

2011 MISCELLANEOUS TAXES LEGISLATIVE BULLETIN

(2011 1st Special Session)

MINNESOTA • REVENUE

Appeals and Legal Services Division
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Unless otherwise noted, the provisions discussed in this bulletin can be found in 2011 Minn. Laws, 1st Special Session, Chapter 7, Article 10.

Reciprocal agreement with federal Department of the Treasury. Minn. Stat. ch. 16D is amended to create a new § 16D.18, and Minn. Stat. § 270C.41 is amended. The new laws each authorize the commissioner of revenue to enter into reciprocal agreements with the federal Department of the Treasury. The agreements would allow the federal government to collect non-tax debts owed to federal agencies by offsetting the debts from state payments, and the state to collect state tax or non-tax debts by offsetting those amounts from federal payments. Setoffs to collect obligations under Minnesota law take priority over setoffs to collect federal nontax debts. The law requires that the debtor be provided with notice and an opportunity to contest the offset. Fees may be charged as follows:

- The state may charge a \$20 fee per offset of state payments, collectible by deducting it from the state payment.
- The agreement must allow the Department of the Treasury to deduct a fee from each offset.
- If the state enters into a contingency fee agreement with a non-state vendor to provide assistance with the offset process, a fee of up to 15 percent of the original debt may be withheld.

The commissioner is required to discuss an agreement authorized by the law with appropriate federal officials as soon as possible after the law becomes effective, and to implement an agreement, if one is entered into, as soon as possible. Effective July 21, 2011. 2011 Minn. Laws, 1st Special Session, Chapter 10, Article 3, Sections 30 and 33.

Tax compliance; tax analytics and business intelligence tools. Uncodified provisions authorize tax compliance initiatives including tax analytics and business intelligence tools to raise \$82,314,000 in the biennium ending June 30, 2013. At least \$1.7 million of the approximately \$13.7 million appropriated must be used in the first year for tax analytics and business intelligence tools. Under Minn. Stat. § 16C.082, passed in the 2011 regular session, any contract for tax fraud prevention or detection, or tax audit-related activities may not compensate a vendor based on a percentage of taxes assessed or collected. Reports to the chairs of the House Ways and Means and Senate Finance committees are required by July 1, 2012, and January 15, 2013. Effective retroactively from July 1, 2011. 2011 Minn. Laws, 1st Special Session, Chapter 10, Article 1, Sections 14 and 39.

Tax Court. An appropriation to the Minnesota Tax Court requires that at least one judge conduct regular business on all days that executive branch agencies are open for business. Effective retroactively from July 1, 2011. 2011 Minn. Laws, 1st Special Session, Chapter 1, Article 1, Section 7.

State agency sunset. Creates a new chapter 3D in Minnesota Statutes, the “Minnesota Sunset Act.” The Sunset Act establishes a Sunset Advisory Commission responsible for making determinations and recommendations to the legislature as to whether a public need exists for the continuation of specified state agencies or their advisory committees. Agencies are scheduled for “sunset review” according to groups. The Department of Revenue is in Group 6, the group of agencies scheduled to sunset and expire on June 30, 2022. The commissioner of revenue is required to report to the Sunset Commission certain information regarding the department described in the law before September 1, 2021. The Sunset Commission will then make a recommendation as to whether the department should expire as scheduled on June 30, 2022. Effective retroactively from July 1, 2011. Minn. Laws, 1st Special Session, Chapter 10, Article 3, Sections 2 through 22.

Employee onetime award program. Amends Minn. Stat. ch. 16A, to create a new section 16A.90 to provide one-time bonus compensation to state employees for efforts made to reduce the costs of operating state government or ways to provide better or more efficient services. Effective retroactively from July 1, 2011. 2011 Minn. Laws, 1st Special Session, Chapter 10, Article 3, Section 25.

Waiver of late fees. An uncodified provision authorizes a state agency to waive a license, permit or registration issuance or renewal late fee if the lateness was due to the July 2011 government shutdown. Effective retroactively from July 1, 2011. 2011 Minn. Laws, 1st Special Session, Chapter 10, Article 3, Section 49.

Shutdown damages prohibited. An uncodified provision prohibits payments to contractors or third parties for damages connected to the July 2011 government shutdown, unless a contract expressly provides for state payments for contractor activities related to the shutdown. Effective July 21, 2011. 2011 Minn. Laws, 1st Special Session, Chapter 10, Article 5, Section 1.

Tax incidence report. Amends Minn. Stat. § 270C.13, subd. 1, to require that the biennial tax incidence report that the commissioner of revenue is required to provide to the legislature in odd-numbered years must also include information on the distribution of the burden of federal taxes borne by Minnesota residents. Fifteen thousand dollars is appropriated in 2012 and again in 2013 to the commissioner of revenue to include the additional information. Effective beginning with the report due in March 2013.

Modification to powers resulting from temporary shutdown. Grants the commissioner of revenue discretionary authority in several situations that may result from the 2011 shutdown. Adds an uncodified section allowing statutes of limitation to be tolled for 30 days if the commissioner determines that the 2011 government shutdown contributed to a person being unable to file a claim for refund, appeal or other document within the statute of limitations. Also allows the commissioner an extension until August 19, 2011 (30 days from enactment) for actions that the commissioner was required to take between July 1, 2011 and August 19, 2011 if the commissioner’s failure to take action is related to the 2011 shutdown. This does not apply to statutes of limitation for the assessment of tax. If the commissioner of revenue determines that the 2011 shutdown has made it impractical for property tax administrators to take an action or make a determination in 2011 by the date specified in law and taxpayers will not be significantly prejudiced by the delay, the commissioner may allow administrators to consider the action to be non mandatory or allow additional time to complete the action or make the decision. Orders of the commissioner made under this discretionary authority are not appealable but provisions of law that govern appeals of local property taxes are not affected. Effective July 21, 2011; however, the provision extending

statutes of limitation is only effective for periods that expire or expired after June 30, 2011 and before August 19, 2011.

Purpose statements for various provisions in other articles. An uncodified section adds purpose statements for the following provisions. Refer to the legislative bulletin for the appropriate tax type for a description of the specific change and its purpose:

- Estate Tax exclusion for qualified farm and small business property (See Individual Income and Estate Tax Bulletin)
- Federal Update (See Federal Update Bulletin)
- Sales Tax exemption for ring tones (See Sales Tax Bulletin)
- Sales Tax exemption for materials used in minerals processing (See Sales Tax Bulletin)
- Sales Tax exemption related to resold admission tickets (See Sales Tax Bulletin)
- Sales tax exemption for sales to townships (See Sales Tax Bulletin)
- Sales tax exemption for local water purchases for fire protection (See Sales Tax Bulletin)
- Sales Tax exemption for emergency vehicles (See Sales Tax Bulletin)

Effective July 21, 2011.

Appropriations relationship to other appropriations. An uncodified section was added to provide that, unless otherwise specified, appropriations in 2011 Minn. Laws, 1st Special Session, Chapter 7 are retroactive to July 1, 2011 and supersede or replace any funding for the same purpose that were established by the Ramsey County District Court in the government shutdown litigation.

State Pension Plan; service credit and credited salary. Provides that state employees who were laid off or placed on unpaid leave during the government shutdown receive service credit and credited salary in their pension plan for the period of the state government shutdown. Effective July 21, 2011, and is retroactive to July 1, 2011. 2011 Minn. Laws, 1st Special Session, Chapter 10, Article 3, Section 45.