

**2012 CORPORATE FRANCHISE TAX AND
INDIVIDUAL INCOME TAX LEGISLATIVE BULLETIN
(2012 Regular Session)**

MINNESOTA • REVENUE

Appeals and Legal Services Division
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Bulletin Date: June 5, 2012

Unless otherwise noted, the provisions discussed in this bulletin can be found in 2012 Minn. Laws, Chapter 294.

Labor and Industry reporting of independent contractors in construction trades. Minn. Stat. § 181.723, subd. 15, was amended to change the circumstances under which the commissioner of labor and industry is required to provide information to the Department of Revenue concerning independent contractors working in the construction trades. The changes coincide with the repeal of the department of labor administered independent contractor exemption certificate process (which is replaced by a registration process) that resulted in corresponding changes to the type of prohibited activities that trigger the requirement to notify the Department of Revenue. Effective July 1, 2012. 2012 Minn. Laws, Chapter 295, Article 2, Section 9.

Repeal of 2% withholding on independent contractors. Minn. Stat. § 290.92, subd. 31, was repealed. This section contained the 2% withholding on the pay of independent contractors working in the construction. A cross reference in Minn. Stat. § 289A.31, subd. 5, was also removed. Effective for withholding on payments to independent contractors made after June 30, 2012. 2012 Minn. Laws, Chapter 295, Article 2, Section 13.

2012 supplemental special property tax refund for homeowners. An uncodified provision created a one year only change to the formula for the target homeowner property tax refund for 2012 only.

Minn. Stat. § 290A.04, subd. 2h (which was not amended), provides that homeowners are eligible for a refund of 60% of the increase in the taxes payable on their homestead over the greater of 12% of the taxes on the homestead in the previous year or \$100. For 2012 only, the law was changed to allow a refund equal to 90% of the increase in 2012 taxes compared to the taxes payable in 2011.

The supplemental refund allowed under this new law is subtracted from property taxes payable for purposes of determining the regular homeowner property tax refund based on taxes payable in 2013. The commissioner is required to compute any additional refund based on the information submitted on the Department of Revenue forms published before the law change. The change to the target refund formula is effective for refund claims based on increased property taxes payable in 2012 only. Effective for refund claims based on taxes payable in 2012 only.

Repeal of the international economic development zone laws. All references in Minnesota Statutes to the international economic development zone, which was enacted into law in 2005 but which never became operative, were repealed. The substantive provisions of the law were contained in Minn. Stat. § 469.321 - 469.329. To accomplish full repeal, the following statutes were also amended or repealed:

Minn. Stat. § 270B.12, subd. 3 (disclosure to DEED)
Minn. Stat. § 272.02, subd. 83 (property tax exemption)
Minn. Stat. § 290.01, subd. 19b (individual income tax subtraction)
Minn. Stat. § 290.01, subd. 29 (taxable income of corporations)
Minn. Stat. § 290.06, subd. 2c (nonresident income)
Minn. Stat. § 290.06, subd. 32 (jobs credit)
Minn. Stat. § 290.067, subd. 1 (child and dependent care credit)
Minn. Stat. § 290.0671, subd. 1 (working family credit)
Minn. Stat. § 290.091, subd. 2 (individual alternative minimum tax)
Minn. Stat. § 290.0921, subd. 3 (corporate alternative minimum tax)
Minn. Stat. § 290.0922, subd. 2 and 3 (minimum fee)
Minn. Stat. § 297A.68, subd. 41 (sales tax exemption)
Minn. Stat. § 297A.75, subd. 1 (sales tax refund)

Effective August 1, 2012.

Repeal of airline heavy maintenance base jobs credit. Minn. Stat. § 290.06, subd. 24, which contained a jobs credit originally enacted to encourage Northwest Airlines to operate a heavy maintenance base in Minnesota was repealed. Effective August 1, 2012.