

MINNESOTA • REVENUE

Department Policy Bill

March 15, 2004

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

Department of Revenue

Analysis of H.F. 2552 (Abrams)/ S.F. 2716 (Moua) As Proposed to be Amended

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
			(000's)	
General Fund	\$0	\$0	\$0	\$0

Various effective dates.

EXPLANATION OF THE BILL

A section-by-section summary of the bill and a summary of the amendment are attached.

REVENUE ANALYSIS DETAIL

The provisions of the bill are not expected to have an impact on state revenues.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf2552(sf2716)-3/cc

2003 POLICY BILL SUMMARY

MINNESOTA • REVENUE

Appeals & Legal Services Division
600 North Robert Street, Mail Station 2220
St. Paul, MN 55146-2220

ARTICLE 1 WITHHOLDING AND SALES TAXES

Sections 1 and 3. Refund Interest. Amends Minn. Stat. § 289A.56 to provide that the interest on refund claims for qualifying purchases made by businesses in Biotechnology and Border City zones would be computed from 90 days after the refund claims are filed with the commissioner. The statute is currently silent on when interest begins to accrue on Biotechnology refunds and the general refund provision for tax overpayments is being used currently. Effective for refund claims filed on or after July 1, 2004.

Section 2. Withholding on Payments to Non Minnesota Residents on Construction Contracts. Amends Minn. Stat. § 290.9705, subd. 1, to reduce the dollar threshold for contracts this section applies to from \$100,000 to \$50,000 and makes the threshold applicable to aggregate contracts in a year to the extent the aggregate contract payments exceed \$50,000. Effective for payments made after December 31, 2004.

ARTICLE 2 PROPERTY TAXES

Section 1. Applications for Blind/Disabled Homestead Classification; Private Data. Amends Minn. Stat. § 270B.01, subd 8, to clarify that the application filed under Minn. Stat. § 273.1315 by persons seeking classification of their homestead as class 1b property is private data. Under general law, private data is protected from disclosure to persons other than the data subject, unless a specific law provides otherwise. Minn. Stat. § 270B.12, subd. 13, being amended in the next section of the bill, allows disclosure of a limited number of data elements from these applications to the county assessors for purposes of administering homestead property taxes. Effective the day following final enactment.

Section 2. Homesteads for Blind/Disabled Persons; Disclosure to Assessors. Amends Minn. Stat. § 270B.12, subd. 13 (2003), to provide that in addition to a listing of parcels qualifying for the blind/disabled homestead classification, the commissioner of revenue may also disclose the names and addresses of qualified applicants to county assessors and their designees. Effective the day following final enactment.

Section 3. Sustainable Forest Incentive Act; Acquisition of Land for a Public Purpose. Amends Minn. Stat. § 290C.10 to allow early withdrawal of land from the program if a government entity or any other entity that has the power of eminent domain acquires title or possession for a public purpose. The proposed change also clarifies that when land is acquired in this manner, only the land acquired is removed from the program and land not so acquired remains in the program. The current language allows early withdrawal from the program “in cases of condemnation for a public purpose”. Effective the day following final enactment.

Section 4. Alternative Tax Base. Repeals 1975 Minn. Laws, ch. 287, sec. 5 and 2003 Minn. Laws, ch. 127, art. 9, sec. 9, subd. 4, to eliminate the option for the Alexandria Lake Area sanitary sewer district and the recently created Central Lakes Region sanitary sewer district to levy property taxes on an alternative tax base that includes only 25% of the net tax capacity of agricultural property. Effective without local approval for taxes payable in 2005 and thereafter.

ARTICLE 3 MISCELLANEOUS

Section 1. Taxpayer Rights Advocate Assumes Duties of Case Reviewer. Amends Minn. Stat. § 16D.10 to transfer the duties of the case reviewer for the collection of non-tax debts to the taxpayer rights advocate, and authorizes the advocate to issue debtor assistance orders if the advocate determines that the manner in which the state debt collection laws are being administered will create an unjust and inequitable result for the debtor. Effective the day following final enactment.

Section 2. Delegations of Authority Carry Over to a New Commissioner. Amends Minn. Stat. § 270.02, subd. 3, to provide that the delegations of authority granted by one commissioner of revenue remain in effect until revoked by that commissioner or a successor commissioner. Effective the day following final enactment.

Section 3. Mailing of Notices to the Last Known Address. Adds a new Minn. Stat. § 270.0611 to provide that when a method of giving notice is not specifically provided for in another law, notice of a determination or action of the commissioner of revenue can be sent to the last known address of the taxpayer or person affected by the notice. The language is essentially the same as the manner of giving notice of orders of assessment in Minn. Stat. § 289A.37, subd. 5, but is made applicable to all tax types by having this section added to Minn. Stat. ch. 270. Effective for notices sent on or after the day following final enactment.

Section 4. Transcription of Liens to the Secretary of State. Amends Minn. Stat. § 270.69, subd. 4, to provide that state tax liens filed in a county may be transcribed to the secretary of state. Effective the day following final enactment.

Section 5. Biotechnology and Health Sciences Zone Property Tax Exemption. Amends Minn. Stat. § 272.02, subd. 65, to clarify that the property tax exemption for qualified property in a biotechnology and health sciences zone applies to property occupied by a qualified business by July 1 of the assessment year. Effective beginning with property taxes assessed in 2004.

Section 6. Limits on Requirement for Commissioner to Recalculate Separate Spouse Liability. Amends Minn. Stat. § 289A.31, subd. 2, to provide that the commissioner need not recalculate separate liability for an ex-spouse where the tax period was first due six years or more before the date of the request or where the remaining unpaid liability to recalculate is \$100 or less. Effective for requests for relief made on or after day following final enactment.

Section 7. Research and Development Subtraction. Amends Minn. Stat. § 290.01, subd. 19d, para. (13), so that the subtraction allowed in the computation of taxable income of a corporation for expenses used to generate the federal research and development credit is limited to the amount that those expenses exceed not just the research and development credit under Minn. Stat. § 290.068, but also the biotechnology and health sciences industry zone credit calculated under Minn. Stat. § 469.339. Effective for tax years beginning after December 31, 2003.

Sections 8 and 9. MinnesotaCare - Blood Products. Amends Minn. Stat. §§ 295.50, subd. 3 and 295.53, subd. 1, to exclude blood and blood products from the definition of gross revenues received by wholesale drug distributors for the sale of legend drugs. The change means that wholesale drug distributors will not be required to pay the tax on the gross revenues received for the sale of blood, while hospitals and health care providers will not be able to take an exemption under Minn. Stat. § 295.53, subd. 1, for the cost of legend drugs. Effective for gross revenues received after December 31, 2002.

Section 10. Qualified Business for Purposes of Job Opportunity Building Zones. Amends Minn. Stat. § 469.310, subd. 11, to clarify that a business is eligible for tax benefits under the job opportunity building zone laws only on those parcels of land for which it has signed a business subsidy agreement with the appropriate local government unit. Effective retroactively to June 9, 2003, which is the original effective date of Minn. Stat. § 469.310.

Section 11. Qualified Business for Purposes of the Biotechnology and Health Sciences Zone. Amends Minn. Stat. § 469.330, subd. 11, to clarify that a business is eligible for tax benefits under the biotechnology and health sciences industry zone laws only on parcels of land for which it has signed a business subsidy agreement with the appropriate local government unit. Effective retroactively to June 9, 2003, which is the original effective date of Minn. Stat. § 469.330.

Section 12. Biotechnology and Health Sciences Zone Corporate Minimum Fee Exemption. Amends Minn. Stat. § 469.337 to provide that an entity with all of its Minnesota payroll treated as biotechnology and health sciences zone payroll and all of its Minnesota property located within a biotechnology and science industry zone is exempt from the minimum fee. Effective for tax years beginning after December 31, 2003.

Dated: February 12, 2004

2004 POLICY BILL AMENDMENT #A04-1131

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Appeals & Legal Services Division
600 North Robert Street, Mail Station 2220
St. Paul, MN 55146-2220

Authority to Negotiate With Member States Regarding Monetary Allowances Provided to Sellers or Certified Service Providers; Streamlined Sales Tax. Amends Minn. Stat. § 270.06 to add a paragraph to give the commissioner of revenue the authority to negotiate with other member states as to the amount of the monetary allowance for sellers and certified service providers who purchase certified software for sales tax collection as described in the Streamlined Sales Tax Agreement. Effective the day following final enactment.

Funding Mechanism for Monetary Allowances Provided to Sellers or Certified Service Providers; Streamlined Sales Tax. Amends Minn. Stat. § 297A.995, subd. 6, para. (4)(g), to provide that the allowances that are to be provided by the states to sellers or certified service providers shall be funded from the money collected by the sellers and certified service providers and shall be subtracted by the seller or certified service provider before remitting the tax collected to the department of revenue. Effective the day following final enactment.

Population Estimates. Amends Minn. Stat. ch. 473, by enacting the new § 473.24, to provide procedures and dates by which the Metropolitan Council must annually produce estimates of population and the number of households for cities and towns in the seven-county metropolitan area. Amends Minn. Stat. § 473F.02, subd. 7, to specify that the annual population estimates used for purposes of the metropolitan fiscal disparities program are the estimates produced according to the new § 473.24. Amends § 477A.011, subd. 3, to specify that the annual population estimates used for purposes of the “local government aid” program for cities are the estimates produced according to the new § 473.24. Sets July 15 (was July 1) as the new cut-off date for when the estimates become final for these purposes. Effective the day following final enactment.

Uniform Dollar Threshold for Paying Taxes Electronically. This article enacts a new Minn. Stat. § 270.772 establishing a uniform tax liability threshold of \$20,000 or more per fiscal year before a taxpayer is required to make payments electronically for that tax type in the following calendar year. Applies to all tax types that currently utilize a dollar threshold, which is \$120,000 for most business taxes and \$50,000 for withholding tax. Individual income, estate, and air flight property taxes are excluded. All the existing threshold requirements in the various tax statutes are repealed. Effective for payments due in calendar year 2005 and thereafter, based upon liabilities incurred in fiscal year ending June 30, 2004 and thereafter.

Filing of Electronic Partnerships Returns. Amends Minn. Stat. § 289A.12, subd. 3, so that if a partnership is required to file its partnership return electronically by federal regulations because it has more than 100 partners, then it is also required to file its Minnesota partnership return electronically. If a paper return is filed instead the return is still valid, but a penalty of \$50 for each partner over 100 partners is imposed. The penalty can be waived if the partnership can demonstrate that filing electronically creates a hardship. Effective for 2004 partnership returns due in 2005.

Dated: March 15, 2003