

13 MCAR 1

9-7-82

1 Department of Revenue

2 Income Tax Division

3

4 Adopted Rule Relating to Subtraction for Interest on United

5 States Government Obligations (13 MCAR S 1.6007)

6

7 Rule as Adopted

8 13 MCAR S 1.6007 Subtraction for interest on United States

9 government obligations. Minn. Stat. S 290.01, subd. 20, clause

10 (b)(1) allows an individual taxpayer, an estate, or a trust to

11 subtract the amount of interest earned on certain obligations of

12 the United States government from federal adjusted gross

13 income. To qualify for this subtraction, the obligation must

14 meet the following conditions:

15 A. The interest income on the obligation must have been
16 included in federal adjusted gross income for the taxable year
17 that the subtraction is claimed. If only a portion of the
18 interest income on an obligation has been included in federal
19 adjusted gross income, only the included portion may be
20 subtracted.

21 B. The obligation must be an obligation of the United States
22 of America, whether through an agency, authority, commission, or
23 instrumentality of the United States, and must be exempt from
24 state taxation under federal law. This means that the full
25 faith and credit of the United States must be pledged to the
26 payment of the underlying obligation.

27 C. The obligation must be in writing, bear interest, contain
28 a binding promise by the United States to pay specified sums on
29 specified dates, be specifically authorized by Congress, and be
30 supported by a pledge of full faith and credit of the United
31 States. Open accounts and other unsettled claims or demands are
32 not obligations of the United States for purposes of this
33 subtraction.

34 D. The obligation must be a direct and primary obligation of
35 the United States. If the primary obligor is not the United
36 States and the United States is merely an insurer or guarantor

1 and has only a secondary or contingent liability, the interest
2 income is not exempt. If the primary obligor is not the United
3 States but the United States pays all or part of the interest on
4 the obligation, the interest income is not exempt. If the
5 obligation was originally a private obligation and if the
6 obligee later gives up all rights against the original obligor
7 as part of an insurance endorsement or otherwise, and agrees to
8 look only to the United States for payment of both principal and
9 interest, then the obligation has become a primary obligation of
10 the United States and the interest income from it is exempt from
11 state taxation.

12 E. Exhibits.

13 1. Rule 13 MCAR S 1.6007 E., exhibit I contains a list of
14 securities that have been determined to be exempt from Minnesota
15 income tax and for which a subtraction is allowed.

16 2. Rule 13 MCAR S 1.6007 E., exhibit II contains a list
17 of securities that have been determined to be taxable by the
18 State of Minnesota and for which no subtraction is allowed.

19 3. Rule 13 MCAR S 1.6007 E., exhibits III and IV contain
20 lists of various federal agencies or related organizations that
21 either generally issue exempt obligations or generally issue
22 taxable obligations. These lists are not intended to be
23 conclusive on the taxable status of any particular obligation
24 issued by or in conjunction with a listed agency or
25 organization. Even though a listed agency generally only issues
26 either exempt obligations or taxable obligations, it does not
27 follow that each and every obligation carrying the name of that
28 particular agency is either exempt or taxable. An agency may
29 issue its own obligations that are exempt and also may handle
30 private obligations that are not exempt. For example, the
31 agency may administer, purchase and sell, insure, or guarantee
32 an otherwise private obligation. Such action by the agency does
33 not convert a private obligation into a direct and primary
34 obligation of the United States of America and, therefore, does
35 not make the private obligation tax exempt. The taxable status
36 of each obligation must be determined separately in accordance

1 with A.-D.

13 MCAR S 1.6007 E., EXHIBIT I

Exempt Obligations Listed by Name of Security

4	Name of Security	Agency	Authority
5			as amended
6			through 1-1-82
7	1. Banks for Cooperatives	Banks for	12 USC S 2134
8	bonds	Cooperatives	
9	2. Farmers Home	Farmers Home	31 USC S 742,
10	Administration notes,	Administration	Tobak v.
11	as defined in Tobak v.		Commissioner,
12	Commissioner		docket number
13			2244 Minn.
14			tax court
15			(March 10, 1977)
16	3. Consolidated collateral	Federal	12 USC S 2079
17	trust debentures	Intermediate	
18		Credit Banks	
19	4. Consolidated discount	Federal Home	12 USC S 1433
20	notes	Loan Banks	
21	5. Consolidated Federal	Federal Home	12 USC S 1433
22	Home Loan Bank notes	Loan Banks	
23	6. Consolidated Federal	Federal Land	12 USC S 2055
24	Farm Loan bond	Banks	
25	7. Federal Farm Credit	Federal Land	12 USC SS 2055,
26	Banks consolidated	Banks, Federal	2079, and 2134
27	systemwide bond	Intermediate	
28	bonds and notes	Credit Banks	
29	8. U.S. freedom shares	U.S. Treasury	31 USC SS 742,
30		Department	753, and 757c
31	9. U.S. savings bonds	U.S. Treasury	31 USC SS 742,
32		Department	753, and 757c
33	10. U.S. Treasury bills	U.S. Treasury	31 USC SS 742,
34		Department	753, and 757c
35	11. U.S. Treasury bonds	U.S. Treasury	31 USC SS 742,
36		Department	753, and 757c

1	12.	U.S. Treasury	U.S. Treasury	31 USC SS 742,
2		certificates of	Department	753, and 757c
3		indebtedness		
4	13.	United States notes	U.S. Treasury	31 USC SS 742,
5			Department	753, and 757c

13 MCAR S 1.6007 E., EXHIBIT II

Taxable Obligations Listed by Name of Security

10	Name of Security	Agency	Authority
11			as amended
12			through 1-1-82
13	1. Certificate of	Export-Import	12 USC SS 635
14	beneficial interest	Bank of the U.S.	and 635d
15	(CBI's)	(Eximbank)	
16	2. Eximbank debentures	Export-Import	12 USC S 635
17		Bank of the U.S.	
18		(Eximbank)	
19	3. Participation	Export-Import	12 USC S 635
20	certificates	Bank of the U.S.	
21	(PC's)	(Eximbank)	
22	4. Federal Assets	Government	12 USC SS
23	Financing Trust	National Mortgage	1717(c) and
24	participation	Association	1721
25	certificates	(GNMA)	
26	5. Federal Assets	Government	12 USC SS
27	Liquidation Trust	National Mortgage	1717(c),
28	participation	Association	1721, and
29	certificates	(GNMA)	1723 c
30	6. GNMA mortgage-	Government	12 USC SS
31	backed bonds	National Mortgage	1717(c)
32		Association	and 1721
33		(GNMA)	
34	7. GNMA pass-through	Government	12 USC SS
35	securities	National Mortgage	1717(c)
36		Association	and 1721

1		(GNMA)	
2	8.	Government Mortgage	Government 12 USC SS
3		Liquidation Trust	National Mortgage 1717(c)
4		participation	Association and 1721
5		certificates	(GNMA)
6	9.	National Government	Government 12 USC SS
7		Securities Trust	National Mortgage 1717(c)
8			Association and 1721
9			(GNMA)
10	10.	Mortgage participation	Federal Home 12 USC SS
11		certificates (PC's)	Loan Mortgage 1452(d)
12			Corporation and 1455
13	11.	Guaranteed mortgage	Federal Home 12 USC SS
14		certificates (GMC's)	Loan Mortgage 1452(d)
15			Corporation and 1455
16	12.	New communities	Privately issued 42 USC SS
17		debentures	under HUD 3902 and
18			program 4514
19	13.	Certificate of	Farmers Home 7 USC SS
20		beneficial	Administration 1922-1928
21		ownership (CBO's)	
22	14.	SBIC debentures	Small Business 15 USC S
23			Investment 687(e)
24			Companies

13 MCAR S 1.6007 E., EXHIBIT III

Agencies Which Generally Issue Exempt Obligations

NOTICE: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to A.-D.

34	Name of Instrumentality	Types of Securities	Authority
35			as
36			amended

1			through
2			1-1-82
3	1. Bank for Cooperatives	Notes, debentures,	12 USC S
4		and other	2134
5		obligations issued	
6		by the instrumentality	
7	2. Commodity Credit	Bonds, notes,	15 USC S
8	Corporation	debentures, and other	713a-5
9		similar obligations	
10	3. Federal Deposit	All notes, debentures,	12 USC S
11	Insurance Corporation	bonds, or other	1825
12		obligations	
13	4. Federal Farm Credit	Obligations	12 USC
14	Administration		SS 2055,
15			2079,
16			2134,
17			and 2098
18	5. Federal Home Loan	Notes, debentures,	12 USC S
19	Banks	bonds, and other	1433
20		obligations issued	
21		by the bank	
22	6. Federal Intermediate	Notes, bonds, and	12 USC S
23	Credit Banks	debentures issued by	2079
24		the instrumentality	
25	7. Federal Land Bank	Notes, bonds,	12 USC S
26	Associations	debentures, and other	2055
27		obligations issued by	
28		the instrumentality	
29	8. Federal Land Banks	(a) Mortgages held by	12 USC S
30		the instrumentality	2055
31		(b) Notes, bonds,	12 USC S
32		debentures, and other	2055
33		obligations issued by	
34		the instrumentality	
35	9. Federal Savings & Loan	All notes, debentures,	12 USC S
36	Insurance Corporation	bonds, or other	1725(e)

1		obligations	
2	10.	General Insurance Fund	Debentures
3		of the Dept. of Housing	
4		and Urban Development,	
5		including	
6	(i)	Rental Housing	(i) 12 USC S
7		Insurance	1713(i)
8	(ii)	Rental Housing	(ii) 12 USC S
9		Project	1747g(g)
10	(iii)	War Housing	(iii) 12 USC S
11		Insurance	1739(d)
12	(iv)	Armed Services	(iv) 12 USC S
13		Housing	1748b(f)
14	(v)	National Defense	(v) 12 USC S
15		Housing Insurance	1750c(d)
16	(vi)	Neighborhood	(vi) 12 USC S
17		Conservation	1715k
18		Housing Insurance	(h)(7)
19	11.	Panama Canal bonds	Bonds 31 USC
20			SS
21			744 and
22			745
23	12.	Production Credit	Notes, debentures, 12 USC S
24		Associations	and other 2098
25			obligations issued by
26			the instrumentality
27	13.	Puerto Rico	Bonds 48 USC S
28			745
29	14.	Tennessee Valley	Bonds 16 USC S
30		Authority	831n-4(d)
31	15.	U.S. Postal Service	Obligations 39 USC S
32			2005(d)(4)
33	16.	Virgin Islands	Bonds 48 USC S
34			1574

1 Organizations Which Generally Issue Taxable Obligations

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3 NOTICE: This listing is only a guide and is not conclusive on
4 the issue of the taxable status of an obligation. Each
5 obligation issued by a listed agency must be separately analyzed
6 according to A.-D.

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8	Name of Organization	Types of Securities	Authority
9			as
10			amended
11			through
12			1-1-82
13	1. Asian Development Bank	Obligations	22 USC SS
14			285-285t
15	2. District of Columbia	Obligations	31 USC S
16	Armory Board		742a(a)
17	3. Environmental Financing	Obligations	33 USC S
18	Authority		1281 note,
19			P.L. 92-500
20			S 12(j)
21	4. Export-Import Bank	Notes, debentures,	12 USC SS
22		bonds, or other	635-635n
23		obligations	
24	5. Farmers Home	Obligations	7 USC SS
25	Administration		1922-1928
26	6. Federal Home Loan	Obligations	12 USC S
27	Mortgage Corporation		1455
28	7. Federal National	Obligations,	12 USC S
29	Mortgage Association	mortgage-backed	1719(e)
30	(FNMA)	securities, sub-	
31		ordinated obligations,	
32		participation	
33		certificates (PC's)	
34	8. Government National	Obligations,	12 USC SS
35	Mortgage Association	mortgage-backed	1717(c),
36	(GNMA)	securities,	1721, and

1		participation	1723c
2		certificates (PC's)	
3	9.	Inter-American	Obligations 22 USC SS
4		Development Bank	283-283z
5	10.	International Bank for	Obligations 22 USC SS
6		Reconstruction and	286-286r
7		Development (World Banks)	
8	11.	International Monetary	Obligations 22 USC SS
9		Fund	286-286r
10	12.	Maritime Administration,	Private obligations 46 USC S
11		Merchant Marine	guaranteed by 1273
12			agency
13	13.	National Consumer	Obligations 12 USC S
14		Cooperative Bank	3017(d)
15	14.	New community	Bonds, debentures, 42 USC SS
16		development corporations	notes, and other 3902 and
17			obligations issued 4514
18			on behalf of private
19			new community
20			developers and state
21			land development
22			agencies which are
23			guaranteed by HUD
24	15.	Small Business	Debenture bonds, 15 USC S
25		Investment Companies	promissory notes, and 687(e)
26			other obligations
27	16.	Washington Metropolitan	Bonds 40 USC SS
28		Area Transit Authority	651-671
29		(WMATA)	
30	17.	Federal Financing Bank	Obligations issued 12 USC S
31			by the bank 2283 and
32			31 USC S
33			742
34	18.	Federal Reserve banks	Obligations 12 USC S
35			502 and
36			12 USC S

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19. Student Loan

Bonds and notes

20 USC S

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Marketing Association

1087-2
