

2014 SPECIAL TAXES
LEGISLATIVE BULLETIN
(2014 Regular Session)

MINNESOTA REVENUE

Appeals and Legal Services Division
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Saint Paul, Minnesota 55146-2220

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PETROLEUM TAX

Dyed fuel. Amended Minn. Stat. § 296A.01, subd. 16, to clarify that dyed biodiesel and dyed biodiesel blends are included in the definition of dyed fuel. Effective May 21, 2014. 2014 Minn. Laws, Chapter 308, Article 11, section 5.

Refund on graduated basis. Amended Minn. Stat. § 296A.17, subd. 3, to correct an incorrect citation from section 270.72 to 270.072. This section is effective August 1, 2014. 2014 Minn. Laws, Chapter 275, Article 1, Section 95.

LAWFUL GAMBLING TAX

Lawful gambling fraud. Amended Minn. Stat. § 609.763, subd. 1, of the state's criminal code, to extend current laws related to lawful gambling fraud to cover electronic pull-tabs and electronic linked bingo machines. A person who alters or attempts to alter a device or component used in the conduct of play of either of these games would be guilty of a crime. It also prohibits unauthorized possession of the devices. Effective August 1, 2014. 2014 Minn. Laws, Chapter 240, Section 20.

CIGARETTE AND TOBACCO PRODUCTS TAXES

Cigarette rates of tax. Amended Minn. Stat. § 297F.05, subd. 1 to eliminate the higher tax rate on cigarettes weighing more than three pounds per thousand. All cigarettes will be taxed at 141.5 mills or 14.15 cents per cigarette. Effective July 1, 2014. 2014 Minn. Laws, Chapter 308, Article 3, Section 15.

Accelerated tax payment. Amended Minn. Stat. § 297F.09, subd. 10, to increase the annual tax liability threshold for cigarette and tobacco distributors required to remit June tax collections on an accelerated basis from \$120,000 to \$250,000. Also decreased the percentage of June tax liability that must be paid on an accelerated basis from 90 percent to 81.4 percent. Effective for taxes remitted after May 30, 2014. 2014 Minn. Laws, Chapter 308, Article 3, Section 16.

LIQUOR TAX

Microdistillery credit. Amended Minn. Stat. § 297G.03, by adding a new subdivision 5 which creates a tax credit for a qualified distiller. A qualified distiller means a microdistillery qualifying under Minn. Stat. § 340A.101, subd. 17a, in the calendar year immediately preceding the year in which the credit is being claimed. The total allowable credit is equal to the lesser of the qualified distiller's actual tax liability, or \$133,000. Effective July 1, 2014. 2014 Minn. Laws, Chapter 308, Article 3, Section 17.

Farm wineries. Created Minn. Stat. § 297G.031 which clarifies tax payment and reporting requirement for farm wineries. Effective July 1, 2014. 2014 Minn. Laws, Chapter 240, Section 1.

Microdistilleries. Created Minn. Stat. § 297G.032 which provides a tax reporting requirement for distilled spirits given by a microdistillery as samples or sold in cocktail rooms permitted under section Chapter 340A. Effective July 1, 2014. 2014 Minn. Laws 308, Article 3, Section 18.

Exemptions. Amended Minn. Stat. § 297G.07, subd. 1, to clarify one exemption and to add another: (clause 6) for fruit juices naturally fermented or beer naturally brewed in the home for family use and not sold or offered for sale; and (clause 13) for shipments of bulk distilled spirits or bulk wine to farm wineries licensed under Minn. Stat. § 340A.315 for input to the final product. The amendment to clause (6) is effective May 14, 2014. Clause (13) is effective July 1, 2014. 2014 Minn. Laws, Chapter 240, Section 2.

Accelerated tax payment. Amended Minn. Stat. § 297G.09, subd. 9, to increase the annual tax liability threshold for liquor distributors required to remit June tax collections on an accelerated basis from \$120,000 to \$250,000. Also decreased the percentage of June tax liability that must be paid on an accelerated basis from 90 percent to 81.4 percent. Effective for taxes remitted after May 30, 2014. 2014 Minn. Laws 308, Article 3, Section 19.

Microdistilleries. Created Minn. Stat. § 340A.22 which authorizes certain microdistilleries to provide samples of distilled spirits manufactured on its premises and authorizes cocktail rooms for these distillers to sell the distilled spirits on the premises. Effective May 14, 2014. 2014 Minn. Laws, Chapter 240, section 5.

INSURANCE TAXES

Gross Premiums. Minn. Stat. § 297I.01, subd. 9 was amended to replace the term “insurance companies” with “insurers,” in the context of real estate title insurance companies. Effective July 1, 2014. 2014 Laws, chapter 198, article 4, section 15.

MINERALS TAXES

Iron range fiscal disparities. Amended Minn. Stat. § 276A.01 by providing that if insufficient funds exist in the Iron Range school consolidation and cooperatively operated school account to make payments as authorized, the Iron Range Resources and Rehabilitation Board may receive up to 25 percent of the distribution levy under the Iron Range fiscal disparities program. Also amends Minn. Stat. § 276A.06 by factoring the school fund allocation into the apportionment of the area-wide levy, by requiring the administrative auditor to include the school fund allocation upon determining the area-wide tax rate, and by providing for the payment of the school fund allocation from the fiscal disparities levy to the Iron Range Resources and Rehabilitation Board. Effective beginning with taxes payable in 2015. Minn. Laws 2014, Chapter 150, Article 6, sections 4-7; and Chapter 308, Article 5, sections 1 and 2.

Occupation Tax; Correction of Erroneous Cross References. Minn. Stat. §§ 298.01, subds. 4b and 4c, paragraph (a) were amended to correct erroneous cross references. The provisions refer to special deductions that should not be used in calculating taxable income and net operating losses. The erroneous cross references referred to pollution control facilities in Minn. Stat. § 290.01, subd. 19c (9). The correct references are to clause (8) which refers to percentage depletion. Effective August 1, 2014. 2014 Minn. Laws, chapter 275, Article 1, Sections 99 and 100.

Net proceeds tax; distribution within taconite assistance area. Minn. Stat. § 298.018, subd.1, was amended to modify the allocations of net proceeds tax revenues to the cities, towns, school districts and counties where mines are located to also include the locations where concentration plants are located. Provides for equitable apportionment if mining and concentration are carried on in more than one taxing district. Reduces the allocation to Douglas J. Johnson economic protection trust fund from five to three percent and increases allocation to taconite environmental protection fund from five to seven percent. Effective July 1, 2014. 2014 Minn. Laws, Chapter 308, Article 5, Section 3.

Occupation tax apportionment. Minn. Stat. § 298.17, was amended to allocate money from the general fund's share of the occupation tax revenue to the Iron Range Resources and Rehabilitation Board account in the special revenue fund for transfer to an Iron Range school consolidation and cooperatively operated school account. The payment required each May 15th is six cents per taxable ton of taconite produced in the previous year. Effective beginning with the 2014 production year. 2014 Minn. Laws, Chapter 150, Article 6, Section 8.

Production tax distributions, cities and townships; mining effects. Minn. Stat. § 298.28, subd. 2(b), was amended to provide that all of the four cents per ton distributed to cities and organized townships affected by mining must be used for infrastructure projects. Use of one-half for cooperative municipal projects was eliminated. Effective July 1, 2014. 2014 Minn. Laws, Chapter 312, Article 3, Section 15.

Production tax distributions, taconite production tax implicit price deflator effect, towns and IRRRB. Minn. Stat. § 298.28, subs. 3(d) and 7 were amended to eliminate increases in distributions of production tax revenue to towns in the taconite relief area (subd. 3(d)) and the Iron Range Resources and Rehabilitation Board (subd. 7) arising from increases in the implicit price deflator for distributions in 2015 through 2017. Effective beginning for the 2014 distribution. 2014 Minn. Laws, Chapter 150, Article 6, Sections 10 and 12.

Taconite Production tax distributions, counties. Minn. Stat. § 298.28, subd. 5(a) and (b), were amended to reduce by five cents per ton the distribution of production tax revenue to counties in which there is mining, quarrying or concentrating for distributions in 2015 through 2023. Minn. Stat. section 298.28, subd. 5(a) and (d), were amended to increase the distribution of taconite production tax revenues to counties in which there is mining, quarrying or concentrating for road and bridge funds by five cents per ton beginning with distributions in 2024. Minn. Stat. § 298.225, subd. 1, was also amended to reduce the aid guarantee for the county fund, subd. 5(b), by five cents per ton. The reduced funding for distributions in 2015 through 2023, complements part of the funding for the new Iron Range school consolidation and cooperatively operated school account codified in Minn. Stat. § 298.28, subd. 7a. Effective beginning with the 2015 distribution and for distributions thereafter. 2014 Minn. Laws, Chapter 150, Article 6, Sections 9 and 11; 2014 Minn. Laws, Chapter 308, Article 5, Section 4.

Iron Range school consolidation and cooperatively operated school account created and funded. Minn. Stat. § 298.28, was amended to add a new subdivision 7a, creating and allocating funds to the Iron Range Resources and Rehabilitation Board for transfer to an Iron Range school consolidation and cooperatively operated school account. Expenditures from the account may be made for school bond payments for projects and any other school disbursements approved by the IRRRB. The account is funded with redistributions of taconite production tax revenue, allocations from the general fund's share of occupation tax revenues described below, and any other amount as provided by law. Effective for distributions beginning in 2015 and thereafter. 2014 Minn. Laws, Chapter 150, Article 6, Section 13, and 2014 Minn. Laws, Chapter 308, Article 5, Section 5. Also, per Minn. Stat. § 298.28, subd. 7a, as enacted and amended beginning in fiscal year 2019, disbursements to school districts for bond payments are increased each year equal to the reductions in debt service

equalization aid. Effective for production year 2014 and thereafter. 2014 Minn. Laws, Chapter 312, Article 18, Section 20.

Production tax distributions, taconite economic development fund. Minn. Stat. § 298.28, subd. 9a, was amended to reduce the distribution of production tax revenue to the IRRRB taconite economic development fund by five cents per ton. Effective beginning with the 2015 distribution. 2014 Minn. Laws, Chapter 150, Article 6, Section 14.

Production tax distributions, taconite production tax implicit price deflator effects. Minn. Stat. § 298.28, subd. 10, was amended to eliminate increases in distributions of production tax revenue to the Douglas J. Johnson economic protection trust fund (subd. 9) and to the Taconite Property Tax Relief Account (subd 6(a)) arising from increases in the implicit price deflator for distributions in 2015 through 2017. Minn. Stat. § 298.28, subd. 10 was also amended, for distributions in 2015 through 2017, to redirect two-thirds of any such increase in the tax rate to the newly created Iron Range school consolidation and cooperatively operated school account and the remaining one-third to the Douglas J. Johnson economic protection trust fund. Effective beginning for the 2015 distribution. 2014 Minn. Laws, Chapter 150, Article 6, Section 15.

Rock County aggregate tax. Minn. Stat. § 298.75, subd. 2, was amended to extend until December 31, 2024, the authority for a county that borders two other states and that is not contiguous to a Minnesota county with an aggregate tax to impose the tax at 7 cents per ton or 10 cents per cubic yard. The authority was set to expire December 31, 2014. Effective May 21, 2014. 2014 Minn. Laws, Chapter 308, Article 5, Section 7.

Onetime 2008 production tax distribution; Aitkin. Minnesota Laws 2008, chapter 366, article 10, section 15, was amended to allow the city of Aitkin to use its 2008 special distribution of taconite production tax revenues for any economic development project instead of sewer and water for a housing project, which was not constructed. Effective May 21, 2014. 2014 Minn. Laws, Chapter 308, Article 5, Section 8.

Onetime 2013 production tax distribution; Cook. Minnesota Laws 2013, chapter 143, article 11, section 10, was amended to allow the city of Cook to use its 2013 special distribution of taconite production tax revenues for street improvements, business park infrastructure, and a maintenance garage instead of one-quarter being used for a water line project. Also makes technical corrections to specify distributions are per ton for distribution to the cities of Keewatin and Virginia, and renumbers subparagraphs. Effective May 21, 2014. 2014 Minn. Laws, Chapter 308, Article 5, Section 9; 2014 Minn. Laws, Chapter 312, Article 3, Section 16.

Reallocation of Iron Range school bond payments. An uncodified section reallocates the amount of payments currently appropriated to nine school districts from taconite production tax revenues to the Iron Range school consolidation and cooperatively operated school account created in 2014 Minn. Laws, chapter 150, article 6, section 13. The appropriations are reallocated when final payment of each of the bonds occurs. Beginning in the year after a taconite school bond receives its last payment from the taconite production tax, an amount equal to what the bond received from the 2012 pay 2013 taconite production tax shall be appropriated, using the same sources, to the Iron Range school consolidation and cooperatively operated school account. Effective beginning with the distribution in 2015. 2014 Minn. Laws, Chapter 308, Article 5, Section 10.

Production tax distribution; 2014 distribution only. An uncodified section requires an 18.84 cents per taxable ton distribution to St. Louis County as fiscal agent to make payments to 18 listed entities for various projects. The total amount of all of the projects is \$7,462,101. The distribution must be made within ten days of the August, 2014 taconite production tax distribution payment to the Taconite

Property tax relief account. Effective for the 2014 distribution. 2014 Minn. Laws, Chapter 308, Article 5, Section 11; 2014 Minn. Laws, Chapter 312, Article 3, Section 17.