

2014 INDIVIDUAL INCOME, WITHHOLDING, CORPORATE FRANCHISE AND PROPERTY TAX REFUND LEGISLATIVE BULLETIN (2014 Regular Session)

MINNESOTA • REVENUE

Appeals and Legal Services Division
600 North Robert Street
Saint Paul, Minnesota 55146-2220

Bulletin Date: June 3, 2014

Unless otherwise noted, the provisions discussed in this bulletin can be found in 2014 Minn. Laws, Chapter 150 and Chapter 308.

FEDERAL UPDATE

Minnesota income and franchise tax is based on “federal taxable income” (FTI) for regular Minnesota tax purposes; “federal alternative minimum taxable income” (AMTI) for Minnesota alternative minimum taxable income; “federal adjusted gross income” (FAGI) for household income used for the Minnesota dependent care credit, education credit, and property tax refund; and “earned income” for the working family credit.

As a result of 2013 Laws of Minnesota chapter 3, Minnesota law referenced these federal items as amended through January 3, 2013 only for tax year 2012. Minnesota law referenced these federal items as amended through April 14, 2011 for tax year 2013 and future years.

All reference dates to the Internal Revenue Code (“Code”) were changed during the 2014 legislative session to March 26, 2014. This was accomplished in two separate laws. First, the date was changed to December 20, 2013 in 2014 Minn. Laws chapter 150, which was generally effective for taxable years beginning after December 31, 2012 but before January 1, 2014. Later the date was changed to March 26, 2014 in 2014 Minn. Laws, chapter 308, which was also generally effective for taxable years beginning after December 31, 2012.

In doing so, Minnesota adopted most federal changes to the Code for tax year 2013, including exclusions from income for tuition expenses, k-12 educator expenses, mortgage forgiveness on principal residence, and IRA distributions made directly to charity, as well as changes to the calculation of the working family credit. It also adopted a variety of changes to depreciation schedules for selected industries such as film and television production, restaurant and retail property, and Indian reservation property.

Minnesota also adopted most federal changes to the Code for tax year 2014 and future years, including the increased standard deduction for married filers and changes to the calculation of the dependent care credit. While these changes are effective federally for 2013, they were not adopted by Minnesota until tax year 2014.

However, Minnesota did not adopt the new federal income thresholds for the limitation of itemized deductions and phase out of personal exemptions.

The significant substantive changes made to the Code and adopted were made in the American Taxpayer Relief Act of 2012 (Public Law 112-240), which was signed into law by President Obama on January 2, 2013. Other changes were contained in the Fallen Firefighters Assistance Clarification

Act (Public Law 113-63), signed into law on December 20, 2013, and the Philippines Charitable Giving Assistance Act (Public Law 113-92), signed into law on March 25, 2014.

Federal update to Minnesota administrative provisions. Minn. Stat. § 289A.02, subd. 7, was amended to adopt references to the federal administrative provisions found in chapter 289A as defined in the Code as amended through March 26, 2014. One indirect effect of this is that the Minnesota married filing joint filing requirement for 2013 and subsequent years will increase by \$2,050 (adjusted for inflation for future years) even though Minnesota is not adopting the increased married standard deduction until 2014. Effective retroactively for taxable years beginning after December 31, 2012.

Minnesota net income. Minn. Stat. § 290.01, subd. 19, was amended to adopt a number of changes made to federal taxable income between April 14, 2011 and March 26, 2014. Some of these federal changes were adopted by Congress for tax years 2012 and 2013, some for tax year 2012 and future years, and some for tax year 2013 and future years. Minnesota previously adopted most of these federal changes as they relate to tax year 2012. These provisions addressed the Minnesota tax treatment of these federal changes for tax year 2013 and future years.

- **Items adopted by Congress for tax years 2012 and 2013 that have been adopted by Minnesota for tax year 2013 include:**

The deduction in the computation of adjusted gross income of up to \$4,000 of qualified tuition for higher education.

The deduction in the computation of adjusted gross income of up to \$250 of classroom expenses paid by a K-12 grade educator.

The exclusion for discharge of principal residence acquisition indebtedness income.

The ability to claim an itemized deduction for mortgage insurance premiums on a principal residence.

The ability of taxpayers age 70½ or older to exclude from gross income up to \$100,000 of their distributions from an Individual Retirement Account that are made directly to charitable organizations. The amount excluded is not allowed as a charitable deduction.

The increase in the maximum exclusion for employer provided commuter vehicle or transit pass fringe benefits from \$125 per month to \$245 per month to obtain parity with the exclusion of fringe benefits parking benefits. (Minnesota made this parity permanent with a change to Minn. Stat. § 290.01, subd. 19b.)

The ability of U.S. shareholders with a 10% or greater interest in a controlled banking or financing corporation to defer recognition of active income earned by the corporation but not distributed to the shareholder was extended to taxable years beginning before January 1, 2014.

The ability to expense the first \$15 million of production costs of films and television shows was extended through 2013.

The ability to depreciate leasehold improvements and qualified restaurant property, including new restaurant property and improvements to retail property over 15 years (rather than 39 years) was extended to property placed in service through 2013.

The ability to use accelerated depreciation of qualified Indian reservation property was extended to property placed in service through 2013.

The basis adjustment to S corporation stock when the S corporation donates appreciated property, which is equal to the tax basis of the property rather than the fair market value, was extended to contributions made in taxable years beginning through 2013.

The ability to depreciate certain motorsports entertainment complex property over 7 years rather than 15 or 39 years was extended to property placed in service through 2013.

The ability to expense 50% of the cost of advanced mine safety equipment was extended to equipment placed in service through 2013.

The special rules to encourage charitable contributions of real property for conservation purposes were extended to contributions made in tax years beginning in 2013.

The ability of entities other than C corporations to take a deduction for contributions to a charity equal to the lesser of the cost basis plus one-half the normal price mark-up of food inventory or twice their basis in the food inventory was extended to contributions made through 2013.

The percentage exclusion for gain from the sale of qualified small business stock sold by an individual was increased from 50% to 100% for original issue C corporation stock acquired in 2013. The exclusion applies to certain stock purchased in businesses with less than \$50 million of assets that is held for at least five years.

The preferential treatment of dividends of regulated investments companies under which dividends paid to foreign shareholders are exempt to the same extent the dividends are exempt if the income had been earned directly by the foreign shareholder.

The special rule limiting payments from controlled subsidiaries of exempt organizations that are subject to the unrelated business income tax to the amount in excess of allowable payments under arm's length transactions rules. This applies only if there is a binding written contract between the entities that was in effect on August 17, 2006.

- **Items adopted by Congress for tax year 2013 and future years that have been adopted by Minnesota for tax year 2013 and future years include:**

The increased contribution limits from \$500 per year to \$2,000 per year, allowing use of education savings accounts for elementary and secondary school expenses and other changes to Coverdell education savings accounts.

The changes to the deduction allowed in computing adjusted gross income for student loan interest paid. The requirement that the interest be paid during the first 60 months that interest was due was eliminated. The income level for which the ability to take the subtraction starts phasing out changed from \$40,000 (or \$60,000 for joint filers) of modified adjusted gross income to \$60,000 (or \$125,000 for joint filers).

The exclusion from gross income for amounts paid or expenses incurred (up to \$5,250 annually) by an employer in providing educational assistance to employees under an educational assistance program.

The exclusion from income for awards under the National Health Service Corps scholarship program and related awards for health-care professionals.

The exclusion for employer provided adoption assistance was made permanent. For 2014, the maximum amount of employer provided adoption assistance that can be excluded from income is \$13,190. The exclusion begins to phase out for taxpayers with modified adjusted gross income over \$197,880.

- **Items adopted by Congress for tax year 2013 and future years that are now being adopted by Minnesota for tax year 2014 and future years include:**

The standard deduction for married taxpayers filing joint returns was increased from 166% of the standard deduction of a single taxpayer to 200% of the standard deduction of a single taxpayer (or half those amounts for married taxpayers filing separate returns.). For 2014, this will increase the standard deduction of married filing joint taxpayers to \$12,400 from \$10,350.

Obsolete language was removed related to tax year 2012 that was added by 2013 Laws of Minnesota chapter 3. This language is obsolete because the 2014 legislation adopted all of the changes to tax year 2012 that were made in that 2013 Law. Minnesota's treatment of enhanced federal 179 expensing and bonus depreciation was not changed.

All of these changes are effective for Minnesota purposes at the same time as they are effective for federal purposes.

Update of individual alternative taxable income, wages, built in gains for S corporations and credits. Minn. Stat. § 290.01, subd. 31, was amended to incorporate federal changes that impact Minnesota tax provisions that are not part of the computation of regular tax. For alternative minimum tax the new changes to federal adjusted gross income incorporated into the definition of net income will apply to the computation of Minnesota alternative taxable income. Similarly, the definition of "income" for purposes of the Minnesota dependent care credit and the education credit have adopted the same federal changes.

The definition of "wages" for purposes of Minnesota wage withholding changes to make employer provided tuition assistance and adoption assistance exempt from withholding to the same extent they are exempt from federal withholding.

Finally, the recognition period for the tax on built in gains of an S corporation recognized in 2013 changes from 10 years to 5 years.

Federal changes affecting the dependent care credit were adopted beginning in 2014. Those changes are discussed more fully later in this bulletin.

These changes are effective at the same time as they are effective for federal purposes, except the changes to the dependent care credit are effective for tax year 2014 and future years.

Dependent care credit internal lettering. Minn. Stat. § 290.067, subd. 1 was amended to add identifying letters to three paragraphs. Effective retroactively for taxable years beginning after December 31, 2012.

Dependent care credit income. Minn. Stat. § 290.067, subd. 2a was amended to update a cross reference, modify the reference to the addition of federally excludable tuition and remove an obsolete

addition for federally exempt unemployment compensation. Effective retroactively for taxable years beginning after December 31, 2012.

Dependent care credit conformity for 2013 only. Minn. Stat. § 290.067 was amended by adding a subdivision 2c that defines section 21 of the Code as the version of that section in effect on June 1, 2001. The result of this change is that taxpayers must calculate their dependent care credit for 2013 using the federal dependent care credit law in existence prior to the enactment of the American Taxpayer Relief Act of 2012. Under Minnesota law, the Minnesota credit is equal to the federal credit, subject to Minnesota phase outs. As part of the American Taxpayer Relief Act of 2012, the calculation of the federal credit was changed.

The biggest differences are that under current federal law, the maximum credit is \$1,050 (35% of up to \$3,000 of eligible expenses) if there is one qualifying individual, and \$2,100 (35% of up to \$6,000 of eligible expenses) if there are two or more qualifying individuals, whereas the maximum credit under prior federal law was \$720 (30% of up to \$2,400 of eligible expenses) for one qualifying individual, or \$1,440 (30% of up to \$4,800 of eligible expenses) for two or more. Additionally under current federal law, the credit begins to phase out by 1% for each \$2,000 of income in excess of adjusted gross income of \$15,000 whereas under prior federal law, the credit was set to phase out by 1% for each \$2,000 of income in excess of adjusted gross income of \$10,000.

These changes are effective for tax years beginning after December 31, 2012 but before January 1, 2014. For future years, Minnesota will conform to the increased federal amounts.

NOTE: While passed by the Legislature as an amendment to Minn. Stat § 290.067, the Revisor of Statutes has announced that since the provision only applies retroactively to one prior year that it will not be codified in the book of Minnesota Statutes. The correct citation to this provision will therefore be 2014 Laws of Minnesota, chapter 150, article 1, section 17.

Enhanced working family credit. Minn. Stat. § 290.0671, subd. 1, was amended by increasing the income level at which the credit begins to phase out by \$5,000 in tax years 2013 to 2017, with the \$5,000 amount indexed for inflation from 2009, so that the additional phaseout amount for tax year 2013 is \$5,340. Increased the income level at which the credit begins to phase out for married joint filers by \$3,000 in tax year 2018 and following years, with the \$3,000 amount indexed for inflation from 2008. This will match the working family credit phaseout to the federal earned income tax credit phase out. Effective for tax years beginning after December 31, 2012.

Beginning in 2014, the formula for calculating the working family credit was changed to generally provide increased credits for eligible taxpayers. Effective for taxable years beginning after December 31, 2013.

Working family credit inflation adjustment. Minn. Stat. §290.0671, subd. 7 was amended to reset the working family credit inflation adjustment to account for the changes to the calculation of the credit in Minn. Stat. § 290.0671, subd. 1. Effective for taxable years beginning after December 31, 2014.

Federal update of property tax refund. Minn. Stat. § 290A.03, subd. 15, was amended to adopt all federal changes that affect household income, which uses the definition of federal adjusted gross income as a starting point. Also removed obsolete language related to tax year 2012. Effective retroactively for refunds based on property taxes payable after December 31, 2013 and rent paid after December 31, 2012.

Tax and penalty relief for individuals. An uncodified provision prohibits the commissioner from assessing tax or reducing refunds of individual taxpayers who correctly computed their tax or refund using the version of the Code in effect before the enactment of the federal update in Chapter 150. Effective March 22, 2014.

ANGEL INVESTMENT TAX CREDIT

Definitions. Minn. Stat. § 116J.8737, subd. 1, was amended to add definitions for “qualified greater Minnesota business”, “minority group member”, “minority-owned business”, “women”, “women-owned business”, “officer” and “principal”. The definitions are needed to implement other changes to the credit that earmark money to investors of minority and women-owned businesses and greater Minnesota businesses. Effective for taxable years beginning after December 31, 2014.

Certification of qualified small business. Minn. Stat. § 116J.8737, subd. 2, was amended to allow credits to investors of otherwise qualified small businesses that have as their primary business the research or development of a proprietary product, process, or service in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation. Effective for taxable years beginning after December 31, 2013.

Other changes describe the process a business must go through to be certified as a “greater Minnesota business.” The business must have:

- a. Its headquarters located outside the 7 county metro area, and
- b. at least 51% of its total employment must be in Minnesota but outside the 7 county metro area, and
- c. at least 51% of its total payroll must be paid to workers in Minnesota but outside the 7 county metro area. These changes are effective for taxable years beginning after December 31, 2014.

Increased funding for angel investment credits. Minn. Stat. § 116J.8737, subd. 5, was amended to increase credits available for 2014 from \$12 million to \$15 million and to also provide \$15 million in credits for 2015 and 2016 to provide funding for years before the new 2017 sunset. Of this amount, for 2015 and 2016, \$7.5 million must be allocated to investors in qualified greater Minnesota, minority-owned or women-owned businesses. Additionally an exception was created from the required 3 year holding period for cases of death of the investor. These changes are effective for taxable years beginning after December 31, 2014 except the increase in funds available for investments made in 2014 is effective for taxable years beginning after December 31, 2013.

Finally, the changes made in 2014 Laws chapter 150 that specified how any credits earmarked to investors in greater Minnesota or minority or women owned businesses that went unused would be reallocated by the Department of Employment and Economic Development (DEED) to investors of other qualified businesses were repealed in 2014 Laws chapter 308. Effective May 21, 2014.

Promotion in greater Minnesota. Minn. Stat. § 116J.8737 was amended by adding a new subdivision 5a that requires the commissioner of DEED to develop a plan to increase awareness of and use of the credit in greater Minnesota and minority and women-owned businesses. DEED must include the success of the plan in its annual angel investment credit report to the legislature, beginning with the report due on March 15, 2015. Effective May 21, 2014.

Claw back. Minn. Stat. § 116J.8737, subd. 7, was amended to require a qualified greater Minnesota business to meet the 51% non-metro payroll and wage requirements for the first five years following the year of an investment that generates a credit. A business that fails to do so must repay to the

commissioner the applicable percentage of credits paid to the investors. Effective for taxable years beginning after December 31, 2014

Report to the legislature. Minn. Stat. §116J.8737, subd. 9, was amended to require DEED'S annual angel investment credit report to the legislature to include information on the use of the program by greater Minnesota businesses. Effective for reports required to be filed after December 31, 2014.

Sunset. Minn. Stat. § 116J.8737, subd. 12, was amended to extend by two years the expiration date of the credit to tax years beginning after December 31, 2016. This amendment leaves in effect reporting requirements as necessary to enforce credit revocations and provide program information to the legislature. Effective March 22, 2014.

MISCELLANEOUS

Eligibility requirements for greater Minnesota internship credit. Minn. Stat. § 136A.129, subsd. 1 and 3 were amended to change some definitions of eligibility for the credit. Subdivision 1 was amended to expand the definition of qualified internship so that it now also includes internships of graduate students. Subdivision 3 was amended so that qualified internships now must last at least 8 weeks (rather than 12 weeks). And while the internship still must earn the student academic credit, the internship no longer has to be related to the student's course of study. Effective May 21, 2014.

Greater Minnesota internship credit report. Minn. Stat. §136A.129, subd. 5, was amended so that the report to the legislature on the use of the program by the Department of Revenue and the Office of Higher Education does not need to be submitted to the legislature until February 1, 2016. The report on the effectiveness of the program is now due February 1, 2017. Effective May 21, 2014.

Composite return cross reference. Minn. Stat. § 289A.08, subd. 7 was amended to change a cross reference to reflect renumbering of additions in Minn. Stat, § 290.01, subd. 19a. Effective retroactively for taxable years beginning after December 31, 2012.

Withholding tax return due dates. Minn. Stat. § 289A.18, subd. 2, was amended to change the due date of the 4th quarter withholding tax return from February 28 to January 31, or to February 10 if all withholding deposits for the quarter have been timely made. This change coincides with the due date of the 4th quarter federal withholding tax return. This change is effective for returns due after January 1, 2016. Also relieves some seasonal employers who notify the Department that their business is seasonal from having to file withholding tax returns for periods of anticipated inactivity, unless they pay wages during that period. Effective for wages paid after December 31, 2015.

Taxation of nonprofit limited liability company. Minn. Stat. § 290.01, subd. 3b, was amended by 2014 Laws chapter 157 to remove a reference to nonprofit limited liability companies under Minn. Stat. § 322B.975. Chapter 157 is the Minnesota Revised Uniform Limited Liability Company Act. Minn. Stat. § 322B.975 was repealed in Chapter 157 effective January 1, 2018. A new provision relating to nonprofit limited liability companies was codified in new Minn. Stat. § 322C.1101, effective January 1, 2015. The change to Minn. Stat. § 290.01, subd. 3b is effective January 1, 2015.

Individual additions to income. Minn. Stat. §290.01, subd. 19a was amended in several ways. The addition for state income taxes was modified to reflect the Minnesota phase out of itemized deductions. The addition limiting itemized deductions for higher income taxpayers was clarified to apply regardless of whether the taxpayer was allowed the deductions in computing federal taxable income. The addition for the phase out of personal exemptions was amended to clarify that the phase out is calculated using the number of personal exemptions allowed the taxpayer under the Internal

Revenue Code and the dollar value of those exemptions under the Code, without regard to whether the exemptions phased out for federal purposes. References to federal standard deductions for property taxes and sales taxes on motor vehicles were removed because those additional standard deductions no longer apply at the federal level. Additions for federally excludable prescription drug plan subsidies and unemployment compensation were removed because those exemptions no longer apply at the federal level. Cross references to the addition for the standard deduction of married taxpayers were changed to reflect renumbering of the subdivision. Effective for taxable years beginning after December 31, 2012.

Subtractions to federal taxable income of individuals. Minn. Stat. § 290.01, subd. 19b, was amended to allow subtractions to remove the effects of the federal limitation of itemized deductions and the phase out of personal exemptions. These changes are effective retroactively for taxable years beginning after December 31, 2012.

An internal cross reference to the addition for acquisition of indebtedness income was changed. Compensation for services performed under the Active Guard Reserve (AGR) program is now included in the subtraction for compensation paid to members of the Minnesota National Guard or other reserve component of the U.S. military.

Finally, a new subtraction from income was enacted for the value of employee transit passes and van pooling transportation expenses up to the same maximum amount as the federal exclusion for qualified parking expenses. For 2014, the federal exclusion for parking expenses is \$250 per month; and the exclusion for vanpools and transit passes is \$130 per month. This provision allows the difference, up to an additional \$120 per month, to be subtracted at the state level.

NOTE: The subtraction will not apply in years in which federal law provides for parity between the allowable employer-provided parking fringe benefit and the employer-provided transit pass and vanpool benefit. Additionally, the definition of Minnesota taxable wages was not amended to take into account the state tax exempt nature of these employer provided benefits.

These changes are effective for taxable years beginning after December 31, 2013.

State itemized deduction. Minn. Stat. § 290.01, was amended by adding a new subdivision 29a that defines “state itemized deduction” as itemized deductions allowed under the Code as limited by the Minnesota limitation on itemized deductions. This definition is used in calculating the addition of federally deducted itemized deductions of income and sales tax under Minn. Stat. § 290.01, subd. 19a (2). Effective retroactively for taxable years beginning after December 31, 2012.

Non-resident tax calculation cross reference. Minn. Stat. § 290.06, subd. 2c, was amended to update cross references in the nonresident tax calculation to Minn. Stat. § 290.01, subd. 19a. Effective retroactively for taxable years beginning after December 31, 2012.

Marriage penalty. Minn. Stat. § 290.0675, subd. 1 was amended to change a cross reference to reflect the renumbering of Minn. Stat. § 290.01, subd. 19a. Effective retroactively for taxable years beginning after December 31, 2012.

Reciprocity with Wisconsin. Minn. Stat. § 290.081 was amended in two ways. First, the definition of “net revenue loss”, which is the phrase used to describe the amount Wisconsin must pay to compensate Minnesota for revenue loss attributable to reciprocity, was amended to mean the difference between the amount of Minnesota income taxes Minnesota forgoes by not taxing Wisconsin residents on income subject to reciprocity and the credit Minnesota would have been

required to give under Minn. Stat. § 290.06, subd. 22, to Minnesota residents working in Wisconsin had there not been reciprocity.

Second, for reciprocity agreements entered into before October 1, 2014, the commissioner of revenue is authorized to enter into an agreement with Wisconsin that must require payment of at least the net revenue loss minus \$1,000,000 per fiscal year. Any agreement entered into after that date must compensate Minnesota for the entire net revenue loss. Effective May 21, 2014.

Alternative minimum taxable income subtraction for transit pass and van pool expenses. Minn. Stat. § 290.091, subd. 2, was amended to provide the same subtraction in computing alternative minimum taxable income as is allowed in computing taxable income under the subtraction allowed under Minn. Stat. § 290.01, subd. 19b, for employer provided transit passes and van pool expenses. Effective for taxable years beginning after December 31, 2013.

Additionally, cross references were changed to reflect renumbering of Minn. Stat. § 290.01, subd. 19a. Effective retroactively for taxable years beginning after December 31, 2012.

Obsolete sales factor clause. Minn. Stat. § 290.191, subd. 5, was amended to remove an obsolete phrase regarding sales of tangible personal property made within this state. The phrase was made obsolete by prior year legislative changes to the sales factor. Effective May 21, 2014.

JOBZ zone percentage. Minn. Stat. § 469.310, subd. 7, was amended by 2014 Laws, chapter 275 to correct an obsolete cross reference to the unitary income and factors provisions of Minn. Stat. § 290.17, subd. 4. Effective August 1, 2014.

Appropriation. \$1,000,000 was appropriated to the Department of Revenue for fiscal years 2014 and 2015 for the additional costs of administering the retroactive changes to 2013 income taxes. Effective March 22, 2014.

Temporary reading credit for 2014 only. An uncodified provision in 2014 Minn. Laws, Chapter 308 created a refundable credit against income tax of up to \$2,000 for eligible expenses paid by parents or guardians of qualifying children with reading deficiencies.

The credit is equal to 75% of the eligible costs paid to an instructor by a parent or legal guardian of a qualifying child except that the credit of a nonresident must be allocated based on the percentage calculated under Minn. Stat. § 290.06, subd. 2c(e).

A qualifying child is a child within the meaning of section 32(c)(3) of the Code who has been evaluated by the school district for a specific learning disability under Minnesota Rules, part 3525.1341, and found not to have a specific learning disability. As an additional requirement of eligibility, that evaluation must indicate that the child has a deficiency in basic reading skills, reading comprehension, or reading fluency that impair the child to meet expected age or grade-level standards.

Eligible expenses include amounts paid for tutoring or instruction to help the qualifying child meet any of the academic standards required under Minn. Stat. § 120B.021 (not just reading standards). Eligible expenses also include specialized treatment for reading disabilities, such as treatment for dyslexia.

The credit cannot be based on amounts reimbursed by insurance, pretax account or used to determine the K-12 education credit under Minn. Stat. § 290.0674. Expenses used to generate this credit cannot

be used to claim the k-12 expense deduction under Minn. Stat. § 290.01, subd. 19b.

The credit can be assigned to a financial institution or 501(c)(3) organization to repay a loan used to pay for the cost of the eligible expenses under the same rules that apply to the assignability of the education credit under Minn. Stat. § 290.0679.

Taxpayers must provide documentation that the commissioner of revenue, in consultation with the commissioner of education, deems necessary to establish eligibility for the credit. Documentation must not disclose information not necessary to prove eligibility for the credit.

The amount necessary to pay refunds is appropriated to the commissioner from the general fund.

By March 1, 2016, the commissioner of revenue, must provide a report to the chairs and ranking minority members of the committees of the house of representatives and senate with jurisdiction over taxes and education on the number of taxpayers claiming the credit under this section and the average amount of credits claimed; and the administration of the credit, including recommendations for ensuring compliance.

Effective only for taxable years beginning after December 31, 2013, and before January 1, 2015.

Increase to property tax refunds payable in 2014. An uncodified provision requires the Department to increase all regular homeowner refunds payable under Minn. Stat. § 290A.04, subd. 2 based on taxes payable in 2014 by 3% and all rent refunds payable under Minn. Stat. § 290A.04, subd. 2a based on rent paid in 2013 by 6%. The commissioner is not required to provide taxpayers with appeal rights simply because the taxpayer's claim for refund was increased by this provision. The amount necessary to pay the additional refunds is appropriated to the commissioner from the general fund. Effective for refund claims based on taxes payable in 2014 and rent paid in 2013 only.

Supplemental agricultural credit for taxes payable in 2014. An uncodified section provides that each agricultural homestead receiving an agricultural market value credit for taxes payable in 2014 is eligible for a one-time supplemental credit of up to \$205, provided the credit does not exceed the net taxes on the property. This provision requires each county to provide the commissioner of revenue with the necessary information by August 15, 2014, and that payments be sent by the commissioner by October 15, 2014. The supplemental credit will not be paid to any homestead having delinquent property taxes. Effective May 21, 2014.