MINNESOTA · REVENUE

Department Policy Bill

February 4, 2002

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		

Department of Revenue
Analysis of S.F. 3036 (Pogemiller)/H.F. 3191 (Abrams)

	Revenue Gain or (Loss)			
	F.Y. 2002	F.Y. 2003	F.Y. 2004	F.Y. 2005
	(000's)			
General Fund:				
Add Mfg. Home HACA to Levy Limit Base (PTR impact)			(Negligible)	(Negligible)
Health Care Access Fund:				
Legend Drug Deduction (1/1/02)	$15	$35	$35	$35

EXPLANATION OF THE BILL

A section-by-section summary is attached.

REVENUE ANALYSIS DETAIL

Property Tax:

- Although adding manufactured home HACA to the levy limit base of cities could result in increased city levies for pay 2003 and 2004, the impact on homeowner property tax refunds would be negligible.

MNCare Taxes:

- Information from the MinnesotaCare Tax unit was used to estimate the revenue impact for the change to the legend drug deduction.

Other provisions in the bill do not involve revenue impact.

NUMBER OF TAXPAYERS AFFECTED

The MNCare provision would impact fewer than 50 taxpayers.

ADMINISTRATIVE/OPERATIONAL IMPACT

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

2002 POLICY BILL SUMMARY

MINNESOTA Department of Revenue

Appeals & Legal Services Division
(651) 296-1022
Mail Station 2220
600 North Robert Street
St. Paul, MN 55146-2220

Section 1. Time for Offset of Federal Refunds. Amends Minn. Stat. § 270.063, subd. 4 to provide that federal tax refund claims can be submitted and federal tax refunds can be offset for ten years after the date of assessment. Effective for claims for federal offset submitted before and pending on the date of final enactment, and for claims submitted on or after the day following final enactment.

Section 2. Expiration Date for Publication of Names of Delinquent Taxpayers. Amends Minn. Stat. § 270.691, subd. 8 to extend the sunset of the authorization for publication of delinquent taxpayer lists from June 30, 2002 to June 30, 2003. This change will permit publication of such lists for one additional year. Effective the day following final enactment.

Sections 3 and 5. Determination of Validity of Property Tax Assessments. Amends Minn. Stat. §§ 273.125, subd. 4 and 278.01, subd. 1 to change the filing deadline for persons contesting a property tax assessment. The new filing deadline will be on or before the later of March 31 (September 1 for manufactured homes assessed as personal property) of the year in which the tax becomes payable or 30 days after the postmark on the envelope containing the property tax statement for the property. Current law provides that the petitioner must file on or before March 31 (or September 1) of the year in which the tax becomes payable. Effective for taxes payable in 2003 and thereafter.

Section 4. Adjusted Levy Limit Base. Amends Minn. Stat. § 275.71, subd. 4 by adding the 2001 manufactured home HACA to each city's levy limit base. This change is required because 2001 legislation, which eliminated manufactured home homestead and agricultural credit aid (HACA), did not increase the levy limits of cities that formerly received manufactured home HACA to offset that revenue reduction. Effective for taxes payable in 2003.

Section 6. Agricultural Property Tax Second Half Due Date. Amends Minn. Stat. § 279.01, subd. 3 to provide that all split-class parcels that are classified as part agricultural and part non-agricultural have a second half property tax due date of November 15 instead of October 15. Under current law the due date is November 15 only if at least 50% of the parcel's market value is classified agricultural. When the split is close to 50/50, the due date for the parcel could change from year to year due to market value fluctuations. The change should simplify payment obligations for taxpayers. Effective for taxes payable in 2003 and thereafter.

Section 7. Extension to File Fiduciary, Partnership, or S Corp Income Tax Returns. Amends Minn. Stat. § 289A.19, subd. 1 to change the ability to receive an automatic 6 month extension to file a Minnesota fiduciary, partnership, or "S" corporation income tax return from one based on having a federal extension to file the federal return to one based on having paid at least the amount of tax due for the year by the original due date of the return. Effective for returns due after December 31, 2002.

Section 8. Exemption for Amounts Paid for Legend Drugs. Amends Minn. Stat. § 295.53, subd. 1 to clarify that hospitals, surgical centers, and health care providers who deduct their cost of legend drugs from the gross revenues subject to the MinnesotaCare tax, are required to reduce from the deduction all reimbursements that are exempt from tax under other exclusions. The current deduction does not mention the exemption for payments received from the government. Effective for payments received after December 31, 2001.

Section 9. Formula to Calculate Amounts Paid for Legend Drugs. Amends Minn. Stat. § 295.57 by adding a subdivision to provide a formula for computing the exemption for amounts paid for legend drugs where the taxpayer cannot determine the actual amount paid. Effective date is for payments received on or after July 1, 2002.

Section 10. Fur Clothing Delivered Outside of Minnesota. Amends Minn. Stat. § 295.60, subd. 2 by adding a definition for “delivered outside of Minnesota” for purposes of application of the fur tax. Effective date is January 1, 2002.

Section 11. Exemption for Fur Clothing Delivered Outside of Minnesota. Amends Minn. Stat. § 295.60 by adding a subdivision to provide that payments received for fur clothing delivered to a location outside of Minnesota are not subject to the gross receipts tax on fur. Effective date is for payments received on or after January 1, 2002.

Section 12. Private Telecommunication Service. Amends Minn. Stat. § 297A.61, subd. 26 that contains the definition of a private communication service that is subject to the sales tax. The section is amended by adding language to the definition that was jointly worked on by the industry and the Streamlined Sales Tax project. The amendment removes language relating to services used to carry traffic over the Internet since the sales tax does not apply to Internet access charges. Effective date is retroactively effective for sales and purchases occurring after July 31, 2001.

Section 13. Liquor Tax Exemption for Foreign Diplomats. Amends Minn. Stat. § 297G.07, subd. 1 to provide an exemption from the liquor tax for foreign diplomats receiving direct shipments of alcoholic beverages from a foreign nation. This will be consistent with the treatment of the Department of Public Safety under Minn. Rule 7515.0910. Effective the day following final enactment.

Section 14. Collection and Payment of Production Tax. Minn. Stat. § 298.27 is amended to clarify that the producer of the taconite or iron sulfides is responsible for paying the tax. The current statute is missing any reference to the actual taxpayer. Effective date is for years beginning after December 31, 2001.

Section 15. Taconite Production Tax; Rate of Distribution to Counties. Amends Minn. Stat. § 298.28, subd. 5 to explicitly state the actual rate of distribution to counties for the taconite production tax, rather than leaving the old rate and having to refer to a formula determined in 1987. Currently, the escalator language in subd. 10 refers to subd. 5, paragraphs (b) and (d), and is frozen for 1988 and subsequent years at the 1987 rate. The rates as frozen are stated in paragraphs (b) and (d), and (a) is simply the sum of (b) and (d). Effective the day following final enactment.

Section 16. Taconite Production Tax; Rate of Distribution for Property Tax Relief. Amends Minn. Stat. § 298.28, subd. 6 as follows: The formula of paragraph (d) is incorporated into the rate in paragraph (a), and the reference to paragraph (d) in paragraph (a) is therefore stricken. Paragraph (c) as amended explicitly states the actual rate of distribution of the taconite production tax for property tax relief rather than leaving the old rate and having to refer to a formula in subd. 10 for distributions in 2000 and subsequent years. Effective the day following final enactment.

Section 17. Taconite Production Tax; Deletes Formula Regarding Frozen Rates. Amends Minn. Stat. § 298.28, subd. 10 to delete the second paragraph since the rate formula is incorporated into the subdivisions referenced by using the actual rates in those subdivisions per Sections 16 and 17 of this Article. Effective the day following final enactment.

Section 18. Pooling for TIF Deficits. Amends Minn. Stat. § 469.1763, subd. 6 to clarify that when districts pool increments from other TIF districts in order to make up a deficit they are to include amounts collected in prior years that are currently available. Effective retroactively to January 2, 2002 and thereafter to match the effective date of several other changes made to this statute by the 2001 Legislature.

Section 19. Repealer. Repeals Minn. Stat. § 278.01, subd. 4. The section provided an exception to the appeal deadline in Minn. Stat. § 278.01, subd. 1, for situations in which the owner of the property is not given notice of the change in exempt status, valuation or classification of property until after January 31 of the year the tax is payable or after July 1 in the case of manufactured homes. Due to the amendment to Minn. Stat. § 278.01, subd. 1, in section 6, this language is no longer necessary. Effective for taxes payable in 2003 and thereafter.

Dated: January 29, 2002