAL FUEL TAX REFUND.** Subject to the provisions of section 296.18, a credit equal to the amount paid by the

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taxpayer person during the taxable year as Minnesota excise tax on gasoline bought and used for any a qualifying purpose other than use in motor vehicles, snowmobiles, or motorboats, or on special fuel bought and used for any a qualifying purpose other than use in licensed motor vehicles may be deducted from any tax due under this chapter. Any amount by which the credit exceeds the tax due shall be refunded. Gasoline or special fuel bought and used for "a qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(2) Gasoline or special fuel used for off-highway business use. "Off-highway business use" means any use by a person in that person's trade, business, or activity for the production of income. "Off-highway business use" does not include use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country.

Sec. 14. Minnesota Statutes 1983 Supplement, section 290.06, subdivision 14, is amended to read:

Subd. 14. **RESIDENTIAL ENERGY CREDIT.** A credit of 20 percent of the first \$10,000 of renewable energy source expenditures, including the expenditures described in clauses (a), (b) and (d) if made by an individual taxpayer on a Minnesota building of six dwelling units or less and expenditures for biomass conversion equipment described in clause (c), may be deducted from the tax due under this chapter for the taxable year in which the expenditures were made. For purposes of this subdivision, the term "building" shall include a condominium or townhouse used by the taxpayer as a residence. In the case of qualifying expenditures incurred in connection with a building under construction by a contractor, the credit shall be deducted from the tax liability of the first individual to purchase the building for use as a principal residence or for residential rental purposes; the contractor shall not be eligible for the credit given pursuant to this subdivision for that expenditure.

A "renewable energy source expenditure" which qualifies shall include:

(a) Expenditures which qualify for the federal renewable energy source credit, pursuant to Section 44C of the Internal Revenue Code of 1954, as amended through December 31, 1981, and any regulations promulgated pursuant thereto, provided that, after December 31, 1980, any solar collector included in the claimed expenditure is certified by the commissioner of energy, planning and development. A solar collector is a device designed to absorb incident solar radiation, convert it to thermal energy, and transfer the thermal energy to a fluid

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passing through or in contact with the device. "Solar collector" shall not include passive solar energy systems as defined in clause (d);

(b) Expenditures for earth sheltered dwelling units. For purposes of this credit, an "earth sheltered dwelling unit" shall mean a structure which complies with applicable building standards and which is constructed so that:

(1) 80 percent or more of the roof area is covered with a minimum depth of 12 inches of earth; and

(2) 50 percent or more of the wall area is covered with a minimum depth of 12 inches of earth; and

(3) Those portions of the structure not insulated with a minimum of seven feet of earth shall have additional insulation;

(c) Expenditures for biomass conversion equipment located in Minnesota which produces ethanol, methane or methanol for use as a gaseous or as a liquid fuel which is not offered for sale; and

(d) Expenditures for passive solar energy systems. For purposes of this credit, a "passive solar energy system" is defined to include systems which utilize elements of the building and its operable components to heat or cool a building with the sun's energy by means of conduction, convection, radiation, or evaporation. A passive system shall include:

(1) Collection aperture, including glazing installed in south facing walls and roofs; and

(2) Storage element, including thermal mass in the form of water, masonry, rock, concrete, or other mediums which is designed to store heat collected from solar radiation.

A passive system may include either or both:

(1) Control and distribution element, including fans, louvers, and air ducts; or

(2) Retention element, including movable insulation used to minimize heat loss caused by nocturnal radiation through areas used for direct solar heat gain during daylight hours.

Eligible passive expenditures shall be for equipment, materials or devices that are an integral part of the components listed above and essential to the functioning of a passive design which qualifies pursuant to rules adopted by the commissioner of revenue in cooperation with the commissioner of energy, planning and development. Expenditures for equipment, materials, or devices which are a part of the normal heating, cooling, or insulation system of a building are not eligible for the credit.

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If a credit was allowed to a taxpayer under this subdivision for any prior taxable year, the dollar amount of the maximum expenditure for which a taxpayer may qualify for a credit under this subdivision in subsequent years shall be \$10,000 reduced by the amount of expenditures which a credit was claimed pursuant to this subdivision in prior years. A taxpayer shall never be allowed to claim more than \$10,000 of expenditures during the duration of the renewable energy credit.

The credit provided in this subdivision shall not be allowed in a taxable year if the amount of the credit would be less than \$10.

If the credit allowable under this subdivision exceeds the amount of tax due in a taxable year, the excess credit shall not be refunded but may be carried forward to the succeeding taxable year and added to the credit allowable for that year. No amount may be carried forward to a taxable year beginning after December 31, 1987.

The credit provided in this subdivision may not be claimed by a corporate taxpayer, except that a shareholder in a family farm corporation and each partner in a partnership operating a family farm shall be eligible for the credit provided by this subdivision in the same manner and to the same extent allowed a joint owner of property under section 44C (d) of the Internal Revenue Code of 1954, as amended through December 31, 1981. "Family farm corporation" and "family farm" have the meanings given in section 500.24.

The credit provided in this subdivision is subject to the provisions of Section 44C, (c) (7) and (10), and (d) (1) to (3), of the Internal Revenue Code of 1954, as amended through December 31, 1981, and any regulations promulgated pursuant thereto.

The commissioner of revenue in cooperation with the commissioner of energy, planning and development shall adopt rules establishing additional qualifications and definitions for the credits provided in this subdivision.

Notwithstanding section 290.61, the commissioner of revenue may request the commissioner of energy, planning and development to assist in the review and auditing of the information furnished by the taxpayer for purposes of claiming this credit. The provisions of section 290.61 shall apply to employees of the department of energy, planning and development who receive information furnished by a taxpayer for purposes of claiming this credit.

The commissioner of energy, planning and development shall adopt rules establishing the criteria for certification of solar collectors as required by clause (a). The criteria shall:

- (1) Specify the testing procedures to be used in the evaluation of solar collectors;
- (2) Establish minimum levels of collector quality for safety;

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(3) Provide a means to determine the maintainability and structural integrity of solar collectors;

(4) Establish a system for evaluating and rating the thermal performance of solar collectors;

(5) Specify the procedures to follow to obtain certification of a solar collector;

(6) Conform to the maximum extent practicable to the solar collector certification requirements of other states which have adopted certification procedures; and

(7) Allow for individual variation so as not to hamper the development of innovative solar collectors.

The commissioner of energy, planning and development may adopt temporary rules pursuant to sections 14.29 to 14.36 to establish this certification procedure.

This subdivision is effective for expenditures made during taxable years beginning after December 31, 1978 and before January 1, 1986.

Sec. 15. Minnesota Statutes 1983 Supplement, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **AMOUNT OF CREDIT.** A taxpayer may take as a credit against the tax due from him and his spouse, if any, under this chapter an amount equal to the dependent care credit for which he is eligible pursuant to the provisions of section 44A of the Internal Revenue Code of 1954, as amended through December 31, 1982, ~~except that the applicable percentage of the employment-related expenses shall be 20 percent and~~ 1983, subject to the other limitations provided in subdivision 2.

Sec. 16. Minnesota Statutes 1983 Supplement, section 290.067, subdivision 2, is amended to read:

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 total credit shall be reduced according to the amount of the combined federal adjusted gross income, plus the ordinary income portion of any lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, ~~1982~~ 1983, of the claimant and his spouse, if any, as follows:

income up to \$10,000, \$720 maximum for one dependent, \$1,440 for all dependents;

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income of \$10,001 to \$11,000, ~~\$670~~ \$660 maximum for one dependent, ~~\$1,340~~ \$1,320 for all dependents;

income of \$11,001 to \$12,000, \$620 maximum for one dependent, \$1,240 for all dependents;

income of \$12,001 to \$13,000, \$570 maximum for one dependent, \$1,140 for all dependents;

income of \$13,001 to \$15,000, \$520 maximum for one dependent, \$1,040 for all dependents;

income of \$15,001 to \$22,000, \$400 maximum for one dependent, \$800 for all dependents, reduced by five percent of the amount by which the income exceeds \$15,000, plus \$70;

income of \$22,001 to \$23,000, \$70 for one dependent, \$140 for all dependents;

income of \$23,001 to \$24,000, \$20 for one dependent, \$40 for all dependents;

income over \$11,000, the maximum credit for one dependent shall be reduced by \$10 for every \$200 of additional income, \$20 for all dependents;

\$24,001 and over, no credit.

A married claimant shall file his income tax return for the year for which he claims the credit either jointly or separately on one form with his spouse. In the case of a married claimant only one spouse may claim the credit.

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.

Sec. 17. Minnesota Statutes 1983 Supplement, section 290.089, subdivision 2, is amended to read:

Subd. 2. **ITEMIZED DEDUCTIONS.** ~~Subject to the provisions of section 290.18, subdivision 1,~~ An amount equal to the amount determined pursuant to section 63(f) of the Internal Revenue Code is allowed with the following adjustments:

(a) Add the amount paid to others not to exceed \$500 for each dependent in grades K to 6 and \$700 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent 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

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provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "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;

(b) Add the amount of Minnesota and other states' estate or inheritance taxes which were allowed as a deduction under section 290.077, subdivision 4, on income in respect of a decedent;

(c) Add the amount by which the deduction for the taxable year allowed pursuant to subdivision 4 exceeds the amount determined pursuant to section 222 of the Internal Revenue Code;

(d) Subtract income taxes paid or accrued within the taxable year under this chapter;

(e) Subtract income taxes paid to any other state or to any province or territory of Canada if a credit is allowed for the taxes under section 290.081;

(f) If the deduction computed under section 164 of the Internal Revenue Code is not reduced by the amount of the credit or refund allowed under chapter 290A, subtract that amount;

(g) Subtract the amount of interest on investment indebtedness paid or accrued in a taxable year beginning before January 1, 1981, which has been carried forward and is allowed as a deduction in the taxable year under section 163(d) of the Internal Revenue Code;

(h) Subtract the amount of charitable contributions deducted under section 170 of the Internal Revenue Code that (i) exceeds the following limitations: (A) an overall limit of 30 percent of the taxpayer's Minnesota gross income which, for purposes of this paragraph, shall include the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code; and (B) the aggregate of contributions to organizations described in section 290.21, subdivision 3, clause (c) shall not exceed 20 percent of the taxpayer's Minnesota gross income; or (ii) was deducted as a carryover under section 170(d) of the Internal Revenue Code.

Sec. 18. Minnesota Statutes 1983 Supplement, section 290.089, subdivision 3, is amended to read:

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Subd. 3. **STANDARD DEDUCTION.** In lieu of the deductions provided in subdivision 2, an individual may claim or be allowed a standard deduction as follows:

(a) Subject to modification pursuant to clause (b), the standard deduction shall be an amount equal to ten percent of the adjusted gross income of the taxpayer, up to a maximum deduction of ~~\$2,250~~ \$2,268.

In the case of a husband and wife, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction.

(b) The maximum amount of the standard deduction shall be adjusted for inflation in the same manner as provided in section 290.06, subdivision 2d, for the expansion of the taxable net income brackets. The commissioner shall then round the maximum amount of the standard deduction to the nearest hundred dollar amount. When adjusting the maximum amount of standard deduction for inflation, the commissioner shall use the actual dollar amount of the maximum amount of the standard deduction prior to rounding the dollar amounts.

(c) The commissioner of revenue may establish a standard deduction tax table incorporating the rates set forth in section 290.06, subdivision 2c, and the standard deduction. The tax of any individual taxpayer whose adjusted gross income is less than \$20,000 shall, if an election is made not to itemize nonbusiness deductions, be computed in accordance with tables prepared and issued by the commissioner of revenue. The tables shall be prepared to reflect the allowance of the standard deduction and the personal and dependent credits.

Sec. 19. Minnesota Statutes 1983 Supplement, section 290.09, subdivision 29, is amended to read:

Subd. 29. **DEDUCTIONS ATTRIBUTABLE TO FARMING.** (a) **DEFINITIONS.** For purposes of this subdivision, income and gains and expenses and losses shall be considered as "arising from a farm" if such items are received or incurred in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, including horses ~~for horse racing~~, bees, poultry, and fur-bearing animals and wildlife, and all operations incident thereto, including but not limited to the common use of "hedging."

(b) **DEDUCTIONS LIMITED.** Except as provided in this subdivision, expenses and losses, except for interest and taxes, arising from a farm shall not be allowed as deductions in excess of income and gains arising from a farm.

(c) **DEDUCTIONS ALLOWED; CARRYOVER DEDUCTIONS.** Expenses and losses arising from a farm or farms shall be allowed as deductions up to the amount of the income and gains arising from a farm or farms in any

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taxable year, plus the first \$30,000 of nonfarm gross income, or nonfarm taxable net income in the case of a corporation, provided however that in any case where nonfarm income exceeds \$30,000, the maximum allowable amount of \$30,000 shall be reduced by an amount equal to the nonfarm income in excess of \$30,000 multiplied by three. For this purpose and for the purpose of applying the limitation in the following paragraph regarding the application of any carryback or carryforward, the term gross income shall include the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1981, and no deduction shall be allowed for two-earner married couples as provided in section 221 of the Internal Revenue Code of 1954, as amended through December 31, 1981. Any remaining balance of the deductions shall be carried back three years and carried forward five years, in chronological order, provided, however, that in any case in which any individual, estate or trust which elects a net operating loss carryforward under section 172(b)(3)(C) of the Internal Revenue Code of 1954, as amended through December 31, 1981, such losses shall not be carried back but shall only be carried forward.

Current expenses and losses shall be utilized as deductions in any taxable year, to the extent herein allowable, prior to the application of any carryback or carryover deductions. In any event, the combined amounts of such current expenses and losses and carryback or carryover deductions shall be allowed as deductions up to the amount of the income and gains arising from a farm or farms in any taxable year, plus the first \$30,000 of nonfarm gross income, or nonfarm taxable net income in the case of a corporation, provided however that in any case where nonfarm income exceeds \$30,000, the maximum allowable amount of \$30,000 shall be reduced by an amount equal to the nonfarm income in excess of \$30,000 multiplied by three.

(d) **SHAREHOLDERS SEPARATE ENTITIES.** For purposes of this subdivision, individual shareholders of an S corporation shall be considered separate entities.

(e) **SPECIAL PERIOD OF LIMITATION WITH RESPECT TO FARM LOSS LIMITATION CARRYBACKS.** For the purposes of sections 290.46 and 290.50, if the claim for refund relates to an overpayment attributable to a farm loss limitation carryback under this subdivision, in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period of limitation shall be that period which ends with the expiration of the 15th day of the 46th month (or the 45th month, in the case of a corporation) following the end of the taxable year of the farm loss which results in the carryback. During this extended period, married individuals who elected to file separate returns or a combined return may change their election and file a joint return.

(f) **INTEREST ON CLAIMS.** In any case in which a taxpayer is entitled to a refund in a carryback year due to the carryback of a farm loss, interest shall be computed only from the end of the taxable year in which the loss occurs.

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(g) **ORDER OF APPLICATION.** The application of this subdivision shall be made after applying any limitation to out of state losses contained in section 290.17.

Sec. 20. Minnesota Statutes 1983 Supplement, section 290.091, is amended to read:

290.091 MINIMUM TAX ON PREFERENCE ITEMS.

In addition to all other taxes imposed by this chapter there is hereby imposed, on individuals, estates, and trusts a tax which, in the case of a resident individual, shall be equal to 40 percent of the amount of the taxpayer's alternative minimum tax liability for tax preference items pursuant to the provisions of sections 55 to, 57, 58 and 443(d) of the Internal Revenue Code of 1954 as amended through January 15 December 31, 1983. For purposes of the tax imposed by this section, the following modifications shall be made:

(1) Capital gain as defined in section 57(a) of the Internal Revenue Code shall not include that portion of any gain occasioned by sale, transfer or the granting of a perpetual easement pursuant to any eminent domain proceeding or threat thereof as described in section 290.13, subdivision 5. This modification shall apply to the years in which the gain or reduction in loss is actually included in federal adjusted gross income even though amounts received pursuant to the eminent domain proceedings were received in prior years.

(2) In the case of a corporate taxpayer, percentage depletion shall not be a preference item.

(3) In the case of a corporate taxpayer, the capital gain preference item shall not include the timber preference income defined in section 57(e)(1) of the Internal Revenue Code.

(4) The preference item of reserves for losses on bad debts shall not include reserves allowable under section 593 of the Internal Revenue Code, but which are not allowable under section 290.09, subdivision 6, clause (e).

(5) In the case of an individual, Alternative tax itemized deductions shall include the amount allowable as a deduction for the taxable year under section 164 of the Internal Revenue Code for Minnesota income tax paid or accrued.

(6) (2) The capital gain preference item shall be reduced where the gain would be modified because some or all of the assets have a higher basis for Minnesota purposes than for federal purposes.

(7) (3) In the case of a nonresident individual, or an estate or trust, with a net operating loss that is a larger amount for Minnesota than for federal, the capital gain preference item shall be reduced to the extent it was reduced in the allowance of the net operating loss.

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(8) (4) Federal preference items from the business of mining or producing iron ore and other ores which are subject to the occupation tax and exempt from taxation under section 290.05, subdivision 1, shall not be a preference item for Minnesota.

(5) The term "regular tax" as defined in section 55(f)(2) of the Internal Revenue Code shall be increased by the amount of the credit allowable under section 38 of the Internal Revenue Code and it shall be computed before the limitation on tax provided in section 1301 of the Internal Revenue Code.

(6) Federal preference items which arise from a farm shall not be a preference item to the extent they exceed the loss allowed under section 290.09, subdivision 29, other than interest and taxes.

(9) In the case of a corporate taxpayer, amortization of certified pollution control facilities, shall not be a preference item.

In the case of a resident individual, having preference items which could not be taken to reduce income from sources outside the state pursuant to section 290.17, subdivision 1, or any other taxpayer who is not a full year resident individual, or who is an estate or trust the tax shall equal 40 percent of that federal liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference item income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total preference item income for federal purposes.

The tax benefit rule contained in section 58(h) of the Internal Revenue Code is applied to the Minnesota minimum tax only to the extent that it determines if there is a federal minimum tax. No separate tax benefit rule is allowable for the Minnesota minimum tax.

For property placed in service after December 31, 1980, and in a taxable year beginning before January 1, 1983, the preference items contained in section 57 (a)(12) of the Internal Revenue Code of 1954, as amended through January 15 December 31, 1983, shall not apply.

Sec. 21. Minnesota Statutes 1982, section 290.095, subdivision 11, is amended to read:

Subd. 11. **CARRYBACK OR CARRYOVER ADJUSTMENTS.** (a) For individuals the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal adjusted gross income. For estates and trusts the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal taxable income.

(b) The following adjustments to the amount of the net operating loss that may be carried back or carried over must be made for:

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(1) Nonassignable income or losses as required by section 290.17, subdivision 2.

(2) ~~Losses which constitute tax preference items as required in section 290.17, subdivision 1.~~

(3) Modifications required because of the restrictions on farm losses as provided in section 290.09, subdivision 29.

(4) (3) Adjustments to the determination of federal adjusted gross income that must be made because of changes in the Internal Revenue Code that have not yet been adopted by the legislature by updating the reference to the Internal Revenue Code contained in section 290.01, subdivision 20.

(5) (4) Modifications to income contained in federal adjusted gross income according to the provisions of section 290.01, subdivision 20c.

(6) (5) Gains or losses which result from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes subject to the limitations contained in section 290.01, subdivision 20b, clauses (2) and (4).

(7) (6) Interest, taxes, and other expenses not allowed under section 290.10, clause (9) or section 290.101.

(8) (7) The modification for accelerated cost recovery system depreciation as provided in section 290.01, subdivision ~~28~~ 20f.

(c) (1) The net operating loss carryback or carryover applied as a deduction in the taxable year to which the net operating loss is carried back or carried over shall be equal to the net operating loss carryback or carryover applied in the taxable year in arriving at federal adjusted gross income (or federal taxable income for trusts and estates) subject to the modifications contained in clause (b) and to the following modifications:

(A) Increase the amount of carryback or carryover applied in the taxable year by the amount of losses and interest, taxes and other expenses not assignable or allowable to Minnesota incurred in the taxable year.

(B) Decrease the amount of carryback or carryover applied in the taxable year by the amount of income not assignable to Minnesota earned in the taxable year and the amount of federal jobs credit or ~~WIN~~ credit earned in the taxable year.

(C) A taxpayer who is not a resident of Minnesota during any part of the taxable year and who has no income assignable to Minnesota during the taxable year shall apply no net operating loss carryback or carryover in the taxable year.

(2) The provisions of section 172(b) of the Internal Revenue Code of 1954 as amended through December 31, 1981 (relating to carrybacks and carryovers)

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shall apply. The net operating loss carryback or carryover to the next consecutive taxable year shall be the net operating loss carryback or carryover as calculated in clause (c) (1) less the amount applied in the earlier taxable year(s). No additional net operating loss carryback or carryover shall be allowed if the entire amount has been used to offset Minnesota income in a year earlier than was possible on the federal return. A net operating loss carryback or carryover that was allowed to offset federal income in a year earlier than was possible on the Minnesota return shall still be allowed to offset Minnesota income but only if the loss was assignable to Minnesota in the year the loss occurred.

(d) A net operating loss shall be allowed to be carried back or carried forward only to the extent that loss was assignable to Minnesota in the year the loss occurred or in the year to which the loss was carried over, whichever would allow more of the loss to be allowed for Minnesota purposes.

(e) If a taxpayer has a net operating loss for federal purposes and the provisions of the farm loss limitation as provided in section 290.09, subdivision 29 apply, the limitations applying to the farm losses that are carried back or carried over are applied first and the net operating loss that is carried back or carried over is limited to the excess, if any, that the net operating loss exceeds the farm loss limitation.

Sec. 22. Minnesota Statutes 1983 Supplement, section 290.17, subdivision 1, is amended to read:

Subdivision 1. **INCOME OF RESIDENT INDIVIDUALS.** The gross income of individuals during the period of time when they are residents of ~~Minnesota~~ shall be their gross income as defined in section 290.01, subdivision 20, ~~except that the amount of otherwise deductible losses incurred in connection with income derived from sources outside the state shall be reduced by the sum of the taxpayer's items of tax preference as defined in section 57, as limited by section 58(i)(7) of the Internal Revenue Code of 1954, as amended through December 31, 1982, which are attributable to losses incurred in connection with sources of income outside the state.~~

Sec. 23. Minnesota Statutes 1982, section 290.17, subdivision 1a, is amended to read:

Subd. 1a. **SUBSEQUENT ADJUSTMENT.** When a loss has been reduced by the amount of tax preference items pursuant to Minnesota Statutes 1983 Supplement, section 290.17, subdivision 1, and the taxpayer subsequently sells or otherwise disposes of an asset in relation to which arose an item of tax preference which caused the reduction of the loss, the taxpayer may increase the basis of the asset by the amount of the tax preference item that was used to reduce the loss. If the asset is a depletable asset, the taxpayer may elect to so increase its basis upon disposition or to reduce the amount of otherwise taxable income subsequently produced by that asset by the amount of the tax preference item.

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Sec. 24. Minnesota Statutes 1983 Supplement, section 290.17, subdivision 2, is amended to read:

Subd. 2. **OTHER TAXPAYERS.** In the case of an individual who is not a full year resident, this subdivision applies to determine what income is assignable to Minnesota for purposes of determining the numerator of the fraction used in section 290.06, subdivision 2c. In the case of taxpayers not subject to the provisions of subdivision 1, items of gross income shall be assigned to this state or other states or countries in accordance with the following principles:

(1) (a) The entire income of all resident or domestic taxpayers from compensation for labor or personal services, or from a business consisting principally of the performance of personal or professional services, shall be assigned to this state, and the income of nonresident taxpayers from such sources shall be assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources shall be treated as income from sources without this state.

(b) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner.

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. In order to eliminate the need to file state or provincial income tax returns in several states or provinces, Minnesota will exclude from income any income assigned to Minnesota under the provisions of this clause for a nonresident athlete who is employed by an athletic team whose operations are not based in this state if the state or province in which the athletic team is based provides a similar income exclusion. If the state or province in which the athletic team's operations are based does not have an income tax on an individual's personal service income, it will be deemed that that state or province has a similar income exclusion. As used in the preceding sentence, the term "province" means a province of Canada.

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete not listed in clause (i), or who is an entertainer, for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(2) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not located in this state. Income from winnings on Minnesota pari-mutuel betting

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tickets shall be assigned to this state. Income and gains received from tangible property not employed in the business of the recipient of such income or gains, and from tangible property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, shall be assigned to this state if such property has a situs within it, and to other states only if it has no situs in this state. Income or gains from intangible personal property not employed in the business of the recipient of such income or gains, and from intangible personal property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, wherever held, whether in trust, or otherwise, shall be assigned to this state if the recipient thereof is domiciled within this state or is a resident trust or estate.

(3) Income derived from carrying on a trade or business, including in the case of a business owned by natural persons the income imputable to the owner for his services and the use of his property therein, shall be assigned to this state if the trade or business is conducted wholly within this state, and to other states if conducted wholly without this state. This provision shall not apply to business income subject to the provisions of clause (1);

(4) When a trade or business is carried on partly within and partly without this state, the entire income derived from such trade or business, including income from intangible property employed in such business and including, in the case of a business owned by natural persons, the income imputable to the owner for his services and the use of his property therein, shall be governed, except as otherwise provided in sections 290.35 and 290.36, by the provisions of section 290.19, notwithstanding any provisions of this section to the contrary. This shall not apply to business income subject to the provisions of clause (1), nor shall it apply to income from the operation of a farm which is subject to the provisions of clause (2). For the purposes of this clause, a trade or business located in Minnesota is carried on partly within and partly without this state if tangible personal property is sold by such trade or business and delivered or shipped to a purchaser located outside the state of Minnesota.

If the trade or business carried on wholly or partly in Minnesota is part of a unitary business, the entire income of that unitary business shall be subject to apportionment under section 290.19 except for business income subject to the provisions of clause (1) and farm income subject to the provisions of clause (2). The term "unitary business" shall mean business activities or operations which are of mutual benefit, dependent upon, or contributory to one another, individually or as a group. Unity shall be presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity of ownership will not be deemed to exist when a

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corporation is involved unless that corporation is a member of a group of two or more corporations more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group.

The entire income of a unitary business shall be subject to apportionment as provided in section 290.19. None of the income of a unitary business shall be considered as derived from any particular source and none shall be allocated to any particular place except as provided by the applicable apportionment formula.

In determining whether or not intangible property is employed in a unitary business carried on partly within and partly without this state so that income derived therefrom is subject to apportionment under section 290.19 the following rules and guidelines shall apply.

(a) Intangible property is employed in a business if the business entity owning intangible property holds it as a means of furthering the business operation of which a part is located within the territorial confines of this state.

(b) Where a business operation conducted in Minnesota, is owned by a business entity which carries on business activity outside of the state different in kind from that conducted within this state, and such other business is conducted entirely outside the state, it will be presumed that the two business operations are unitary in nature, interrelated, connected and interdependent unless it can be shown to the contrary.

(5) For purposes of this section, amounts received by a nonresident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer fireman's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue Code of 1954, as amended through December 31, 1981, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

(6) All other items of gross income shall be assigned to the taxpayer's domicile.

Sec. 25. Minnesota Statutes 1983 Supplement, section 290.18, subdivision 1, is amended to read:

Subdivision 1. **TAXABLE NET INCOME.** (a) For ~~resident~~ individuals, taxable net income shall be the same as net income.

(b) For all other taxpayers, the taxable net income shall, except insofar as section 290.19 is applicable, be computed by deducting from the gross income

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assignable to this state under section 290.17 deductions of the kind permitted by ~~sections 290.089, section 290.09, and section 62 of the Internal Revenue Code of 1954, as amended through March 12, 1983,~~ in accordance with the following provisions:

(1) Such deductions shall be allowed to the extent that they are connected with and allocable against the production or receipt of such gross income assignable to this state;

(2) That proportion of such deductions, so far as not connected with and allocable against the production or receipt of such gross income assignable to this state and so far as not connected with and allocable against the production or receipt of gross income assignable to other states or countries and so far as not entering into the computation of the net income assignable to this state under section 290.19, shall be allowed which the taxpayer's gross income from sources within this state, as determined under section 290.17, subdivision 2, clauses (1), (2), (3), and (6), bears to his gross income from all sources, including that entering into the computations provided for by section 290.19; provided that taxes of the kind deductible under section 290.09, subdivision 4, shall, so far as within the description of deductions deductible under this clause, be deductible in their entirety if paid to the state of Minnesota, or any of its subdivisions authorized to impose such taxes, and thereupon be excluded in making the computation of deductions, as in this clause provided.

Sec. 26. Minnesota Statutes 1982, section 290.311, subdivision 1, is amended to read:

Subdivision 1. **RESIDENT PARTNERS.** (a) Partner's modifications. In determining gross income and Minnesota taxable income of a resident partner, any modification described in section 290.01, subdivisions 20 to 20f, which relates to an item of partnership income, gain, loss or deduction shall be made in accordance with the partner's distributive share, for federal income tax purposes, of the item to which the modification relates.

(b) Character of items. Each item of partnership income, gain, loss, or deduction shall have the same character for a partner under this section which it has for federal income tax purposes. Where an item is not characterized for federal income tax purposes, it shall have the same character for a partner as if realized directly from the source from which realized by the partnership, or incurred in the same manner as incurred by the partnership.

(c) Minnesota tax avoidance or evasion. Where a partner's distributive share of an item of partnership income, gain, loss or deduction is determined for federal income tax purposes by special provision in the partnership agreement with respect to such item, and where the effect of such provision is the avoidance or evasion of tax under this section, the partner's distributive share of such item,

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and any modifications required with respect thereto shall be determined as if the partnership agreement made no special provision with respect to such item.

Sec. 27. Minnesota Statutes 1983 Supplement, section 290.37, subdivision 1, is amended to read:

Subdivision 1. **PERSONS MAKING RETURNS.** (a) The commissioner of revenue shall annually determine the gross income levels at which individuals, trusts, and estates shall be required to file a return for each taxable year. An individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's Minnesota gross income computed under section 290.06, subdivision 2c, clause (c)(1) is less than the filing requirements for an individual who is a full year resident of Minnesota with the same marital status and number of personal credits.

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, shall be filed by his or her personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

The trustee or other fiduciary of property held in trust shall file a return with respect to the taxable net income of such trust if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if the gross income of such trust exceeds \$750, determined by the commissioner if in either case such trust belongs to the class of taxable persons.

Every corporation shall file a return. The return in this case shall be signed by an officer of the corporation.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed.

(b) Such return shall (1) be verified or contain a written declaration that it is made under the penalties of criminal liability for willfully making a false return, and (2) shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

(c) For purposes of this subdivision the term "gross income" shall mean gross income as defined in section 61 of the Internal Revenue Code of 1954, as amended through December 31, 1981, modified and adjusted in accordance with the provisions of sections 290.01, subdivision 20b, clauses (1), (6), and (10), 290.08, and 290.17.

Sec. 28. Minnesota Statutes 1983 Supplement, section 290.431, is amended to read:

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290.431 NONGAME WILDLIFE CHECKOFF.

Every individual who files an income tax return or property tax refund claim form may designate on their original return that \$1 or more shall be added to the tax or deducted from the refund that would otherwise be payable by or to that individual and paid into an account to be established for the management of nongame wildlife. The commissioner of revenue shall, on the first page of the income tax return and the property tax refund claim form, notify filers of their right to designate that a portion of their tax or refund shall be paid into the nongame wildlife management account. The sum of the amounts so designated to be paid shall be credited to the nongame wildlife management account for use by the nongame section of the division of wildlife in the department of natural resources. The commissioner of natural resources shall submit a work program for each fiscal year and semi-annual progress reports to the legislative commission on Minnesota resources in the form determined by the commission. None of the money provided in this section may be expended unless the commission has approved the work program.

The state pledges and agrees with all contributors to the nongame wildlife management account to use the funds contributed solely for the management of nongame wildlife projects and further agrees that it will not impose additional conditions or restrictions that will limit or otherwise restrict the ability of the commissioner of natural resources to use the available funds for the most efficient and effective management of nongame wildlife.

Sec. 29. Minnesota Statutes 1983 Supplement, section 290.45, subdivision 1, is amended to read:

Subdivision 1. **DATE DUE, INSTALLMENTS.** The tax imposed by this chapter shall be paid to the commissioner of revenue at the time fixed for filing the return on which the tax is based, except that at the election of estates and trusts the balance of tax due ~~after applying any tax credit~~ may be paid in two equal installments.

The first shall be paid at the time fixed for filing the return, and the second on or before six months thereafter.

If any installment is not paid on or before the date fixed for its payment the whole amount of the tax unpaid shall become due and payable. They shall be paid to the commissioner or to the local officers designated by the commissioner with whom the return is filed as hereinbefore provided.

Sec. 30. Minnesota Statutes 1983 Supplement, section 290.46, is amended to read:

290.46 EXAMINATION OF RETURNS; ASSESSMENTS, RE-FUNDS.

The commissioner shall, as soon as practicable after the return is filed, examine the same and make any investigation or examination of the taxpayer's

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records and accounts that he may deem necessary for determining the correctness of the return. The tax computed by him on the basis of such examination and investigation shall be the tax to be paid by such taxpayer. If the tax found due shall be greater than the amount reported as due on the taxpayer's return, the commissioner shall assess a tax in the amount of such excess and the whole amount of such excess shall be paid to the commissioner within 60 days after notice of the amount and demand for its payment shall have been mailed to the taxpayer by the commissioner. If the understatement of the tax on the return was false and fraudulent with intent to evade the tax, the installments of the tax shown by the taxpayer on his return which have not yet been paid shall be paid to the commissioner within 60 days after notice of the amount thereof and demand for payment shall have been mailed to the taxpayer by the commissioner. If the amount of the tax found due by the commissioner shall be less than that reported as due on the taxpayer's return, the excess shall be refunded to the taxpayer in the manner provided by section 290.50 (except that no demand therefor shall be necessary), if he has already paid the whole of such tax, or credited against any unpaid installment thereof; provided, that no refundment shall be made except as provided in section 290.50.

If the commissioner examines returns of a taxpayer for more than one year, he may issue one order covering the several years under consideration reflecting the aggregate refund or additional tax due.

The notices and demands provided for by sections 290.46 to 290.48 shall be in such form as the commissioner may determine (including a statement) and shall contain a brief explanation of the computation of the tax and shall be sent by mail to the taxpayer at the address given in his return, or to his last known address.

In cases where there has been an overpayment of a self-assessed liability as shown on the return filed by the taxpayer, the commissioner may refund such overpayment to the taxpayer and no demand therefor shall be necessary; further, written findings by the commissioner, notice by mail to the taxpayer and certificate for refundment by the commissioner shall not be necessary and the provisions of section 270.10, in such case, shall not be applicable.

In the case of an individual, estate or trust, the commissioner may audit and adjust the taxpayer's computation of federal adjusted gross income (or federal taxable income for estates or trusts) to make it properly conform with the provisions of section 290.01, subdivision 20, or the items of federal tax preferences or federal credit amounts to make them properly conform with the provisions of this chapter. In the case of an individual, the commissioner may audit and adjust the taxpayer's computation of itemized deductions to make them properly conform with the provisions of section 290.089.

Sec. 31. Minnesota Statutes 1982, section 290.931, subdivision 1, is amended to read:

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Subdivision 1. **REQUIREMENTS OF DECLARATION.** Every corporation subject to taxation under this chapter (excluding sections 290.091 and section 290.92) shall make a declaration of estimated tax for the taxable year if its tax liability so computed can reasonably be expected to exceed \$1,000.

Sec. 32. Minnesota Statutes 1983 Supplement, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **INCOME.** (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through March 12, 1982; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) additions to federal adjusted gross income as provided in Minnesota Statutes, section 290.01, subdivision 20a, clauses (1), (2), (~~6~~), (~~11~~), (~~12~~) (4), (9), (10), and (~~14~~) (14);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends and interest excluded from federal adjusted gross income under sections 116 or 128 of the Internal Revenue Code of 1954;

(v) cash public assistance and relief;

(vi) 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;

(vii) nontaxable interest received from the state or federal government or any instrumentality or political subdivision thereof;

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits; and

(xi) 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. In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the

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calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback.

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, Sections 101(a), 102, 117, and 121;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

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

(d) relief granted under sections 290A.01 to 290A.20;

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

(f) federal adjusted gross income shall be reduced by wage or salary expense, ~~or expense of work incentive programs which are~~ is not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954; ~~or~~

~~(g) federal adjusted gross income shall be reduced by the amount of the penalty on the early withdrawal of an all-savers certificate as provided in section 128(e) of the Internal Revenue Code of 1954.~~

Sec. 33. Minnesota Statutes 1983 Supplement, section 290A.03, subdivision 12, is amended to read:

Subd. 12. **GROSS RENT.** "Gross rent" means rental paid solely for the right of occupancy, at arms-length, of a homestead, exclusive of charges for any ~~utilities, medical services, furniture, or furnishings~~ furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. If the landlord and tenant have not dealt with each other at arms-length and the commissioner determines that the gross rent charged was excessive, he may adjust the gross rent to a reasonable amount for purposes of sections 290A.01 to 290A.20.

~~If the landlord does not supply the charges for any utilities, furniture, or furnishings furnished by him, or if the charges appear to be incorrect the commissioner may apply a percentage determined from samples of similar gross rents paid solely for the right of occupancy.~~

Any amount paid by a claimant residing in property assessed pursuant to section 273.133 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section 273.133 shall be included within the

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term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

Sec. 34. Minnesota Statutes 1983 Supplement, section 296.18, subdivision 1, is amended to read:

Subdivision 1. **GASOLINE OR SPECIAL FUEL USED IN OTHER THAN MOTOR VEHICLES.** Any person who shall buy and use gasoline for ~~any~~ a qualifying purpose other than use in motor vehicles, snowmobiles, or motorboats, or special fuel for ~~any~~ a qualifying purpose other than use in licensed motor vehicles, and who shall have paid the excise tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be eligible to receive the credit provided in section 290.06, subdivision 13, in the amount of the tax paid by him. The taxpayer claiming this credit shall include with his income tax return information including the total amount of the gasoline so purchased and used by him other than in motor vehicles, or special fuel so purchased and used by him other than in licensed motor vehicles, and shall state when and for what purpose it was used. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. The words "qualifying purpose" have the same meaning given them in section 290.06, subdivision 13.

Sec. 35. **CHILD CARE CREDIT TABLE; LEGISLATIVE APPROVAL.**

The child care credit table used by the commissioner of revenue in the 1983 individual income tax instructions to limit the maximum amount of the child care credit is hereby approved by the legislature as a proper interpretation of the schedule provided in Minnesota Statutes 1983 Supplement, section 290.067, subdivision 2.

Sec. 36. **REPEALER.**

Minnesota Statutes 1982, sections 290.011; and 290.311, subdivision 2; are repealed.

Sec. 37. **EFFECTIVE DATE.**

Sections 1, 8, and 35 are effective the day after final enactment. Sections 2 to 7, 9 to 18, 21 to 31, 34, and 36 are effective for taxable years beginning after December 31, 1983. Section 19 is effective for taxable years beginning after December 31, 1983, except that the amendment in clause (a), relating to horses, is effective for taxable years beginning after December 31, 1982, and is intended to confirm the intent of the legislature that for the purposes of section 290.09, subdivision 29, the word "livestock" always has included horses. Section 20 is effective for taxable years beginning after December 31, 1983, except that the provision adjusting the regular tax is effective for taxable years beginning after December 31, 1982. Section 32 is effective for claims based on rent paid in 1984

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and thereafter and for property taxes payable in 1985 and thereafter. Section 33 is effective for claims based on rent paid in 1985 and thereafter.

**ARTICLE 3
ADMINISTRATIVE**

Section 1. Minnesota Statutes 1982, section 171.31, is amended to read:

171.31 PERSONS RECEIVING BENEFITS FOR BLINDNESS, DISCOVERY OF INFORMATION.

The commissioner of public safety, in order to promote highway safety by restricting driving privileges to those persons meeting accepted visual acuity standards, may request and shall receive information concerning the identity and whereabouts of any person who has applied for or received any type of tax, welfare, licensing or other benefits ~~or exemptions~~ for the blind or nearly blind, from the records of all departments, boards, bureaus or other agencies of this state except the department of revenue, and they shall provide such information notwithstanding the provisions of section 268.12, subdivision 12, ~~section 290.61~~, or any other existing law or regulation to the contrary, except that section 290.61 prohibits disclosure of information by the commissioner of revenue.

Sec. 2. Minnesota Statutes 1983 Supplement, section 176.186, is amended to read:

176.186 RECORDS FROM OTHER STATE AGENCIES.

Notwithstanding any other state law to the contrary except section 290.61, the commissioner may obtain from the ~~department of revenue~~, department of economic security, and office of the secretary of state, or any other state agency, upon request, names or lists of employers doing business in the state. This information shall be treated by the commissioner in the manner provided by chapter 13 and shall be used only for insurance verification by the commissioner.

Sec. 3. Minnesota Statutes 1982, section 271.19, is amended to read:

271.19 COSTS AND DISBURSEMENTS.

Upon the determination of any appeal under this chapter before the tax court, or ~~of any review hereunder by the supreme court~~, the costs and disbursements may be taxed and allowed in favor of the prevailing party and against the losing party as in civil actions. In any case where a person liable for a tax or other obligation has lost an appeal or review instituted by him, and the tax court or court shall determine that he instituted the same merely for the purposes of delay, or that the taxpayer's position in the proceedings is frivolous, additional costs, commensurate with the expense incurred and services performed by the agencies of the state in connection with the appeal, but not exceeding ~~\$500~~ \$5,000

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in any case, may be allowed against him, in the discretion of the tax court or court. Costs and disbursements allowed against any such person shall be added to the tax or other obligation determined to be due, and shall be payable therewith. Costs and disbursements allowed against the state or other public agencies shall be paid out of funds received from taxes or other obligations of the kind involved in the proceeding, or other funds of the agency concerned appropriated and available therefor. Witnesses in proceedings under this chapter shall receive like fees as in the district court, to be paid in the first instance by the parties by whom the witnesses were called, and to be taxed and allowed as herein provided.

Sec. 4. Minnesota Statutes 1983 Supplement, section 290.174, is amended to read:

290.174 INTERSTATE AUDITS.

Article VIII of the multistate tax compact relating to interstate audits shall be in force in and with respect to the state of Minnesota. For purposes of sections 290.61 and 297A.43, the Multistate Tax Commission will be considered to be a state for purposes of auditing corporate sales, excise, and income tax returns.

Sec. 5. Minnesota Statutes 1983 Supplement, section 290.175, is amended to read:

290.175 OPTIONAL APPORTIONMENT.

Notwithstanding the provisions of section 290.171, the taxpayer may elect to apportion his income to Minnesota pursuant to this chapter, without regard to section 290.171, article IV. The provisions of section 290.171, article IV, are effective for taxable years beginning after December 31, 1982 and allow combined reporting only to the extent allowed under section 290.34, subdivision 2.

Sec. 6. Minnesota Statutes 1982, section 290.41, subdivision 2, is amended to read:

Subd. 2. **BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS.** Every person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and every city, county and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to ~~any~~ person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 290.92, subdivision 7, or on account of earnings of \$10 or more distributed to its members by savings, building and loan associations or credit unions chartered under the laws of this

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state or the United States, (a) shall make a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and such return is therefore filed only with the commissioner of internal revenue pursuant to the applicable filing and informational reporting requirements of the Internal Revenue Code of 1954 as amended through December 31, 1981) in respect to such payments in excess of the amounts specified, giving the names and addresses of the persons to whom such payments were made, the amounts paid to each, and (b) shall make a return in respect to the total number of such payments and total amount of such payments, for each category of income specified, which were in excess of the amounts specified. This subdivision shall not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

Upon request from the commissioner, any public pension plan as defined in section 356.61 in which the employer picks up the employee contributions under section 356.62 shall furnish the commissioner, on magnetic media to the extent possible, with the name, address, and social security number of each employee who participated in the plan during that calendar year for which picked up contributions were made.

Sec. 7. Minnesota Statutes 1982, section 290.61, is amended to read:

290.61 PUBLICITY OF RETURNS, INFORMATION.

It shall be unlawful for the commissioner or any other public official or employee to divulge or otherwise make known in any manner any particulars set forth or disclosed in any report or return required by this chapter, or any information concerning, the taxpayer's affairs acquired from his or its records, officers, or employees while examining or auditing any taxpayer's liability for taxes imposed hereunder, except in connection with a proceeding involving taxes due under this chapter from the taxpayer making such return or to comply with the provisions of sections 256.978, 268.12, subdivision 12, 270A.11, 273.1314, subdivision 16, 290.612 and 302A.821. The commissioner may furnish a copy of any taxpayer's return, including audit documents and information, to any official of the United States or of any state having duties to perform in respect to the assessment or collection of any tax imposed upon or measured by income, if such taxpayer is required by the laws of the United States or of such state to make a return therein. ~~The commissioner may disclose information from withholding tax returns received from the taxpayer to the Minnesota department of economic security for purposes of auditing unemployment tax.~~ Prior to the release of any information to any official of the United States or any other state ~~or the department of economic security~~ under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that he will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota. The commissioner and all other public officials and employees shall keep and

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maintain the same secrecy in respect to any information furnished by any department, commission, or official of the United States or of any other state in respect to the income of any person as is required by this section in respect to information concerning the affairs of taxpayers under this chapter. Nothing herein contained shall be construed to prohibit the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and the items thereof. Upon request of a majority of the members of the senate tax committee or of the house tax committee or the tax study commission, the commissioner shall furnish abstracted financial information to those committees for research purposes from returns or reports filed pursuant to this chapter, provided that he shall not disclose the name, address, social security number, business identification number or any other item of information associated with any return or report which the commissioner believes is likely to identify the taxpayer. The commissioner shall not furnish the actual return, or a portion thereof, or a reproduction or copy of any return or portion thereof. "Abstracted financial information" means only the dollar amounts set forth on each line on the form including the filing status.

Any person violating the provisions of this section shall be guilty of a gross misdemeanor.

In order to locate the named payee on state warrants issued pursuant to this chapter or chapter 290A and undeliverable by the United States postal service, the commissioner may publish in any English language newspaper of general circulation in this state or make available to radio or television stations a list of the name and last known address of the payee as shown on the reports or returns filed with the commissioner. The commissioner may exclude the names of payees whose refunds are in an amount which is less than a minimal amount to be determined by the commissioner. The ~~published~~ list shall not contain any particulars set forth on any report or return. The publication or announcement shall include instructions on claiming the warrants.

An employee of the department of revenue may, in connection with his official duties relating to any audit, collection activity, or civil or criminal tax investigation or any other offense under this chapter, disclose return information to the extent that such disclosure is necessary in obtaining information, which is not otherwise reasonably available, with respect to the correct determination of tax, liability for tax, or the amount to be collected or with respect to the enforcement of any other provision of this chapter.

In order to facilitate processing of returns and payments of taxes required by this chapter, or to facilitate the development, implementation, and use of computer programs and automated procedures for purposes of administering this chapter or chapter 290A, the commissioner may contract with outside vendors and may disclose private and nonpublic data to the vendor. The data disclosed will be administered by the vendor consistent with this section, and the vendor

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must agree to subject himself and his employees to the civil and criminal penalties provided by law for unlawful disclosure.

Sec. 8. Minnesota Statutes 1983 Supplement, section 290A.03, subdivision 11, is amended to read:

Subd. 11. **RENT CONSTITUTING PROPERTY TAXES.** "Rent constituting property taxes" means the amount of gross rent actually paid in cash, or its equivalent, which is attributable (a) to the property tax paid on the unit or (b) to the amount paid in lieu of property taxes, in any calendar year by a claimant solely for the right of occupancy of his Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under sections 290A.01 to 290A.20 by the claimant. The amount of rent attributable to property taxes paid or payments in lieu made on the unit shall be determined by multiplying the net tax on the property where the unit is located by a fraction, the numerator of which is the gross rent paid by the claimant for the calendar year for the unit and the denominator of which is the gross rent paid for the calendar year for the property in which the unit is located. In no case may the rent constituting property taxes exceed 50 percent of the gross rent paid by the claimant during that calendar year. In the case of a claimant who resides in a unit for which a rent subsidy is paid pursuant to section 8 of the United States Housing Act of 1937, as amended, or under another state or federal program providing rent supplements or reduced rent for low and moderate income families, 20 percent of gross rent actually paid in cash or its equivalent shall be the claimant's "rent constituting property taxes paid."

Sec. 9. Minnesota Statutes 1982, section 290A.07, subdivision 2a, is amended to read:

Subd. 2a. A claimant who is a renter shall receive full payment after August 1 and prior to August 15 or 60 days after receipt of the application, whichever is later. Interest shall be added at six percent per annum from August 15 or 60 days after receipt of the application whichever is later.

Sec. 10. Minnesota Statutes 1983 Supplement, section 290A.07, subdivision 3, is amended to read:

Subd. 3. Any claimant not included in subdivision 2a shall receive full payment after August 31 September 15 and prior to September ~~15~~ 30. Interest shall be added at six percent per annum from September ~~15~~ 30 or 60 days after receipt of the application if the application is filed after August 31, whichever is later. Interest will be computed until the date the claim is paid.

Sec. 11. **EFFECTIVE DATE.**

Sections 1, 2, 3, 4, 5, 6, and 7 are effective the day after final enactment. Sections 8, 9, and 10 are effective for claims based on rent paid in 1983 and thereafter and property taxes payable in 1984 and thereafter.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

**ARTICLE 4
TECHNICAL**

Section 1. Minnesota Statutes 1983 Supplement, section 290.032, subdivision 2, is amended to read:

Subd. 2. The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1981, except that the initial separate tax shall be an amount equal to ten times the tax which would be imposed by section 290.03 if the recipient was an individual referred to in such section and the taxable net income, excluding the credits allowed in section 290.06, subdivision 3f, was an amount equal to one-tenth of the excess of

(i) the total taxable amount of the lump sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1981, to paragraph (1)(A) thereof shall instead be references to subdivision 1 of this section.

The amount of any distribution from a qualified pension or profit sharing plan which is received as a lump sum distribution shall be reduced to the extent of any contribution:

(1) not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota for a taxable year beginning in 1974 or thereafter; or

(2) designated as an employee contribution but which the employing unit picks up and which is treated as an employer contribution and which was taxed on the Minnesota return but not the federal return in the year the contribution was made.

Sec. 2. Minnesota Statutes 1983 Supplement, section 290.077, subdivision 4, is amended to read:

Subd. 4. **DEDUCTION FOR FEDERAL ESTATE TAX AND MINNESOTA INHERITANCE OR ESTATE TAX. (1) ALLOWANCE OF DEDUCTION; FEDERAL ESTATE TAX.** A person who includes an amount in gross income under this section, shall be allowed a deduction for the federal estate tax computed in the same manner and in accordance with the method as provided in section 691(c)(1), (2), and (4) of the Internal Revenue Code of 1954, as amended through December 31, 1982.

(2) ALLOWANCE OF DEDUCTION; MINNESOTA INHERITANCE OR ESTATE TAX. (A) GENERAL RULE. A person who includes an amount in gross income under this section, shall be allowed, for the same taxable year, as a deduction an amount which bears the same ratio to the inheritance or estate tax

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attributable to the net value for inheritance or estate tax purposes of all the items described in subdivision 1, as the value for inheritance or estate tax purposes of the items of gross income or portions thereof in respect of which such person included the amount in gross income (or the amount included in gross income, whichever is lower) bears to the value for inheritance or estate tax purposes of all the items described in subdivision 1.

(B) **ESTATES AND TRUSTS.** In the case of an estate or trust, the amount allowed as a deduction under subparagraph (A) of this subdivision shall be computed by excluding from the gross income of the estate or trust the portion (if any) of the items described in subdivision 1, which is properly paid, credited, or to be distributed to the beneficiaries during the taxable year.

(3) **METHOD OF COMPUTING DEDUCTION.** For purposes of paragraph (2) of this subdivision

(A) (i) The term "inheritance tax" means the tax imposed by Minnesota on the estates of decedents dying before January 1, 1980, reduced by the credits against such tax; (ii) The term "estate tax" means the tax imposed by Minnesota on the estates of decedents dying on or after January 1, 1980, reduced by the credits against the tax; (iii) The terms "inheritance tax" or "estate tax" also include the tax imposed by other states on the estates of decedents reduced by the credits against the tax.

(B) The net value for inheritance or estate tax purposes of all the items described in subdivision 1, shall be the excess of the value for inheritance or estate tax purposes of all the items described in subdivision 1, over the deductions from the gross inheritance or gross estate in respect of claims which represent the deductions described in subdivision 2 section 691(b) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(C) (i) The inheritance tax attributable to such net value shall be an amount equal to the excess of the inheritance tax over the inheritance tax computed without including in the gross inheritance such net value; (ii) The estate tax attributable to such net value shall be an amount equal to the excess of the estate tax over the estate tax computed without including in the gross estate the net value.

(4) **LUMP SUM DISTRIBUTION ADJUSTMENT.** For purposes of section 290.032 (other than the minimum distribution allowance), the total taxable amount of any lump sum distribution shall be reduced by the amount of the deduction allowable under paragraph (1) of this subdivision which is attributable to the total taxable amount (determined without regard to this paragraph).

Sec. 3. Minnesota Statutes 1983 Supplement, section 290.09, subdivision 5, is amended to read:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 5. **LOSSES.** (a) **GENERAL RULE.** There shall be allowed as a deduction any loss sustained during the taxable year and not compensated for by insurance or otherwise.

(b) **AMOUNT OF DEDUCTION.** For purposes of paragraph (a), the basis for determining the amount of the deduction for any loss shall be the adjusted basis provided in this chapter for determining the loss from the sale or other disposition of property.

(c) **WAGERING LOSSES.** ~~Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions. No loss from pari-mutuel betting shall be allowed except to the extent of verified receipts and the sworn testimony of at least one witness other than the taxpayer or his spouse.~~

(d) **THEFT LOSSES.** For purposes of paragraph (a), any loss arising from theft shall be treated as sustained during the taxable year in which the taxpayer discovers such loss.

(e) ~~(d)~~ **CAPITAL LOSSES.** Losses from sales or exchanges of capital assets shall be allowed only to the extent allowed in section 290.16.

(f) ~~(e)~~ **WORTHLESS SECURITIES.** If any security which is a capital asset becomes worthless during the taxable year, the loss resulting therefrom shall, for purposes of this chapter, be treated as a loss from the sale or exchange, on the last day of the taxable year, of a capital asset.

The definitions contained in section 165(g) of the Internal Revenue Code of 1954, as amended through January 15, 1983, shall apply. No deduction shall be allowed for any loss sustained on any registration-required obligation as defined in and except as provided in section 165(j) of the Internal Revenue Code of 1954, as amended through January 15, 1983.

~~(g)~~ ~~(f)~~ **DISASTER LOSSES.** Notwithstanding the provisions of (a), any loss attributable to a disaster occurring in an area subsequently determined by the President of the United States to warrant assistance by the Federal Government under the provisions of the Federal Disaster Relief Act of 1974 shall be deducted for the taxable year immediately preceding the taxable year in which the disaster occurred. This provision shall apply only if an election has been made under the provisions of Section 165(i) of the Internal Revenue Code of 1954, as amended through January 15, 1983 for federal income tax purposes. Such deduction allowed in the preceding taxable year shall not exceed the uncompensated amount determined on the basis of the facts existing at the date the taxpayer claims the loss. If an election is made, the casualty resulting in the loss will be deemed to have occurred in the taxable year for which the deduction is claimed.

Sec. 4. Minnesota Statutes 1983 Supplement, section 290.21, subdivision 3, is amended to read:

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Subd. 3. An amount for contribution or gifts made within the taxable year:

(a) to or for the use of the state of Minnesota, or any of its political subdivisions for exclusively public purposes,

(b) to or for the use of any community chest, corporation, organization, trust, fund, association, or foundation located in and carrying on substantially all of its activities within this state, organized and operating exclusively for religious, charitable, public cemetery, scientific, literary, artistic, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual,

(c) to a fraternal society, order, or association, operating under the lodge system located in and carrying on substantially all of their activities within this state if such contributions or gifts are to be used exclusively for the purposes specified in subdivision 3(b), or for or to posts or organizations of war veterans or auxiliary units or societies of such posts or organizations, if they are within the state and no part of their net income inures to the benefit of any private shareholder or individual,

(d) to or for the use of the United States of America for exclusively public purposes, and to or for the use of any community chest, corporation, trust, fund, association, or foundation, organized and operated exclusively for any of the purposes specified in subdivision 3(b) and (c) no part of the net earnings of which inures to the benefit of any private shareholder or individual, but not carrying on substantially all of their activities within this state, in an amount equal to the ratio of Minnesota taxable net income to total net income,

(e) the total deduction hereunder shall not exceed 15 percent of the taxpayer's taxable net income less the deductions allowable under this section other than those for contributions or gifts,

(f) in the case of a corporation reporting its taxable income on the accrual basis, if: (A) the board of directors authorizes a charitable contribution during any taxable year, and (B) payment of such contribution is made after the close of such taxable year and on or before the fifteenth day of the third month following the close of such taxable year; then the taxpayer may elect to treat such contribution, ~~as~~ paid during such taxable year. The election may be made only at the time of the filing of the return for such taxable year, and shall be signified in such manner as the commissioner shall by regulations prescribe;

~~(g) in the case of a contribution or property placed in trust as described in section 170(f)(2) of the Internal Revenue Code of 1954, as amended through December 31, 1981, a deduction shall be allowed under this subdivision to the extent that a deduction is allowable for federal income tax purposes.~~

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Sec. 5. Minnesota Statutes 1982, section 290.23, subdivision 3, is amended to read:

Subd. 3. **UNUSED LOSS CARRYOVERS AND EXCESS DEDUCTIONS ON TERMINATION AVAILABLE TO BENEFICIARIES.** If on the termination of an estate or trust, the estate or trust has

(1) a net operating loss carryover under section 290.095 or a capital loss carryover under section 290.01, subdivisions 20 to 20f or any other loss or credit carryover allowed under this chapter; or

(2) for the last taxable year of the estate or trust deductions (other than the charitable deduction) in excess of gross income for such year,

then such carryover or such excess shall be allowed as a deduction, in accordance with ~~regulations~~ rules prescribed by the commissioner, to the beneficiaries succeeding to the property of the estate or trust.

Sec. 6. Minnesota Statutes 1982, section 290.56, subdivision 4, is amended to read:

Subd. 4. **REPORT MADE OF CHANGE OR CORRECTION OF FEDERAL RETURN.** If a taxpayer is required to report a change or correction or renegotiation by the Commissioner of Internal Revenue or other officer of the United States or other competent authority or to file an amended return as required by subdivision 2 and does report such change or files a copy of such amended return within 90 days, the commissioner may recompute and reassess the tax due under this chapter, including a refundment thereof (a) within one year after such report or amended return is filed with the commissioner, notwithstanding any period of limitations to the contrary or (b) within the period set forth in section 290.49, whichever period is greater. The period provided for the carryback of any amount of loss or credit is also extended as provided in this subdivision, notwithstanding any other law to the contrary.

Sec. 7. Minnesota Statutes 1982, section 290.56, subdivision 5, is amended to read:

Subd. 5. **EXTENSIONS OF TIME.** Any taxpayer who consents to any extension of time for the assessment of federal income taxes shall within 90 days of the execution of such consent notify the commissioner and the period of time in which the commissioner may recompute the tax is also extended, notwithstanding any period of limitations to the contrary as follows:

(a) For the periods provided in subdivisions 3 and 4; or

(b) For six months following the expiration of the extended federal period of limitations where no change is made by the federal authority.

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The period provided for the carryback of any amount of loss or credit is also extended as provided in this subdivision, notwithstanding any other law to the contrary.

Sec. 8. Minnesota Statutes 1983 Supplement, section 290.93, subdivision 10, is amended to read:

Subd. 10. **UNDERPAYMENT OF ESTIMATED TAX.** (1) In the case of any underpayment of estimated tax by an individual, except as provided in paragraph (4) or (5), there may be added to and become a part of the taxes imposed by this chapter, for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment for the period of the underpayment.

(2) For purposes of the preceding paragraph, the amount of underpayment shall be the excess of

(a) The amount of the installment which would be required to be paid if the estimated tax were equal to 80 percent (66 2/3 percent in the case of farmers referred to in subdivision 5(2) of this section) of the taxes shown on the return for the taxable year or the taxes for such year if no return was filed, over

(b) The amount, if any, of the installment paid on or before the last day prescribed for such payment.

(3) The period of the underpayment shall run from the date the installment was required to be paid to whichever of the following dates is the earlier

(a) The 15th day of the fourth month following the close of the taxable year.

(b) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this subparagraph, a payment of estimated tax on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under paragraph (2) (a) for such installment date.

(4) The addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the lesser:

(a) The total tax liability shown on the return of the individual for the preceding taxable year (if a return showing a liability for such taxes was filed by the individual for the preceding taxable year of 12 months), or

(b) An amount equal to the tax computed, at the rates applicable to the taxable year, on the basis of the taxpayer's status with respect to the personal

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credits for the taxable year, but otherwise on the basis of the facts shown on his return for, and the law applicable to the preceding taxable year, or

(c) An amount equal to 80 percent (66 $\frac{2}{3}$ percent in the case of farmers referred to in subdivision 5(2) of this section) of the tax for the taxable year (after deducting personal credits) computed by placing on an annualized basis the taxable income for the months in the taxable year ending before the month in which the installment is required to be paid. For purposes of this subparagraph, the taxable income shall be placed on an annualized basis by

(i) Multiplying by 12 (or in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income computed for the months in the taxable year ending before the month in which the installment is required to be paid.

(ii) Dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls, or

(d) An amount equal to 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid.

(5) No addition to the tax shall be imposed under this subdivision for any taxable year if:

(a) the individual did not have any liability for tax for the preceding taxable year,

(b) the preceding taxable year was a taxable year of 12 months, and

(c) the individual was a resident of Minnesota throughout the preceding taxable year.

(6) For the purposes of applying this subdivision, the estimated tax shall be computed without any reduction for the amount which the individual estimates as his credit under section 290.92, subdivision 12 (relating to tax withheld at source on wages), and the refundable credits contained in sections 290.06, subdivision 13, 290.067, and ~~290.501~~, any other refundable credits which are allowed against income tax liability, and the amount of such credits for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amounts shall be deemed paid on each installment date (determined under subdivisions 6 and 7 of this section) for such taxable year, unless the taxpayer establishes the dates on which all amounts were actually withheld, in which case the amounts so withheld shall be deemed payments of estimated tax on the dates on which such amounts were actually withheld.

Sec. 9. Minnesota Statutes 1983 Supplement, section 290.9726, subdivision 5, is amended to read:

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Subd. 5. **CREDIT ALLOWANCES.** The credits provided in sections section 290.06 and 290.501 any other income tax credits to which the corporation is entitled shall be allocated to the shareholders as provided in sections 1366 and 1377 of the Internal Revenue Code of 1954, as amended through December 31, 1982. The limitations set forth in the computation of the credit shall be applied to the shareholders.

Sec. 10. Minnesota Statutes 1983 Supplement, section 290A.03, subdivision 6, is amended to read:

Subd. 6. **HOMESTEAD.** "Homestead" means the dwelling occupied by a claimant as his principal residence and so much of the land surrounding it, not exceeding ten acres, as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivision 7, except for agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 6, "homestead" is limited to 320 acres or, where the farm homestead is rented, one acre. The homestead may be owned or rented and may be a part of a multi-dwelling or multi-purpose building and the land on which it is built. A manufactured home, as defined in section 168.011, subdivision 8, assessed as personal property may be a dwelling for purposes of this subdivision.

Sec. 11. Minnesota Statutes 1983 Supplement, section 290A.03, subdivision 14, is amended to read:

Subd. 14. **NET TAX.** "Net tax" means

(a) the property tax, exclusive of special assessments, interest, and penalties, and after reduction for any state paid property tax credits as required in subdivision 13 except for the reduction pursuant to section 273.13, subdivisions 6, 7, and 14a, or

(b) the payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes,

for the calendar year in which the rent was paid. If a portion of the property is occupied as a homestead or is used for other than rental purposes, the net tax shall be the amount of tax after reductions pursuant to section 273.13, subdivisions 6, 7, and 14a, reduced by the percentage that the nonrental use comprises of the total square footage of the building. If a portion of the property is used for purposes other than for residential rental and none of the property is occupied as a homestead, the net tax shall be the amount of the tax of the parcel multiplied by a fraction, the numerator of which is the assessed value of the residential rental portion and the denominator of which is the total assessed value of the parcel. If a portion of the property is used for other than rental residential purposes, the county treasurer shall list on the property tax statement the amount of net tax pertaining to the rental residential portion of the property.

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The amount of the net tax shall not be reduced by an abatement or a court ordered reduction in the property tax on the property made after the certificate of rent constituting property tax has been provided to the renter.

Sec. 12. Minnesota Statutes 1983 Supplement, section 290A.04, subdivision 1, is amended to read:

Subdivision 1. A credit shall be allowed each claimant in the amount that property taxes payable or rent constituting property taxes exceed the percentage of the household income of the claimant specified in subdivision 2 in the year for which the taxes were levied or in the year in which the rent was paid. If the amount of property taxes payable or rent constituting property taxes is equal to or less than the percentage of the household income of the claimant specified in subdivision 2 in the year for which the taxes were levied or in the year in which the rent was paid, the claimant shall not be eligible for a state refund pursuant to this section. For purposes of claiming this credit, a claimant who owns his own homestead part of the year and rents part of the year may add his rent constituting property taxes to the qualifying tax on his homestead.

Sec. 13. Minnesota Statutes 1983 Supplement, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant whose property taxes payable or rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the amount percent of income shown for the appropriate household income level and the state refund will be equal to an amount up to the state refund amount shown below.

Household Income	Percent of Income	Claimant Pays	State Refund
Net loss and up to \$2,999	0.5 percent	\$13	\$13
3,000 to 3,499	0.6 percent	\$15	\$15
3,500 to 3,999	0.6 percent	\$18	\$18
4,000 to 4,499	0.7 percent	\$20	\$20
4,500 to 4,999	0.7 percent	\$23	\$23
5,000 to 5,999	0.8 percent	\$40	\$40
6,000 to 6,999	0.9 percent	\$54	\$54
7,000 to 7,999	1.0 percent	\$70	\$70
8,000 to 8,999	1.1 percent	\$88	\$88
9,000 to 9,999	1.2 percent	\$108	\$108
10,000 to 10,999	1.3 percent	\$130	\$130
11,000 to 11,999	1.4 percent	\$154	\$154
12,000 to 12,999	1.5 percent	\$180	\$180
13,000 to 13,999	1.5 percent	\$195	\$195
14,000 to 14,999	1.5 percent	\$210	\$210
15,000 to 15,999	1.5 percent	\$225	\$225
16,000 to 16,999	1.5 percent	\$240	\$240

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17,000 to 17,999	1.5 percent	\$255	\$255
18,000 to 18,999	1.5 percent	\$270	\$270
19,000 to 19,999	1.5 percent	\$285	\$285
20,000 to 20,999	1.6 percent	\$320	\$320
21,000 to 21,999	1.6 percent	\$336	\$336
22,000 to 22,999	1.6 percent	\$352	\$352
23,000 to 23,999	1.8 percent	\$414	\$414
24,000 to 24,999	1.8 percent	\$432	\$432
25,000 to 25,999	1.8 percent	\$450	\$450
26,000 to 26,999 <u>26,499</u>	2.0 percent	\$520	\$520
<u>26,500 to 26,999</u>	<u>2.0 percent</u>		<u>\$530</u>
<u>27,000 to 27,999</u> <u>27,499</u>	2.0 percent	\$540	\$540
<u>27,500 to 27,999</u>	<u>2.0 percent</u>		<u>\$550</u>
<u>28,000 to 28,999</u> <u>28,499</u>	2.0 percent	\$560	\$560
<u>28,500 to 28,999</u>	<u>2.0 percent</u>		<u>\$570</u>
<u>29,000 to 29,999</u> <u>29,499</u>	2.0 percent	\$580	\$580
<u>29,500 to 29,999</u>	<u>2.0 percent</u>		<u>\$590</u>
<u>30,000 to 30,999</u> <u>30,499</u>	2.0 percent	\$600	\$600
<u>30,500 to 30,999</u>	<u>2.0 percent</u>		<u>\$610</u>
<u>31,000 to 31,999</u> <u>31,499</u>	2.2 percent	\$620	\$620
<u>31,500 to 31,999</u>	<u>2.2 percent</u>		<u>\$630</u>
<u>32,000 to 32,999</u> <u>32,499</u>	2.2 percent	\$640	\$640
<u>32,500 to 32,999</u>	<u>2.2 percent</u>		<u>\$650</u>
33,000 to 33,999	2.2 percent	\$726	\$700
34,000 to 34,999	2.2 percent	\$748	\$600
35,000 to 35,999	2.2 percent	\$770	\$500
36,000 to 36,999	2.4 percent	\$792	\$400
37,000 to 37,999	2.4 percent	\$814	\$300
38,000 to 38,999	2.4 percent	\$912	\$200
39,000 to 39,999	2.4 percent	\$936	\$100

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision, less the homestead credit given pursuant to section 273.13, subdivisions 6, 7 and 14a.

Sec. 14. Minnesota Statutes 1982, section 600.21, is amended to read:

600.21 COPIES OF RECORD OF DEATH; RECORDATION.

In all cases of joint tenancy in lands, and in all cases where any estate, title interest in, or lien upon, lands, has been or may be created, which estate, title interest, or lien was, or is, to continue only during the life of any person named or described in the instrument by which such estate, title, interest, or lien was created, a copy of the record of the death of any such joint tenant, or of the person upon whose life such estate, title, interest, or lien was, or is, limited, duly certified by any officer who is required by the law of the state or country in which such record is made, to keep a record of the death of persons occurring within the jurisdiction of such officer, may be recorded in the office of the county

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recorder of the county in which such lands are situated, and such certified copy or such record thereof in such office, or a duly certified copy of such last mentioned record, shall be prima facie evidence of the death of such person and the termination of such joint tenancy and of all such estate, title, interest, and lien as was, or is, limited upon the life of such person. When a certified copy of such death certificate is attached to an affidavit of survivorship ~~which, for decedents dying prior to January 1, 1980, has been duly certified by the commissioner of revenue, or an affidavit of survivorship for exempt homestead property in compliance with the provisions of section 291.14, subdivision 2, clause (4), for decedents dying prior to January 1, 1980,~~ the same shall, prior to recordation in the office of the county recorder or registrar of titles, be presented to the county auditor of the county wherein such estate, title, interest, or lien is situated and such county auditor shall note the transfer on his books and shall inscribe upon the instrument over his official signature the words "Transfer entered." Until so presented and indication made thereon, said instrument shall not be entitled to record in the office of the county recorder or registrar of titles of said county.

Sec. 15. Laws 1980, chapter 439, section 36, is amended to read:

Sec. 36. **EFFECTIVE DATE.** Section 26 is effective the day after final enactment. Section 34 is effective on and after December 31, 1983. The remainder of this act is effective for estates of decedents dying after December 31, 1979.

Sec. 16.

Duties imposed upon a spouse or children of a decedent, the personal representative, or the county recorder or registrar of titles under Minnesota Statutes 1978, section 291.14, subdivision 2, clause (4) or subdivision 4 are abolished on and after December 31, 1983.

Sec. 17. **INSTRUCTIONS TO REVISOR.**

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "this chapter" for the words "sections 290A.01 to 290A.20" or for the words "sections 290A.01 to 290A.23" wherever those words occur in chapter 290A.

Sec. 18. **REPEALER.**

(a) Minnesota Statutes 1983 Supplement, section 290A.16 is repealed.

(b) Laws 1983, chapter 207, section 6 is repealed.

Sec. 19. **EFFECTIVE DATE.**

Sections 1, 3, 4, 5, 8, 9, and 18, clause (a), are effective for taxable years beginning after December 31, 1983. Sections 2 and 18, clause (b), are effective for taxable years beginning after December 31, 1982. Sections 6, 7, and 17 are effective the day after final enactment. Sections 10, 11, 12, and 13 are effective

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for claims based on rent paid in 1983 and thereafter and property taxes payable in 1984 and thereafter. Sections 14 to 16 are effective on and after December 31, 1983.

ARTICLE 5 CHILD SUPPORT WITHHOLDING

Section 1. Minnesota Statutes 1982, section 290.50, subdivision 6, is amended to read:

Subd. 6. **WITHHOLDING OF REFUNDS FROM CHILD SUPPORT DEBTORS.** Upon a finding by a court of this state that a person obligated to pay child support is delinquent in making payments, the amount of child support unpaid and owing including attorneys fees and costs incurred in ascertaining or collecting child support shall be withheld from a refund due the person under this section. The public agency responsible for child support enforcement or the parent or guardian of a child for whom the support is, attorneys fees and costs are owed may petition the district or county court for an order providing for the withholding of the amount of child support, attorneys fees and costs unpaid and owing as determined by court order. The person from whom the refund may be withheld shall be notified of the petition pursuant to the rules of civil procedure prior to the issuance of an order pursuant to this subdivision. The order may be granted on a showing to the court that required support payments, attorneys fees and costs have not been made when they were due.

On order of the court, the ~~support~~ money shall be withheld by the commissioner from the refund due to the person obligated to pay ~~the support~~ and the amount withheld shall be remitted to the public agency responsible for child support enforcement or to the parent or guardian petitioning on behalf of the child, provided that any delinquent tax obligations of the taxpayer owed to the revenue department shall be satisfied first. Any amount received by the responsible public agency or the petitioning parent or guardian in excess of the amount of public assistance expended for the benefit of the child to be supported, or the amount of any support, attorneys fees and costs that had been the subject of the claim pursuant to this subdivision which has been paid by the taxpayer prior to the diversion of the refund, shall be remitted to the person entitled to the money. If the refund is based on a joint or combined return, the portion of the refund that shall be remitted to the petitioner shall be the proportion of the total refund that equals the proportion of the total federal adjusted gross income of the spouses that is the federal adjusted gross income of the spouse who is delinquent in making the child support payments. A petition filed pursuant to this subdivision shall be in effect with respect to any refunds due under this section during a period of one year from the date when the petition was filed until the

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

support money, attorneys fees and costs have been paid in full or the court orders the commissioner to discontinue withholding the money from the refund due the person obligated to pay the support, attorneys fees and costs. If a petition is filed pursuant to this subdivision and a claim is made pursuant to chapter 270A with respect to the same individual's refund and notices of both are received prior to the time when payment of the refund is made on either claim, ~~the commissioner shall transmit the claims to the court that issued the order under this subdivision. The court shall order that the claim relating to the liability that accrued first in time shall be paid first; any amount of the refund remaining shall then be applied to the other claim.~~ The provisions of section 290.61 shall not prohibit the exchange of information among the department, the petitioner, and the court to the extent necessary to accomplish the intent of this subdivision. Not later than five days after the court has notified the department of its withholding order, the department shall send a written notification of the order to the person to whom the refund would otherwise be paid.

Sec. 2. Laws 1982, chapter 523, article 4, section 2, is amended to read:

This article is effective the day following final enactment and shall terminate June 30, 1984.

Sec. 3. **EFFECTIVE DATE.**

Section 1 is effective for court orders issued after May 31, 1984. Section 2 is effective the day after final enactment.

Approved April 25, 1984

CHAPTER 515 — H.F.No. 1606

An act relating to elections; prohibiting certain inquiries of voters at or near the polls; amending Minnesota Statutes 1982, section 204C.06, subdivision 1.

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

Section 1. Minnesota Statutes 1982, section 204C.06, subdivision 1, is amended to read:

Subdivision 1. **LINGERING NEAR POLLING PLACE.** An individual shall be allowed to go to and from the polling place for the purpose of voting without unlawful interference. No voters or other individuals shall congregate in any number within 100 feet of a polling place. No one, either inside a polling place or within 100 feet of the entrance to it, shall ask a voter how he or she intends to vote or has voted on any office or question on the ballot. No one

Changes or additions are indicated by underline, deletions by ~~strikeout~~.