

MINNESOTA • REVENUE

Department Technical Bill

April 18, 2016

| | Yes | No |
|-------------------------------------|-----|----|
| DOR Administrative Costs/Savings | | x |

Department of Revenue

Analysis of H.F. 2871 (Davids) as amended in House Tax Committee (H2871A1)

| | Fund Impact | | | |
|--------------|------------------|------------------|------------------|------------------|
| | <u>F.Y. 2016</u> | <u>F.Y. 2017</u> | <u>F.Y. 2018</u> | <u>F.Y. 2019</u> |
| | | (000's) | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |

EXPLANATION OF THE BILL

A summary prepared by the Appeals and Legal Services Division of the Department of Revenue is attached.

REVENUE ANALYSIS DETAIL

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

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

hf2871(sf2918)_3 / paw, cej

2016 DEPARTMENT OF REVENUE

TECHNICAL BILL SUMMARY

MINNESOTA • REVENUE

Bill Date: March 2, 2016
Summary Date: March 2, 2016

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

Section 1. Blind/disabled homestead classification. Amends Minn. Stat. § 273.13, subd. 22, to clarify that for class 1b blind or disabled homestead property, for market value in excess of \$50,000, the remainder of the property is classified as either class 1a or 2a property whichever is appropriate. Effective the day following final enactment.

Section 2. Allocation language corporate franchise tax. Amends Minn. Stat. § 290.17, subd. 2(c), to clarify that gains from the sale of goodwill or income from a covenant not to compete, are to be allocated to Minnesota to the extent that prior year income was allocable to Minnesota. Effective the day following final enactment.

Section 3. Estate tax calculation. Amends Minn. Stat. § 291.016, subd. 3, to clarify that property subject to a Minnesota-only Qualified Terminable Interest Property election under Minn. Stat. § 291.03, subd. 1d, may be excluded in the calculation of Minnesota taxable estate. This change clarifies the meaning of a 2011 amendment, which made the election available. Effective retroactively for estates of decedents dying after June 30, 2011.

Section 4. Includable small business property-estate tax. Amends Minn. Stat. § 291.03, subd. 9, to clarify that the estate tax qualified small business property subtraction may not include the value of any cash, cash equivalents, or publicly traded securities, whether or not employed in a trade or business, and whether or not they are owned directly or through intangible property such as stock or partnership interests. This change clarifies the meaning of the criteria for the small business property subtraction, which was made available in 2011. Effective retroactively for estates of decedents dying after June 30, 2011.

Section. 5. Large and ponderous machinery and equipment-sales tax. Minn. Stat. § 297A.61, subd. 10(b)(1) is repealed consistent with Minnesota Tax Court decision, *Dahmes Stainless, Inc., Appellant, v. Commissioner of Revenue, Appellee*, 8228-R, 04/07/2015. Effective the day following final enactment.