

1.1 A bill for an act

1.2 relating to taxation; making technical, policy, administrative, and clarifying
1.3 changes to taxes on property, income and corporate franchise, aids to
1.4 local governments; modifying property tax refunds; appropriating money;
1.5 amending Minnesota Statutes 2010, sections 275.025, subdivisions 1, 2, 4;
1.6 289A.08, subdivision 3; 290.01, subdivisions 5, 19d, by adding a subdivision;
1.7 290.17, subdivision 4; 290A.04, subdivision 2a, by adding a subdivision;
1.8 290A.23, subdivision 1; Minnesota Statutes 2011 Supplement, sections 290.01,
1.9 subdivisions 19a, 19b, 19c; 290.0675, subdivision 1; 290A.03, subdivisions 11,
1.10 13; 290A.04, subdivisions 2, 4; 477A.013, subdivision 9; repealing Minnesota
1.11 Statutes 2010, sections 290.01, subdivision 6b; 290.0921, subdivision 7;
1.12 477A.013, subdivision 8; Minnesota Statutes 2011 Supplement, section 477A.03,
1.13 subdivision 2a.

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

1.15 Section 1. Minnesota Statutes 2010, section 275.025, subdivision 1, is amended to read:

1.16 Subdivision 1. **Levy amount.** (a) The state general levy is levied against
1.17 commercial-industrial property and seasonal residential recreational property, as defined
1.18 in this section.

1.19 (b) The state general levy base amount for commercial-industrial property is
1.20 \$673,552,000. For taxes payable in 2013, the state general levy for commercial-industrial
1.21 property is equal to the base amount. For taxes payable in 2014 to taxes payable in 2024,
1.22 the levy is reduced each year from the previous year's levy amount by 8.33 percent of
1.23 the base amount. For taxes payable in 2025 and thereafter, the state general levy for
1.24 commercial-industrial property is \$0.

1.25 (c) The state general levy base amount for seasonal recreational property is
1.26 ~~\$592,000,000~~ \$41,797,000 for taxes payable in ~~2002~~ 2013. For taxes payable in
1.27 subsequent years, the levy base amount is increased each year by multiplying the levy
1.28 base amount for the prior year by the sum of one plus the rate of increase, if any, in the

2.1 implicit price deflator for government consumption expenditures and gross investment
2.2 for state and local governments prepared by the Bureau of Economic Analysts of the
2.3 United States Department of Commerce for the 12-month period ending March 31 of the
2.4 year prior to the year the taxes are payable.

2.5 (d) The tax under this section is not treated as a local tax rate under section 469.177
2.6 and is not the levy of a governmental unit under chapters 276A and 473F.

2.7 (e) The commissioner shall increase or decrease the preliminary or final ~~rate~~ rates for
2.8 a year as necessary to account for errors and tax base changes that affected a preliminary
2.9 or final rate for either of the two preceding years. Adjustments are allowed to the extent
2.10 that the necessary information is available to the commissioner at the time the rates for a
2.11 year must be certified, and for the following reasons:

2.12 (1) an erroneous report of taxable value by a local official;

2.13 (2) an erroneous calculation by the commissioner; and

2.14 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
2.15 residential recreational property reported on the abstracts of tax lists submitted under
2.16 section 275.29 that was not reported on the abstracts of assessment submitted under
2.17 section 270C.89 for the same year.

2.18 (f) The commissioner may, but need not, make adjustments if the total difference in
2.19 the tax levied for the year would be less than \$100,000.

2.20 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
2.21 thereafter.

2.22 Sec. 2. Minnesota Statutes 2010, section 275.025, subdivision 2, is amended to read:

2.23 Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section,
2.24 "commercial-industrial tax capacity" means the tax capacity of all taxable property
2.25 classified as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding: (1) the
2.26 first \$150,000 in value of each commercial-industrial property, (2) electric generation
2.27 attached machinery under class 3, and (3) property described in section 473.625. County
2.28 commercial-industrial tax capacity amounts are not adjusted for the captured net tax
2.29 capacity of a tax increment financing district under section 469.177, subdivision 2, the
2.30 net tax capacity of transmission lines deducted from a local government's total net tax
2.31 capacity under section 273.425, or fiscal disparities contribution and distribution net
2.32 tax capacities under chapter 276A or 473F.

2.33 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
2.34 thereafter.

3.1 Sec. 3. Minnesota Statutes 2010, section 275.025, subdivision 4, is amended to read:

3.2 Subd. 4. ~~Apportionment and Levy of state general tax. Ninety-five percent of~~ The
3.3 state general tax must be levied by applying a uniform rate to all commercial-industrial tax
3.4 capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform
3.5 rate to all seasonal residential recreational tax capacity. On or before October 1 each
3.6 year, the commissioner of revenue shall certify the preliminary state general levy rates to
3.7 each county auditor that must be used to prepare the notices of proposed property taxes
3.8 for taxes payable in the following year. By January 1 of each year, the commissioner
3.9 shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be
3.10 used in spreading taxes.

3.11 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and
3.12 thereafter.

3.13 Sec. 4. Minnesota Statutes 2010, section 289A.08, subdivision 3, is amended to read:

3.14 Subd. 3. **Corporations.** (a) A corporation that is subject to the state's jurisdiction to
3.15 tax under section 290.014, subdivision 5, must file a return, ~~except that a foreign operating~~
3.16 ~~corporation as defined in section 290.01, subdivision 6b, is not required to file a return.~~

3.17 (b) Members of a unitary business that are required to file a combined report on one
3.18 return must designate a member of the unitary business to be responsible for tax matters,
3.19 including the filing of returns, the payment of taxes, additions to tax, penalties, interest,
3.20 or any other payment, and for the receipt of refunds of taxes or interest paid in excess of
3.21 taxes lawfully due. The designated member must be a member of the unitary business that
3.22 is filing the single combined report and either:

3.23 (1) a corporation that is subject to the taxes imposed by chapter 290; or

3.24 (2) a corporation that is not subject to the taxes imposed by chapter 290:

3.25 (i) Such corporation consents by filing the return as a designated member under this
3.26 clause to remit taxes, penalties, interest, or additions to tax due from the members of the
3.27 unitary business subject to tax, and receive refunds or other payments on behalf of other
3.28 members of the unitary business. The member designated under this clause is a "taxpayer"
3.29 for the purposes of this chapter and chapter 270C, and is liable for any liability imposed
3.30 on the unitary business under this chapter and chapter 290.

3.31 (ii) If the state does not otherwise have the jurisdiction to tax the member designated
3.32 under this clause, consenting to be the designated member does not create the jurisdiction
3.33 to impose tax on the designated member, other than as described in item (i).

3.34 (iii) The member designated under this clause must apply for a business tax account
3.35 identification number.

4.1 (c) The commissioner shall adopt rules for the filing of one return on behalf of the
4.2 members of an affiliated group of corporations that are required to file a combined report.
4.3 All members of an affiliated group that are required to file a combined report must file one
4.4 return on behalf of the members of the group under rules adopted by the commissioner.

4.5 (d) If a corporation claims on a return that it has paid tax in excess of the amount of
4.6 taxes lawfully due, that corporation must include on that return information necessary for
4.7 payment of the tax in excess of the amount lawfully due by electronic means.

4.8 **EFFECTIVE DATE.** This section is effective for returns filed for taxable years
4.9 beginning after December 31, 2011.

4.10 Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 5, is amended to read:

4.11 Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation
4.12 means a corporation:

4.13 (1) created or organized in the United States, or under the laws of the United States
4.14 or of any state, the District of Columbia, or any political subdivision of any of the
4.15 foregoing but not including the Commonwealth of Puerto Rico, or any possession of
4.16 the United States;

4.17 (2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue
4.18 Code; ~~or~~

4.19 (3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code;²

4.20 (4) which is incorporated in a tax haven;

4.21 (5) which is engaged in activity in a tax haven sufficient for the tax haven to impose
4.22 a net income tax under United States constitutional standards and section 290.015, and
4.23 which reports that 20 percent or more of its income is attributable to business in the tax
4.24 haven; or

4.25 (6) which has the average of its property, payroll, and sales factors, as defined under
4.26 section 290.191, within the 50 states of the United States and the District of Columbia, of
4.27 20 percent or more.

4.28 **EFFECTIVE DATE.** This section is effective for returns filed for taxable years
4.29 beginning after December 31, 2011.

4.30 Sec. 6. Minnesota Statutes 2010, section 290.01, is amended by adding a subdivision
4.31 to read:

4.32 Subd. 5c. **Tax haven.** (a) "Tax haven" means the following foreign jurisdictions,
4.33 unless the listing of the jurisdiction does not apply under paragraph (b):

- 5.1 (1) Andorra;
5.2 (2) Anguilla;
5.3 (3) Antigua and Barbuda;
5.4 (4) Aruba;
5.5 (5) Bahamas;
5.6 (6) Bahrain;
5.7 (7) Belize;
5.8 (8) British Virgin Islands;
5.9 (9) Cayman Islands;
5.10 (10) Cook Islands;
5.11 (11) Costa Rica;
5.12 (12) Dominica;
5.13 (13) Gibraltar;
5.14 (14) Grenada;
5.15 (15) Guernsey-Sark-Alderney;
5.16 (16) Jersey;
5.17 (17) Jordan;
5.18 (18) Lebanon;
5.19 (19) Liberia;
5.20 (20) Liechtenstein;
5.21 (21) Maldives;
5.22 (22) Marshall Islands;
5.23 (23) Monaco;
5.24 (24) Montserrat;
5.25 (25) Nauru;
5.26 (26) Netherlands Antilles;
5.27 (27) Niue;
5.28 (28) Panama;
5.29 (29) St. Kitts and Nevis;
5.30 (30) St. Lucia;
5.31 (31) St. Vincent and Grenadines;
5.32 (32) Tonga;
5.33 (33) Turks and Caicos; and
5.34 (34) Vanuatu.
5.35 (b) A foreign jurisdiction's listing under paragraph (a) does not apply to the first
5.36 taxable year after the United States enters into a tax treaty or other agreement with the

6.1 foreign jurisdiction that provides for prompt, obligatory, and automatic exchange of
6.2 information with the United States government relevant to enforcing the provisions of
6.3 federal tax laws and the treaty or other agreement was in effect for the taxable year.

6.4 **EFFECTIVE DATE.** This section is effective for returns filed for taxable years
6.5 beginning after December 31, 2011.

6.6 Sec. 7. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19a, is
6.7 amended to read:

6.8 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and
6.9 trusts, there shall be added to federal taxable income:

6.10 (1)(i) interest income on obligations of any state other than Minnesota or a political
6.11 or governmental subdivision, municipality, or governmental agency or instrumentality
6.12 of any state other than Minnesota exempt from federal income taxes under the Internal
6.13 Revenue Code or any other federal statute; and

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

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

6.18 (B) the portion of the exempt-interest dividends derived from interest income
6.19 on obligations of the state of Minnesota or its political or governmental subdivisions,
6.20 municipalities, governmental agencies or instrumentalities, but only if the portion of the
6.21 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
6.22 95 percent or more of the exempt-interest dividends, including any dividends exempt
6.23 under subitem (A), that are paid by the regulated investment company as defined in section
6.24 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
6.25 defined in section 851(g) of the Internal Revenue Code, making the payment; and

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

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

7.1 the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C)
7.2 and 63(c)(1)(E) of the Internal Revenue Code, minus any addition that would have been
7.3 required under clause (21) if the taxpayer had claimed the standard deduction, and plus
7.4 any subtraction allowed under subdivision 19b, clauses (19) and (20). For the purpose of
7.5 this paragraph, the disallowance of itemized deductions under section 68 of the Internal
7.6 Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are
7.7 the last itemized deductions disallowed;

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

7.10 (4) the amount of income taxes paid or accrued within the taxable year under this
7.11 chapter and taxes based on net income paid to any other state or any province or territory
7.12 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
7.13 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
7.14 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

7.15 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10
7.16 other than expenses or interest used in computing net interest income for the subtraction
7.17 allowed under subdivision 19b, clause (1);

7.18 (6) the amount of a partner's pro rata share of net income which does not flow
7.19 through to the partner because the partnership elected to pay the tax on the income under
7.20 section 6242(a)(2) of the Internal Revenue Code;

7.21 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
7.22 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
7.23 in the taxable year generates a deduction for depreciation under section 168(k) and the
7.24 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
7.25 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
7.26 limited to excess of the depreciation claimed by the activity under section 168(k) over the
7.27 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
7.28 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
7.29 under section 168(k) is allowed;

7.30 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
7.31 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
7.32 Revenue Code of 1986, as amended through December 31, 2003;

7.33 (9) to the extent deducted in computing federal taxable income, the amount of the
7.34 deduction allowable under section 199 of the Internal Revenue Code;

8.1 (10) for taxable years beginning before January 1, 2013, the exclusion allowed
8.2 under section 139A of the Internal Revenue Code for federal subsidies for prescription
8.3 drug plans;

8.4 (11) the amount of expenses disallowed under section 290.10, subdivision 2;

8.5 (12) for taxable years beginning before January 1, 2010, the amount deducted for
8.6 qualified tuition and related expenses under section 222 of the Internal Revenue Code, to
8.7 the extent deducted from gross income;

8.8 (13) for taxable years beginning before January 1, 2010, the amount deducted for
8.9 certain expenses of elementary and secondary school teachers under section 62(a)(2)(D)
8.10 of the Internal Revenue Code, to the extent deducted from gross income;

8.11 (14) the additional standard deduction for property taxes payable that is allowable
8.12 under section 63(c)(1)(C) of the Internal Revenue Code;

8.13 (15) the additional standard deduction for qualified motor vehicle sales taxes
8.14 allowable under section 63(c)(1)(E) of the Internal Revenue Code;

8.15 (16) discharge of indebtedness income resulting from reacquisition of business
8.16 indebtedness and deferred under section 108(i) of the Internal Revenue Code;

8.17 (17) the amount of unemployment compensation exempt from tax under section
8.18 85(c) of the Internal Revenue Code;

8.19 (18) changes to federal taxable income attributable to a net operating loss that the
8.20 taxpayer elected to carry back for more than two years for federal purposes but for which
8.21 the losses can be carried back for only two years under section 290.095, subdivision
8.22 11, paragraph (c);

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

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

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

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

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

9.4 (A) such dollar amount, multiplied by

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

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

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

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

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

9.16 (20) to the extent included in federal taxable income in taxable years beginning after
9.17 December 31, 2010, the amount of disallowed personal exemptions for taxpayers with
9.18 federal adjusted gross income over the threshold amount:

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

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

9.27 (iii) the term "threshold amount" means:

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

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

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

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

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

9.34 (A) such dollar amount, multiplied by

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

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

10.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
10.10 December 31, 2011.

10.11 Sec. 8. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19b, is
10.12 amended to read:

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

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

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

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

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

11.8 (4) income as provided under section 290.0802;

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

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

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

11.25 (8) in each of the five tax years immediately following the tax year in which an
11.26 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case
11.27 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth
11.28 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
11.29 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or
11.30 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the
11.31 positive value of any net operating loss under section 172 of the Internal Revenue Code
11.32 generated for the tax year of the addition. The resulting delayed depreciation cannot be
11.33 less than zero;

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

11.35 (10) to the extent included in federal taxable income, the amount of compensation
11.36 paid to members of the Minnesota National Guard or other reserve components of the

12.1 United States military for active service, excluding compensation for services performed
12.2 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active
12.3 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause
12.4 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision
12.5 5b, but "active service" excludes service performed in accordance with section 190.08,
12.6 subdivision 3;

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

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

12.23 (13) in each of the five tax years immediately following the tax year in which an
12.24 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a
12.25 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the
12.26 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the
12.27 case of a shareholder of a corporation that is an S corporation, minus the positive value of
12.28 any net operating loss under section 172 of the Internal Revenue Code generated for the
12.29 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a
12.30 subtraction is not allowed under this clause;

12.31 (14) to the extent included in the federal taxable income of a nonresident of
12.32 Minnesota, compensation paid to a service member as defined in United States Code, title
12.33 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief
12.34 Act, Public Law 108-189, section 101(2);

12.35 (15) international economic development zone income as provided under section
12.36 469.325;

13.1 (16) to the extent included in federal taxable income, the amount of national service
13.2 educational awards received from the National Service Trust under United States Code,
13.3 title 42, sections 12601 to 12604, for service in an approved Americorps National Service
13.4 program;

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

13.10 (18) the amount of the net operating loss allowed under section 290.095, subdivision
13.11 11, paragraph (c);

13.12 (19) for taxable years beginning after December 31, 2012, for married couples
13.13 filing joint returns who claimed the standard deduction under section 63(c) of the Internal
13.14 Revenue Code, an amount equal to the difference between (i) twice the standard deduction
13.15 allowed for the taxable year under section 63(c) of the Internal Revenue Code for single
13.16 filers and (ii) the standard deduction allowed for the taxable year under section 63(c) of
13.17 the Internal Revenue Code for married couples filing joint returns; and

13.18 (20) for taxable years beginning after December 31, 2012, for married couples filing
13.19 separate returns who claimed the standard deduction under section 63(c) of the Internal
13.20 Revenue Code, an amount equal to the difference between (i) the standard deduction
13.21 allowed for the taxable year under section 63(c) of the Internal Revenue Code for single
13.22 filers and (ii) the standard deduction allowed for the taxable year under section 63(c) of
13.23 the Internal Revenue Code for married couples filing separate returns.

13.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
13.25 December 31, 2011.

13.26 Sec. 9. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19c, is
13.27 amended to read:

13.28 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,
13.29 there shall be added to federal taxable income:

13.30 (1) the amount of any deduction taken for federal income tax purposes for income,
13.31 excise, or franchise taxes based on net income or related minimum taxes, including but not
13.32 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,
13.33 another state, a political subdivision of another state, the District of Columbia, or any
13.34 foreign country or possession of the United States;

14.1 (2) interest not subject to federal tax upon obligations of: the United States, its
14.2 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
14.3 state, any of its political or governmental subdivisions, any of its municipalities, or any
14.4 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
14.5 tribal governments;

14.6 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal
14.7 Revenue Code;

14.8 (4) the amount of any net operating loss deduction taken for federal income tax
14.9 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss
14.10 deduction under section 810 of the Internal Revenue Code;

14.11 (5) the amount of any special deductions taken for federal income tax purposes
14.12 under sections 241 to 247 and 965 of the Internal Revenue Code;

14.13 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,
14.14 clause (a), that are not subject to Minnesota income tax;

14.15 (7) the amount of any capital losses deducted for federal income tax purposes under
14.16 sections 1211 and 1212 of the Internal Revenue Code;

14.17 (8) the exempt foreign trade income of a foreign sales corporation under sections
14.18 921(a) and 291 of the Internal Revenue Code;

14.19 (9) the amount of percentage depletion deducted under sections 611 through 614 and
14.20 291 of the Internal Revenue Code;

14.21 (10) for certified pollution control facilities placed in service in a taxable year
14.22 beginning before December 31, 1986, and for which amortization deductions were elected
14.23 under section 169 of the Internal Revenue Code of 1954, as amended through December
14.24 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
14.25 income for those facilities;

14.26 ~~(11) the amount of any deemed dividend from a foreign operating corporation~~
14.27 ~~determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend~~
14.28 ~~shall be reduced by the amount of the addition to income required by clauses (20), (21),~~
14.29 ~~(22), and (23);~~

14.30 ~~(12)~~ (11) the amount of a partner's pro rata share of net income which does not flow
14.31 through to the partner because the partnership elected to pay the tax on the income under
14.32 section 6242(a)(2) of the Internal Revenue Code;

14.33 ~~(13)~~ (12) the amount of net income excluded under section 114 of the Internal
14.34 Revenue Code;

15.1 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the
15.2 Internal Revenue Code, for the taxable year when subpart F income is calculated without
15.3 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

15.4 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section
15.5 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if
15.6 the taxpayer has an activity that in the taxable year generates a deduction for depreciation
15.7 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable
15.8 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation
15.9 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess
15.10 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)
15.11 over the amount of the loss from the activity that is not allowed in the taxable year. In
15.12 succeeding taxable years when the losses not allowed in the taxable year are allowed, the
15.13 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

15.14 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of
15.15 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
15.16 Revenue Code of 1986, as amended through December 31, 2003;

15.17 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of
15.18 the deduction allowable under section 199 of the Internal Revenue Code;

15.19 ~~(18)~~ (17) for taxable years beginning before January 1, 2013, the exclusion allowed
15.20 under section 139A of the Internal Revenue Code for federal subsidies for prescription
15.21 drug plans;

15.22 ~~(19)~~ (18) the amount of expenses disallowed under section 290.10, subdivision 2;

15.23 ~~(20)~~ (19) an amount equal to the interest and intangible expenses, losses, and costs paid,
15.24 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit
15.25 of a corporation that is a member of the taxpayer's unitary business group that qualifies
15.26 as a foreign operating corporation. For purposes of this clause, intangible expenses and
15.27 costs include:

15.28 ~~(i)~~ (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,
15.29 use, maintenance or management, ownership, sale, exchange, or any other disposition of
15.30 intangible property;

15.31 ~~(ii)~~ (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
15.32 transactions;

15.33 ~~(iii)~~ (iii) royalty, patent, technical, and copyright fees;

15.34 ~~(iv)~~ (iv) licensing fees; and

15.35 ~~(v)~~ (v) other similar expenses and costs.

16.1 ~~For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent~~
16.2 ~~applications, trade names, trademarks, service marks, copyrights, mask works, trade~~
16.3 ~~secrets, and similar types of intangible assets.~~

16.4 ~~This clause does not apply to any item of interest or intangible expenses or costs paid,~~
16.5 ~~accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect~~
16.6 ~~to such item of income to the extent that the income to the foreign operating corporation~~
16.7 ~~is income from sources without the United States as defined in subtitle A, chapter 1,~~
16.8 ~~subchapter N, part 1, of the Internal Revenue Code;~~

16.9 ~~(21) except as already included in the taxpayer's taxable income pursuant to clause~~
16.10 ~~(20), any interest income and income generated from intangible property received or~~
16.11 ~~accrued by a foreign operating corporation that is a member of the taxpayer's unitary~~
16.12 ~~group. For purposes of this clause, income generated from intangible property includes:~~

- 16.13 ~~(i) income related to the direct or indirect acquisition, use, maintenance or~~
16.14 ~~management, ownership, sale, exchange, or any other disposition of intangible property;~~
16.15 ~~(ii) income from factoring transactions or discounting transactions;~~
16.16 ~~(iii) royalty, patent, technical, and copyright fees;~~
16.17 ~~(iv) licensing fees; and~~
16.18 ~~(v) other similar income.~~

16.19 ~~For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent~~
16.20 ~~applications, trade names, trademarks, service marks, copyrights, mask works, trade~~
16.21 ~~secrets, and similar types of intangible assets.~~

16.22 ~~This clause does not apply to any item of interest or intangible income received or accrued~~
16.23 ~~by a foreign operating corporation with respect to such item of income to the extent that~~
16.24 ~~the income is income from sources without the United States as defined in subtitle A,~~
16.25 ~~chapter 1, subchapter N, part 1, of the Internal Revenue Code;~~

16.26 ~~(22) the dividends attributable to the income of a foreign operating corporation that~~
16.27 ~~is a member of the taxpayer's unitary group in an amount that is equal to the dividends~~
16.28 ~~paid deduction of a real estate investment trust under section 561(a) of the Internal~~
16.29 ~~Revenue Code for amounts paid or accrued by the real estate investment trust to the~~
16.30 ~~foreign operating corporation;~~

16.31 ~~(23) the income of a foreign operating corporation that is a member of the taxpayer's~~
16.32 ~~unitary group in an amount that is equal to gains derived from the sale of real or personal~~
16.33 ~~property located in the United States;~~

17.1 ~~(24)~~ (19) for taxable years beginning before January 1, 2010, the additional amount
17.2 allowed as a deduction for donation of computer technology and equipment under section
17.3 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and
17.4 ~~(25)~~ (20) discharge of indebtedness income resulting from reacquisition of business
17.5 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

17.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
17.7 December 31, 2011.

17.8 Sec. 10. Minnesota Statutes 2010, section 290.01, subdivision 19d, is amended to read:

17.9 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For
17.10 corporations, there shall be subtracted from federal taxable income after the increases
17.11 provided in subdivision 19c:

17.12 (1) the amount of foreign dividend gross-up added to gross income for federal
17.13 income tax purposes under section 78 of the Internal Revenue Code;

17.14 (2) the amount of salary expense not allowed for federal income tax purposes due to
17.15 claiming the work opportunity credit under section 51 of the Internal Revenue Code;

17.16 (3) any dividend (not including any distribution in liquidation) paid within the
17.17 taxable year by a national or state bank to the United States, or to any instrumentality of
17.18 the United States exempt from federal income taxes, on the preferred stock of the bank
17.19 owned by the United States or the instrumentality;

17.20 (4) amounts disallowed for intangible drilling costs due to differences between
17.21 this chapter and the Internal Revenue Code in taxable years beginning before January
17.22 1, 1987, as follows:

17.23 (i) to the extent the disallowed costs are represented by physical property, an amount
17.24 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,
17.25 subdivision 7, subject to the modifications contained in subdivision 19e; and

17.26 (ii) to the extent the disallowed costs are not represented by physical property, an
17.27 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
17.28 290.09, subdivision 8;

17.29 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the
17.30 Internal Revenue Code, except that:

17.31 (i) for capital losses incurred in taxable years beginning after December 31, 1986,
17.32 capital loss carrybacks shall not be allowed;

17.33 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,
17.34 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be
17.35 allowed;

18.1 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a
18.2 capital loss carryback to each of the three taxable years preceding the loss year, subject to
18.3 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

18.4 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,
18.5 a capital loss carryover to each of the five taxable years succeeding the loss year to the
18.6 extent such loss was not used in a prior taxable year and subject to the provisions of
18.7 Minnesota Statutes 1986, section 290.16, shall be allowed;

18.8 (6) an amount for interest and expenses relating to income not taxable for federal
18.9 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
18.10 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
18.11 291 of the Internal Revenue Code in computing federal taxable income;

18.12 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for
18.13 which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a
18.14 reasonable allowance for depletion based on actual cost. In the case of leases the deduction
18.15 must be apportioned between the lessor and lessee in accordance with rules prescribed
18.16 by the commissioner. In the case of property held in trust, the allowable deduction must
18.17 be apportioned between the income beneficiaries and the trustee in accordance with the
18.18 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis
18.19 of the trust's income allocable to each;

18.20 (8) for certified pollution control facilities placed in service in a taxable year
18.21 beginning before December 31, 1986, and for which amortization deductions were elected
18.22 under section 169 of the Internal Revenue Code of 1954, as amended through December
18.23 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
18.24 1986, section 290.09, subdivision 7;

18.25 (9) amounts included in federal taxable income that are due to refunds of income,
18.26 excise, or franchise taxes based on net income or related minimum taxes paid by the
18.27 corporation to Minnesota, another state, a political subdivision of another state, the
18.28 District of Columbia, or a foreign country or possession of the United States to the extent
18.29 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,
18.30 clause (1), in a prior taxable year;

18.31 (10) 80 percent of royalties, fees, or other like income accrued or received from a
18.32 foreign operating corporation or a foreign corporation which is part of the same unitary
18.33 business as the receiving corporation, unless the income resulting from such payments or
18.34 accruals is income from sources within the United States as defined in subtitle A, chapter
18.35 1, subchapter N, part 1, of the Internal Revenue Code;

19.1 (11) income or gains from the business of mining as defined in section 290.05,
19.2 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

19.3 (12) the amount of disability access expenditures in the taxable year which are not
19.4 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

19.5 (13) the amount of qualified research expenses not allowed for federal income tax
19.6 purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that
19.7 the amount exceeds the amount of the credit allowed under section 290.068;

19.8 (14) the amount of salary expenses not allowed for federal income tax purposes due
19.9 to claiming the Indian employment credit under section 45A(a) of the Internal Revenue
19.10 Code;

19.11 (15) for a corporation whose foreign sales corporation, as defined in section 922
19.12 of the Internal Revenue Code, constituted a foreign operating corporation during any
19.13 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,
19.14 claiming the deduction under section 290.21, subdivision 4, for income received from
19.15 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of
19.16 income excluded under section 114 of the Internal Revenue Code, provided the income is
19.17 not income of a foreign operating company;

19.18 (16) any decrease in subpart F income, as defined in section 952(a) of the Internal
19.19 Revenue Code, for the taxable year when subpart F income is calculated without regard to
19.20 the provisions of Division C, title III, section 303(b) of Public Law 110-343;

19.21 (17) in each of the five tax years immediately following the tax year in which an
19.22 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth
19.23 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the
19.24 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The
19.25 resulting delayed depreciation cannot be less than zero;

19.26 (18) in each of the five tax years immediately following the tax year in which an
19.27 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth
19.28 of the amount of the addition; and

19.29 (19) to the extent included in federal taxable income, discharge of indebtedness
19.30 income resulting from reacquisition of business indebtedness included in federal taxable
19.31 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
19.32 to the extent that the income was included in net income in a prior year as a result of the
19.33 addition under section 290.01, subdivision 19c, clause ~~(25)~~ (20).

19.34 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
19.35 December 31, 2011.

20.1 Sec. 11. Minnesota Statutes 2011 Supplement, section 290.0675, subdivision 1,
20.2 is amended to read:

20.3 Subdivision 1. **Definitions.** (a) For purposes of this section the following terms
20.4 have the meanings given.

20.5 (b) "Earned income" means the sum of the following, to the extent included in
20.6 Minnesota taxable income:

20.7 (1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

20.8 (2) income received from a retirement pension, profit-sharing, stock bonus, or
20.9 annuity plan; and

20.10 (3) Social Security benefits as defined in section 86(d)(1) of the Internal Revenue
20.11 Code.

20.12 (c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

20.13 (d) "Earned income of lesser-earning spouse" means the earned income of the spouse
20.14 with the lesser amount of earned income as defined in paragraph (b) for the taxable year
20.15 minus the sum of (i) the amount for one exemption under section 151(d) of the Internal
20.16 Revenue Code and (ii) one-half the amount of the standard deduction under section
20.17 63(c)(2)(A) and (4) of the Internal Revenue Code minus one-half of any addition required
20.18 under section 290.01, subdivision 19a, clause (21), and one-half of the addition that would
20.19 have been required under section 290.01, subdivision 19a, clause (21), if the taxpayer
20.20 had claimed the standard deduction, and plus one-half of any subtraction allowed under
20.21 section 290.01, subdivision 19b, clause (19).

20.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
20.23 December 31, 2011.

20.24 Sec. 12. Minnesota Statutes 2010, section 290.17, subdivision 4, is amended to read:

20.25 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly
20.26 within this state or partly within and partly without this state is part of a unitary business,
20.27 the entire income of the unitary business is subject to apportionment pursuant to section
20.28 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary
20.29 business is considered to be derived from any particular source and none may be allocated
20.30 to a particular place except as provided by the applicable apportionment formula. The
20.31 provisions of this subdivision do not apply to business income subject to subdivision 5,
20.32 income of an insurance company, or income of an investment company determined under
20.33 section 290.36.

20.34 (b) The term "unitary business" means business activities or operations which
20.35 result in a flow of value between them. The term may be applied within a single legal

21.1 entity or between multiple entities and without regard to whether each entity is a sole
21.2 proprietorship, a corporation, a partnership or a trust.

21.3 (c) Unity is presumed whenever there is unity of ownership, operation, and use,
21.4 evidenced by centralized management or executive force, centralized purchasing,
21.5 advertising, accounting, or other controlled interaction, but the absence of these
21.6 centralized activities will not necessarily evidence a nonunitary business. Unity is also
21.7 presumed when business activities or operations are of mutual benefit, dependent upon or
21.8 contributory to one another, either individually or as a group.

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

21.14 (e) Unity of ownership is not deemed to exist when a corporation is involved unless
21.15 that corporation is a member of a group of two or more business entities and more than 50
21.16 percent of the voting stock of each member of the group is directly or indirectly owned
21.17 by a common owner or by common owners, either corporate or noncorporate, or by one
21.18 or more of the member corporations of the group. For this purpose, the term "voting
21.19 stock" shall include membership interests of mutual insurance holding companies formed
21.20 under section 66A.40.

21.21 (f) The net income and apportionment factors under section 290.191 or 290.20 of
21.22 foreign corporations and other foreign entities which are part of a unitary business shall
21.23 not be included in the net income or the apportionment factors of the unitary business.
21.24 A foreign corporation or other foreign entity which is required to file a return under this
21.25 chapter shall file on a separate return basis. ~~The net income and apportionment factors~~
21.26 ~~under section 290.191 or 290.20 of foreign operating corporations shall not be included in~~
21.27 ~~the net income or the apportionment factors of the unitary business except as provided in~~
21.28 ~~paragraph (g). The provisions of this paragraph are not severable from the provisions of~~
21.29 section 290.01, subdivision 5, clauses (4) to (6); if any of those provisions are found to be
21.30 unconstitutional, the provisions of this paragraph are void for the respective taxable years.

21.31 ~~(g) The adjusted net income of a foreign operating corporation shall be deemed to~~
21.32 ~~be paid as a dividend on the last day of its taxable year to each shareholder thereof, in~~
21.33 ~~proportion to each shareholder's ownership, with which such corporation is engaged in~~
21.34 ~~a unitary business. Such deemed dividend shall be treated as a dividend under section~~
21.35 ~~290.21, subdivision 4.~~

22.1 ~~Dividends actually paid by a foreign operating corporation to a corporate shareholder~~
22.2 ~~which is a member of the same unitary business as the foreign operating corporation shall~~
22.3 ~~be eliminated from the net income of the unitary business in preparing a combined report~~
22.4 ~~for the unitary business. The adjusted net income of a foreign operating corporation~~
22.5 ~~shall be its net income adjusted as follows:~~

22.6 ~~(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto~~
22.7 ~~Rico, or a United States possession or political subdivision of any of the foregoing shall~~
22.8 ~~be a deduction; and~~

22.9 ~~(2) the subtraction from federal taxable income for payments received from foreign~~
22.10 ~~corporations or foreign operating corporations under section 290.01, subdivision 19d,~~
22.11 ~~clause (10), shall not be allowed.~~

22.12 ~~If a foreign operating corporation incurs a net loss, neither income nor deduction~~
22.13 ~~from that corporation shall be included in determining the net income of the unitary~~
22.14 ~~business.~~

22.15 ~~(h)~~ (g) For purposes of determining the net income of a unitary business and the
22.16 factors to be used in the apportionment of net income pursuant to section 290.191 or
22.17 290.20, there must be included only the income and apportionment factors of domestic
22.18 corporations or other domestic entities ~~other than foreign operating corporations~~ that are
22.19 determined to be part of the unitary business pursuant to this subdivision, notwithstanding
22.20 that foreign corporations or other foreign entities might be included in the unitary business.

22.21 ~~(i)~~ (h) Deductions for expenses, interest, or taxes otherwise allowable under
22.22 this chapter that are connected with or allocable against dividends, ~~deemed dividends~~
22.23 ~~described in paragraph (g)~~, or royalties, fees, or other like income described in section
22.24 290.01, subdivision 19d, clause (10), shall not be disallowed.

22.25 ~~(j)~~ (i) Each corporation or other entity, except a sole proprietorship, that is part of
22.26 a unitary business must file combined reports as the commissioner determines. On the
22.27 reports, all intercompany transactions between entities included pursuant to paragraph
22.28 ~~(h)~~ (g) must be eliminated and the entire net income of the unitary business determined in
22.29 accordance with this subdivision is apportioned among the entities by using each entity's
22.30 Minnesota factors for apportionment purposes in the numerators of the apportionment
22.31 formula and the total factors for apportionment purposes of all entities included pursuant
22.32 to paragraph ~~(h)~~ (g) in the denominators of the apportionment formula. All sales of the
22.33 unitary business made within Minnesota pursuant to section 290.191 or 290.20 must be
22.34 included on the separate combined report of a corporation that is a member of the unitary
22.35 business and is subject to the jurisdiction of this state to impose tax under this chapter.

23.1 ~~(k)~~ (j) If a corporation has been divested from a unitary business and is included in a
23.2 combined report for a fractional part of the common accounting period of the combined
23.3 report:

23.4 (1) its income includable in the combined report is its income incurred for that part
23.5 of the year determined by proration or separate accounting; and

23.6 (2) its sales, property, and payroll included in the apportionment formula must
23.7 be prorated or accounted for separately.

23.8 **EFFECTIVE DATE.** This section is effective for returns filed for taxable years
23.9 beginning after December 31, 2011.

23.10 Sec. 13. Minnesota Statutes 2011 Supplement, section 290A.03, subdivision 11,
23.11 is amended to read:

23.12 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"
23.13 means ~~17~~ 15 percent of the gross rent actually paid in cash, or its equivalent, or the portion
23.14 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right
23.15 of occupancy of the claimant's Minnesota homestead in the calendar year, and which
23.16 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this
23.17 chapter by the claimant.

23.18 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
23.19 2011 and thereafter.

23.20 Sec. 14. Minnesota Statutes 2011 Supplement, section 290A.03, subdivision 13,
23.21 is amended to read:

23.22 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
23.23 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
23.24 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
23.25 and any other state paid property tax credits in any calendar year, and after any refund
23.26 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in
23.27 the year that the property tax is payable. In the case of a claimant who makes ground
23.28 lease payments, "property taxes payable" includes the amount of the payments directly
23.29 attributable to the property taxes assessed against the parcel on which the house is located.
23.30 No apportionment or reduction of the "property taxes payable" shall be required for the
23.31 use of a portion of the claimant's homestead for a business purpose if the claimant does not
23.32 deduct any business depreciation expenses for the use of a portion of the homestead in the
23.33 determination of federal adjusted gross income. For homesteads which are manufactured

24.1 homes as defined in section 273.125, subdivision 8, and for homesteads which are park
 24.2 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property
 24.3 taxes payable" shall also include ~~17~~ 15 percent of the gross rent paid in the preceding
 24.4 year for the site on which the homestead is located. When a homestead is owned by
 24.5 two or more persons as joint tenants or tenants in common, such tenants shall determine
 24.6 between them which tenant may claim the property taxes payable on the homestead. If
 24.7 they are unable to agree, the matter shall be referred to the commissioner of revenue
 24.8 whose decision shall be final. Property taxes are considered payable in the year prescribed
 24.9 by law for payment of the taxes.

24.10 In the case of a claim relating to "property taxes payable," the claimant must have
 24.11 owned and occupied the homestead on January 2 of the year in which the tax is payable
 24.12 and (i) the property must have been classified as homestead property pursuant to section
 24.13 273.124, on or before December 15 of the assessment year to which the "property taxes
 24.14 payable" relate; or (ii) the claimant must provide documentation from the local assessor
 24.15 that application for homestead classification has been made on or before December 15
 24.16 of the year in which the "property taxes payable" were payable and that the assessor has
 24.17 approved the application.

24.18 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
 24.19 2011 and thereafter.

24.20 Sec. 15. Minnesota Statutes 2011 Supplement, section 290A.04, subdivision 2, is
 24.21 amended to read:

24.22 Subd. 2. **Homeowners.** A claimant whose property taxes payable are in excess
 24.23 of the percentage of the household income stated below shall pay an amount equal to
 24.24 the percent of income shown for the appropriate household income level along with the
 24.25 percent to be paid by the claimant of the remaining amount of property taxes payable.
 24.26 The state refund equals the amount of property taxes payable that remain, up to the state
 24.27 refund amount shown below.

24.28			Percent Paid by	Maximum
24.29			Claimant	State
24.30	Household Income	Percent of Income		Refund
24.31	\$0 to 1,549	1.0 percent	15 percent	\$ 2,460
24.32	1,550 to 3,089	1.1 percent	15 percent	\$ 2,460
24.33	3,090 to 4,669	1.2 percent	15 percent	\$ 2,460
24.34	4,670 to 6,229	1.3 percent	20 percent	\$ 2,460
24.35	6,230 to 7,769	1.4 percent	20 percent	\$ 2,460
24.36	7,770 to 10,879	1.5 percent	20 percent	\$ 2,460

25.1	10,880 to 12,429	1.6 percent	20 percent	\$ 2,460
25.2	12,430 to 13,989	1.7 percent	20 percent	\$ 2,460
25.3	13,990 to 15,539	1.8 percent	20 percent	\$ 2,460
25.4	15,540 to 17,079	1.9 percent	25 percent	\$ 2,460
25.5	17,080 to 18,659	2.0 percent	25 percent	\$ 2,460
25.6	18,660 to 21,759	2.1 percent	25 percent	\$ 2,460
25.7	21,760 to 23,309	2.2 percent	30 percent	\$ 2,460
25.8	23,310 to 24,859	2.3 percent	30 percent	\$ 2,460
25.9	24,860 to 26,419	2.4 percent	30 percent	\$ 2,460
25.10	26,420 to 32,629	2.5 percent	35 percent	\$ 2,460
25.11	32,630 to 37,279	2.6 percent	35 percent	\$ 2,460
25.12				2,000
25.13	37,280 to 46,609	2.7 percent	35 percent	\$ <u>2,400</u>
25.14				2,000
25.15	46,610 to 54,369	2.8 percent	35 percent	\$ <u>2,400</u>
25.16				1,750
25.17	54,370 to 62,139	2.8 percent	40 percent	\$ <u>2,100</u>
25.18				1,440
25.19	62,140 to 69,909	3.0 percent	40 percent	\$ <u>1,730</u>
25.20				1,290
25.21	69,910 to 77,679	3.0 percent	40 percent	\$ <u>1,550</u>
25.22				1,130
25.23	77,680 to 85,449	3.0 percent	40 percent	\$ <u>1,360</u>
25.24				960
25.25	85,450 to 90,119	3.5 percent	45 percent	\$ <u>1,150</u>
25.26				790
25.27	90,120 to 93,239	3.5 percent	45 percent	\$ <u>950</u>
25.28				650
25.29	93,240 to 97,009	3.5 percent	50 percent	\$ <u>780</u>
25.30				480
25.31	97,010 to 100,779	3.5 percent	50 percent	\$ <u>580</u>

25.32 The payment made to a claimant shall be the amount of the state refund calculated
 25.33 under this subdivision. No payment is allowed if the claimant's household income is
 25.34 \$100,780 or more.

25.35 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes
 25.36 payable in 2012 and thereafter.

25.37 Sec. 16. Minnesota Statutes 2010, section 290A.04, subdivision 2a, is amended to read:

25.38 Subd. 2a. **Renters; senior or disabled.** A claimant whose rent constituting property
 25.39 taxes exceeds the percentage of the household income stated below must pay an amount
 25.40 equal to the percent of income shown for the appropriate household income level along
 25.41 with the percent to be paid by the claimant of the remaining amount of rent constituting
 25.42 property taxes. The state refund equals the amount of rent constituting property taxes that

26.1 remain, up to the maximum state refund amount shown below. This subdivision applies
 26.2 only if the claimant or the claimant's spouse was disabled or attained the age of 65 on or
 26.3 before December 31 of the year for which the rent was paid.

26.4				Maximum
26.5			Percent Paid by	State
26.6	Household Income	Percent of Income	Claimant	Refund
26.7	\$0 to 3,589	1.0 percent	5 percent	\$ 1,190
26.8	3,590 to 4,779	1.0 percent	10 percent	\$ 1,190
26.9	4,780 to 5,969	1.1 percent	10 percent	\$ 1,190
26.10	5,970 to 8,369	1.2 percent	10 percent	\$ 1,190
26.11	8,370 to 10,759	1.3 percent	15 percent	\$ 1,190
26.12	10,760 to 11,949	1.4 percent	15 percent	\$ 1,190
26.13	11,950 to 13,139	1.4 percent	20 percent	\$ 1,190
26.14	13,140 to 15,539	1.5 percent	20 percent	\$ 1,190
26.15	15,540 to 16,729	1.6 percent	20 percent	\$ 1,190
26.16	16,730 to 17,919	1.7 percent	25 percent	\$ 1,190
26.17	17,920 to 20,319	1.8 percent	25 percent	\$ 1,190
26.18	20,320 to 21,509	1.9 percent	30 percent	\$ 1,190
26.19	21,510 to 22,699	2.0 percent	30 percent	\$ 1,190
26.20	22,700 to 23,899	2.2 percent	30 percent	\$ 1,190
26.21	23,900 to 25,089	2.4 percent	30 percent	\$ 1,190
26.22	25,090 to 26,289	2.6 percent	35 percent	\$ 1,190
26.23	26,290 to 27,489	2.7 percent	35 percent	\$ 1,190
26.24	27,490 to 28,679	2.8 percent	35 percent	\$ 1,190
26.25	28,680 to 29,869	2.9 percent	40 percent	\$ 1,190
26.26	29,870 to 31,079	3.0 percent	40 percent	\$ 1,190
26.27	31,080 to 32,269	3.1 percent	40 percent	\$ 1,190
26.28	32,270 to 33,459	3.2 percent	40 percent	\$ 1,190
26.29	33,460 to 34,649	3.3 percent	45 percent	\$ 1,080
26.30	34,650 to 35,849	3.4 percent	45 percent	\$ 960
26.31	35,850 to 37,049	3.5 percent	45 percent	\$ 830
26.32	37,050 to 38,239	3.5 percent	50 percent	\$ 720
26.33	38,240 to 39,439	3.5 percent	50 percent	\$ 600
26.34	38,440 to 40,629	3.5 percent	50 percent	\$ 360
26.35	40,630 to 41,819	3.5 percent	50 percent	\$ 120

26.36				Maximum
26.37			Percent Paid by	State
26.38	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>Refund</u>
26.39	<u>\$0 to 4,689</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$ 1,550</u>
26.40	<u>4,690 to 6,239</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>
26.41	<u>6,240 to 7,799</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>
26.42	<u>7,800 to 10,929</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$ 1,550</u>

27.1	<u>10,930 to 14,049</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$ 1,550</u>
27.2	<u>14,050 to 15,609</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$ 1,550</u>
27.3	<u>15,610 to 17,159</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
27.4	<u>17,160 to 20,289</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
27.5	<u>20,290 to 21,849</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 1,550</u>
27.6	<u>21,850 to 23,399</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$ 1,550</u>
27.7	<u>23,400 to 26,539</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$ 1,500</u>
27.8	<u>26,540 to 28,089</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$ 1,400</u>
27.9	<u>28,090 to 29,649</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 1,300</u>
27.10	<u>29,650 to 31,209</u>	<u>2.2 percent</u>	<u>30 percent</u>	<u>\$ 1,200</u>
27.11	<u>31,210 to 32,769</u>	<u>2.4 percent</u>	<u>30 percent</u>	<u>\$ 1,100</u>
27.12	<u>32,770 to 34,329</u>	<u>2.6 percent</u>	<u>35 percent</u>	<u>\$ 1,000</u>
27.13	<u>34,330 to 35,899</u>	<u>2.7 percent</u>	<u>35 percent</u>	<u>\$ 1,000</u>
27.14	<u>35,900 to 37,449</u>	<u>2.8 percent</u>	<u>35 percent</u>	<u>\$ 750</u>
27.15	<u>37,450 to 39,009</u>	<u>2.9 percent</u>	<u>40 percent</u>	<u>\$ 500</u>
27.16	<u>39,010 to 39,999</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$ 250</u>

27.17 The payment made to a claimant is the amount of the state refund calculated under
 27.18 this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~
 27.19 \$40,000 or more.

27.20 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
 27.21 2011 and thereafter.

27.22 Sec. 17. Minnesota Statutes 2010, section 290A.04, is amended by adding a
 27.23 subdivision to read:

27.24 **Subd. 2k. Renters; nonsenior nondisabled.** A claimant whose rent constituting
 27.25 property taxes exceeds the percentage of the household income stated below must pay
 27.26 an amount equal to the percent of income shown for the appropriate household income
 27.27 level along with the percent to be paid by the claimant of the remaining amount of rent
 27.28 constituting property taxes. The state refund equals the amount of rent constituting
 27.29 property taxes that remain, up to the maximum state refund amount shown below. This
 27.30 subdivision applies only if the claimant or the claimant's spouse is not eligible for a refund
 27.31 under subdivision 2a.

	<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by Claimant</u>	<u>Maximum State Refund</u>
27.32				
27.33				
27.34				
27.35	<u>\$0 to 6,239</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$ 1,000</u>
27.36	<u>6,240 to 7,799</u>	<u>1.1 percent</u>	<u>20 percent</u>	<u>\$ 1,000</u>
27.37	<u>7,800 to 10,929</u>	<u>1.2 percent</u>	<u>20 percent</u>	<u>\$ 900</u>
27.38	<u>10,930 to 14,049</u>	<u>1.3 percent</u>	<u>25 percent</u>	<u>\$ 800</u>

28.1	<u>14,050 to 15,609</u>	<u>1.4 percent</u>	<u>25 percent</u>	<u>\$ 800</u>
28.2	<u>15,610 to 17,159</u>	<u>1.4 percent</u>	<u>30 percent</u>	<u>\$ 600</u>
28.3	<u>17,160 to 20,289</u>	<u>1.5 percent</u>	<u>30 percent</u>	<u>\$ 600</u>
28.4	<u>20,290 to 21,849</u>	<u>1.6 percent</u>	<u>35 percent</u>	<u>\$ 400</u>
28.5	<u>21,850 to 23,399</u>	<u>1.7 percent</u>	<u>35 percent</u>	<u>\$ 400</u>
28.6	<u>23,400 to 24,999</u>	<u>1.8 percent</u>	<u>40 percent</u>	<u>\$ 200</u>

28.7 The payment made to a claimant is the amount of the state refund calculated under
 28.8 this subdivision. No payment is allowed if the claimant's household income is \$25,000
 28.9 or more.

28.10 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
 28.11 2011 and thereafter.

28.12 Sec. 18. Minnesota Statutes 2011 Supplement, section 290A.04, subdivision 4, is
 28.13 amended to read:

28.14 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in
 28.15 calendar year 2002, the commissioner shall annually adjust the dollar amounts of the
 28.16 income thresholds and the maximum refunds under ~~subdivisions 2 and 2a~~ subdivision 2
 28.17 for inflation. The commissioner shall make the inflation adjustments in accordance with
 28.18 section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the
 28.19 percentage increase shall be determined as provided in this subdivision.

28.20 (b) In adjusting the dollar amounts of the income thresholds and the maximum
 28.21 refunds under subdivision 2 for inflation, the percentage increase shall be determined from
 28.22 the year ending on June 30, 2011, to the year ending on June 30 of the year preceding that
 28.23 in which the refund is payable.

28.24 ~~(c) In adjusting the dollar amounts of the income thresholds and the maximum~~
 28.25 ~~refunds under subdivision 2a for inflation, the percentage increase shall be determined~~
 28.26 ~~from the year ending on June 30, 2000, to the year ending on June 30 of the year preceding~~
 28.27 ~~that in which the refund is payable.~~

28.28 ~~(d)~~ (c) The commissioner shall use the appropriate percentage increase to annually
 28.29 adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for
 28.30 inflation without regard to whether or not the income tax brackets are adjusted for inflation
 28.31 in that year. The commissioner shall round the thresholds and the maximum amounts,
 28.32 as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall
 28.33 round it up to the next \$10 amount.

29.1 ~~(e)~~ (d) The commissioner shall annually announce the adjusted refund schedule at
29.2 the same time provided under section 290.06. The determination of the commissioner
29.3 under this subdivision is not a rule under the Administrative Procedure Act.

29.4 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
29.5 2012 and thereafter.

29.6 Sec. 19. Minnesota Statutes 2010, section 290A.23, subdivision 1, is amended to read:

29.7 Subdivision 1. **Renters credit.** There is appropriated from the general fund in the
29.8 state treasury to the commissioner of revenue the amount necessary to make the payments
29.9 required under section 290A.04, ~~subdivision 2a~~ subdivisions 2a and 2k.

29.10 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
29.11 2011 and thereafter.

29.12 Sec. 20. Minnesota Statutes 2011 Supplement, section 477A.013, subdivision 9,
29.13 is amended to read:

29.14 Subd. 9. **City aid distribution.** ~~(a)~~ In calendar year ~~2009~~ 2013 and thereafter, each
29.15 city shall receive an aid distribution equal to the ~~sum of (1) the city formula aid under~~
29.16 ~~subdivision 8, and (2) its city aid base~~ amount of aid it received under subdivision 11 in
29.17 calendar year 2012.

29.18 ~~(b) For aids payable in 2013 only, the total aid in the previous year for any city~~
29.19 ~~shall mean the amount of aid it was certified to receive for aids payable in 2012 under~~
29.20 ~~this section. For aids payable in 2014 and thereafter, the total aid in the previous year~~
29.21 ~~for any city means the amount of aid it was certified to receive under this section in the~~
29.22 ~~previous payable year.~~

29.23 ~~(c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed~~
29.24 ~~the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution~~
29.25 ~~plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total~~
29.26 ~~aid for any city with a population of 2,500 or more may not be less than its total aid under~~
29.27 ~~this section in the previous year minus the lesser of \$10 multiplied by its population, or ten~~
29.28 ~~percent of its net levy in the year prior to the aid distribution.~~

29.29 ~~(d) For aids payable in 2010 and thereafter, the total aid for a city with a population~~
29.30 ~~less than 2,500 must not be less than the amount it was certified to receive in the~~
29.31 ~~previous year minus the lesser of \$10 multiplied by its population, or five percent of its~~
29.32 ~~2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a~~
29.33 ~~population less than 2,500 must not be less than what it received under this section in the~~

30.1 ~~previous year unless its total aid in calendar year 2008 was aid under section 477A.011,~~
30.2 ~~subdivision 36, paragraph (s), in which case its minimum aid is zero.~~

30.3 ~~(e) A city's aid loss under this section may not exceed \$300,000 in any year in~~
30.4 ~~which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or~~
30.5 ~~greater than the appropriation under that subdivision in the previous year, unless the~~
30.6 ~~city has an adjustment in its city net tax capacity under the process described in section~~
30.7 ~~469.174, subdivision 28.~~

30.8 ~~(f) If a city's net tax capacity used in calculating aid under this section has decreased~~
30.9 ~~in any year by more than 25 percent from its net tax capacity in the previous year due to~~
30.10 ~~property becoming tax-exempt Indian land, the city's maximum allowed aid increase~~
30.11 ~~under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the~~
30.12 ~~year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease~~
30.13 ~~resulting from the property becoming tax exempt.~~

30.14 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
30.15 2013 and thereafter.

30.16 Sec. 21. **SUPPLEMENTAL TARGETING REFUND FOR TAXES PAYABLE IN**
30.17 **2012 ONLY.**

30.18 Subdivision 1. **Determination of supplemental refund.** (a) For property tax refund
30.19 claims under Minnesota Statutes, section 290A.04, subdivision 2h, based upon property
30.20 taxes payable in 2012, the state must pay a supplemental refund such that the combined
30.21 amount of the regular refund under Minnesota Statutes, section 290A.04, subdivision 2h,
30.22 and the supplemental refund is equal to 90 percent of the increase over the greater of (1) 12
30.23 percent of the payable 2011 property taxes, or (2) \$100. The maximum combined refund
30.24 under Minnesota Statutes, section 290A.04, subdivision 2h, and this section is \$1,000.

30.25 (b) The supplemental refund amount must be determined by the commissioner of
30.26 revenue based upon the information submitted with the claim for the regular refund and
30.27 must be combined with the regular refund for payment.

30.28 (c) Any supplemental refund paid under this section must be subtracted from
30.29 "property taxes payable" for the purposes of determining any refund amount under
30.30 Minnesota Statutes, section 290A.04, subdivision 2, based upon property taxes payable
30.31 in 2012.

30.32 (d) Any supplemental refund paid under this section must be subtracted from
30.33 "property taxes payable" for taxes payable in 2012 for the purposes of determining any
30.34 refund amount under Minnesota Statutes, section 290A.04, subdivision 2h, based upon
30.35 property taxes payable in 2013.

31.1 Subd. 2. **Appropriation.** The amount necessary to make the payments required
31.2 under this section is appropriated to the commissioner of revenue from the general fund
31.3 for fiscal years 2013 and 2014.

31.4 **EFFECTIVE DATE.** This section is effective for refund claims based on taxes
31.5 payable in 2012 only.

31.6 Sec. 22. **SPECIAL RECOVERY FUND; CANCELLATION.**

31.7 \$4,300,000 of the balance in the Revenue Department service and recovery special
31.8 revenue fund is transferred in fiscal year 2012 to the general fund.

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

31.10 Sec. 23. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2012.**

31.11 In administering this bill for claims for refunds submitted using 17 percent of gross
31.12 rent as rent constituting property taxes under prior law, the commissioner shall recalculate
31.13 and pay the refund amounts using 15 percent of gross rent, subject to the reduced
31.14 maximum income limits, maximum refunds, and increased co-payment percentages in
31.15 this bill. The commissioner shall notify the claimant that the recalculation was mandated
31.16 by action of the 2012 legislature.

31.17 Sec. 24. **REPEALER.**

31.18 (a) Minnesota Statutes 2010, sections 290.01, subdivision 6b; and 290.0921,
31.19 subdivision 7, are repealed.

31.20 (b) Minnesota Statutes 2010, section 477A.013, subdivision 8, and Minnesota
31.21 Statutes 2011 Supplement, section 477A.03, subdivision 2a, are repealed.

31.22 **EFFECTIVE DATE.** Paragraph (a) is effective for returns filed for taxable years
31.23 beginning after December 31, 2011. Paragraph (b) is effective for aids payable in calendar
31.24 year 2013 and thereafter.