

1.1 A bill for an act

1.2 relating to taxation; making policy, technical, administrative, enforcement, and  
 1.3 other changes to individual income, corporate franchise, property, aids, payments,  
 1.4 credits, refunds, and other taxes and tax-related provisions; conforming to  
 1.5 changes made to the Internal Revenue Code; providing an Angel investment  
 1.6 credit and a Minnesota business investment company credit; establishing a  
 1.7 TECHZ business program; appropriating money; amending Minnesota Statutes  
 1.8 2008, sections 97A.061, by adding a subdivision; 268.19, subdivision 1;  
 1.9 270A.03, subdivision 7; 270B.14, subdivision 3; 270B.15; 270C.52, subdivision  
 1.10 2; 272.02, subdivision 42, by adding a subdivision; 273.1384, by adding a  
 1.11 subdivision; 275.71, subdivision 5; 289A.12, by adding a subdivision; 289A.50,  
 1.12 subdivision 1; 290.01, subdivisions 6, 29; 290.06, subdivision 1, by adding a  
 1.13 subdivision; 290.068; 290.0921, subdivisions 1, 3; 290.095, subdivision 11;  
 1.14 290A.03, subdivisions 11, 13; 297A.68, by adding a subdivision; 477A.013,  
 1.15 subdivision 9; 477A.03, subdivisions 2a, 2b; 477A.12, by adding a subdivision;  
 1.16 477A.14, by adding a subdivision; Minnesota Statutes 2009 Supplement, sections  
 1.17 275.70, subdivision 5; 289A.02, subdivision 7; 289A.08, subdivision 16; 290.01,  
 1.18 subdivisions 19, 19b, 19d, 31; 290.06, subdivision 2c; 290.091, subdivision  
 1.19 2; 290A.03, subdivision 15; 290C.07; 291.005, subdivision 1; 297A.75,  
 1.20 subdivisions 1, 2; Laws 2008, chapter 366, article 3, sections 3; 4; proposing  
 1.21 coding for new law in Minnesota Statutes, chapters 116J; 270C; 290; 297I; 469;  
 1.22 477A; repealing Minnesota Statutes 2008, sections 10A.322, subdivision 4;  
 1.23 13.4967, subdivision 2; 290.06, subdivision 23; 477A.03, subdivision 5; Laws  
 1.24 2009, chapter 88, article 12, section 21.

1.25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.26 **ARTICLE 1**

1.27 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

1.28 Section 1. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19b,  
 1.29 is amended to read:

1.30 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
 1.31 and trusts, there shall be subtracted from federal taxable income:

2.1 (1) net interest income on obligations of any authority, commission, or  
2.2 instrumentality of the United States to the extent includable in taxable income for federal  
2.3 income tax purposes but exempt from state income tax under the laws of the United States;

2.4 (2) if included in federal taxable income, the amount of any overpayment of income  
2.5 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
2.6 is received as a refund or as a credit to another taxable year's income tax liability;

2.7 (3) the amount paid to others, less the amount used to claim the credit allowed under  
2.8 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
2.9 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
2.10 transportation of each qualifying child in attending an elementary or secondary school  
2.11 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
2.12 resident of this state may legally fulfill the state's compulsory attendance laws, which  
2.13 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
2.14 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
2.15 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
2.16 "textbooks" includes books and other instructional materials and equipment purchased  
2.17 or leased for use in elementary and secondary schools in teaching only those subjects  
2.18 legally and commonly taught in public elementary and secondary schools in this state.  
2.19 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
2.20 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
2.21 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
2.22 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
2.23 or materials for, or transportation to, extracurricular activities including sporting events,  
2.24 musical or dramatic events, speech activities, driver's education, or similar programs. No  
2.25 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
2.26 the qualifying child's vehicle to provide such transportation for a qualifying child. For  
2.27 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
2.28 given in section 32(c)(3) of the Internal Revenue Code;

2.29 (4) income as provided under section 290.0802;

2.30 (5) to the extent included in federal adjusted gross income, income realized on  
2.31 disposition of property exempt from tax under section 290.491;

2.32 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
2.33 of the Internal Revenue Code in determining federal taxable income by an individual  
2.34 who does not itemize deductions for federal income tax purposes for the taxable year, an  
2.35 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable

3.1 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and  
3.2 under the provisions of Public Law 109-1;

3.3 (7) for taxable years beginning before January 1, 2008, the amount of the federal  
3.4 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code  
3.5 which is included in gross income under section 87 of the Internal Revenue Code;

3.6 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not  
3.7 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
3.8 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
3.9 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
3.10 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
3.11 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
3.12 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
3.13 the extent they exceed the federal foreign tax credit;

3.14 (9) in each of the five tax years immediately following the tax year in which an  
3.15 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
3.16 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
3.17 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
3.18 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
3.19 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
3.20 positive value of any net operating loss under section 172 of the Internal Revenue Code  
3.21 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
3.22 less than zero;

3.23 (10) job opportunity building zone income as provided under section 469.316;

3.24 (11) to the extent included in federal taxable income, the amount of compensation  
3.25 paid to members of the Minnesota National Guard or other reserve components of the  
3.26 United States military for active service performed in Minnesota, excluding compensation  
3.27 for services performed under the Active Guard Reserve (AGR) program. For purposes of  
3.28 this clause, "active service" means (i) state active service as defined in section 190.05,  
3.29 subdivision 5a, clause (1); (ii) federally funded state active service as defined in section  
3.30 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05,  
3.31 subdivision 5c, but "active service" excludes service performed in accordance with section  
3.32 190.08, subdivision 3;

3.33 (12) to the extent included in federal taxable income, the amount of compensation  
3.34 paid to Minnesota residents who are members of the armed forces of the United States or  
3.35 United Nations for active duty performed outside Minnesota under United States Code,

4.1 title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of  
4.2 the United Nations;

4.3 (13) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
4.4 qualified donor's donation, while living, of one or more of the qualified donor's organs  
4.5 to another person for human organ transplantation. For purposes of this clause, "organ"  
4.6 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
4.7 "human organ transplantation" means the medical procedure by which transfer of a human  
4.8 organ is made from the body of one person to the body of another person; "qualified  
4.9 expenses" means unreimbursed expenses for both the individual and the qualified donor  
4.10 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
4.11 may be subtracted under this clause only once; and "qualified donor" means the individual  
4.12 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
4.13 individual may claim the subtraction in this clause for each instance of organ donation for  
4.14 transplantation during the taxable year in which the qualified expenses occur;

4.15 (14) in each of the five tax years immediately following the tax year in which an  
4.16 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
4.17 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
4.18 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the  
4.19 case of a shareholder of a corporation that is an S corporation, minus the positive value of  
4.20 any net operating loss under section 172 of the Internal Revenue Code generated for the  
4.21 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
4.22 subtraction is not allowed under this clause;

4.23 (15) to the extent included in federal taxable income, compensation paid to a service  
4.24 member as defined in United States Code, title 10, section 101(a)(5), for military service  
4.25 as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

4.26 (16) international economic development zone income as provided under section  
4.27 469.325;

4.28 (17) to the extent included in federal taxable income, the amount of national service  
4.29 educational awards received from the National Service Trust under United States Code,  
4.30 title 42, sections 12601 to 12604, for service in an approved Americorps National Service  
4.31 program; ~~and~~

4.32 (18) to the extent included in federal taxable income, discharge of indebtedness  
4.33 income resulting from reacquisition of business indebtedness included in federal taxable  
4.34 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
4.35 to the extent that the income was included in net income in a prior year as a result of the  
4.36 addition under section 290.01, subdivision 19a, clause (16);

5.1 (19) to the extent included in federal taxable income, the amount of gain on the sale  
5.2 or exchange of small business stock. "Small business stock" means an equity interest, held  
5.3 directly or indirectly, in a corporation or partnership when that interest is:

5.4 (i) purchased for money or property, not including stock or payment for services;

5.5 (ii) purchased after June 30, 2010;

5.6 (iii) less than 100 percent in a corporation or less than 50 percent by vote or value in  
5.7 a partnership; and

5.8 (iv) in a corporation or partnership that:

5.9 (A) is a single legal entity and not part of any unitary business of the taxpayer;

5.10 (B) has fewer than 100 employees, or in the case of a corporation or partnership that  
5.11 is part of a unitary business, the unitary business has fewer than 100 employees;

5.12 (C) has not issued stock listed on the New York Stock Exchange, American Stock  
5.13 Exchange, or National Association of Securities Dealers automated quotation system;

5.14 (D) in the year of purchase, had more than 50 percent of its property and payroll, as  
5.15 determined under section 290.191, within this state;

5.16 (E) in the year of purchase, derived less than \$25,000 in gross receipts from rents,  
5.17 interest, dividends, and the sale of intangible investment assets;

5.18 (F) is not in a trade or business involving the performance of services in the fields  
5.19 of health, law, engineering, architecture, accounting, actuarial science, performing arts,  
5.20 consulting, athletics, financial services, brokerage services, or any trade or business where  
5.21 the principal asset of the trade or business is the reputation or skill of one or more of  
5.22 its employees;

5.23 (G) is not in a trade or business involving banking, insurance, financing, leasing,  
5.24 investing, or similar business;

5.25 (H) is not a regulated investment company, real estate investment trust, or real  
5.26 estate mortgage investment conduit;

5.27 (I) is not a cooperative; and

5.28 (J) did not liquidate its assets in whole or in part for the purpose of fulfilling the  
5.29 requirements of this clause.

5.30 The small business stock must be held for more than five years to qualify for this  
5.31 subtraction;

5.32 (20) an amount not less than zero and not to exceed the applicable percent multiplied  
5.33 by the distributive share of income or loss, as defined in sections 703(a) and 1366(a)(2) of  
5.34 the Internal Revenue Code, combined from all partnerships or S corporations in which  
5.35 the taxpayer materially participates, as defined in section 469(h) of the Internal Revenue  
5.36 Code, and that have employees or tangible property located in this state. As used in this

6.1 clause, the "applicable percent" for taxable years beginning in 2011 is five percent; for  
6.2 taxable years beginning in 2012 is ten percent; for taxable years beginning in 2013 is 15  
6.3 percent; and for taxable years beginning after December 31, 2013, is 20 percent.

6.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
6.5 December 31, 2010.

6.6 Sec. 2. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19d, is  
6.7 amended to read:

6.8 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For  
6.9 corporations, there shall be subtracted from federal taxable income after the increases  
6.10 provided in subdivision 19c:

6.11 (1) the amount of foreign dividend gross-up added to gross income for federal  
6.12 income tax purposes under section 78 of the Internal Revenue Code;

6.13 (2) the amount of salary expense not allowed for federal income tax purposes due to  
6.14 claiming the work opportunity credit under section 51 of the Internal Revenue Code;

6.15 (3) any dividend (not including any distribution in liquidation) paid within the  
6.16 taxable year by a national or state bank to the United States, or to any instrumentality of  
6.17 the United States exempt from federal income taxes, on the preferred stock of the bank  
6.18 owned by the United States or the instrumentality;

6.19 (4) amounts disallowed for intangible drilling costs due to differences between  
6.20 this chapter and the Internal Revenue Code in taxable years beginning before January  
6.21 1, 1987, as follows:

6.22 (i) to the extent the disallowed costs are represented by physical property, an amount  
6.23 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,  
6.24 subdivision 7, subject to the modifications contained in subdivision 19e; and

6.25 (ii) to the extent the disallowed costs are not represented by physical property, an  
6.26 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section  
6.27 290.09, subdivision 8;

6.28 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the  
6.29 Internal Revenue Code, except that:

6.30 (i) for capital losses incurred in taxable years beginning after December 31, 1986,  
6.31 capital loss carrybacks shall not be allowed;

6.32 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,  
6.33 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be  
6.34 allowed;

7.1 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a  
7.2 capital loss carryback to each of the three taxable years preceding the loss year, subject to  
7.3 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

7.4 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,  
7.5 a capital loss carryover to each of the five taxable years succeeding the loss year to the  
7.6 extent such loss was not used in a prior taxable year and subject to the provisions of  
7.7 Minnesota Statutes 1986, section 290.16, shall be allowed;

7.8 (6) an amount for interest and expenses relating to income not taxable for federal  
7.9 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and  
7.10 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or  
7.11 291 of the Internal Revenue Code in computing federal taxable income;

7.12 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for  
7.13 which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a  
7.14 reasonable allowance for depletion based on actual cost. In the case of leases the deduction  
7.15 must be apportioned between the lessor and lessee in accordance with rules prescribed  
7.16 by the commissioner. In the case of property held in trust, the allowable deduction must  
7.17 be apportioned between the income beneficiaries and the trustee in accordance with the  
7.18 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis  
7.19 of the trust's income allocable to each;

7.20 (8) for certified pollution control facilities placed in service in a taxable year  
7.21 beginning before December 31, 1986, and for which amortization deductions were elected  
7.22 under section 169 of the Internal Revenue Code of 1954, as amended through December  
7.23 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes  
7.24 1986, section 290.09, subdivision 7;

7.25 (9) amounts included in federal taxable income that are due to refunds of income,  
7.26 excise, or franchise taxes based on net income or related minimum taxes paid by the  
7.27 corporation to Minnesota, another state, a political subdivision of another state, the  
7.28 District of Columbia, or a foreign country or possession of the United States to the extent  
7.29 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,  
7.30 clause (1), in a prior taxable year;

7.31 (10) 80 percent of royalties, fees, or other like income accrued or received from a  
7.32 foreign operating corporation or a foreign corporation which is part of the same unitary  
7.33 business as the receiving corporation, unless the income resulting from such payments or  
7.34 accruals is income from sources within the United States as defined in subtitle A, chapter  
7.35 1, subchapter N, part 1, of the Internal Revenue Code;

8.1 (11) income or gains from the business of mining as defined in section 290.05,  
8.2 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

8.3 (12) the amount of disability access expenditures in the taxable year which are not  
8.4 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

8.5 (13) the amount of qualified research expenses not allowed for federal income tax  
8.6 purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that  
8.7 the amount exceeds the amount of the credit allowed under section 290.068;

8.8 (14) the amount of salary expenses not allowed for federal income tax purposes due  
8.9 to claiming the Indian employment credit under section 45A(a) of the Internal Revenue  
8.10 Code;

8.11 (15) for taxable years beginning before January 1, 2008, the amount of the federal  
8.12 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code  
8.13 which is included in gross income under section 87 of the Internal Revenue Code;

8.14 (16) for a corporation whose foreign sales corporation, as defined in section 922  
8.15 of the Internal Revenue Code, constituted a foreign operating corporation during any  
8.16 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,  
8.17 claiming the deduction under section 290.21, subdivision 4, for income received from  
8.18 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of  
8.19 income excluded under section 114 of the Internal Revenue Code, provided the income is  
8.20 not income of a foreign operating company;

8.21 (17) any decrease in subpart F income, as defined in section 952(a) of the Internal  
8.22 Revenue Code, for the taxable year when subpart F income is calculated without regard to  
8.23 the provisions of Division C, title III, section 303(b) of Public Law 110-343;

8.24 (18) in each of the five tax years immediately following the tax year in which an  
8.25 addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of  
8.26 the delayed depreciation. For purposes of this clause, "delayed depreciation" means the  
8.27 amount of the addition made by the taxpayer under subdivision 19c, clause (15). The  
8.28 resulting delayed depreciation cannot be less than zero;

8.29 (19) in each of the five tax years immediately following the tax year in which an  
8.30 addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of  
8.31 the amount of the addition; and

8.32 (20) to the extent included in federal taxable income, discharge of indebtedness  
8.33 income resulting from reacquisition of business indebtedness included in federal taxable  
8.34 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
8.35 to the extent that the income was included in net income in a prior year as a result of the  
8.36 addition under section 290.01, subdivision 19c, clause (25).



9.1 (21) to the extent included in federal taxable income, the amount of gain on the  
9.2 sale or exchange of small business stock assigned or apportioned to this state. "Small  
9.3 business stock" means an equity interest, held directly or indirectly, in a corporation or  
9.4 partnership when that interest is:

9.5 (i) purchased for money or property, not including stock or payment for services;

9.6 (ii) purchased after June 30, 2010;

9.7 (iii) less than 100 percent in a corporation or less than 50 percent by vote or value in  
9.8 a partnership; and

9.9 (iv) in a corporation or partnership that:

9.10 (A) is a single legal entity and not part of any unitary business of the taxpayer;

9.11 (B) has fewer than 100 employees, or in the case of a corporation or partnership that  
9.12 is part of a unitary business, the unitary business has fewer than 100 employees;

9.13 (C) has not issued stock listed on the New York Stock Exchange, American Stock  
9.14 Exchange, or National Association of Securities Dealers automated quotation system;

9.15 (D) in the year of purchase, had more than 50 percent of its property and payroll, as  
9.16 determined under section 290.191, within this state;

9.17 (E) in the year of purchase, derived less than \$25,000 in gross receipts from rents,  
9.18 interest, dividends, and the sale of intangible investment assets;

9.19 (F) is not in a trade or business involving the performance of services in the fields  
9.20 of health, law, engineering, architecture, accounting, actuarial science, performing arts,  
9.21 consulting, athletics, financial services, brokerage services, or any trade or business where  
9.22 the principal asset of the trade or business is the reputation or skill of one or more of  
9.23 its employees;

9.24 (G) is not in a trade or business involving banking, insurance, financing, leasing,  
9.25 investing, or similar business;

9.26 (H) is not a regulated investment company, real estate investment trust, or real  
9.27 estate mortgage investment conduit;

9.28 (I) is not a cooperative; and

9.29 (J) did not liquidate its assets in whole or in part for the purpose of fulfilling the  
9.30 requirements of this clause.

9.31 The small business stock must be held for more than five years to qualify for this  
9.32 subtraction.

9.33 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
9.34 December 31, 2010.

10.1 Sec. 3. Minnesota Statutes 2008, section 290.06, subdivision 1, is amended to read:

10.2 Subdivision 1. **Computation, corporations.** The franchise tax imposed upon  
 10.3 corporations shall be computed by applying to their taxable income the rate of ~~9.8 percent.~~

10.4 (1) 9.8 percent in taxable year 2010;

10.5 (2) 9.3 percent in taxable year 2011;

10.6 (3) 8.8 percent in taxable year 2012;

10.7 (4) 8.3 percent in taxable year 2013; and

10.8 (5) 7.8 percent in taxable years 2014 and thereafter.

10.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 10.10 December 31, 2010.

10.11 Sec. 4. Minnesota Statutes 2009 Supplement, section 290.06, subdivision 2c, is  
 10.12 amended to read:

10.13 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income  
 10.14 taxes imposed by this chapter upon married individuals filing joint returns and surviving  
 10.15 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by  
 10.16 applying to their taxable net income the following schedule of rates:

10.17 (1) On the first \$25,680, 5.35 percent;

10.18 (2) On all over \$25,680, but not over \$102,030, 7.05 percent;

10.19 (3) On all over \$102,030, 7.85 percent.

10.20 Married individuals filing separate returns, estates, and trusts must compute their  
 10.21 income tax by applying the above rates to their taxable income, except that the income  
 10.22 brackets will be one-half of the above amounts.

10.23 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
 10.24 computed by applying to taxable net income the following schedule of rates:

10.25 (1) On the first \$17,570, 5.35 percent;

10.26 (2) On all over \$17,570, but not over \$57,710, 7.05 percent;

10.27 (3) On all over \$57,710, 7.85 percent.

10.28 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying  
 10.29 as a head of household as defined in section 2(b) of the Internal Revenue Code must be  
 10.30 computed by applying to taxable net income the following schedule of rates:

10.31 (1) On the first \$21,630, 5.35 percent;

10.32 (2) On all over \$21,630, but not over \$86,910, 7.05 percent;

10.33 (3) On all over \$86,910, 7.85 percent.

10.34 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the  
 10.35 tax of any individual taxpayer whose taxable net income for the taxable year is less than

11.1 an amount determined by the commissioner must be computed in accordance with tables  
 11.2 prepared and issued by the commissioner of revenue based on income brackets of not  
 11.3 more than \$100. The amount of tax for each bracket shall be computed at the rates set  
 11.4 forth in this subdivision, provided that the commissioner may disregard a fractional part of  
 11.5 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

11.6 (e) An individual who is not a Minnesota resident for the entire year must compute  
 11.7 the individual's Minnesota income tax as provided in this subdivision. After the  
 11.8 application of the nonrefundable credits provided in this chapter, the tax liability must  
 11.9 then be multiplied by a fraction in which:

11.10 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
 11.11 as defined in section 62 of the Internal Revenue Code and increased by the additions  
 11.12 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),  
 11.13 (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction  
 11.14 for United States government interest under section 290.01, subdivision 19b, clause (1),  
 11.15 and the subtractions under section 290.01, subdivision 19b, clauses (9), (10), (14), (15),  
 11.16 (16), and (18) to (20), after applying the allocation and assignability provisions of section  
 11.17 290.081, clause (a), or 290.17; and

11.18 (2) the denominator is the individual's federal adjusted gross income as defined in  
 11.19 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
 11.20 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and  
 11.21 (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1),  
 11.22 (9), (10), (14), (15), (16), and (18) to (20).

11.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 11.24 December 31, 2010.

11.25 Sec. 5. Minnesota Statutes 2008, section 290.068, is amended to read:

11.26 **290.068 CREDIT FOR INCREASING RESEARCH ACTIVITIES.**

11.27 Subdivision 1. **Credit allowed.** A corporation, ~~other than~~ partners in a partnership,  
 11.28 or shareholders in a corporation treated as an "S" corporation under section 290.9725;  
 11.29 ~~is~~ are allowed a credit against ~~the portion of the franchise tax computed under section~~  
 11.30 ~~290.06, subdivision 1,~~ for the taxable year equal to:

11.31 ~~(a) 5 percent of the first \$2,000,000~~ of the excess (if any) of:

11.32 (1) the qualified research expenses for the taxable year, over

11.33 (2) the base amount; ~~and~~

11.34 ~~(b) 2.5 percent on all of such excess expenses over \$2,000,000.~~

12.1 Subd. 2. **Definitions.** For purposes of this section, the following terms have the  
12.2 meanings given.

12.3 (a) "Qualified research expenses" means (i) qualified research expenses and basic  
12.4 research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except  
12.5 it does not include expenses incurred for qualified research or basic research conducted  
12.6 outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue  
12.7 Code; and (ii) contributions to a nonprofit corporation established and operated pursuant  
12.8 to the provisions of chapter 317A for the purpose of promoting the establishment and  
12.9 expansion of business in this state, provided the contributions are invested by the nonprofit  
12.10 corporation for the purpose of providing funds for small, technologically innovative  
12.11 enterprises in Minnesota during the early stages of their development.

12.12 (b) "Qualified research" means qualified research as defined in section 41(d) of the  
12.13 Internal Revenue Code, except that the term does not include qualified research conducted  
12.14 outside the state of Minnesota.

12.15 (c) "Base amount" means base amount as defined in section 41(c) of the Internal  
12.16 Revenue Code, except that the average annual gross receipts must be calculated using  
12.17 Minnesota sales or receipts under section 290.191 and the definitions contained in clauses  
12.18 (a) and (b) shall apply. If a taxpayer does not have records to substantiate the aggregate  
12.19 qualified research expenses for the taxable years beginning after December 31, 1983, and  
12.20 before January 1, 1989, to compute the base amount, and is not a start-up company to  
12.21 which Internal Revenue Code, section 41(c)(3)(B) applies, the corporation is permitted to  
12.22 use a fixed-base percentage of 16 percent.

12.23 Subd. 3. **Limitation; carryover.** (a)(1) The credit for ~~the~~ a taxable year beginning  
12.24 before January 1, 2012, shall not exceed the liability for tax. "Liability for tax" for  
12.25 purposes of this section means the tax imposed under section 290.06, subdivision 1, for the  
12.26 taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

12.27 (2) In the case of a corporation which is a partner in a partnership, the credit allowed  
12.28 for the taxable year shall not exceed the lesser of the amount determined under clause (1)  
12.29 for the taxable year or an amount (separately computed with respect to the corporation's  
12.30 interest in the trade or business or entity) equal to the amount of tax attributable to that  
12.31 portion of taxable income which is allocable or apportionable to the corporation's interest  
12.32 in the trade or business or entity.

12.33 (b) If the amount of the credit determined under this section for any taxable year  
12.34 exceeds the limitation under clause (a), the excess shall be a research credit carryover to  
12.35 each of the 15 succeeding taxable years. The entire amount of the excess unused credit for  
12.36 the taxable year shall be carried first to the earliest of the taxable years to which the credit

13.1 may be carried and then to each successive year to which the credit may be carried. The  
13.2 amount of the unused credit which may be added under this clause shall not exceed the  
13.3 taxpayer's liability for tax less the research credit for the taxable year.

13.4 Subd. 4. **Partnerships and S corporations.** In the case of partnerships the credit  
13.5 shall be allocated in the same manner provided by section 41(f)(2) of the Internal Revenue  
13.6 Code.

13.7 In the case of shareholders in S corporations the credit shall be allocated in the same  
13.8 manner as provided by section 1366(a) of the Internal Revenue Code.

13.9 Subd. 5. **Adjustments; acquisitions and dispositions.** If a taxpayer acquires or  
13.10 disposes of the major portion of a trade or business or the major portion of a separate unit  
13.11 of a trade or business in a transaction with another taxpayer, the taxpayer's qualified  
13.12 research expenses and base amount are adjusted in the same manner provided by section  
13.13 41(f)(3) of the Internal Revenue Code.

13.14 Subd. 6. **Credit to be refundable.** If the amount of credit allowed in this section for  
13.15 qualified research expenses incurred in taxable years beginning after December 31, 2011,  
13.16 exceeds the taxpayer's tax liability under section 290.02 or 290.03, the commissioner  
13.17 shall refund the excess amount. This credit must be used before any other credit allowed  
13.18 under this chapter.

13.19 Subd. 7. **Appropriation.** An amount sufficient to pay the refunds required by this  
13.20 section is appropriated to the commissioner from the general fund.

13.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
13.22 December 31, 2011.

13.23 Sec. 6. Minnesota Statutes 2009 Supplement, section 290.091, subdivision 2, is  
13.24 amended to read:

13.25 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following  
13.26 terms have the meanings given:

13.27 (a) "Alternative minimum taxable income" means the sum of the following for  
13.28 the taxable year:

13.29 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
13.30 55(b)(2) of the Internal Revenue Code;

13.31 (2) the taxpayer's itemized deductions allowed in computing federal alternative  
13.32 minimum taxable income, but excluding:

13.33 (i) the charitable contribution deduction under section 170 of the Internal Revenue  
13.34 Code;

13.35 (ii) the medical expense deduction;

- 14.1 (iii) the casualty, theft, and disaster loss deduction; and
- 14.2 (iv) the impairment-related work expenses of a disabled person;
- 14.3 (3) for depletion allowances computed under section 613A(c) of the Internal
- 14.4 Revenue Code, with respect to each property (as defined in section 614 of the Internal
- 14.5 Revenue Code), to the extent not included in federal alternative minimum taxable income,
- 14.6 the excess of the deduction for depletion allowable under section 611 of the Internal
- 14.7 Revenue Code for the taxable year over the adjusted basis of the property at the end of the
- 14.8 taxable year (determined without regard to the depletion deduction for the taxable year);
- 14.9 (4) to the extent not included in federal alternative minimum taxable income, the
- 14.10 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the
- 14.11 Internal Revenue Code determined without regard to subparagraph (E);
- 14.12 (5) to the extent not included in federal alternative minimum taxable income, the
- 14.13 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and
- 14.14 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)
- 14.15 to (9), (12), (13), (16), and (17);
- 14.16 less the sum of the amounts determined under the following:
- 14.17 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);
- 14.18 (2) an overpayment of state income tax as provided by section 290.01, subdivision
- 14.19 19b, clause (2), to the extent included in federal alternative minimum taxable income;
- 14.20 (3) the amount of investment interest paid or accrued within the taxable year on
- 14.21 indebtedness to the extent that the amount does not exceed net investment income, as
- 14.22 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
- 14.23 amounts deducted in computing federal adjusted gross income; and
- 14.24 (4) amounts subtracted from federal taxable income as provided by section 290.01,
- 14.25 subdivision 19b, clauses (6), (9) to (16), and (18) to (20).
- 14.26 In the case of an estate or trust, alternative minimum taxable income must be
- 14.27 computed as provided in section 59(c) of the Internal Revenue Code.
- 14.28 (b) "Investment interest" means investment interest as defined in section 163(d)(3)
- 14.29 of the Internal Revenue Code.
- 14.30 (c) "Net minimum tax" means the minimum tax imposed by this section.
- 14.31 (d) "Regular tax" means the tax that would be imposed under this chapter (without
- 14.32 regard to this section and section 290.032), reduced by the sum of the nonrefundable
- 14.33 credits allowed under this chapter.
- 14.34 (e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable
- 14.35 income after subtracting the exemption amount determined under subdivision 3.

15.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 15.2 December 31, 2010.

15.3 Sec. 7. Minnesota Statutes 2008, section 290.0921, subdivision 1, is amended to read:

15.4 Subdivision 1. **Tax imposed.** In addition to the taxes computed under this chapter  
 15.5 without regard to this section, the franchise tax imposed on corporations includes a tax  
 15.6 equal to the excess, if any, for the taxable year of:

15.7 (1) (i) 5.8 percent of Minnesota alternative minimum taxable income in taxable  
 15.8 year 2010;

15.9 (ii) 5.5 percent of Minnesota alternative minimum taxable income in taxable year  
 15.10 2011;

15.11 (iii) 5.2 percent of Minnesota alternative minimum taxable income in taxable year  
 15.12 2012;

15.13 (iv) 4.9 percent of Minnesota alternative minimum taxable income in taxable year  
 15.14 2013, and

15.15 (v) 4.6 percent of Minnesota alternative minimum taxable income in taxable year  
 15.16 2014 and thereafter;

15.17 over

15.18 (2) the tax imposed under section 290.06, subdivision 1, for the taxable year without  
 15.19 regard to this section.

15.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 15.21 December 31, 2010.

15.22 Sec. 8. Minnesota Statutes 2008, section 290.0921, subdivision 3, is amended to read:

15.23 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable  
 15.24 income" is Minnesota net income as defined in section 290.01, subdivision 19, and  
 15.25 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),  
 15.26 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company  
 15.27 Minnesota tax return, the minimum tax must be computed on a separate company basis.  
 15.28 If a corporation is part of a tax group filing a unitary return, the minimum tax must be  
 15.29 computed on a unitary basis. The following adjustments must be made.

15.30 (1) For purposes of the depreciation adjustments under section 56(a)(1) and  
 15.31 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in  
 15.32 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal  
 15.33 income tax purposes, including any modification made in a taxable year under section

16.1 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,  
16.2 paragraph (c).

16.3 For taxable years beginning after December 31, 2000, the amount of any remaining  
16.4 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,  
16.5 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation  
16.6 allowance in the first taxable year after December 31, 2000.

16.7 (2) The portion of the depreciation deduction allowed for federal income tax  
16.8 purposes under section 168(k) of the Internal Revenue Code that is required as an  
16.9 addition under section 290.01, subdivision 19c, clause (15), is disallowed in determining  
16.10 alternative minimum taxable income.

16.11 (3) The subtraction for depreciation allowed under section 290.01, subdivision 19d,  
16.12 clause (18), is allowed as a depreciation deduction in determining alternative minimum  
16.13 taxable income.

16.14 (4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d)  
16.15 of the Internal Revenue Code does not apply.

16.16 (5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal  
16.17 Revenue Code does not apply.

16.18 (6) The special rule for dividends from section 936 companies under section  
16.19 56(g)(4)(C)(iii) does not apply.

16.20 (7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue  
16.21 Code does not apply.

16.22 (8) The tax preference for intangible drilling costs under section 57(a)(2) of the  
16.23 Internal Revenue Code must be calculated without regard to subparagraph (E) and the  
16.24 subtraction under section 290.01, subdivision 19d, clause (4).

16.25 (9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal  
16.26 Revenue Code does not apply.

16.27 (10) The tax preference for charitable contributions of appreciated property under  
16.28 section 57(a)(6) of the Internal Revenue Code does not apply.

16.29 (11) For purposes of calculating the tax preference for accelerated depreciation or  
16.30 amortization on certain property placed in service before January 1, 1987, under section  
16.31 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the  
16.32 deduction allowed under section 290.01, subdivision 19e.

16.33 For taxable years beginning after December 31, 2000, the amount of any remaining  
16.34 modification made under section 290.01, subdivision 19e, not previously deducted is a  
16.35 depreciation or amortization allowance in the first taxable year after December 31, 2004.



17.1 (12) For purposes of calculating the adjustment for adjusted current earnings in  
 17.2 section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable  
 17.3 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative  
 17.4 minimum taxable income as defined in this subdivision, determined without regard to the  
 17.5 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

17.6 (13) For purposes of determining the amount of adjusted current earnings under  
 17.7 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section  
 17.8 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend  
 17.9 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the  
 17.10 amount of refunds of income, excise, or franchise taxes subtracted as provided in section  
 17.11 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like  
 17.12 income subtracted as provided in section 290.01, subdivision 19d, clause (10).

17.13 (14) Alternative minimum taxable income excludes the income from operating in a  
 17.14 job opportunity building zone as provided under section 469.317.

17.15 (15) Alternative minimum taxable income excludes the income from operating in a  
 17.16 biotechnology and health sciences industry zone as provided under section 469.337.

17.17 (16) Alternative minimum taxable income excludes the income from operating in an  
 17.18 international economic development zone as provided under section 469.326.

17.19 (17) Alternative minimum taxable income includes the subtraction for small business  
 17.20 stock as provided under section 290.01, subdivision 19d, clause (21).

17.21 Items of tax preference must not be reduced below zero as a result of the  
 17.22 modifications in this subdivision.

17.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 17.24 December 31, 2010.

## 17.25 **ARTICLE 2**

### 17.26 **FEDERAL UPDATE**

17.27 Section 1. Minnesota Statutes 2009 Supplement, section 289A.02, subdivision 7,  
 17.28 is amended to read:

17.29 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 17.30 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 31,~~  
 17.31 ~~2009~~ January 22, 2010.

17.32 **EFFECTIVE DATE.** This section is effective the day following final enactment.

18.1 Sec. 2. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19, is  
 18.2 amended to read:

18.3 Subd. 19. **Net income.** The term "net income" means the federal taxable income,  
 18.4 as defined in section 63 of the Internal Revenue Code of 1986, as amended through the  
 18.5 date named in this subdivision, incorporating the federal effective dates of changes to the  
 18.6 Internal Revenue Code and any elections made by the taxpayer in accordance with the  
 18.7 Internal Revenue Code in determining federal taxable income for federal income tax  
 18.8 purposes, and with the modifications provided in subdivisions 19a to 19f.

18.9 In the case of a regulated investment company or a fund thereof, as defined in section  
 18.10 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
 18.11 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
 18.12 except that:

18.13 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal  
 18.14 Revenue Code does not apply;

18.15 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal  
 18.16 Revenue Code must be applied by allowing a deduction for capital gain dividends and  
 18.17 exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal  
 18.18 Revenue Code; and

18.19 (3) the deduction for dividends paid must also be applied in the amount of any  
 18.20 undistributed capital gains which the regulated investment company elects to have treated  
 18.21 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

18.22 The net income of a real estate investment trust as defined and limited by section  
 18.23 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
 18.24 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

18.25 The net income of a designated settlement fund as defined in section 468B(d) of  
 18.26 the Internal Revenue Code means the gross income as defined in section 468B(b) of the  
 18.27 Internal Revenue Code.

18.28 The Internal Revenue Code of 1986, as amended through ~~March 31, 2009~~ January  
 18.29 22, 2010, shall be in effect for taxable years beginning after December 31, 1996.

18.30 Except as otherwise provided, references to the Internal Revenue Code in  
 18.31 subdivisions 19 to 19f mean the code in effect for purposes of determining net income for  
 18.32 the applicable year.

18.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

18.34 Sec. 3. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19b, is  
 18.35 amended to read:

19.1 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
19.2 and trusts, there shall be subtracted from federal taxable income:

19.3 (1) net interest income on obligations of any authority, commission, or  
19.4 instrumentality of the United States to the extent includable in taxable income for federal  
19.5 income tax purposes but exempt from state income tax under the laws of the United States;

19.6 (2) if included in federal taxable income, the amount of any overpayment of income  
19.7 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
19.8 is received as a refund or as a credit to another taxable year's income tax liability;

19.9 (3) the amount paid to others, less the amount used to claim the credit allowed under  
19.10 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
19.11 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
19.12 transportation of each qualifying child in attending an elementary or secondary school  
19.13 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
19.14 resident of this state may legally fulfill the state's compulsory attendance laws, which  
19.15 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
19.16 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
19.17 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
19.18 "textbooks" includes books and other instructional materials and equipment purchased  
19.19 or leased for use in elementary and secondary schools in teaching only those subjects  
19.20 legally and commonly taught in public elementary and secondary schools in this state.  
19.21 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
19.22 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
19.23 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
19.24 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
19.25 or materials for, or transportation to, extracurricular activities including sporting events,  
19.26 musical or dramatic events, speech activities, driver's education, or similar programs. No  
19.27 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
19.28 the qualifying child's vehicle to provide such transportation for a qualifying child. For  
19.29 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
19.30 given in section 32(c)(3) of the Internal Revenue Code;

19.31 (4) income as provided under section 290.0802;

19.32 (5) to the extent included in federal adjusted gross income, income realized on  
19.33 disposition of property exempt from tax under section 290.491;

19.34 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
19.35 of the Internal Revenue Code in determining federal taxable income by an individual  
19.36 who does not itemize deductions for federal income tax purposes for the taxable year, an

20.1 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
20.2 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and  
20.3 under the provisions of Public Law 109-1 and Public Law 111-126;

20.4 (7) for taxable years beginning before January 1, 2008, the amount of the federal  
20.5 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code  
20.6 which is included in gross income under section 87 of the Internal Revenue Code;

20.7 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not  
20.8 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
20.9 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
20.10 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
20.11 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
20.12 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
20.13 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
20.14 the extent they exceed the federal foreign tax credit;

20.15 (9) in each of the five tax years immediately following the tax year in which an  
20.16 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
20.17 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
20.18 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
20.19 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
20.20 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
20.21 positive value of any net operating loss under section 172 of the Internal Revenue Code  
20.22 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
20.23 less than zero;

20.24 (10) job opportunity building zone income as provided under section 469.316;

20.25 (11) to the extent included in federal taxable income, the amount of compensation  
20.26 paid to members of the Minnesota National Guard or other reserve components of the  
20.27 United States military for active service performed in Minnesota, excluding compensation  
20.28 for services performed under the Active Guard Reserve (AGR) program. For purposes of  
20.29 this clause, "active service" means (i) state active service as defined in section 190.05,  
20.30 subdivision 5a, clause (1); (ii) federally funded state active service as defined in section  
20.31 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05,  
20.32 subdivision 5c, but "active service" excludes service performed in accordance with section  
20.33 190.08, subdivision 3;

20.34 (12) to the extent included in federal taxable income, the amount of compensation  
20.35 paid to Minnesota residents who are members of the armed forces of the United States or  
20.36 United Nations for active duty performed outside Minnesota under United States Code,

21.1 title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of  
21.2 the United Nations;

21.3 (13) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
21.4 qualified donor's donation, while living, of one or more of the qualified donor's organs  
21.5 to another person for human organ transplantation. For purposes of this clause, "organ"  
21.6 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
21.7 "human organ transplantation" means the medical procedure by which transfer of a human  
21.8 organ is made from the body of one person to the body of another person; "qualified  
21.9 expenses" means unreimbursed expenses for both the individual and the qualified donor  
21.10 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
21.11 may be subtracted under this clause only once; and "qualified donor" means the individual  
21.12 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
21.13 individual may claim the subtraction in this clause for each instance of organ donation for  
21.14 transplantation during the taxable year in which the qualified expenses occur;

21.15 (14) in each of the five tax years immediately following the tax year in which an  
21.16 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
21.17 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
21.18 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the  
21.19 case of a shareholder of a corporation that is an S corporation, minus the positive value of  
21.20 any net operating loss under section 172 of the Internal Revenue Code generated for the  
21.21 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
21.22 subtraction is not allowed under this clause;

21.23 (15) to the extent included in federal taxable income, compensation paid to a service  
21.24 member as defined in United States Code, title 10, section 101(a)(5), for military service  
21.25 as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

21.26 (16) international economic development zone income as provided under section  
21.27 469.325;

21.28 (17) to the extent included in federal taxable income, the amount of national service  
21.29 educational awards received from the National Service Trust under United States Code,  
21.30 title 42, sections 12601 to 12604, for service in an approved Americorps National Service  
21.31 program; and

21.32 (18) to the extent included in federal taxable income, discharge of indebtedness  
21.33 income resulting from reacquisition of business indebtedness included in federal taxable  
21.34 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
21.35 to the extent that the income was included in net income in a prior year as a result of the  
21.36 addition under section 290.01, subdivision 19a, clause (16).

22.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

22.2 Sec. 4. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 31, is  
22.3 amended to read:

22.4 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
22.5 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 31,~~  
22.6 ~~2009~~ January 22, 2010. Internal Revenue Code also includes any uncodified provision in  
22.7 federal law that relates to provisions of the Internal Revenue Code that are incorporated  
22.8 into Minnesota law.

22.9 **EFFECTIVE DATE.** This section is effective the day following final enactment  
22.10 except that the changes incorporated by federal changes are effective at the same time as  
22.11 the changes were effective for federal purposes.

22.12 Sec. 5. Minnesota Statutes 2008, section 290.095, subdivision 11, is amended to read:

22.13 Subd. 11. **Carryback or carryover adjustments.** (a) Except as provided in  
22.14 paragraph (c), for individuals, estates, and trusts the amount of a net operating loss  
22.15 that may be carried back or carried over shall be the same dollar amount allowable in  
22.16 the determination of federal taxable income, provided that, notwithstanding any other  
22.17 provision, estates and trusts must apply the following adjustments to the amount of the net  
22.18 operating loss that may be carried back or carried over:

22.19 (1) Nonassignable income or losses as required by section 290.17.

22.20 (2) Deductions not allocable to Minnesota under section 290.17.

22.21 (b) The net operating loss carryback or carryover applied as a deduction in the taxable  
22.22 year to which the net operating loss is carried back or carried over shall be equal to the  
22.23 net operating loss carryback or carryover applied in the taxable year in arriving at federal  
22.24 taxable income provided that trusts and estates must apply the following modifications:

22.25 (1) Increase the amount of carryback or carryover applied in the taxable year by  
22.26 the amount of losses and interest, taxes and other expenses not assignable or allowable  
22.27 to Minnesota incurred in the taxable year.

22.28 (2) Decrease the amount of carryback or carryover applied in the taxable year by  
22.29 the amount of income not assignable to Minnesota earned in the taxable year. For estates  
22.30 and trusts, the net operating loss carryback or carryover to the next consecutive taxable  
22.31 year shall be the net operating loss carryback or carryover as calculated in clause (b)  
22.32 less the amount applied in the earlier taxable year(s). No additional net operating loss  
22.33 carryback or carryover shall be allowed to estates and trusts if the entire amount has been  
22.34 used to offset Minnesota income in a year earlier than was possible on the federal return.

23.1 However, if a net operating loss carryback or carryover was allowed to offset federal  
23.2 income in a year earlier than was possible on the Minnesota return, an estate or trust  
23.3 shall still be allowed to offset Minnesota income but only if the loss was assignable to  
23.4 Minnesota in the year the loss occurred.

23.5 (c)(1) A net operating loss of an individual, estate, or trust that is allowed under this  
23.6 subdivision and for which the taxpayer elects to carry back for more than two years under  
23.7 section 172(b)(1)(H) of the Internal Revenue Code is a net operating loss carryback to  
23.8 each of the two taxable years preceding the loss, and unused portions may be carried  
23.9 forward for 20 taxable years after the loss.

23.10 (2) The entire amount of the net operating loss for any taxable year shall be carried  
23.11 to the earliest of the taxable years to which the loss may be carried. The portion of the  
23.12 loss which is carried to each of the other taxable years is the excess, if any, of the amount  
23.13 of the loss over the taxable net income for each of the taxable years to which the loss  
23.14 may be carried.

23.15 This paragraph does not apply to eligible small businesses that make a valid election  
23.16 to carry back their losses for federal purposes under section 172(b)(1)(H) of the Internal  
23.17 Revenue Code, as amended through March 31, 2009.

23.18 **EFFECTIVE DATE.** This section is effective for net operating losses generated in  
23.19 taxable years beginning after December 31, 2007.

23.20 Sec. 6. Minnesota Statutes 2009 Supplement, section 290A.03, subdivision 15, is  
23.21 amended to read:

23.22 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal  
23.23 Revenue Code of 1986, as amended through ~~March 31, 2009~~ January 22, 2010.

23.24 **EFFECTIVE DATE.** This section is effective for property tax refunds based on  
23.25 property taxes payable after December 31, 2009, and rent paid after December 31, 2008.

23.26 Sec. 7. Minnesota Statutes 2009 Supplement, section 291.005, subdivision 1, is  
23.27 amended to read:

23.28 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following  
23.29 terms used in this chapter shall have the following meanings:

23.30 (1) "Commissioner" means the commissioner of revenue or any person to whom the  
23.31 commissioner has delegated functions under this chapter.

24.1 (2) "Federal gross estate" means the gross estate of a decedent as valued and  
 24.2 otherwise determined for federal estate tax purposes by federal taxing authorities pursuant  
 24.3 to the provisions of the Internal Revenue Code.

24.4 (3) "Internal Revenue Code" means the United States Internal Revenue Code of  
 24.5 1986, as amended through ~~March 31, 2009~~ January 22, 2010.

24.6 (4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as  
 24.7 defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of  
 24.8 deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

24.9 (5) "Minnesota gross estate" means the federal gross estate of a decedent after (a)  
 24.10 excluding therefrom any property included therein which has its situs outside Minnesota,  
 24.11 and (b) including therein any property omitted from the federal gross estate which is  
 24.12 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing  
 24.13 authorities.

24.14 (6) "Nonresident decedent" means an individual whose domicile at the time of  
 24.15 death was not in Minnesota.

24.16 (7) "Personal representative" means the executor, administrator or other person  
 24.17 appointed by the court to administer and dispose of the property of the decedent. If there  
 24.18 is no executor, administrator or other person appointed, qualified, and acting within this  
 24.19 state, then any person in actual or constructive possession of any property having a situs in  
 24.20 this state which is included in the federal gross estate of the decedent shall be deemed  
 24.21 to be a personal representative to the extent of the property and the Minnesota estate tax  
 24.22 due with respect to the property.

24.23 (8) "Resident decedent" means an individual whose domicile at the time of death  
 24.24 was in Minnesota.

24.25 (9) "Situs of property" means, with respect to real property, the state or country in  
 24.26 which it is located; with respect to tangible personal property, the state or country in which  
 24.27 it was normally kept or located at the time of the decedent's death; and with respect to  
 24.28 intangible personal property, the state or country in which the decedent was domiciled  
 24.29 at death.

24.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

### 24.31 **ARTICLE 3**

#### 24.32 **ANGEL INVESTMENT TAX CREDIT**

24.33 Section 1. **[116J.8737] ANGEL INVESTMENT TAX CREDIT.**



25.1 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms  
25.2 have the meanings given.

25.3 (b) "Qualified small business" means a business that satisfies all of the following  
25.4 conditions:

25.5 (1) the business has its headquarters in Minnesota;

25.6 (2) at least 51 percent of the business's employees are employed in Minnesota, and  
25.7 51 percent of the business's total payroll is paid or incurred in the state;

25.8 (3) the business is engaged in, or is committed to engage in, innovation in Minnesota  
25.9 in one of the following:

25.10 (i) using proprietary technology to add value to a product, process, or service in a  
25.11 qualified high-technology field;

25.12 (ii) researching or developing a proprietary product, process, or service in a qualified  
25.13 high-technology field;

25.14 (iii) researching, developing, or producing a new proprietary technology for use in  
25.15 the fields of tourism, forestry, mining, or transportation; or

25.16 (iv) qualified green manufacturing;

25.17 (4) other than the activities specifically listed in clause (3), the business is not  
25.18 engaged in real estate development, insurance, banking, lending, lobbying, political  
25.19 consulting, information technology consulting, wholesale or retail trade, leisure,  
25.20 hospitality, transportation, construction, ethanol production from corn, or professional  
25.21 services provided by attorneys, accountants, business consultants, physicians, or health  
25.22 care consultants;

25.23 (5) the business has fewer than 25 employees;

25.24 (6) if the business has five or more employees as measured on a full-time equivalent  
25.25 basis, the business must pay its employees in excess of the first five annual wages at least  
25.26 175 percent of the federal poverty guideline for the year for a family of four;

25.27 (7) the business has not been in operation for more than ten consecutive years;

25.28 (8) the business has not received more than \$4,000,000 in qualifying investments  
25.29 that have qualified for and received tax credits under this section;

25.30 (9) the business is not a member of a unitary group that employs more than 100  
25.31 employees; and

25.32 (10) the business has not previously received private equity investments of more  
25.33 than \$2,000,000.

25.34 (c) "Qualified high-technology field" includes, but is not limited to, aerospace,  
25.35 agricultural processing, alternative energy, environmental engineering, food technology,  
25.36 cellulosic ethanol, information technology, materials science technology, nanotechnology,

26.1 telecommunications, biotechnology, medical device products, pharmaceuticals,  
26.2 diagnostics, biologicals, and veterinary science.

26.3 (d) "Proprietary technology" means the technical innovations that are unique and  
26.4 legally owned or licensed by a business and includes, without limitation, those innovations  
26.5 that are patented, patent pending, a subject of trade secrets, or copyrighted.

26.6 (e) "Qualified green manufacturing" means a business whose primary business  
26.7 activity is production of products, processes, methods, technologies, or services, excluding  
26.8 consulting, intended to do one or more of the following:

26.9 (1) increase the use of energy from renewable sources, as defined in section  
26.10 216B.1691;

26.11 (2) increase the energy efficiency of the electric utility-producing infrastructure  
26.12 system or to increase energy conservation related to electricity or other utility use, as  
26.13 provided in sections 216B.2401 and 216B.241;

26.14 (3) monitor, protect, restore, and preserve the quality of surface waters; and

26.15 (4) expand use of biofuels, including expanding the feasibility or reducing the cost  
26.16 of producing biofuels or the types of equipment, machinery, and vehicles that can use  
26.17 biofuels.

26.18 (f) "Qualified taxpayer" means an accredited investor, within the meaning of  
26.19 Regulation D of the Securities and Exchange Commission, Code of Federal Regulations,  
26.20 title 17, section 230.501(a), who:

26.21 (1) does not own, control, or hold power to vote 20 percent or more of the outstanding  
26.22 securities of the qualified small business in which the eligible investment is proposed; or

26.23 (2) does not receive more than 50 percent of the taxpayer's gross annual income from  
26.24 the qualified small business in which the eligible investment is proposed.

26.25 A member of the family of a taxpayer disqualified by this subdivision is not eligible  
26.26 for a credit under this section.

26.27 (g)(1) "Qualified angel investment network fund" means a pooled investment fund  
26.28 that:

26.29 (i) invests in qualified small businesses;

26.30 (ii) is organized as a pass-through entity; and

26.31 (iii) has at least three separate investors, all of whom are qualified taxpayers  
26.32 as defined in paragraph (f), and that own no more than 50 percent of the outstanding  
26.33 ownership interests in the fund; and

26.34 (2) for purposes of determining the number of investors and the ownership interest  
26.35 of an investor under this paragraph, the ownership interests of an investor include those of  
26.36 the investor's family, and any corporation, limited liability company, partnership, or trust

27.1 in which the investor or the investor's family has a controlling equity interest or exercises  
27.2 management control. Investments in the fund may consist of equity investments or notes  
27.3 that pay interest or other fixed amounts, or any combination of both.

27.4 (h) "Qualified investment" means either a cash investment of a minimum of:

27.5 (1) \$10,000 in a calendar year by a qualified taxpayer; or

27.6 (2) \$50,000 in a calendar year by a qualified angel investment network fund.

27.7 The qualified investment in a qualified small business must be in exchange  
27.8 for common stock, a partnership or membership interest, preferred stock, debt with  
27.9 mandatory conversion to equity, or an equivalent ownership interest as determined by  
27.10 the commissioner.

27.11 (i) "Family" means a family member within the meaning of the Internal Revenue  
27.12 Code, section 267(c)(4).

27.13 Subd. 2. **Certification of small businesses.** (a) Businesses may apply to the  
27.14 commissioner for certification as a qualified small business. The application must be in the  
27.15 form and be made under the procedures specified by the commissioner, accompanied by  
27.16 an application fee of \$150. The application for certification must be made available on the  
27.17 department's Web site by August 1, 2010. Applications for subsequent years' certification  
27.18 must be made available on the department's Web site by November 1 of the preceding  
27.19 year. Application fees collected are appropriated to the commissioner to be used for  
27.20 personnel and administrative expenses related to administering the program.

27.21 (b) A business seeking certification must submit an application for each taxable  
27.22 year for which the business desires certification. If a qualified small business receives  
27.23 a qualified investment for which tax credits are allocated, the business must annually  
27.24 submit a certified small business report in the form required by the commissioner with  
27.25 the required fee no later than February 1 for the two years subsequent to the last qualified  
27.26 investment. Failure to file an annual report as required under this subdivision results in a  
27.27 fine of \$500 and revocation of certification.

27.28 (c) The commissioner must maintain a list of businesses certified under this  
27.29 subdivision and make the list accessible to the public on the department's Web site.

27.30 Subd. 3. **Certification of qualified taxpayers.** (a) Taxpayers may apply to the  
27.31 commissioner for certification as a qualified taxpayer. The application must be in the  
27.32 form and be made under the procedures specified by the commissioner, accompanied by  
27.33 an application fee of \$350. The application for certification of qualified taxpayers must  
27.34 be made available on the department's Web site by August 1, 2010. Applications for  
27.35 subsequent years' certification must be made available on the department's Web site by

28.1 November 1 of the preceding year. Application fees are appropriated to the commissioner  
28.2 for personnel and administrative expenses related to administering the program.

28.3 (b) A qualified taxpayer seeking certification must submit an application for each  
28.4 taxable year in which the qualified taxpayer seeks certification. If a qualified taxpayer  
28.5 receives tax credits under this section, a qualified taxpayer must submit an angel investor  
28.6 annual report in the form required by the commissioner with the required fee no later than  
28.7 February 1 of each year for two years subsequent to the last allocation of tax credits.  
28.8 Failure to file an angel investor annual report as required under this subdivision results  
28.9 in the revocation of tax credits. Once a qualified taxpayer has filed the required annual  
28.10 reports and accompanying fees for two subsequent years following allocation of tax  
28.11 credits and complied with all other requirements for that allocation, the tax credits are  
28.12 no longer subject to revocation.

28.13 **Subd. 4. Certification of qualified angel investment network funds. (a)**  
28.14 Angel investment network funds may apply to the commissioner of employment and  
28.15 economic development for certification as a qualified angel investment network fund.  
28.16 The application must be in the form and be made under the procedures specified by  
28.17 the commissioner, accompanied by an application fee of \$1,000. The application for  
28.18 certification of qualified angel investor network funds must be made available on the  
28.19 department's Web site by August 1, 2010. Applications for subsequent years' certification  
28.20 must be made available by November 1 of the preceding year. Application fees collected  
28.21 are appropriated to the commissioner to be used for personnel and administrative expenses  
28.22 related to administering the program.

28.23 (b) A qualified angel investment network fund seeking certification must submit an  
28.24 application for each taxable year for which the angel investment network fund seeks  
28.25 certification. If any member of a qualified angel investment network fund receives tax  
28.26 credits under this section for qualified investments made by the fund, the qualified angel  
28.27 investment network fund must annually submit an angel investor annual report in the  
28.28 form required by the commissioner with the required fee no later than February 1 of  
28.29 each year for two years subsequent to the last allocation of credits. Failure to file an  
28.30 angel investor annual report as required under this subdivision results in revocation of  
28.31 tax credits. Once a qualified angel investment network fund has filed the required annual  
28.32 reports and accompanying fees for two subsequent years following allocation of tax  
28.33 credits and complied with all other requirements for that allocation, the tax credits are  
28.34 no longer subject to revocation.

28.35 **Subd. 5. Credit allowed. (a)** A qualified taxpayer or angel investor network fund is  
28.36 allowed a credit for investment in a qualified small business in the amount determined by

29.1 the certification allocated by the commissioner against the tax imposed by chapter 290.  
29.2 The commissioner must not allocate more than \$5,000,000 in credits to qualified taxpayers  
29.3 or angel investment network funds in calendar year 2010, and must not allocate more  
29.4 than \$10,000,000 in credits in calendar year 2011 and in each calendar year thereafter.  
29.5 Any portion of a year's credits that is not allocated by the commissioner does not cancel  
29.6 and may be carried forward to the subsequent year until all credits have been allocated.  
29.7 Applications for tax investment credits must be made available on the department's  
29.8 Web site by September 1, 2010, and the department must begin accepting applications  
29.9 by September 1, 2010. Applications for subsequent years must be made available by  
29.10 November 1 of the preceding year.

29.11 (b) Tax investment credits must be allocated to qualified taxpayers or angel investor  
29.12 network funds in the order that the tax credit request applications are filed with the  
29.13 department. The investment specified in the application must be made within 60 days of  
29.14 the allocation of the credits. If the investment is not made within 60 days, the credits are  
29.15 deemed revoked. A qualified taxpayer or angel investor network fund that fails to invest  
29.16 as specified in the application, within 60 days from allocation of the credits, must notify  
29.17 the department of the failure to invest within five business days of the expiration of the  
29.18 60-day investment period.

29.19 (c) All tax credit request applications filed with the department on the same day must  
29.20 be treated as having been filed contemporaneously. In the event that two or more qualified  
29.21 taxpayers or angel investment network funds file tax credit request applications on the  
29.22 same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit  
29.23 of credit under this section or the lesser amount of credits that remain unallocated on that  
29.24 day, then the credits must be allocated among the qualified taxpayers or angel investment  
29.25 network funds who filed on that day on a pro rata basis with respect to the amounts claimed.  
29.26 The pro rata allocation for any one qualified taxpayer or angel investment network fund is  
29.27 the product obtained by multiplying a fraction, the numerator of which is the amount of  
29.28 the credit allocation claim filed on behalf of a qualified taxpayer and the denominator of  
29.29 which is the total of all credit allocation claims filed on behalf of all applicants on that day,  
29.30 by the amount of credits that remain unallocated on that day for the fiscal year.

29.31 (d) The commissioner must notify the commissioner of revenue of every credit  
29.32 allocated and every credit revoked under this section.

29.33 Subd. 6. **Annual reports.** (a) By February 1 of each year for two years subsequent  
29.34 to the last allocation of credits, qualified small businesses, qualified taxpayers, and  
29.35 qualified angel investment network funds must submit an annual report and a filing fee of

30.1 \$100. All report fees collected are appropriated to the commissioner for personnel and  
30.2 administrative expense related to administering the program.

30.3 (b) Qualified small businesses must certify to the department in the form required by  
30.4 the commissioner that it satisfies the following requirements:

30.5 (1) the business has its headquarters in Minnesota;

30.6 (2) at least 51 percent of the business's employees are employed in Minnesota, and  
30.7 51 percent of the business's total payroll is paid or incurred in the state;

30.8 (3) that the business is engaged in, or is committed to engage in, innovation in  
30.9 Minnesota as defined under subdivision 1; and

30.10 (4) that the business meets the payroll requirements in subdivision 1, paragraph  
30.11 (b), clause (6).

30.12 (c) Qualified taxpayers must certify to the department in the form required by the  
30.13 commissioner that the investor satisfies the following requirements:

30.14 (1) the taxpayer continues to meet the requirements of subdivision 1, paragraph  
30.15 (f); and

30.16 (2) that the taxpayer continues to remain invested in the qualified small business as  
30.17 required by section 290.0692, subdivision 3.

30.18 (d) Qualified angel investment network funds must certify to the department in the  
30.19 form required by the commissioner that the investor satisfies the following requirements:

30.20 (1) the taxpayer continues to meet the requirements of subdivision 1, paragraph  
30.21 (g); and

30.22 (2) that the angel investment network fund continues to remain invested in the  
30.23 qualified small business as required by section 290.0692, subdivision 3.

30.24 Subd. 7. **Rulemaking exception.** The commissioner's actions in establishing  
30.25 procedures and requirements and in making determinations and certifications to administer  
30.26 this section are not a rule for purposes of chapter 14, are not subject to the Administrative  
30.27 Procedure Act contained in chapter 14, and are not subject to section 14.386.

30.28 Subd. 8. **Report.** Beginning in 2011, the commissioner must annually report by  
30.29 March 15 to the chairs of the legislative committees and divisions having jurisdiction over  
30.30 taxes and economic development in the senate and the house of representatives on the tax  
30.31 credits issued under this section. The report must include:

30.32 (1) the number and amount of the credits issued;

30.33 (2) the recipients of the credits;

30.34 (3) the number and type of each business certified as a qualified small business;

30.35 (4) to the extent determinable, the total amount of investment generated by these  
30.36 credits; and

31.1 (5) any other information relevant to evaluating the effect of these credits.

31.2 **EFFECTIVE DATE.** This section is effective the day following final enactment.

31.3 Sec. 2. **[290.0692] ANGEL INVESTMENT CREDIT; CREDIT ALLOWED;**  
 31.4 **LIMITATIONS; HOLDING PERIOD; AND CARRYOVER.**

31.5 Subdivision 1. **Credit allowed.** A qualified taxpayer is allowed a credit against the  
 31.6 tax imposed under this chapter for investments made in the year in a qualified small  
 31.7 business as defined under section 116J.8737. The credit equals 25 percent of the qualified  
 31.8 taxpayer's investment in the business, but not to exceed the lesser of:

31.9 (1) the liability for tax under this chapter, including the applicable alternative  
 31.10 minimum tax, but excluding the minimum fee under section 290.0922; and

31.11 (2) the amount of the certificate provided to the qualified taxpayer under section  
 31.12 116J.8737.

31.13 Subd. 2. **Limitations.** No taxpayer may receive more than \$125,000 in credits  
 31.14 under this section in any one year.

31.15 Subd. 3. **Holding periods.** The credit is allowed only for investments for which a  
 31.16 credit has been allocated by the commissioner of employment and economic development  
 31.17 under section 116J.8737. Any credit taken by a taxpayer must be repaid, and any unused  
 31.18 credits must be canceled, if the investment in the qualified small business is not held for at  
 31.19 least three years. The three-year holding period does not apply if:

31.20 (1) the investment by the qualified taxpayer becomes worthless before the end  
 31.21 of the three-year period;

31.22 (2) 80 percent or more of the assets of the qualified small business is sold before  
 31.23 the end of the three-year period;

31.24 (3) the qualified small business is sold before the end of the three-year period; or

31.25 (4) the qualified small business's common stock begins trading on a public exchange  
 31.26 before the end of the three-year period.

31.27 Subd. 4. **Proportional credits.** Each pass-through entity must provide each  
 31.28 investor a statement indicating the investor's share of the credit amount certified to the  
 31.29 pass-through entity based on its share of the pass-through entity's assets at the time of  
 31.30 the qualified investment.

31.31 Subd. 5. **Carryover.** If the amount of the credit under this subdivision for any  
 31.32 taxable year exceeds the liability for tax, the excess is a credit carryover to each of the ten  
 31.33 succeeding taxable years. The entire amount of the excess unused credit for the taxable  
 31.34 year must be carried first to the earliest of the taxable years to which the credit may be

32.1 carried. The amount of the unused credit that may be added under this subdivision may  
 32.2 not exceed the taxpayer's liability for tax less the credit for the taxable year.

32.3 Subd. 6. **Transfer of credits.** Any taxpayer who has not had liability under this  
 32.4 chapter for the immediate past three taxable years and does not have anticipated liability  
 32.5 for the current taxable year may transfer the entirety of the credit to any natural person of  
 32.6 net worth, as defined in the Code of Federal Regulations, title 17, section 230.501(a). No  
 32.7 person is entitled to a refund for the interest created under this subdivision. Only the full  
 32.8 credit for any one taxpayer may be transferred and the interest may be transferred only one  
 32.9 time. A credit acquired by transfer is subject to the limitations prescribed in this section.  
 32.10 Documentation of any credit acquired by transfer must be provided by the taxpayer in  
 32.11 the form required by the commissioner.

32.12 Subd. 7. **Audit powers.** Notwithstanding the certification eligibility issued by the  
 32.13 commissioner of employment and economic development under section 116J.8737, the  
 32.14 commissioner may utilize any audit and examination powers under chapters 270C or  
 32.15 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to  
 32.16 assess for the amount of any improperly claimed credit.

32.17 **EFFECTIVE DATE.** This section is effective for investments made after July  
 32.18 1, 2010, for taxable years beginning after December 31, 2009, and only applies to  
 32.19 investments for which a credit has been allocated by the commissioner of employment and  
 32.20 economic development.

## 32.21 **ARTICLE 4**

### 32.22 **MINNESOTA BUSINESS INVESTMENT COMPANY CREDIT**

32.23 **Section 1. [116J.665] MINNESOTA BUSINESS INVESTMENT COMPANY**  
 32.24 **CREDIT.**

32.25 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
 32.26 have the meanings given.

32.27 (b) "Affiliate" means:

32.28 (1) any person who, directly or indirectly, beneficially owns, controls, or holds  
 32.29 power to vote 15 percent or more of the outstanding voting securities or other voting  
 32.30 ownership interest of a Minnesota business investment company or insurance company; or

32.31 (2) any person, 15 percent or more of whose outstanding voting securities or other  
 32.32 voting ownership interests are directly or indirectly beneficially owned, controlled, or held  
 32.33 with power to vote by a Minnesota business investment company or insurance company.



33.1 Notwithstanding this subdivision, an investment by a participating investor in a  
33.2 Minnesota business investment company pursuant to an allocation of premium tax credits  
33.3 under this section does not cause that Minnesota business investment company to become  
33.4 an affiliate of that participating investor.

33.5 (c) "Allocation date" means the date on which credits under section 297I.23 are  
33.6 allocated to the participating investors of a Minnesota business investment company  
33.7 under this section.

33.8 (d) "Designated capital" means an amount of money that:

33.9 (1) is invested by a participating investor in a Minnesota business investment  
33.10 company; and

33.11 (2) fully funds the purchase price of either or both participating investor's equity  
33.12 interest in a Minnesota business investment company or a qualified debt instrument issued  
33.13 by a Minnesota business investment company.

33.14 (e) "Minnesota business investment company" means a partnership, corporation,  
33.15 trust, or limited liability company, organized on a for-profit basis, that:

33.16 (1) has its principal office located or is headquartered in Minnesota;

33.17 (2) has as its primary business activity the investment of cash in qualified businesses;  
33.18 and

33.19 (3) is certified by the Department of Employment and Economic Development as  
33.20 meeting the criteria in this section.

33.21 (f) "Participating investor" means any insurance company as defined in section  
33.22 60A.02, subdivision 4, excluding health maintenance organizations, that contributes  
33.23 designated capital pursuant to this section.

33.24 (g) "Person" means any natural person or entity, including, but not limited to, a  
33.25 corporation, general or limited partnership, trust, or limited liability company.

33.26 (h)(1) "Qualified business" means a business that is independently owned and  
33.27 operated and meets all of the following requirements:

33.28 (i) it is headquartered in Minnesota, its principal business operations are located in  
33.29 this state, and at least 80 percent of its employees are located in Minnesota;

33.30 (ii) it has no more than 100 employees;

33.31 (iii) it is not engaged in:

33.32 (A) professional services provided by accountants, doctors, or lawyers;

33.33 (B) banking or lending;

33.34 (C) real estate development;

33.35 (D) insurance;

33.36 (E) oil and gas exploration;

- 34.1 (F) direct gambling activities;  
34.2 (G) retail sales; or  
34.3 (H) making loans to or investments in a Minnesota business investment company  
34.4 or an affiliate; and  
34.5 (iv) it is not a franchise of and has no financial relationship with a Minnesota business  
34.6 investment company or any affiliate of a Minnesota business investment company prior to  
34.7 a Minnesota business investment company's first qualified investment in the business;  
34.8 (2) a business classified as a qualified business at the time of the first qualified  
34.9 investment in the business remains classified as a qualified business and may receive  
34.10 continuing qualified investments from any Minnesota business investment company.  
34.11 Continuing investments constitute qualified investments even though the business may not  
34.12 meet the definition of a qualified business at the time of the continuing investments.  
34.13 (i) "Qualified debt instrument" means a debt instrument issued by a Minnesota  
34.14 business investment company which meets all of the following criteria:  
34.15 (1) it is issued at par value or a premium; and  
34.16 (2) it has an original maturity date of at least four years from the date of issuance,  
34.17 and a repayment schedule which is not faster than a level principal amortization over  
34.18 four years.  
34.19 (j) "Qualified distribution" means any distribution or payment made by a Minnesota  
34.20 business investment company in connection with any of the following:  
34.21 (1) costs and expenses of forming, syndicating, and organizing the Minnesota  
34.22 business investment company, including fees paid for professional services, and the costs  
34.23 of financing and insuring the obligations of a Minnesota business investment company,  
34.24 provided no payment is made to a participating investor;  
34.25 (2) an annual management fee not to exceed one percent of designated capital on  
34.26 an annual basis to offset the costs and expenses of managing and operating a Minnesota  
34.27 business investment company;  
34.28 (3) reasonable and necessary fees in accordance with industry custom for ongoing  
34.29 professional services, including, but not limited to, legal and accounting services related  
34.30 to the operation of a Minnesota business investment company, not including lobbying or  
34.31 governmental relations;  
34.32 (4) any increase or projected increase in federal or state taxes, including penalties  
34.33 and related interest of the equity owners of a Minnesota business investment company  
34.34 resulting from the earnings or other tax liability of a Minnesota business investment  
34.35 company to the extent that the increase is related to the ownership, management, or  
34.36 operation of a Minnesota business investment company.

35.1 (5) Payments of principal and interest to holders of qualified debt instruments issued  
35.2 by a Minnesota business investment company may be made without restriction whatsoever.

35.3 (k) "Qualified investment" means the investment of money by a Minnesota  
35.4 business investment company in a qualified business for the purchase of any debt,  
35.5 debt participation, equity, or hybrid security of any nature and description whatsoever,  
35.6 including a debt instrument or security that has the characteristics of debt but that provides  
35.7 for conversion into equity or equity participation instruments such as options or warrants.  
35.8 Any repayment of a qualified investment prior to one year from the date of issuance shall  
35.9 result in the amount of the qualified investment being reduced by 50 percent for purposes  
35.10 of the cumulative investment requirement in subdivision 8, paragraph (d).

35.11 (l) "State premium tax liability" means any liability incurred by an insurance  
35.12 company under chapter 297I or in the case of a repeal or a rate reduction by the state of  
35.13 the liability imposed by chapter 297I, any other tax liability imposed upon an insurance  
35.14 company by the state, other than the tax imposed on taxpayers under section 290.05.

35.15 Subd. 2. **Certification.** (a) The department must provide a standardized format for  
35.16 applying for the business investment credit under section 297I.23, and for certification as a  
35.17 Minnesota business investment company.

35.18 (b) An applicant for certification as a Minnesota business investment company  
35.19 is required to:

35.20 (1) file an application with the department that includes, without limitation, a  
35.21 statement that the applicant has read and understands the requirements of this chapter;

35.22 (2) pay a nonrefundable application fee of \$7,500 at the time of filing the application;

35.23 (3) submit as part of its application an audited balance sheet that contains an  
35.24 unqualified opinion of an independent certified public accountant issued not more than 35  
35.25 days before the application date that states that the applicant has an equity capitalization  
35.26 of \$500,000 or more in the form of unencumbered cash, marketable securities, or other  
35.27 liquid assets; and

35.28 (4) have at least two principals or persons, at least one of which is primarily located  
35.29 in Minnesota, employed or engaged to manage the funds who each have a minimum of  
35.30 five years of money management experience in the venture capital or business industry.

35.31 (c) The department may certify partnerships, corporations, trusts, or limited liability  
35.32 companies, organized on a for-profit basis, which submit an application to be designated as  
35.33 a Minnesota business investment company if the applicant is located, headquartered, and  
35.34 licensed or registered to conduct business in Minnesota, has as its primary business activity  
35.35 the investment of cash in qualified businesses, and meets the other criteria in this section.

36.1 (d) The department must review the organizational documents of each applicant  
36.2 for certification and the business history of each applicant and determine whether the  
36.3 applicant has satisfied the requirements of this section.

36.4 (e) Within 45 days after the receipt of an application, the department must issue the  
36.5 certification or refuse the certification and communicate in detail to the applicant the  
36.6 grounds for refusal, including suggestions for the removal of such grounds.

36.7 (f) The department must begin accepting applications to become a Minnesota  
36.8 business investment company as defined under section 297I.23 by August 1, 2010.

36.9 (g) All certification fees collected by the department under this chapter are  
36.10 appropriated to the commissioner to be used for personnel and administrative expenses  
36.11 related to administering the program.

36.12 Subd. 3. **Requirements.** (a) A participating investor or affiliate of a participating  
36.13 investor must not, directly or indirectly:

36.14 (1) beneficially own, whether through rights, options, convertible interest, or  
36.15 otherwise, 15 percent or more of the voting securities or other voting ownership interest of  
36.16 a Minnesota business investment company;

36.17 (2) manage a Minnesota business investment company; or

36.18 (3) control the direction of investments for a Minnesota business investment  
36.19 company.

36.20 (b) A Minnesota business investment company may obtain one or more guaranties,  
36.21 indemnities, bonds, insurance policies, or other payment undertakings for the benefit  
36.22 of its participating investors from any entity, except that in no case can more than one  
36.23 participating investor of a Minnesota business investment company on an aggregate  
36.24 basis with all affiliates of the participating investor be entitled to provide the guaranties,  
36.25 indemnities, bonds, insurance policies, or other payment undertakings in favor of the  
36.26 participating investors of a Minnesota business investment company and its affiliates in  
36.27 this state.

36.28 (c) This subdivision does not preclude a participating investor or other party  
36.29 from exercising its legal rights and remedies, including, without limitation, interim  
36.30 management of a Minnesota business investment company, in the event that a Minnesota  
36.31 business investment company is in default of its statutory obligations or its contractual  
36.32 obligations to the participating investor or other party, or from monitoring a Minnesota  
36.33 business investment company to ensure its compliance with this section or disallowing  
36.34 any investments that have not been approved by the department.

36.35 (d) The department may contract with an independent third party to review,  
36.36 investigate, and certify that the applications comply with this section.

37.1 Subd. 4. **Aggregate limitations on investment tax credits; allocation.** (a)

37.2 The aggregate amount of investment tax credits to be allocated to all participating  
37.3 investors of Minnesota business investment companies under this section shall not exceed  
37.4 \$100,000,000. No Minnesota business investment company, on an aggregate basis with its  
37.5 affiliates, may file credit allocation claims that exceed \$100,000,000.

37.6 (b) Credits must be allocated to participating investors in the order that the credit  
37.7 allocation claims are filed with the department, provided that all credit allocation  
37.8 claims filed with the department on the same day must be treated as having been filed  
37.9 contemporaneously. Any credit allocation claims filed with the department prior to the  
37.10 initial credit allocation claim filing date are deemed to have been filed on the initial credit  
37.11 allocation claim filing date. The department must set the initial credit allocation claim  
37.12 filing date not less than 120 days and not greater than 150 days after the department  
37.13 begins accepting applications for certification.

37.14 (c) In the event that two or more Minnesota business investment companies file  
37.15 credit allocation claims with the department on behalf of their respective participating  
37.16 investors on the same day, and the aggregate amount of credit allocation claims exceeds  
37.17 the aggregate limit of investment tax credits under this section or the lesser amount of  
37.18 credits that remain unallocated on that day, then the department must allocate the credits  
37.19 among the participating investors who filed on that day on a pro rata basis with respect  
37.20 to the amounts claimed. The pro rata allocation for any one participating investor is the  
37.21 product obtained by multiplying a fraction, the numerator of which is the amount of the  
37.22 credit allocation claim filed on behalf of a participating investor and the denominator of  
37.23 which is the total of all credit allocation claims filed on behalf of all participating investors  
37.24 on that day, by the aggregate limit of credits under this section or the lesser amount of  
37.25 credits that remain unallocated on that day.

37.26 (d) Within ten business days after the department receives a credit allocation claim  
37.27 filed by a Minnesota business investment company on behalf of one or more of its  
37.28 participating investors, the department must notify the Minnesota business investment  
37.29 company of the amount of credits allocated to each of the participating investors of that  
37.30 Minnesota business investment company. In the event a Minnesota business investment  
37.31 company does not receive an investment of designated capital from each participating  
37.32 investor required to earn the amount of credits allocated to the participating investor  
37.33 within ten business days of the Minnesota business investment company's receipt of notice  
37.34 of allocation, then it shall notify the department on or before the next business day, and  
37.35 the credits allocated to the participating investor of the Minnesota business investment  
37.36 company are forfeited. The department must then reallocate those forfeited credits among

38.1 the participating investors of the other Minnesota business investment companies on a pro  
38.2 rata basis with respect to the credit allocation claims filed on behalf of the participating  
38.3 investors. The commissioner is authorized, but not required, to levy a fine of not more than  
38.4 \$50,000 on any participating investor that does not invest the full amount of designated  
38.5 capital required to fund the credits allocated to it by the department in accordance with the  
38.6 credit allocation claim filed on its behalf.

38.7 (e) No participating investor, on an aggregate basis with its affiliates, may file an  
38.8 allocation claim for more than 25 percent of the maximum amount of investment tax  
38.9 credits authorized under this subdivision, regardless of whether the claim is made in  
38.10 connection with one or more Minnesota business investment companies.

38.11 **Subd. 5. Requirements for continuance of certification.** (a) To maintain its  
38.12 certification, a Minnesota business investment company must make qualified investments  
38.13 as follows:

38.14 (1) within two years after the allocation date, a Minnesota business investment  
38.15 company must invest an amount equal to at least 35 percent of its designated capital in  
38.16 qualified investments; and

38.17 (2) within three years after the allocation date, a Minnesota business investment  
38.18 company must invest an amount equal to at least 50 percent of its designated capital  
38.19 in qualified investments.

38.20 (b) Prior to making a proposed qualified investment in a specific business, a  
38.21 Minnesota business investment company must request from the department a written  
38.22 determination that the proposed investment qualifies as a qualified investment in a  
38.23 qualified business. The department must notify a Minnesota business investment company  
38.24 within ten business days from the receipt of a request of its determination and an  
38.25 explanation thereof. If the department fails to notify the Minnesota business investment  
38.26 company of its determination within the ten-business-day period, the proposed investment  
38.27 is deemed a qualified investment in a qualified business. If the department determines that  
38.28 the proposed investment does not meet the definition of a qualified investment or qualified  
38.29 business, or both, the department may nevertheless consider the proposed investment a  
38.30 qualified investment and, if necessary, the business a qualified business, if the department  
38.31 determines that the proposed investment furthers state economic development.

38.32 (c) All designated capital not invested in qualified investments by a Minnesota  
38.33 business investment company shall be held or invested in such manner as the Minnesota  
38.34 business investment company, in its discretion, deems appropriate. Designated capital  
38.35 and proceeds of designated capital returned to a Minnesota business investment company  
38.36 after being originally invested in qualified investments may be invested again in qualified

39.1 investments and the investment shall count toward the requirements of paragraph (a) with  
39.2 respect to making investments of designated capital in qualified investments.

39.3 (d) If, within four years after its allocation date, a Minnesota business investment  
39.4 company has not invested at least 60 percent of its designated capital in qualified  
39.5 investments, the Minnesota business investment company must not be permitted to pay  
39.6 management fees.

39.7 (e) If, within six years after its allocation date, a Minnesota business investment  
39.8 company has not invested at least 100 percent of its designated capital in qualified  
39.9 investments, the Minnesota business investment company must not be permitted to pay  
39.10 management fees.

39.11 (f) A Minnesota business investment company may not invest more than 15 percent  
39.12 of its designated capital in any one qualified business without the specific approval  
39.13 of the department.

39.14 (g) For purposes of calculating the investment percentage thresholds of paragraph  
39.15 (a), the cumulative amount of all qualified investments made by a Minnesota business  
39.16 investment company from the allocation date must be considered.

39.17 **Subd. 6. Minnesota business investment company reporting requirements. (a)**  
39.18 **Each Minnesota business investment company must report the following to the department**  
39.19 **in the form designated by the commissioner:**

39.20 (1) as soon as practicable after the receipt of designated capital:

39.21 (i) the name of each participating investor from which the designated capital was  
39.22 received, including such participating investor's insurance tax identification number;

39.23 (ii) the amount of each participating investor's investment of designated capital; and

39.24 (iii) the date on which the designated capital was received;

39.25 (2) on an annual basis, on or before January 31 of each year:

39.26 (i) the amount of the Minnesota business investment company's designated capital  
39.27 that remains to be invested in qualified investments at the end of the immediately  
39.28 preceding taxable year;

39.29 (ii) whether or not the Minnesota business investment company has invested more  
39.30 than 15 percent of its total designated capital in any one business;

39.31 (iii) all qualified investments that the Minnesota business investment company has  
39.32 made in the previous taxable year, including the number of employees of each qualified  
39.33 business in which it has made investments at the time of such investment, and as of  
39.34 December 1 of the preceding taxable year; and

39.35 (iv) for any qualified business where the Minnesota business investment company  
39.36 no longer has an investment, the Minnesota business investment company must provide

40.1 employment figures for that company as of the last day before the investment was  
40.2 terminated;

40.3 (3) other information that the department may reasonably request that helps the  
40.4 department ascertain the impact of the Minnesota business investment company program  
40.5 both directly and indirectly on the economy of the state including, but not limited to, the  
40.6 number of jobs created by qualified businesses that have received qualified investments;

40.7 (4) within 90 days of the close of its fiscal year, annual audited financial statements  
40.8 of the Minnesota business investment company, which must include the opinion of an  
40.9 independent certified public accountant; and

40.10 (5) an agreed upon procedures report or equivalent regarding the operations of the  
40.11 Minnesota business investment company.

40.12 (b) A Minnesota business investment company must pay to the department an  
40.13 annual, nonrefundable certification fee of \$5,000 on or before April 1, or \$10,000 if later.  
40.14 No annual certification fee is required if the payment date for the fee is within six months  
40.15 of the date a Minnesota business investment company is first certified by the department.

40.16 (c) Upon satisfying the requirements of subdivision 5, paragraph (a), clause (2),  
40.17 a Minnesota business investment company must provide the notice to the department  
40.18 and the department shall, within 60 days of receipt of the notice, either confirm that the  
40.19 Minnesota business investment company has satisfied the requirements of subdivision  
40.20 5, paragraph (a), clause (2), as of such date or provide notice of noncompliance and an  
40.21 explanation of any existing deficiencies. If the department does not provide notification  
40.22 within 60 days, the Minnesota business investment company is deemed to have met the  
40.23 requirements of subdivision 5, paragraph (a), clause (2).

40.24 Subd. 7. **Distributions.** (a) A Minnesota business investment company may  
40.25 make qualified distributions at any time. In order for a Minnesota business investment  
40.26 company to make a distribution other than a qualified distribution to its equity holders,  
40.27 the cumulative amount of all qualified investments of the Minnesota business investment  
40.28 company must equal or exceed 100 percent of its designated capital.

40.29 (b) The state shall receive ten percent of the net profits on qualified investments.  
40.30 For purposes of this paragraph, "net profits on qualified investments" means the amount  
40.31 of money returned to the Minnesota business investment company in exchange for or  
40.32 repayment of its qualified investments in qualified businesses in excess of the amount  
40.33 invested by the Minnesota business investment company in qualified investments. The  
40.34 net profits on qualified investments are the aggregate of all of the Minnesota business  
40.35 investment company's qualified investments where gains on qualified investments are  
40.36 netted against losses on qualified investments.



41.1 Subd. 8. **Decertification.** (a) The department shall conduct an annual review of  
41.2 each Minnesota business investment company to determine if a Minnesota business  
41.3 investment company is abiding by the requirements of certification and to ensure that no  
41.4 investment has been made in violation of this section. The cost of the annual review  
41.5 must be paid by each Minnesota business investment company according to a reasonable  
41.6 fee schedule adopted by the department.

41.7 (b) Any material violation of this section, including any material misrepresentation  
41.8 made to the department in connection with the application process, is grounds for  
41.9 decertification of a Minnesota business investment company and the disallowance of  
41.10 credits under section 297I.23, provided that in all instances the department shall provide  
41.11 notice to the Minnesota business investment company of the grounds of the proposed  
41.12 decertification and the opportunity to cure the violation before any decertification becomes  
41.13 effective.

41.14 (c) The department shall send written notice of decertification to the commissioner  
41.15 of revenue and to the address of each participating investor whose tax credit is subject  
41.16 to recapture or forfeiture, using the address shown on the last filing submitted to the  
41.17 department.

41.18 (d) Once a Minnesota business investment company has invested an amount  
41.19 cumulatively equal to 100 percent of its designated capital in qualified investments,  
41.20 provided that the Minnesota business investment company has met all other requirements  
41.21 under this section as of such date, the Minnesota business investment company is no  
41.22 longer subject to regulation by the department or the reporting requirements under  
41.23 subdivision 6. Upon receiving certification by a Minnesota business investment company  
41.24 that it has invested an amount equal to 100 percent of its designated capital, the department  
41.25 shall notify a Minnesota business investment company within 60 days that it has or has not  
41.26 met the requirements, with a reason for the determination if it has not. If the department  
41.27 does not provide notification of deregulation within 60 days, the Minnesota business  
41.28 investment company is deemed to have met the requirements and is deemed to no longer  
41.29 be subject to regulation by the department.

41.30 Subd. 9. **Registration requirements.** All investments by participating investors  
41.31 for which tax credits are awarded under this section must be registered or specifically  
41.32 exempt from registration.

41.33 Subd. 10. **Rulemaking.** The commissioner's actions in establishing procedures and  
41.34 requirements and in making determinations and certifications to administer this section are  
41.35 not a rule for purposes of chapter 14, are not subject to the Administrative Procedure Act  
41.36 contained in chapter 14, and are not subject to section 14.386.

42.1 Subd. 11. Reports to governor and legislature. The department shall make an  
 42.2 annual report by March 15 of each year to the governor and the chairs and ranking  
 42.3 minority members of the legislative committees and divisions having jurisdiction over  
 42.4 taxes and economic development. The report must include:

42.5 (1) the number of Minnesota business investment companies holding designated  
 42.6 capital;

42.7 (2) the amount of designated capital invested in each Minnesota business investment  
 42.8 company;

42.9 (3) the cumulative amount that each Minnesota business investment company has  
 42.10 invested as of January 1, 2011, and the cumulative total each year thereafter;

42.11 (4) the cumulative amount of follow-on capital that the investments of each  
 42.12 Minnesota business investment company have created in terms of capital invested in  
 42.13 qualified businesses at the same time or subsequent to investments made by a Minnesota  
 42.14 business investment company in such businesses by sources other than Minnesota  
 42.15 business investment companies;

42.16 (5) the total amount of investment tax credits applied under this section for each year;

42.17 (6) the performance of each Minnesota business investment company with regard to  
 42.18 the requirements for continued certification;

42.19 (7) the classification of the companies in which each Minnesota business investment  
 42.20 company has invested according to industrial sector and size of company;

42.21 (8) the gross number of jobs created by investments made by each Minnesota  
 42.22 business investment company and the number of jobs retained;

42.23 (9) the location of the companies in which each Minnesota business investment  
 42.24 company has invested;

42.25 (10) those Minnesota business investment companies that have been decertified,  
 42.26 including the reasons for decertification; and

42.27 (11) other related information as necessary to evaluate the effect of this section on  
 42.28 economic development.

42.29 **EFFECTIVE DATE.** This section is effective the day following final enactment.

42.30 Sec. 2. [297L.23] MINNESOTA BUSINESS INVESTMENT COMPANY CREDIT.

42.31 Subdivision 1. Credit allowed. (a) A participating investor as defined under section  
 42.32 116J.665, subdivision 1, is allowed a credit against the tax imposed in this chapter equal to  
 42.33 80 percent of the participating investor's investment of designated capital in a Minnesota  
 42.34 business investment company. Beginning March 1, 2015, and ending with the tax return  
 42.35 due March 1, 2018, a participating investor may claim yearly an amount equal to 20

43.1 percent of the participating investor's investment of designated capital against the tax  
43.2 liability under this chapter for the preceding calendar year.

43.3 (b) The credit for any calendar year must not exceed the liability for tax. If the  
43.4 amount of the credit determined under this section for any calendar year exceeds the  
43.5 liability for tax, the excess is an investment tax credit carryover to each of the succeeding  
43.6 calendar years and must be carried forward to each succeeding calendar year until the  
43.7 entire carryforward has been credited against the participating investor's liability for tax  
43.8 under this chapter. Credits may be used only on an annual premium tax return filed by  
43.9 a participating investor.

43.10 (c) A participating investor claiming a credit under this section is not required to pay  
43.11 any additional retaliatory tax levied by Minnesota as a result of claiming the credit.

43.12 (d) A participating investor is not required to reduce the amount of tax passed to the  
43.13 insured pursuant to the state premium tax liability included by the participating investor  
43.14 in connection with ratemaking for any insurance contract written in this state because of  
43.15 a reduction in the participating investor's tax liability based on the tax credit allowed  
43.16 under this section.

43.17 (e) Decertification of a Minnesota business investment company under section  
43.18 116J.665 may result in the disallowance and the recapture of the credit allowed under this  
43.19 section. The amount disallowed and recaptured must be assessed as follows:

43.20 (1) decertification of a Minnesota business investment company within two years  
43.21 of the allocation date of tax credits and prior to meeting the requirements of section  
43.22 116J.665, subdivision 5, paragraph (a), clause (1), shall result in the disallowance of all  
43.23 of the credits allowed under this section;

43.24 (2) decertification of a Minnesota business investment company after two years  
43.25 of the allocation date of tax credits, but prior to meeting the requirements of section  
43.26 116J.665, subdivision 5, paragraph (a), clause (1), results in the disallowance of one-half  
43.27 of all the credits allowed under this section; and

43.28 (3) decertification of Minnesota business investment company that has already met  
43.29 the requirements of section 116J.665, subdivision 5, paragraph (a), clause (1), does not  
43.30 cause the disallowance of any credits allowed under this section nor the recapture of any  
43.31 portion of the credits that was previously taken.

43.32 Subd. 2. **Transfers.** A participating investor must not transfer, agree to transfer,  
43.33 sell, or agree to sell the credit under this section until 180 days from the date on which  
43.34 the participating investor invested designated capital. After 180 days from the date of  
43.35 investment, a participating investor, or subsequent transferee, may transfer credits to  
43.36 another person who is subject to tax and must notify the department in the form prescribed

44.1 by the commissioner within 30 days of the transfer. A person must not transfer a credit  
 44.2 more than once in a 12-month period. No person is entitled to a refund for the interest  
 44.3 created under this subdivision. A credit acquired by transfer is subject to the limitations  
 44.4 prescribed in this section. Any transfer or sale of the credits does not affect the time  
 44.5 schedule for claiming the credit. Any tax credits recaptured under this section remain the  
 44.6 liability of the participating investor that actually applied the credit towards its tax liability.

44.7 Subd. 3. **Repayment of tax benefits received.** (a) Decertification of a Minnesota  
 44.8 business investment company or revocation of credits under section 116J.665, results  
 44.9 in the disallowance to certified investors of any credits for that calendar year or future  
 44.10 calendar years and the participating investor is required to repay any credits claimed for  
 44.11 the previous year. Repayment must be made within 60 days of the decertification or  
 44.12 the revocation of the certification.

44.13 (b) The provisions of chapters 270C and 297I relating to audit, assessment, refund,  
 44.14 collection, and appeals are applicable to the credits claimed and repayment required under  
 44.15 this section. The commissioner may impose civil penalties as provided in section 297I.85,  
 44.16 and additional tax and penalties are subject to interest at the rate provided in section  
 44.17 270C.40, from the date payment was due.

44.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 44.19 December 31, 2010.

## 44.20 **ARTICLE 5**

### 44.21 **TECHZ**

44.22 Section 1. Minnesota Statutes 2008, section 268.19, subdivision 1, is amended to read:

44.23 Subdivision 1. **Use of data.** (a) Except as provided by this section, data gathered  
 44.24 from any person under the administration of the Minnesota Unemployment Insurance Law  
 44.25 are private data on individuals or nonpublic data not on individuals as defined in section  
 44.26 13.02, subdivisions 9 and 12, and may not be disclosed except according to a district court  
 44.27 order or section 13.05. A subpoena is not considered a district court order. These data  
 44.28 may be disseminated to and used by the following agencies without the consent of the  
 44.29 subject of the data:

44.30 (1) state and federal agencies specifically authorized access to the data by state  
 44.31 or federal law;

44.32 (2) any agency of any other state or any federal agency charged with the  
 44.33 administration of an unemployment insurance program;

- 45.1 (3) any agency responsible for the maintenance of a system of public employment  
45.2 offices for the purpose of assisting individuals in obtaining employment;
- 45.3 (4) the public authority responsible for child support in Minnesota or any other  
45.4 state in accordance with section 256.978;
- 45.5 (5) human rights agencies within Minnesota that have enforcement powers;
- 45.6 (6) the Department of Revenue to the extent necessary for its duties under Minnesota  
45.7 laws;
- 45.8 (7) public and private agencies responsible for administering publicly financed  
45.9 assistance programs for the purpose of monitoring the eligibility of the program's  
45.10 recipients;
- 45.11 (8) the Department of Labor and Industry and the Division of Insurance Fraud  
45.12 Prevention in the Department of Commerce for uses consistent with the administration of  
45.13 their duties under Minnesota law;
- 45.14 (9) local and state welfare agencies for monitoring the eligibility of the data subject  
45.15 for assistance programs, or for any employment or training program administered by those  
45.16 agencies, whether alone, in combination with another welfare agency, or in conjunction  
45.17 with the department or to monitor and evaluate the statewide Minnesota family investment  
45.18 program by providing data on recipients and former recipients of food stamps or food  
45.19 support, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance  
45.20 under chapter 119B, or medical programs under chapter 256B, 256D, or 256L;
- 45.21 (10) local and state welfare agencies for the purpose of identifying employment,  
45.22 wages, and other information to assist in the collection of an overpayment debt in an  
45.23 assistance program;
- 45.24 (11) local, state, and federal law enforcement agencies for the purpose of ascertaining  
45.25 the last known address and employment location of an individual who is the subject of  
45.26 a criminal investigation;
- 45.27 (12) the United States Citizenship and Immigration Services has access to data on  
45.28 specific individuals and specific employers provided the specific individual or specific  
45.29 employer is the subject of an investigation by that agency;
- 45.30 (13) the Department of Health for the purposes of epidemiologic investigations;
- 45.31 (14) the Department of Corrections for the purpose of preconfinement and  
45.32 postconfinement employment tracking of committed offenders for the purpose of case  
45.33 planning; ~~and~~
- 45.34 (15) the state auditor to the extent necessary to conduct audits of job opportunity  
45.35 building zones and TECHZ businesses as required under ~~section~~ sections 469.3201; and  
45.36 469.3701; and

46.1 (16) any agency responsible for monitoring compliance with job opportunity  
 46.2 building zones or TECHZ business subsidy agreements.

46.3 (b) Data on individuals and employers that are collected, maintained, or used by  
 46.4 the department in an investigation under section 268.182 are confidential as to data  
 46.5 on individuals and protected nonpublic data not on individuals as defined in section  
 46.6 13.02, subdivisions 3 and 13, and must not be disclosed except under statute or district  
 46.7 court order or to a party named in a criminal proceeding, administrative or judicial, for  
 46.8 preparation of a defense.

46.9 (c) Data gathered by the department in the administration of the Minnesota  
 46.10 unemployment insurance program must not be made the subject or the basis for any  
 46.11 suit in any civil proceedings, administrative or judicial, unless the action is initiated by  
 46.12 the department.

46.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

46.14 Sec. 2. Minnesota Statutes 2008, section 270B.14, subdivision 3, is amended to read:

46.15 Subd. 3. **Administration of enterprise, job opportunity, and biotechnology**  
 46.16 **and health sciences industry zone, and TECHZ programs.** The commissioner may  
 46.17 disclose return information relating to the taxes imposed by chapters 290 and 297A to  
 46.18 the Department of Employment and Economic Development or a municipality receiving  
 46.19 an enterprise zone designation under section 469.169 but only as necessary to administer  
 46.20 the funding limitations under section 469.169, subdivision 7, or to the Department  
 46.21 of Employment and Economic Development and appropriate officials from the local  
 46.22 government units in which a qualified business is located but only as necessary to enforce  
 46.23 the job opportunity building zone benefits under section 469.315, ~~or~~ biotechnology and  
 46.24 health sciences industry zone benefits under section 469.336, or the TECHZ benefits  
 46.25 under section 469.365.

46.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

46.27 Sec. 3. Minnesota Statutes 2008, section 270B.15, is amended to read:

46.28 **270B.15 DISCLOSURE TO LEGISLATIVE AUDITOR AND STATE**  
 46.29 **AUDITOR.**

46.30 (a) Returns and return information must be disclosed to the legislative auditor to the  
 46.31 extent necessary for the legislative auditor to carry out sections 3.97 to 3.979.

46.32 (b) The commissioner must disclose return information, including the report required  
 46.33 under section 289A.12, subdivision 15, to the state auditor to the extent necessary to

47.1 conduct audits of job opportunity building zones as required under section 469.3201 and  
47.2 audits of TECHZ businesses and business subsidy agreements under section 469.3701.

47.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

47.4 Sec. 4. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision  
47.5 to read:

47.6 Subd. 95. **TECHZ property.** (a) Improvements to real property and personal  
47.7 property classified under section 273.13, subdivision 24, by a qualified TECHZ business  
47.8 at a TECHZ location are exempt from ad valorem taxes levied under chapter 275. The  
47.9 exemption applies only to improvements to the property made within two years after the  
47.10 later of the signing of the business subsidy agreement required under section 469.360,  
47.11 subdivision 7, or the date of approval by the commissioner of employment and economic  
47.12 development under section 469.362, or to any improvements if the property was not  
47.13 owned or occupied by the business or by a related party prior to the signing of the business  
47.14 subsidy agreement.

47.15 (b) For property to qualify for the exemption under paragraph (a), the occupant must  
47.16 be a qualified TECHZ business, as defined in section 469.360, subdivision 7.

47.17 (c) For property located outside the metropolitan area as defined in section 473.121,  
47.18 subdivision 2, this exemption applies to property taxes payable in the year after the later of  
47.19 the signing of the business subsidy agreement required under section 469.360, subdivision  
47.20 7, or the date of approval by the commissioner of employment and economic development  
47.21 under section 469.362 and for the taxes payable in the ten following years. For property  
47.22 located within the metropolitan area as defined in section 473.121, subdivision 2, this  
47.23 exemption applies to property taxes payable in the year after the later of the signing of the  
47.24 business subsidy agreement required under section 469.360, subdivision 7, or the date of  
47.25 approval by the commissioner of employment and economic development under section  
47.26 469.362 and for the taxes payable in the five following years.

47.27 To be exempt, the property must be occupied by July 1 of the assessment year  
47.28 by a qualified TECHZ business that has signed the business subsidy agreement by July  
47.29 1 of the assessment year.

47.30 A qualified TECHZ business must notify the county assessor in writing of eligibility  
47.31 under this subdivision by July 1 in order to begin receiving the exemption under this  
47.32 subdivision for taxes payable in the following year. The business need not annually notify  
47.33 the county assessor of its continued exemption under this subdivision, but must notify the  
47.34 county assessor immediately if the exemption no longer applies.

48.1 **EFFECTIVE DATE.** This section is effective beginning for property taxes assessed  
 48.2 in 2011 and payable in 2012.

48.3 Sec. 5. Minnesota Statutes 2008, section 289A.12, is amended by adding a subdivision  
 48.4 to read:

48.5 Subd. 17. **Report of TECHZ benefits; penalty for failure to file report.** (a)  
 48.6 By October 15 of each year, every qualified TECHZ business, as defined under section  
 48.7 469.360, subdivision 7, must file with the commissioner, on a form prescribed by the  
 48.8 commissioner, a report listing the tax benefits under section 469.365 received by the  
 48.9 business for the previous year.

48.10 (b) The commissioner shall send notice to each business that fails to timely submit  
 48.11 the report required under paragraph (a). The notice shall demand that the business  
 48.12 submit the report within 60 days. Where good cause exists, the commissioner may  
 48.13 extend the period for submitting the report as long as a request for extension is filed by  
 48.14 the business before the expiration of the 60-day period. The commissioner shall notify  
 48.15 the commissioner of employment and economic development and the appropriate local  
 48.16 government unit whenever notice is sent to a business under this paragraph.

48.17 (c) A business that fails to submit the report as required under paragraph (b) is no  
 48.18 longer a qualified business under section 469.360, subdivision 7, and is subject to the  
 48.19 repayment provisions of section 469.369.

48.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

48.21 Sec. 6. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19b, is  
 48.22 amended to read:

48.23 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
 48.24 and trusts, there shall be subtracted from federal taxable income:

48.25 (1) net interest income on obligations of any authority, commission, or  
 48.26 instrumentality of the United States to the extent includable in taxable income for federal  
 48.27 income tax purposes but exempt from state income tax under the laws of the United States;

48.28 (2) if included in federal taxable income, the amount of any overpayment of income  
 48.29 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
 48.30 is received as a refund or as a credit to another taxable year's income tax liability;

48.31 (3) the amount paid to others, less the amount used to claim the credit allowed under  
 48.32 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
 48.33 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
 48.34 transportation of each qualifying child in attending an elementary or secondary school



49.1 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
49.2 resident of this state may legally fulfill the state's compulsory attendance laws, which  
49.3 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
49.4 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
49.5 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
49.6 "textbooks" includes books and other instructional materials and equipment purchased  
49.7 or leased for use in elementary and secondary schools in teaching only those subjects  
49.8 legally and commonly taught in public elementary and secondary schools in this state.  
49.9 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
49.10 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
49.11 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
49.12 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
49.13 or materials for, or transportation to, extracurricular activities including sporting events,  
49.14 musical or dramatic events, speech activities, driver's education, or similar programs. No  
49.15 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
49.16 the qualifying child's vehicle to provide such transportation for a qualifying child. For  
49.17 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
49.18 given in section 32(c)(3) of the Internal Revenue Code;

49.19 (4) income as provided under section 290.0802;

49.20 (5) to the extent included in federal adjusted gross income, income realized on  
49.21 disposition of property exempt from tax under section 290.491;

49.22 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
49.23 of the Internal Revenue Code in determining federal taxable income by an individual  
49.24 who does not itemize deductions for federal income tax purposes for the taxable year, an  
49.25 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
49.26 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and  
49.27 under the provisions of Public Law 109-1;

49.28 (7) for taxable years beginning before January 1, 2008, the amount of the federal  
49.29 small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code  
49.30 which is included in gross income under section 87 of the Internal Revenue Code;

49.31 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not  
49.32 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
49.33 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
49.34 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
49.35 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
49.36 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed

50.1 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
50.2 the extent they exceed the federal foreign tax credit;

50.3 (9) in each of the five tax years immediately following the tax year in which an  
50.4 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
50.5 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
50.6 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
50.7 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
50.8 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
50.9 positive value of any net operating loss under section 172 of the Internal Revenue Code  
50.10 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
50.11 less than zero;

50.12 (10) job opportunity building zone income as provided under section 469.316;

50.13 (11) to the extent included in federal taxable income, the amount of compensation  
50.14 paid to members of the Minnesota National Guard or other reserve components of the  
50.15 United States military for active service performed in Minnesota, excluding compensation  
50.16 for services performed under the Active Guard Reserve (AGR) program. For purposes of  
50.17 this clause, "active service" means (i) state active service as defined in section 190.05,  
50.18 subdivision 5a, clause (1); (ii) federally funded state active service as defined in section  
50.19 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05,  
50.20 subdivision 5c, but "active service" excludes service performed in accordance with section  
50.21 190.08, subdivision 3;

50.22 (12) to the extent included in federal taxable income, the amount of compensation  
50.23 paid to Minnesota residents who are members of the armed forces of the United States or  
50.24 United Nations for active duty performed outside Minnesota under United States Code,  
50.25 title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of  
50.26 the United Nations;

50.27 (13) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
50.28 qualified donor's donation, while living, of one or more of the qualified donor's organs  
50.29 to another person for human organ transplantation. For purposes of this clause, "organ"  
50.30 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
50.31 "human organ transplantation" means the medical procedure by which transfer of a human  
50.32 organ is made from the body of one person to the body of another person; "qualified  
50.33 expenses" means unreimbursed expenses for both the individual and the qualified donor  
50.34 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
50.35 may be subtracted under this clause only once; and "qualified donor" means the individual  
50.36 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An

51.1 individual may claim the subtraction in this clause for each instance of organ donation for  
51.2 transplantation during the taxable year in which the qualified expenses occur;

51.3 (14) in each of the five tax years immediately following the tax year in which an  
51.4 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
51.5 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
51.6 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the  
51.7 case of a shareholder of a corporation that is an S corporation, minus the positive value of  
51.8 any net operating loss under section 172 of the Internal Revenue Code generated for the  
51.9 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
51.10 subtraction is not allowed under this clause;

51.11 (15) to the extent included in federal taxable income, compensation paid to a service  
51.12 member as defined in United States Code, title 10, section 101(a)(5), for military service  
51.13 as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

51.14 (16) international economic development zone income as provided under section  
51.15 469.325;

51.16 (17) to the extent included in federal taxable income, the amount of national service  
51.17 educational awards received from the National Service Trust under United States Code,  
51.18 title 42, sections 12601 to 12604, for service in an approved Americorps National Service  
51.19 program; ~~and~~

51.20 (18) to the extent included in federal taxable income, discharge of indebtedness  
51.21 income resulting from reacquisition of business indebtedness included in federal taxable  
51.22 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
51.23 to the extent that the income was included in net income in a prior year as a result of the  
51.24 addition under section 290.01, subdivision 19a, clause (16); ~~and~~

51.25 (19) TECHZ income as provided under section 469.366.

51.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
51.27 December 31, 2010.

51.28 Sec. 7. Minnesota Statutes 2008, section 290.01, subdivision 29, is amended to read:

51.29 Subd. 29. **Taxable income.** The term "taxable income" means:

51.30 (1) for individuals, estates, and trusts, the same as taxable net income;

51.31 (2) for corporations, the taxable net income less

51.32 (i) the net operating loss deduction under section 290.095;

51.33 (ii) the dividends received deduction under section 290.21, subdivision 4;

51.34 (iii) the exemption for operating in a job opportunity building zone under section  
51.35 469.317;

52.1 (iv) the exemption for operating in a biotechnology and health sciences industry  
52.2 zone under section 469.337; ~~and~~

52.3 (v) the exemption for operating in an international economic development zone  
52.4 under section 469.326; and

52.5 (vi) the exemption for TECHZ income under section 469.367.

52.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
52.7 December 31, 2010.

52.8 Sec. 8. Minnesota Statutes 2009 Supplement, section 290.06, subdivision 2c, is  
52.9 amended to read:

52.10 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income  
52.11 taxes imposed by this chapter upon married individuals filing joint returns and surviving  
52.12 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by  
52.13 applying to their taxable net income the following schedule of rates:

52.14 (1) On the first \$25,680, 5.35 percent;

52.15 (2) On all over \$25,680, but not over \$102,030, 7.05 percent;

52.16 (3) On all over \$102,030, 7.85 percent.

52.17 Married individuals filing separate returns, estates, and trusts must compute their  
52.18 income tax by applying the above rates to their taxable income, except that the income  
52.19 brackets will be one-half of the above amounts.

52.20 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
52.21 computed by applying to taxable net income the following schedule of rates:

52.22 (1) On the first \$17,570, 5.35 percent;

52.23 (2) On all over \$17,570, but not over \$57,710, 7.05 percent;

52.24 (3) On all over \$57,710, 7.85 percent.

52.25 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying  
52.26 as a head of household as defined in section 2(b) of the Internal Revenue Code must be  
52.27 computed by applying to taxable net income the following schedule of rates:

52.28 (1) On the first \$21,630, 5.35 percent;

52.29 (2) On all over \$21,630, but not over \$86,910, 7.05 percent;

52.30 (3) On all over \$86,910, 7.85 percent.

52.31 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the  
52.32 tax of any individual taxpayer whose taxable net income for the taxable year is less than  
52.33 an amount determined by the commissioner must be computed in accordance with tables  
52.34 prepared and issued by the commissioner of revenue based on income brackets of not  
52.35 more than \$100. The amount of tax for each bracket shall be computed at the rates set

53.1 forth in this subdivision, provided that the commissioner may disregard a fractional part of  
 53.2 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

53.3 (e) An individual who is not a Minnesota resident for the entire year must compute  
 53.4 the individual's Minnesota income tax as provided in this subdivision. After the  
 53.5 application of the nonrefundable credits provided in this chapter, the tax liability must  
 53.6 then be multiplied by a fraction in which:

53.7 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
 53.8 as defined in section 62 of the Internal Revenue Code and increased by the additions  
 53.9 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),  
 53.10 (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction  
 53.11 for United States government interest under section 290.01, subdivision 19b, clause (1),  
 53.12 and the subtractions under section 290.01, subdivision 19b, clauses (9), (10), (14), (15),  
 53.13 (16), ~~and~~ (18), and (19), after applying the allocation and assignability provisions of  
 53.14 section 290.081, clause (a), or 290.17; and

53.15 (2) the denominator is the individual's federal adjusted gross income as defined in  
 53.16 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
 53.17 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17),  
 53.18 and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9),  
 53.19 (10), (14), (15), (16), ~~and~~ (18), and (19).

53.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 53.21 December 31, 2010.

53.22 Sec. 9. Minnesota Statutes 2008, section 290.06, is amended by adding a subdivision  
 53.23 to read:

53.24 Subd. 36. **TECHZ new job creation credit.** A taxpayer that is a qualified TECHZ  
 53.25 business, as defined in section 469.360, subdivision 7, is allowed a credit as determined  
 53.26 under section 469.368 against the tax imposed by this chapter.

53.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 53.28 December 31, 2010.

53.29 Sec. 10. Minnesota Statutes 2009 Supplement, section 290.091, subdivision 2, is  
 53.30 amended to read:

53.31 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following  
 53.32 terms have the meanings given:

54.1 (a) "Alternative minimum taxable income" means the sum of the following for  
54.2 the taxable year:

54.3 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
54.4 55(b)(2) of the Internal Revenue Code;

54.5 (2) the taxpayer's itemized deductions allowed in computing federal alternative  
54.6 minimum taxable income, but excluding:

54.7 (i) the charitable contribution deduction under section 170 of the Internal Revenue  
54.8 Code;

54.9 (ii) the medical expense deduction;

54.10 (iii) the casualty, theft, and disaster loss deduction; and

54.11 (iv) the impairment-related work expenses of a disabled person;

54.12 (3) for depletion allowances computed under section 613A(c) of the Internal  
54.13 Revenue Code, with respect to each property (as defined in section 614 of the Internal  
54.14 Revenue Code), to the extent not included in federal alternative minimum taxable income,  
54.15 the excess of the deduction for depletion allowable under section 611 of the Internal  
54.16 Revenue Code for the taxable year over the adjusted basis of the property at the end of the  
54.17 taxable year (determined without regard to the depletion deduction for the taxable year);

54.18 (4) to the extent not included in federal alternative minimum taxable income, the  
54.19 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the  
54.20 Internal Revenue Code determined without regard to subparagraph (E);

54.21 (5) to the extent not included in federal alternative minimum taxable income, the  
54.22 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

54.23 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)  
54.24 to (9), (12), (13), (16), and (17);

54.25 less the sum of the amounts determined under the following:

54.26 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

54.27 (2) an overpayment of state income tax as provided by section 290.01, subdivision  
54.28 19b, clause (2), to the extent included in federal alternative minimum taxable income;

54.29 (3) the amount of investment interest paid or accrued within the taxable year on  
54.30 indebtedness to the extent that the amount does not exceed net investment income, as  
54.31 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include  
54.32 amounts deducted in computing federal adjusted gross income; and

54.33 (4) amounts subtracted from federal taxable income as provided by section 290.01,  
54.34 subdivision 19b, clauses (6), (9) to (16), ~~and (18)~~, and (19).

54.35 In the case of an estate or trust, alternative minimum taxable income must be  
54.36 computed as provided in section 59(c) of the Internal Revenue Code.

55.1 (b) "Investment interest" means investment interest as defined in section 163(d)(3)  
55.2 of the Internal Revenue Code.

55.3 (c) "Net minimum tax" means the minimum tax imposed by this section.

55.4 (d) "Regular tax" means the tax that would be imposed under this chapter (without  
55.5 regard to this section and section 290.032), reduced by the sum of the nonrefundable  
55.6 credits allowed under this chapter.

55.7 (e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable  
55.8 income after subtracting the exemption amount determined under subdivision 3.

55.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
55.10 December 31, 2010.

55.11 Sec. 11. Minnesota Statutes 2008, section 290.0921, subdivision 3, is amended to read:

55.12 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable  
55.13 income" is Minnesota net income as defined in section 290.01, subdivision 19, and  
55.14 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),  
55.15 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company  
55.16 Minnesota tax return, the minimum tax must be computed on a separate company basis.  
55.17 If a corporation is part of a tax group filing a unitary return, the minimum tax must be  
55.18 computed on a unitary basis. The following adjustments must be made.

55.19 (1) For purposes of the depreciation adjustments under section 56(a)(1) and  
55.20 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in  
55.21 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal  
55.22 income tax purposes, including any modification made in a taxable year under section  
55.23 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,  
55.24 paragraph (c).

55.25 For taxable years beginning after December 31, 2000, the amount of any remaining  
55.26 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,  
55.27 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation  
55.28 allowance in the first taxable year after December 31, 2000.

55.29 (2) The portion of the depreciation deduction allowed for federal income tax  
55.30 purposes under section 168(k) of the Internal Revenue Code that is required as an  
55.31 addition under section 290.01, subdivision 19c, clause (15), is disallowed in determining  
55.32 alternative minimum taxable income.

55.33 (3) The subtraction for depreciation allowed under section 290.01, subdivision 19d,  
55.34 clause (18), is allowed as a depreciation deduction in determining alternative minimum  
55.35 taxable income.

56.1 (4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d)  
56.2 of the Internal Revenue Code does not apply.

56.3 (5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal  
56.4 Revenue Code does not apply.

56.5 (6) The special rule for dividends from section 936 companies under section  
56.6 56(g)(4)(C)(iii) does not apply.

56.7 (7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue  
56.8 Code does not apply.

56.9 (8) The tax preference for intangible drilling costs under section 57(a)(2) of the  
56.10 Internal Revenue Code must be calculated without regard to subparagraph (E) and the  
56.11 subtraction under section 290.01, subdivision 19d, clause (4).

56.12 (9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal  
56.13 Revenue Code does not apply.

56.14 (10) The tax preference for charitable contributions of appreciated property under  
56.15 section 57(a)(6) of the Internal Revenue Code does not apply.

56.16 (11) For purposes of calculating the tax preference for accelerated depreciation or  
56.17 amortization on certain property placed in service before January 1, 1987, under section  
56.18 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the  
56.19 deduction allowed under section 290.01, subdivision 19e.

56.20 For taxable years beginning after December 31, 2000, the amount of any remaining  
56.21 modification made under section 290.01, subdivision 19e, not previously deducted is a  
56.22 depreciation or amortization allowance in the first taxable year after December 31, 2004.

56.23 (12) For purposes of calculating the adjustment for adjusted current earnings in  
56.24 section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable  
56.25 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative  
56.26 minimum taxable income as defined in this subdivision, determined without regard to the  
56.27 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

56.28 (13) For purposes of determining the amount of adjusted current earnings under  
56.29 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section  
56.30 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend  
56.31 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the  
56.32 amount of refunds of income, excise, or franchise taxes subtracted as provided in section  
56.33 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like  
56.34 income subtracted as provided in section 290.01, subdivision 19d, clause (10).

56.35 (14) Alternative minimum taxable income excludes the income from operating in a  
56.36 job opportunity building zone as provided under section 469.317.



57.1 (15) Alternative minimum taxable income excludes the income from operating in a  
57.2 biotechnology and health sciences industry zone as provided under section 469.337.

57.3 (16) Alternative minimum taxable income excludes the income from operating in an  
57.4 international economic development zone as provided under section 469.326.

57.5 (17) Alternative minimum taxable income excludes the income from operating a  
57.6 TECHZ business as provided under section 469.367.

57.7 Items of tax preference must not be reduced below zero as a result of the  
57.8 modifications in this subdivision.

57.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
57.10 December 31, 2010.

57.11 Sec. 12. Minnesota Statutes 2008, section 297A.68, is amended by adding a  
57.12 subdivision to read:

57.13 Subd. 42. **TECHZ businesses.** (a) Purchases of tangible personal property or  
57.14 taxable services by a qualified TECHZ business, as defined in section 469.360, subdivision  
57.15 7, are exempt if the property or services are primarily used or consumed by the business  
57.16 in furtherance of activities described in section 469.360, subdivision 7, paragraph (d), at  
57.17 a location which has been approved for benefits in section 469.362. This exemption  
57.18 applies if the purchase was made and delivery was received within two years after the  
57.19 later of the signing of the business subsidy agreement required under section 469.360,  
57.20 subdivision 7, or the date of approval by the commissioner of employment and economic  
57.21 development under section 469.362.

57.22 (b) Purchase and use of construction materials and supplies used or consumed in,  
57.23 and equipment incorporated into, the construction of improvements to real property  
57.24 at a location which has been approved for benefits under section 469.362 are exempt  
57.25 if the improvements after completion of construction are to be used by a qualified  
57.26 TECHZ business, in furtherance of activities described in section 469.360, subdivision  
57.27 7, paragraph (d). This exemption applies regardless of whether the purchases are made  
57.28 by the business or a contractor. This exemption applies to items purchased and delivered  
57.29 to the location within three years after the later of the signing of the business subsidy  
57.30 agreement required under section 469.360, subdivision 7, or the date of approval by the  
57.31 commissioner of employment and economic development under section 469.362.

57.32 (c) The exemptions under this subdivision apply to a local sales and use tax  
57.33 regardless of whether the local sales and use tax is imposed on the sales taxable as defined  
57.34 under this chapter.

58.1 (d) For purposes of this subdivision, the tax must be imposed and collected as if the  
 58.2 applicable rate under section 297A.62 applied and then refunded in the manner provided in  
 58.3 section 297A.75. The taxpayer must attach to the claim for refund information sufficient  
 58.4 for the commissioner to be able to determine that the improvements are being occupied by  
 58.5 a business that has signed a business subsidy agreement. The commissioner shall not pay  
 58.6 any refunds on taxes collected under this subdivision until after June 30, 2011.

58.7 **EFFECTIVE DATE.** This section is effective for purchases made after December  
 58.8 31, 2010.

58.9 Sec. 13. Minnesota Statutes 2009 Supplement, section 297A.75, subdivision 1, is  
 58.10 amended to read:

58.11 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the  
 58.12 following exempt items must be imposed and collected as if the sale were taxable and the  
 58.13 rate under section 297A.62, subdivision 1, applied. The exempt items include:

58.14 (1) capital equipment exempt under section 297A.68, subdivision 5;

58.15 (2) building materials for an agricultural processing facility exempt under section  
 58.16 297A.71, subdivision 13;

58.17 (3) building materials for mineral production facilities exempt under section  
 58.18 297A.71, subdivision 14;

58.19 (4) building materials for correctional facilities under section 297A.71, subdivision  
 58.20 3;

58.21 (5) building materials used in a residence for disabled veterans exempt under section  
 58.22 297A.71, subdivision 11;

58.23 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

58.24 (7) building materials for the Long Lake Conservation Center exempt under section  
 58.25 297A.71, subdivision 17;

58.26 (8) materials and supplies for qualified low-income housing under section 297A.71,  
 58.27 subdivision 23;

58.28 (9) materials, supplies, and equipment for municipal electric utility facilities under  
 58.29 section 297A.71, subdivision 35;

58.30 (10) equipment and materials used for the generation, transmission, and distribution  
 58.31 of electrical energy and an aerial camera package exempt under section 297A.68,  
 58.32 subdivision 37;

58.33 (11) tangible personal property and taxable services and construction materials,  
 58.34 supplies, and equipment exempt under section 297A.68, subdivision 41;

59.1 (12) commuter rail vehicle and repair parts under section 297A.70, subdivision  
59.2 3, clause (11);

59.3 (13) materials, supplies, and equipment for construction or improvement of projects  
59.4 and facilities under section 297A.71, subdivision 40; ~~and~~

59.5 (14) materials, supplies, and equipment for construction or improvement of a meat  
59.6 processing facility exempt under section 297A.71, subdivision 41; and

59.7 (15) tangible personal property and taxable services and construction materials,  
59.8 supplies, and equipment exempt under section 297A.68, subdivision 42.

59.9 **EFFECTIVE DATE.** This section is effective for goods or services purchased  
59.10 after December 31, 2010.

59.11 Sec. 14. Minnesota Statutes 2009 Supplement, section 297A.75, subdivision 2, is  
59.12 amended to read:

59.13 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
59.14 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
59.15 must be paid to the applicant. Only the following persons may apply for the refund:

59.16 (1) for subdivision 1, clauses (1) to (3) and (15), the applicant must be the purchaser;

59.17 (2) for subdivision 1, clauses (4) and (7), the applicant must be the governmental  
59.18 subdivision;

59.19 (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits  
59.20 provided in United States Code, title 38, chapter 21;

59.21 (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead  
59.22 property;

59.23 (5) for subdivision 1, clause (8), the owner of the qualified low-income housing  
59.24 project;

59.25 (6) for subdivision 1, clause (9), the applicant must be a municipal electric utility or  
59.26 a joint venture of municipal electric utilities;

59.27 (7) for subdivision 1, clauses (10), (11), and (14), the owner of the qualifying  
59.28 business; and

59.29 (8) for subdivision 1, clauses (12) and (13), the applicant must be the governmental  
59.30 entity that owns or contracts for the project or facility.

59.31 **EFFECTIVE DATE.** This section is effective for goods or services purchased  
59.32 after December 31, 2010.

59.33 Sec. 15. **[469.360] DEFINITIONS.**

60.1 Subdivision 1. **Scope.** For purposes of sections 469.360 to 469.3693, the following  
60.2 terms have the meanings given.

60.3 Subd. 2. **Payroll growth percentage.** "Payroll growth percentage" means payroll  
60.4 attributable to new employees divided by Minnesota payroll as defined in section 290.191,  
60.5 subdivision 12.

60.6 Subd. 3. **New employee.** A new employee is an individual who:

60.7 (1) is an employee as defined in section 290.92, subdivision 3, who works for the  
60.8 entire tax year at the TECHZ location of a qualified business;

60.9 (2) performs services that are primarily in furtherance of an activity included in  
60.10 subdivision 7, paragraph (d);

60.11 (3) was not employed in this state by the qualified TECHZ business or a related  
60.12 business on the later of the date of the signing of the business subsidy agreement required  
60.13 under subdivision 7, or the date of approval by the commissioner of employment and  
60.14 economic development under section 469.362, unless the employee's former position  
60.15 was filled by another person; and

60.16 (4) did not replace an individual who was an employee of the qualified business at  
60.17 the TECHZ business location on the later of the signing of the business subsidy agreement  
60.18 required under subdivision 7, or the date of approval by the commissioner of employment  
60.19 and economic development under section 469.362.

60.20 Subd. 4. **Commissioner.** "Commissioner" means the commissioner of employment  
60.21 and economic development.

60.22 Subd. 5. **Local government unit.** "Local government unit" means a statutory or  
60.23 home rule charter city, county, town, Iron Range resources and rehabilitation agency,  
60.24 regional development commission, or a federally designated economic development  
60.25 district.

60.26 Subd. 6. **Person.** "Person" includes an individual, corporation, partnership, limited  
60.27 liability company, association, or any other entity with its primary headquarters in this  
60.28 state.

60.29 Subd. 7. **Qualified TECHZ business.** (a) A person carrying on a trade or business  
60.30 is a qualified TECHZ business for purposes of sections 469.360 to 469.3701 if the criteria  
60.31 in paragraphs (b) to (h) are met.

60.32 (b) A person is a qualified TECHZ business only at the TECHZ business location  
60.33 for which it has been approved by the commissioner of employment and economic  
60.34 development.

60.35 (c) Prior to execution of the business subsidy agreement, the local government  
60.36 unit must consider the following factors:

- 61.1 (1) how wages compare to the regional industry average;  
 61.2 (2) the number of jobs that will be provided relative to overall employment in the  
 61.3 community;  
 61.4 (3) the economic outlook for the industry the business will engage in;  
 61.5 (4) sales that will be generated from outside Minnesota;  
 61.6 (5) how the business will build on existing regional strengths or diversify the  
 61.7 regional economy; and  
 61.8 (6) any other criteria the commissioner deems necessary.  
 61.9 (d) A person must be:  
 61.10 (1) predominantly engaged in one or more of the following industry sectors:  
 61.11 (i) manufacturing;  
 61.12 (ii) software or Internet publishing, computer systems design and related services,  
 61.13 architectural, engineering, and related services, or scientific research and development; or  
 61.14 (iii) a global, national, divisional, or regional headquarters operation that manages  
 61.15 business operations for a minimum of a multistate territory; and  
 61.16 (2) a business conducting expanded business operations in at least one of the  
 61.17 industry sectors in clause (1), by the later of the date of the signing of the business subsidy  
 61.18 agreement, or the date of the approval by the commissioner of employment and economic  
 61.19 development under section 469.362, in a business facility that is:  
 61.20 (i) a new expansion to a business facility owned by the business prior to the date  
 61.21 of the signing of the business subsidy agreement, or the date of the approval by the  
 61.22 commissioner of employment and economic development under section 469.362;  
 61.23 (ii) not owned by the business prior to the date of the signing of the business subsidy  
 61.24 agreement, or the date of the approval by the commissioner of employment and economic  
 61.25 development under section 469.362; or  
 61.26 (iii) newly constructed for the business's expansion of operations.  
 61.27 (e) A person must increase full-time employment in the first full year of operation  
 61.28 at the TECHZ business location by a minimum of five jobs or 20 percent, whichever is  
 61.29 greater, measured relative to the business operations prior to the expansion and maintain  
 61.30 the required level of employment for each year the business is designated as a TECHZ  
 61.31 business.  
 61.32 (f) A person must pay each employee compensation, including benefits not mandated  
 61.33 by law, that on an annualized basis is equal to at least 110 percent of the federal poverty  
 61.34 level for a family of four.  
 61.35 (g) A person must pay the prevailing wage for construction, installation, remodeling,  
 61.36 and repair as required by section 116J.871.

62.1 (h) A person must enter a binding written business subsidy agreement with the  
 62.2 commissioner that:

62.3 (1) pledges the business will meet the requirements of paragraphs (b) and (d) to (g);

62.4 (2) provides for repayment of all tax benefits enumerated under section 469.365  
 62.5 to the business under the procedures in section 469.369, if the requirements of this  
 62.6 subdivision are not met for the taxable year or for taxes payable during the year in which  
 62.7 the requirements were not met; and

62.8 (3) contains any other terms the commissioner determines appropriate.

62.9 Subd. 8. **TECHZ location.** "TECHZ location" means the property described in a  
 62.10 business subsidy agreement that is approved by the commissioner under section 469.362  
 62.11 and that is occupied by the qualified TECHZ business that is a party to the agreement.

62.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

62.13 Sec. 16. **[469.361] TECHZ; LIMITATIONS.**

62.14 Subdivision 1. **Duration limit.** (a) The maximum duration that a qualified TECHZ  
 62.15 business may receive a tax benefit is determined under the section that authorizes the tax  
 62.16 benefit. The local government unit may request a shorter duration than is authorized. The  
 62.17 commissioner may specify a shorter duration, regardless of the authorized duration, in  
 62.18 order to ensure that benefits to the state outweigh the costs.

62.19 (b) The commissioner may not approve any business subsidy agreements after  
 62.20 December 31, 2015.

62.21 Subd 2. **Border city development zones.** (a) A qualified TECHZ business may  
 62.22 not operate in a TECHZ location if it is receiving benefits under sections 469.3171 to  
 62.23 469.1735 for being located at that location in a border city development zone.

62.24 (b) A city must not provide tax incentives under sections 469.1731 to 469.1735 to a  
 62.25 qualified TECHZ business operating in a TECHZ location in the city.

62.26 Subd. 3. **Job opportunity building zones.** A TECHZ location cannot be located in  
 62.27 a job opportunity building zone.

62.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

62.29 Sec. 17. **[469.362] APPLICATION FOR DESIGNATION.**

62.30 Subdivision 1. **Eligibility.** One or more local government units, or a joint powers  
 62.31 board under section 471.59, acting on behalf of two or more units, may apply to the  
 62.32 commissioner for a business to be designated as a qualified TECHZ business.

63.1 Subd. 2. **Application.** In order for a business to receive designation as a qualified  
 63.2 TECHZ business, a local government unit must submit an application to the commissioner.  
 63.3 In the application, the local government unit and the qualified TECHZ business must  
 63.4 provide the commissioner with the information that the commissioner needs to review  
 63.5 a business subsidy agreement under section 469.360, subdivision 7, paragraph (c). The  
 63.6 application must be in the form and manner required by the commissioner.

63.7 Subd. 3. **State review criteria.** (a) The commissioner may only approve an  
 63.8 application after considering:

63.9 (1) whether the business has local or Minnesota competitors that will be significantly  
 63.10 and adversely affected by the business subsidy agreement;

63.11 (2) whether the proposed job creation, job retention, and capital investment is  
 63.12 commensurate with the estimated tax benefits provided to the business by participating as  
 63.13 a qualified TECHZ business; and

63.14 (3) whether other financial assistance is available.

63.15 (b) Additionally, the commissioner may only approve a business subsidy agreement  
 63.16 after considering if, without the estimated tax benefits, the business:

63.17 (1) would not have expanded operations within Minnesota;

63.18 (2) would not have relocated from outside the state to Minnesota;

63.19 (3) would have moved to another state or expanded in another state rather than  
 63.20 remaining or expanding in Minnesota; or

63.21 (4) would not have opened a new facility in Minnesota.

63.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

63.23 Sec. 18. **[469.363] BUSINESS SUBSIDY AGREEMENTS; REPORTS.**

63.24 Subdivision 1. **TECHZ business subsidy agreement.** A business subsidy  
 63.25 agreement required under section 469.360, subdivision 7, paragraph (h), must comply  
 63.26 with this section.

63.27 Subd. 2. **Business subsidy agreement requirements.** A business subsidy  
 63.28 agreement is not effective until the commissioner has approved the agreement in writing.  
 63.29 The commissioner may not approve an agreement that violates sections 116J.993 to  
 63.30 116J.995 or 469.360 to 469.3701. The commissioner may not approve an agreement  
 63.31 unless:

63.32 (1) the qualified TECHZ business is required to create or retain a minimum number  
 63.33 of jobs;

64.1 (2) the agreement defines "jobs" for purposes of determining compliance with wage  
 64.2 and job goals as all jobs that constitute "employment" for purposes of state unemployment  
 64.3 insurance;

64.4 (3) the qualified TECHZ business is required to report all jobs created or retained  
 64.5 because of the separate business location, if any, for purposes of section 268.044; and

64.6 (4) the qualified TECHZ business agrees to provide the appropriate data practices  
 64.7 release so that the commissioner of revenue and the commissioner of employment and  
 64.8 economic development can monitor compliance with the terms of the agreement.

64.9 Subd. 3. **Standard agreement.** The commissioner must develop and require the  
 64.10 use of a standard business subsidy agreement that imposes definitive and enforceable  
 64.11 obligations on the qualified TECHZ business.

64.12 Subd. 4. **Business subsidy reports.** (a) A local government unit must report to the  
 64.13 commissioner on the two-year anniversary date of the business subsidy agreement on the  
 64.14 progress of the qualified TECHZ business in meeting the goals listed in the business  
 64.15 subsidy agreement.

64.16 (b) A local government unit must annually report to the commissioner on the  
 64.17 progress of the qualified TECHZ business in meeting the goals listed in the business  
 64.18 subsidy agreement as required under section 116J.994, subdivisions 7 and 8.

64.19 (c) The commissioner must hold a qualified TECHZ business out of compliance or  
 64.20 remove the business from the program if the qualified TECHZ business fails to provide  
 64.21 the information requested by the local government unit for the report under paragraph (a)  
 64.22 within 30 days of written notice that the information is overdue.

64.23 Subd. 5. **Public notice and hearing.** A local government unit must provide public  
 64.24 notice and hearing as required under section 116J.994, subdivision 5, before approving a  
 64.25 business subsidy agreement. Public notice of a proposed business subsidy agreement must  
 64.26 be published in a local newspaper of general circulation. The public hearing must be held  
 64.27 in a location specified by the local government unit. Notwithstanding the requirements of  
 64.28 section 116J.994, subdivision 5, the commissioner is not required to provide an additional  
 64.29 public notice and hearing when entering into a business subsidy agreement with a local  
 64.30 government unit and a qualified business.

64.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

64.32 Sec. 19. **[469.365] TAX INCENTIVES AVAILABLE TO TECHZ BUSINESS.**

64.33 A qualified TECHZ business, and certain property used by a qualified TECHZ  
 64.34 business, qualifies for:

64.35 (1) exemption from individual income taxes as provided under section 469.366;



- 65.1 (2) exemption from corporate franchise taxes as provided under section 469.367;  
 65.2 (3) exemption from the state sales and use tax and any local sales and use taxes on  
 65.3 qualifying purchases as provided in section 297A.68, subdivision 42;  
 65.4 (4) exemption from the property tax as provided in section 272.02, subdivision  
 65.5 95; and  
 65.6 (5) the new job creation credit allowed under section 469.368.

65.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

65.8 Sec. 20. **[469.366] TECHZ INCOME TAX EXEMPTION.**

65.9 (a) An individual, estate, or trust is exempt from the taxes imposed under chapter  
 65.10 290 on net income from the operation of a qualified TECHZ business. This exemption  
 65.11 is determined by multiplying its net income for the operation of the qualified TECHZ  
 65.12 business by its payroll growth percentage and subtracting the result in determining taxable  
 65.13 income. For a resident of Minnesota, the payroll growth percentage is calculated by using  
 65.14 total payroll under section 290.191 rather than Minnesota payroll.

65.15 (b) No subtraction is allowed under this section in excess of 20 percent of the sum of  
 65.16 the Minnesota payroll and Minnesota property of the qualified business.

65.17 (c) For a qualified TECHZ business located outside the metropolitan area as defined  
 65.18 in section 473.121, subdivision 2, this exemption applies to income earned in the year that  
 65.19 the business enters into the business subsidy agreement as required under section 469.360,  
 65.20 subdivision 7, and the ten following taxable years. For a business located within the  
 65.21 metropolitan area, this exemption applies to income earned in the year that the business  
 65.22 enters into the business subsidy agreement required under section 469.360, subdivision 7,  
 65.23 and the five following taxable years.

65.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 65.25 December 31, 2010.

65.26 Sec. 21. **[469.367] CORPORATE FRANCHISE TAX EXEMPTION.**

65.27 (a) A qualified TECHZ business is exempt from taxation under section 290.02 and  
 65.28 from the alternative minimum tax under section 290.0921 for the portion of its income  
 65.29 attributable to operations conducted at the TECHZ business location approved by the  
 65.30 commissioner. This exemption is determined as follows:

65.31 (1) for purposes of the tax imposed under section 290.02, by multiplying its taxable  
 65.32 net income by its payroll growth percentage and subtracting the result from taxable net  
 65.33 income in determining taxable income; and

66.1 (2) for purposes of the alternative minimum tax under section 290.0921, by  
 66.2 multiplying its alternative minimum taxable net income by its payroll growth factor and  
 66.3 subtracting the result from alternative minimum taxable net income.

66.4 (b) No subtraction is allowed under this section in excess of 20 percent of the sum of  
 66.5 Minnesota payroll and Minnesota property of the corporation.

66.6 (c) For a qualified TECHZ business located outside the metropolitan area as defined  
 66.7 in section 273.121, subdivision 2, this exemption applies to income earned in the year  
 66.8 that the business enters into the business subsidy agreement as required under section  
 66.9 469.360, subdivision 7, and the ten following taxable years for a business located within  
 66.10 the metropolitan area this exemption applies to income earned in the year that the business  
 66.11 enters into the business subsidy agreement required under section 469.360, subdivision 7,  
 66.12 and the five following taxable years.

66.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 66.14 December 31, 2010.

66.15 Sec. 22. **[469.368] NEW JOB CREATION CREDIT.**

66.16 Subdivision 1. **Credit allowed.** A qualified TECHZ business is allowed a credit  
 66.17 against the taxes imposed under chapter 290. The credit equals \$1,500 times the number  
 66.18 of new employees employed by the qualified TECHZ business at the TECHZ business  
 66.19 location.

66.20 Subd. 2. **Duration.** The credit is available for the first five full taxable years that  
 66.21 begin after the day the business enters into the business subsidy agreement as required  
 66.22 under section 469.360, subdivision 7.

66.23 Subd. 3. **Refundable.** If the amount of the credit exceeds the liability for tax under  
 66.24 chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

66.25 Subd. 4. **Appropriation.** An amount sufficient to pay the refunds authorized by this  
 66.26 section is appropriated to the commissioner of revenue from the general fund.

66.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 66.28 December 31, 2010.

66.29 Sec. 23. **[469.369] REPAYMENT OF TAX BENEFITS.**

66.30 Subdivision 1. **Repayment obligation.** A business must repay the total tax benefits  
 66.31 listed in section 469.365 received during the two years immediately before it ceased  
 66.32 to be a qualified TECHZ business. The commissioner of employment and economic

67.1 development may extend for up to one year the period for meeting any goals provided in  
67.2 the business subsidy agreement.

67.3 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have  
67.4 the meanings given.

67.5 (b) "Business" means any person that received tax benefits enumerated in section  
67.6 469.365.

67.7 (c) "Commissioner" means the commissioner of revenue.

67.8 Subd. 3. **Disposition of repayment.** The repayment must be paid to the state to  
67.9 the extent it represents a state tax reduction and to the county to the extent it represents a  
67.10 property tax reduction. Any amount repaid to the state must be deposited in the general  
67.11 fund. Any amount repaid to the county for the property tax exemption must be distributed  
67.12 to the taxing authorities with authority to levy taxes in the zone in the same manner  
67.13 provided for distribution of payment of delinquent property taxes. Any repayment of  
67.14 local sales taxes must be repaid to the commissioner for distribution to the city or county  
67.15 imposing the local sales tax.

67.16 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under  
67.17 chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business  
67.18 must file an amended return with the commissioner of revenue and pay an taxes required  
67.19 to be repaid within 30 days after becoming subject to repayment under this section.  
67.20 The amount required to be repaid is determined by calculating the tax for the period or  
67.21 periods for which repayment is required without regard to the exemptions and credits  
67.22 allowed under section 469.365.

67.23 (b) For the repayment of property taxes, the county auditor shall prepare a tax  
67.24 statement for the business, applying the applicable tax extension rates for each payable  
67.25 year and provide a copy to the business and to the taxpayer of record. The business must  
67.26 pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The  
67.27 business or the taxpayer of record may appeal the valuation and determination of the  
67.28 property tax to the tax court within 30 days after receipt of the tax statement.

67.29 (c) The provisions of chapters 270C and 289A relating to the commissioner's  
67.30 authority to audit, assess, and collect the tax and to hear appeals are applicable to the  
67.31 repayment under paragraphs (a) and (b). The commissioner may impose civil penalties as  
67.32 provided in chapter 289A, and the additional tax and penalties are subject to interest at the  
67.33 rate provided in section 270C.40, from 30 days after becoming subject to repayment under  
67.34 this section until the date the tax is paid.

67.35 (d) If a property tax is not repaid under paragraph (b), the county treasurer shall  
67.36 add the amount required to be repaid to the property taxes assessed against the property

68.1 for payment in the year following the year in which the auditor provided the statement  
68.2 under paragraph (b).

68.3 (e) For determining the tax required to be repaid, a reduction of a state or local  
68.4 sales or use tax is deemed to have been received on the date that the good or service was  
68.5 purchased or first put to a taxable use. In the case of an income tax or franchise tax,  
68.6 including the credit payable under section 469.368, a reduction of tax is deemed to have  
68.7 been received for the two most recent tax years that have ended prior to the date that the  
68.8 business became subject to repayment under this section. In the case of a property tax, a  
68.9 reduction of tax is deemed to have been received for the taxes payable in the year that  
68.10 the business was subject to repayment under this section and for the taxes payable in  
68.11 the prior year.

68.12 (f) The commissioner may assess the repayment of taxes under paragraph (c) any  
68.13 time within two years after the business becomes subject to repayment under subdivision  
68.14 1, or within any period of limitations for the assessment of tax under section 289A.38,  
68.15 whichever period is later. The county auditor may send the statement under paragraph  
68.16 (b) any time within three years after the business becomes subject to repayment under  
68.17 subdivision 1.

68.18 (g) A business is not entitled to any income tax or franchise tax benefits, including  
68.19 refundable credits, for any part of the year in which the business becomes subject to  
68.20 repayment under this section nor for any year thereafter. Property is not exempt from tax  
68.21 under section 272.02, subdivision 95, for any taxes payable in the year following the year  
68.22 in which the property became subject to repayment under this section nor for any year  
68.23 thereafter. A business is not eligible for any sales tax benefits beginning with goods  
68.24 or services purchases or first put to a taxable use on the day that the business becomes  
68.25 subject to repayment under this section.

68.26 Subd. 5. **Waiver authority.** The commissioner may waive all or part of a repayment  
68.27 required under subdivision 1, if the commissioner, in consultation with the commissioner  
68.28 of employment and economic development and appropriate officials from the local  
68.29 government units in which the qualified TECHZ business is located, determines that  
68.30 requiring repayment of the tax is not in the best interest of the state or the local government  
68.31 units and the business ceased operating as a qualified TECHZ business as a result of  
68.32 circumstances beyond its control including, but not limited to:

- 68.33 (1) a natural disaster;  
68.34 (2) unforeseen industry trends; or  
68.35 (3) loss of a major supplier or customer.

69.1 Subd. 6. **Reconciliation.** Where this section is inconsistent with section 116J.994,  
 69.2 subdivision 3, paragraph (e), or 6, or any other provisions of sections 116J.993 to  
 69.3 116J.995, this section prevails.

69.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

69.5 Sec. 24. **[469.3692] PROHIBITION AGAINST AMENDMENTS TO BUSINESS**  
 69.6 **SUBSIDY AGREEMENT.**

69.7 Under no circumstance shall terms of any agreement required as a condition for  
 69.8 eligibility for benefits listed under section 469.365 be amended to change job creation, job  
 69.9 retention, or wage goals included in the agreement.

69.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

69.11 Sec. 25. **[469.3693] CERTIFICATION OF CONTINUING ELIGIBILITY FOR**  
 69.12 **TECHZ BENEFITS.**

69.13 (a) By October 15 of each year, every qualified TECHZ business must certify to  
 69.14 the commissioner of revenue, on a form prescribed by the commissioner of revenue,  
 69.15 whether it is in compliance with any agreement required as a condition for eligibility for  
 69.16 benefits listed under section 469.365. A qualified TECHZ business that fails to submit  
 69.17 the certification, or any qualified TECHZ business that submits a certification that  
 69.18 the commissioner of revenue later determines materially misrepresents the business's  
 69.19 compliance with the agreement, is subject to the repayment provisions under section  
 69.20 469.369 from January 1 of the year in which the report is due or the date that the business  
 69.21 became subject to section 469.369, whichever is earlier. Any such business is permanently  
 69.22 barred from obtaining benefits under section 469.365. For purposes of this section, the bar  
 69.23 applies to an entity and also applies to any individuals or entities that have an ownership  
 69.24 interest of at least 20 percent of the entity.

69.25 (b) Before the sanctions under paragraph (a) apply to a qualified TECHZ business  
 69.26 that fails to submit the certification, the commissioner of revenue shall send notice to the  
 69.27 business, demanding that the certification be submitted within 30 days and advising the  
 69.28 business of the consequences for failing to do so. The commissioner of revenue shall  
 69.29 notify the commissioner of employment and economic development and the appropriate  
 69.30 local government unit whenever notice is sent to a business under this paragraph.

69.31 (c) The certification required under this section is public.

69.32 (d) The commissioner of revenue shall promptly notify the commissioner of  
 69.33 employment and economic development of all qualified TECHZ businesses that certify

70.1 that they are not in compliance with the terms of their business subsidy agreement and all  
 70.2 qualified TECHZ businesses that fail to file the certification.

70.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

70.4 Sec. 26. **[469.3701] STATE AUDITOR; AUDITS OF TECHZ BUSINESSES AND**  
 70.5 **BUSINESS SUBSIDY AGREEMENTS.**

70.6 The Office of the State Auditor may annually audit the creation and operation of all  
 70.7 TECHZ businesses and business subsidy agreements entered into under sections 469.360  
 70.8 to 469.3693. To the extent necessary to perform this audit, the state auditor may request  
 70.9 from the commissioner of revenue tax return information of taxpayers who are eligible to  
 70.10 receive tax benefits authorized under section 469.365. To the extent necessary to perform  
 70.11 this audit, the state auditor may request from the commissioner of employment and  
 70.12 economic development wage detail report information required under section 268.044 of  
 70.13 taxpayers eligible to receive tax benefits authorized under section 469.365.

70.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

## 70.15 **ARTICLE 6**

### 70.16 **PROPERTY TAXES, AIDS, AND PAYMENTS**

70.17 Section 1. Minnesota Statutes 2008, section 97A.061, is amended by adding a  
 70.18 subdivision to read:

70.19 Subd. 6. **Reduction.** Beginning in 2010, the amount of an annual payment to a  
 70.20 county under this section is the amount determined under subdivisions 1 to 5, reduced  
 70.21 by six percent.

70.22 **EFFECTIVE DATE.** This section is effective for payment made to counties in  
 70.23 2010 and thereafter.

70.24 Sec. 2. Minnesota Statutes 2008, section 272.02, subdivision 42, is amended to read:

70.25 Subd. 42. **Property leased to school districts schools.** (a) Property that is leased or  
 70.26 rented to a school district is exempt from taxation if it meets the following requirements:

70.27 (1) the lease must be for a period of at least 12 consecutive months;

70.28 (2) the terms of the lease must require the school district to pay a nominal  
 70.29 consideration for use of the building;

70.30 (3) the school district must use the property to provide direct instruction in any  
 70.31 grade from kindergarten through grade 12; special education for disabled children; adult

71.1 basic education as described in section 124D.52; preschool and early childhood family  
 71.2 education; or community education programs, including provision of administrative  
 71.3 services directly related to the educational program at that site; and

71.4 (4) the lease must provide that the school district has the exclusive use of the  
 71.5 property during the lease period.

71.6 (b) Property that is leased or rented to a charter school formed and operated under  
 71.7 section 124D.10 is exempt from taxation if it meets all of the following requirements:

71.8 (1) the lease is for a period of at least 12 consecutive months;

71.9 (2) the charter school must use the property to provide direct instruction in any grade  
 71.10 from kindergarten through grade 12, to provide special education for disabled children,  
 71.11 or to provide administrative services directly related to the educational program at that  
 71.12 site; and

71.13 (3) except for lease provisions that allow for the shared use of the property by the  
 71.14 charter school and another public or private school, by the charter school and a church,  
 71.15 or by the charter school and the state or a political subdivision of the state, the lease  
 71.16 must provide that the charter school has the exclusive right to use the property during  
 71.17 the lease period.

71.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and  
 71.19 thereafter.

71.20 Sec. 3. Minnesota Statutes 2008, section 273.1384, is amended by adding a subdivision  
 71.21 to read:

71.22 Subd. 6. **Credit reduction.** In 2011 and thereafter, the annual market value credit  
 71.23 reimbursement amount for each taxing jurisdiction determined under subdivisions 1 to 5 is  
 71.24 reduced by the dollar amount of the reduction in market value credit reimbursements for  
 71.25 that taxing jurisdiction in 2010 due to allotment reductions under section 16A.152 and  
 71.26 the reductions under section 477A.0133. No taxing jurisdiction's market value credit  
 71.27 reimbursements are reduced to less than zero under this subdivision. The commissioner of  
 71.28 revenue shall pay the annual market value credit reimbursement amounts, after reduction  
 71.29 under this subdivision, to the affected taxing jurisdictions as provided in this section.

71.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

71.31 Sec. 4. Minnesota Statutes 2009 Supplement, section 275.70, subdivision 5, is  
 71.32 amended to read:

72.1 Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes  
72.2 levied by a local governmental unit for the following purposes or in the following manner:

72.3 (1) to pay the costs of the principal and interest on bonded indebtedness or to  
72.4 reimburse for the amount of liquor store revenues used to pay the principal and interest  
72.5 due on municipal liquor store bonds in the year preceding the year for which the levy  
72.6 limit is calculated;

72.7 (2) to pay the costs of principal and interest on certificates of indebtedness issued for  
72.8 any corporate purpose except for the following:

72.9 (i) tax anticipation or aid anticipation certificates of indebtedness;

72.10 (ii) certificates of indebtedness issued under sections 298.28 and 298.282;

72.11 (iii) certificates of indebtedness used to fund current expenses or to pay the costs of  
72.12 extraordinary expenditures that result from a public emergency; or

72.13 (iv) certificates of indebtedness used to fund an insufficiency in tax receipts or  
72.14 an insufficiency in other revenue sources;

72.15 (3) to provide for the bonded indebtedness portion of payments made to another  
72.16 political subdivision of the state of Minnesota;

72.17 (4) to fund payments made to the Minnesota State Armory Building Commission  
72.18 under section 193.145, subdivision 2, to retire the principal and interest on armory  
72.19 construction bonds;

72.20 (5) property taxes approved by voters which are levied against the referendum  
72.21 market value as provided under section 275.61;

72.22 (6) to fund matching requirements needed to qualify for federal or state grants or  
72.23 programs to the extent that either (i) the matching requirement exceeds the matching  
72.24 requirement in calendar year 2001, or (ii) it is a new matching requirement that did not  
72.25 exist prior to 2002;

72.26 (7) to pay the expenses reasonably and necessarily incurred in preparing for or  
72.27 repairing the effects of natural disaster including the occurrence or threat of widespread  
72.28 or severe damage, injury, or loss of life or property resulting from natural causes, in  
72.29 accordance with standards formulated by the Emergency Services Division of the state  
72.30 Department of Public Safety, as allowed by the commissioner of revenue under section  
72.31 275.74, subdivision 2;

72.32 (8) pay amounts required to correct an error in the levy certified to the county  
72.33 auditor by a city or county in a levy year, but only to the extent that when added to the  
72.34 preceding year's levy it is not in excess of an applicable statutory, special law or charter  
72.35 limitation, or the limitation imposed on the governmental subdivision by sections 275.70  
72.36 to 275.74 in the preceding levy year;



73.1 (9) to pay an abatement under section 469.1815;

73.2 (10) to pay any costs attributable to increases in the employer contribution rates  
73.3 under chapter 353, or locally administered pension plans, that are effective after June  
73.4 30, 2001;

73.5 (11) to pay the operating or maintenance costs of a county jail as authorized in  
73.6 section 641.01 or 641.262, or of a correctional facility as defined in section 241.021,  
73.7 subdivision 1, paragraph (f), to the extent that the county can demonstrate to the  
73.8 commissioner of revenue that the amount has been included in the county budget as  
73.9 a direct result of a rule, minimum requirement, minimum standard, or directive of the  
73.10 Department of Corrections, or to pay the operating or maintenance costs of a regional jail  
73.11 as authorized in section 641.262. For purposes of this clause, a district court order is  
73.12 not a rule, minimum requirement, minimum standard, or directive of the Department of  
73.13 Corrections. If the county utilizes this special levy, except to pay operating or maintenance  
73.14 costs of a new regional jail facility under sections 641.262 to 641.264 which will not  
73.15 replace an existing jail facility, any amount levied by the county in the previous levy year  
73.16 for the purposes specified under this clause and included in the county's previous year's  
73.17 levy limitation computed under section 275.71, shall be deducted from the levy limit  
73.18 base under section 275.71, subdivision 2, when determining the county's current year  
73.19 levy limitation. The county shall provide the necessary information to the commissioner  
73.20 of revenue for making this determination;

73.21 (12) to pay for operation of a lake improvement district, as authorized under section  
73.22 103B.555. If the county utilizes this special levy, any amount levied by the county in the  
73.23 previous levy year for the purposes specified under this clause and included in the county's  
73.24 previous year's levy limitation computed under section 275.71 shall be deducted from  
73.25 the levy limit base under section 275.71, subdivision 2, when determining the county's  
73.26 current year levy limitation. The county shall provide the necessary information to the  
73.27 commissioner of revenue for making this determination;

73.28 (13) to repay a state or federal loan used to fund the direct or indirect required  
73.29 spending by the local government due to a state or federal transportation project or other  
73.30 state or federal capital project. This authority may only be used if the project is not a  
73.31 local government initiative;

73.32 (14) to pay for court administration costs as required under section 273.1398,  
73.33 subdivision 4b, less the (i) county's share of transferred fines and fees collected by the  
73.34 district courts in the county for calendar year 2001 and (ii) the aid amount certified to be  
73.35 paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes  
73.36 levied to pay for these costs in the year in which the court financing is transferred to the

74.1 state, the amount under this clause is limited to the amount of aid the county is certified to  
74.2 receive under section 273.1398, subdivision 4a;

74.3 (15) to fund a police or firefighters relief association as required under section 69.77  
74.4 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

74.5 (16) for purposes of a storm sewer improvement district under section 444.20;

74.6 (17) to pay for the maintenance and support of a city or county society for the  
74.7 prevention of cruelty to animals under section 343.11, but not to exceed in any year  
74.8 \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most  
74.9 recent federal census, whichever is greater. If the city or county uses this special levy, any  
74.10 amount levied by the city or county in the previous levy year for the purposes specified  
74.11 in this clause and included in the city's or county's previous year's levy limit computed  
74.12 under section 275.71, must be deducted from the levy limit base under section 275.71,  
74.13 subdivision 2, in determining the city's or county's current year levy limit;

74.14 (18) for counties, to pay for the increase in their share of health and human service  
74.15 costs caused by reductions in federal health and human services grants effective after  
74.16 September 30, 2007;

74.17 (19) for a city, for the costs reasonably and necessarily incurred for securing,  
74.18 maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by  
74.19 the commissioner of revenue under section 275.74, subdivision 2. A city must have either  
74.20 (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in  
74.21 the city or in a zip code area of the city that is at least 50 percent higher than the average  
74.22 foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2,  
74.23 to use this special levy. For purposes of this paragraph, "foreclosure rate" means the  
74.24 number of foreclosures, as indicated by sheriff sales records, divided by the number of  
74.25 households in the city in 2007;

74.26 (20) for a city, for the unreimbursed costs of redeployed traffic-control agents and  
74.27 lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified  
74.28 to the Federal Highway Administration;

74.29 (21) to pay costs attributable to wages and benefits for sheriff, police, and fire  
74.30 personnel. If a local governmental unit did not use this special levy in the previous year its  
74.31 levy limit base under section 275.71 shall be reduced by the amount equal to the amount it  
74.32 levied for the purposes specified in this clause in the previous year;

74.33 (22) an amount equal to 50 percent of any reductions in the certified aids or credits  
74.34 payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment  
74.35 under section 16A.152 or 477A.0133. In the case of an unallotment, the amount of  
74.36 the levy allowed under this clause is equal to the amount unallotted or reduced in the

75.1 calendar year in which the tax is levied unless the unallotment amount is not known by  
 75.2 September 1 of the levy year, and the local government has not adjusted its levy under  
 75.3 section 275.065, subdivision 6, or 275.07, subdivision 6, in which case the unallotment  
 75.4 amount may be levied in the following year;

75.5 (23) to pay for the difference between one-half of the costs of confining sex offenders  
 75.6 undergoing the civil commitment process and any state payments for this purpose pursuant  
 75.7 to section 253B.185, subdivision 5;

75.8 (24) for a county to pay the costs of the first year of maintaining and operating a new  
 75.9 facility or new expansion, either of which contains courts, corrections, dispatch, criminal  
 75.10 investigation labs, or other public safety facilities and for which all or a portion of the  
 75.11 funding for the site acquisition, building design, site preparation, construction, and related  
 75.12 equipment was issued or authorized prior to the imposition of levy limits in 2008. The  
 75.13 levy limit base shall then be increased by an amount equal to the new facility's first full  
 75.14 year's operating costs as described in this clause; and

75.15 (25) for 50 percent of the estimated amount of reduction to credits under section  
 75.16 273.1384 for credits payable in the year in which the levy is payable.

75.17 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and  
 75.18 thereafter.

75.19 Sec. 5. Minnesota Statutes 2008, section 275.71, subdivision 5, is amended to read:

75.20 Subd. 5. **Property tax levy limit.** ~~For taxes levied in 2008 through 2010,~~ (a) The  
 75.21 property tax levy limit for a local governmental unit is equal to its adjusted levy limit  
 75.22 base determined under subdivision 4 plus any additional levy authorized under section  
 75.23 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount  
 75.24 of aids and reimbursements that the local governmental unit is certified to receive under  
 75.25 sections 477A.011 to 477A.014, (ii) taconite aids under sections 298.28 and 298.282  
 75.26 including any aid which was required to be placed in a special fund for expenditure in  
 75.27 the next succeeding year, (iii) estimated payments to the local governmental unit under  
 75.28 section 272.029, adjusted for any error in estimation in the preceding year, and (iv) aids  
 75.29 under section 477A.16.

75.30 (b) If an aid, payment, or other amount used in paragraph (a) to reduce a local  
 75.31 government unit's levy limit is reduced by allotment reduction under section 16A.152,  
 75.32 the amount of the aid, payment, or other amount prior to unallotment is used in the  
 75.33 computations in paragraph (a). In order for a local government unit to levy outside of its  
 75.34 limit to offset a reduction attributable to unallotment, it must do so under, and to the extent  
 75.35 authorized by, a special levy authority. If any amount in paragraph (a), items (i) to (iv),

76.1 has decreased from the corresponding amount for the prior year other than because of an  
 76.2 allotment reduction under section 16A.152, an amount equal to one-half of that decrease  
 76.3 must be subtracted from the result obtained under paragraph (a).

76.4 **EFFECTIVE DATE.** This section is effective for taxes payable in 2011 and  
 76.5 thereafter.

76.6 Sec. 6. Minnesota Statutes 2009 Supplement, section 290C.07, is amended to read:

76.7 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

76.8 An approved claimant under the sustainable forest incentive program is eligible to  
 76.9 receive an annual payment. The payment shall equal the greater of:

76.10 (1) the difference between the property tax that would be paid on the land using the  
 76.11 previous year's statewide average total township tax rate and a class rate of one percent, if  
 76.12 the land were valued at (i) the average statewide managed forest land market value per  
 76.13 acre calculated under section 290C.06, and (ii) the average statewide managed forest land  
 76.14 current use value per acre calculated under section 290C.02, subdivision 5; or

76.15 (2) two-thirds of the property tax amount determined by using the previous year's  
 76.16 statewide average total township tax rate, the estimated market value per acre as calculated  
 76.17 in section 290C.06, and a class rate of one percent, provided that the payment shall be no  
 76.18 less than \$7 per acre for each acre enrolled in the sustainable forest incentive program and  
 76.19 the maximum payment per each Social Security Number or state or federal business tax  
 76.20 identification number shall not exceed \$100,000.

76.21 **EFFECTIVE DATE.** This section is effective for payments made after June 30,  
 76.22 2011, based on certifications due in 2011 and thereafter.

76.23 Sec. 7. Minnesota Statutes 2008, section 477A.013, subdivision 9, is amended to read:

76.24 Subd. 9. **City aid distribution.** (a) ~~In calendar year 2009 and thereafter,~~ Each  
 76.25 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
 76.26 subdivision 8, and (2) its city aid base.

76.27 (b) For aids payable in ~~2009~~ 2011 only, the total aid for any city shall not exceed  
 76.28 the sum of (1) 35 percent of the city's net levy for the year prior to the aid distribution,  
 76.29 plus (2) its total aid in the previous year. For aid payable in 2011 only, the total aid for  
 76.30 any city with a population of 2,500 or more may not be less than its total aid under this  
 76.31 section in the previous year minus the lesser of \$125 multiplied by its population, or 50  
 76.32 percent of its net levy in the year prior to the aid distribution. The total aid for a city with  
 76.33 a population less than 2,500 must not be less than the amount it was certified to receive

77.1 in the previous year minus the lesser of \$125 multiplied by its population, or 40 percent  
 77.2 of its 2003 certified aid amount.

77.3 (c) For aids payable in ~~2010~~ 2012 and thereafter, the total aid for any city shall  
 77.4 not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid  
 77.5 distribution plus (2) its total aid in the previous year. For aids payable in ~~2009~~ 2012 and  
 77.6 thereafter, the total aid for any city with a population of 2,500 or more may not be less  
 77.7 than its total aid under this section in the previous year minus the lesser of \$10 multiplied  
 77.8 by its population, or ten percent of its net levy in the year prior to the aid distribution.

77.9 (d) For aids payable in ~~2010~~ 2012 and thereafter, the total aid for a city with a  
 77.10 population less than 2,500 must not be less than the amount it was certified to receive in  
 77.11 the previous year minus the lesser of \$10 multiplied by its population, or five percent of its  
 77.12 2003 certified aid amount. ~~For aids payable in 2009 only, the total aid for a city with a~~  
 77.13 ~~population less than 2,500 must not be less than what it received under this section in the~~  
 77.14 ~~previous year unless its total aid in calendar year 2008 was aid under section 477A.011,~~  
 77.15 ~~subdivision 36, paragraph (s), in which case its minimum aid is zero.~~

77.16 (e) For aid payable in 2012 and thereafter, a city's aid loss under this section may  
 77.17 not exceed \$300,000 in any year in which the total city aid appropriation under section  
 77.18 477A.03, subdivision 2a, is equal or greater than the appropriation under that subdivision  
 77.19 in the previous year, unless the city has an adjustment in its city net tax capacity under  
 77.20 the process described in section 469.174, subdivision 28.

77.21 (f) If a city's net tax capacity used in calculating aid under this section has decreased  
 77.22 in any year by more than 25 percent from its net tax capacity in the previous year due to  
 77.23 property becoming tax-exempt Indian land, the city's maximum allowed aid increase  
 77.24 under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the  
 77.25 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease  
 77.26 resulting from the property becoming tax exempt.

77.27 **EFFECTIVE DATE.** This section is effective for aid payable in 2011 and thereafter.

77.28 Sec. 8. **[477A.0133] ADDITIONAL 2010 AID AND REDUCTIONS.**

77.29 **Subdivision 1. Definitions.** (a) For the purposes of this section, the following terms  
 77.30 have the meanings given them in this subdivision.

77.31 (b) The "2010 revenue base" for a county is the sum of the county's certified property  
 77.32 tax levy for taxes payable in 2010, plus the amount of county program aid under section  
 77.33 477A.0124 that the county was certified to receive in 2010, plus the amount of taconite  
 77.34 aids under sections 298.28 and 298.282 that the county was certified to receive in 2010  
 77.35 including any amounts required to be placed in a special fund for distribution in a later year.

78.1 (c) The "2010 revenue base" for a statutory or home rule charter city is the sum of  
 78.2 the city's certified property tax levy for taxes payable in 2010, plus the amount of local  
 78.3 government aid under section 477A.013, subdivision 9, that the city was certified to  
 78.4 receive in 2010, plus the amount of taconite aids under sections 298.28 and 298.282 that  
 78.5 the city was certified to receive in 2010 including any amounts required to be placed in a  
 78.6 special fund for distribution in a later year.

78.7 Subd. 2. **2010 reductions; counties, cities, and towns.** After implementing any  
 78.8 reduction of county program aid under section 477A.0124, local government aid under  
 78.9 section 477A.013, or market value credit reimbursements under section 273.1384, for  
 78.10 amounts payable in 2010 to reflect the reduction of allotments under section 16A.152, the  
 78.11 commissioner of revenue must compute the additional aid reduction amounts for each  
 78.12 county and city provided under this section.

78.13 The additional reduction amounts under this section are limited to the sum of the  
 78.14 amount of county program aid under section 477A.0124, local government aid under  
 78.15 section 477A.013, and market value credit reimbursements under section 273.1384  
 78.16 payable to the county or city in 2010 before the reductions in this section, but after the  
 78.17 reductions for unallotments.

78.18 The reduction amount under this section is applied first to reduce the amount payable  
 78.19 as either county program aid under section 477A.0124, in the case of a county, or local  
 78.20 government aid under section 477A.013, in the case of a city, and then, if necessary,  
 78.21 to reduce the amount payable to the county or city in 2010 as market value credit  
 78.22 reimbursements under section 273.1384.

78.23 No aid or reimbursement amount is reduced to less than zero under this section.

78.24 The additional 2010 aid reduction amount for a county is equal to 4.354 percent of  
 78.25 the county's 2010 revenue base. The additional 2010 aid reduction amount for a city is  
 78.26 equal to 8.158 percent of the city's 2010 revenue base.

78.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

78.28 Sec. 9. Minnesota Statutes 2008, section 477A.03, subdivision 2a, is amended to read:

78.29 Subd. 2a. **Cities.** For aids payable in ~~2009~~ 2011 and thereafter, the total aid  
 78.30 paid under section 477A.013, subdivision 9, is ~~\$526,148,487, subject to adjustment in~~  
 78.31 ~~subdivision 5~~ \$337,640,792.

78.32 **EFFECTIVE DATE.** This section is effective for aids payable in 2011 and  
 78.33 thereafter.

79.1 Sec. 10. Minnesota Statutes 2008, section 477A.03, subdivision 2b, is amended to read:

79.2 Subd. 2b. **Counties.** (a) For aids payable in ~~2009~~ 2011 and thereafter, the total aid  
 79.3 payable under section 477A.0124, subdivision 3, is ~~\$111,500,000 minus one-half of the~~  
 79.4 ~~total aid amount determined under section 477A.0124, subdivision 5, paragraph (b),~~  
 79.5 ~~subject to adjustment in subdivision 5~~ \$33,059,086. Each calendar year, \$500,000 shall be  
 79.6 retained by the commissioner of revenue to make reimbursements to the commissioner of  
 79.7 management and budget for payments made under section 611.27. For calendar year 2004,  
 79.8 the amount shall be in addition to the payments authorized under section 477A.0124,  
 79.9 subdivision 1. For calendar year 2005 and subsequent years, the amount shall be deducted  
 79.10 from the appropriation under this paragraph. The reimbursements shall be to defray the  
 79.11 additional costs associated with court-ordered counsel under section 611.27. Any retained  
 79.12 amounts not used for reimbursement in a year shall be included in the next distribution  
 79.13 of county need aid that is certified to the county auditors for the purpose of property tax  
 79.14 reduction for the next taxes payable year.

79.15 (b) For aids payable in ~~2009~~ 2011 and thereafter, the total aid under section  
 79.16 477A.0124, subdivision 4, is ~~\$116,132,923 minus one-half of the total aid amount~~  
 79.17 ~~determined under section 477A.0124, subdivision 5, paragraph (b), subject to adjustment~~  
 79.18 ~~in subdivision 5~~ \$34,082,538. The commissioner of management and budget shall bill the  
 79.19 commissioner of revenue for the cost of preparation of local impact notes as required by  
 79.20 section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner  
 79.21 of education shall bill the commissioner of revenue for the cost of preparation of local  
 79.22 impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal  
 79.23 year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed  
 79.24 under this paragraph from the appropriation under this paragraph. The amounts deducted  
 79.25 are appropriated to the commissioner of management and budget and the commissioner of  
 79.26 education for the preparation of local impact notes.

79.27 **EFFECTIVE DATE.** This section is effective for aids payable in 2011 and  
 79.28 thereafter.

79.29 Sec. 11. Minnesota Statutes 2008, section 477A.12, is amended by adding a  
 79.30 subdivision to read:

79.31 **Subd. 4. Reduction.** Beginning in 2010, the amount of an annual payment to  
 79.32 a county under this section is the amount determined under subdivision 1 to 3, reduced  
 79.33 by six percent.

80.1 **EFFECTIVE DATE.** This section is effective for payment made to counties in  
 80.2 2010 and thereafter.

80.3 Sec. 12. Minnesota Statutes 2008, section 477A.14, is amended by adding a  
 80.4 subdivision to read:

80.5 **Subd. 3. Reduction.** Beginning in 2010, the monetary amounts per acre specified in  
 80.6 subdivisions 1 and 2, are reduced by six percent.

80.7 **EFFECTIVE DATE.** This section is effective for payment and distributions made  
 80.8 in 2010 and thereafter.

80.9 Sec. 13. Laws 2008, chapter 366, article 3, section 3, the effective date, is amended to  
 80.10 read:

80.11 **EFFECTIVE DATE.** This section is effective for levies certified in calendar years  
 80.12 2008 through 2010, payable in 2009 through 2011, and thereafter.

80.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

80.14 Sec. 14. Laws 2008, chapter 366, article 3, section 4, the effective date, is amended to  
 80.15 read:

80.16 **EFFECTIVE DATE.** This section is effective for levies certified in 2008 ~~through~~  
 80.17 ~~2010~~, payable in 2009 ~~through 2011~~, and thereafter.

80.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

80.19 Sec. 15. **REPEALER.**

80.20 Minnesota Statutes 2008, section 477A.03, subdivision 5, is repealed.

80.21 **EFFECTIVE DATE.** This section is effective for aids payable in 2011 and  
 80.22 thereafter.

80.23 **ARTICLE 7**

80.24 **REFUNDS**

80.25 Section 1. Minnesota Statutes 2008, section 270A.03, subdivision 7, is amended to  
 80.26 read:



81.1 Subd. 7. **Refund.** "Refund" means an individual income tax refund ~~or political~~  
 81.2 ~~contribution refund~~, pursuant to chapter 290, or a property tax credit or refund, pursuant to  
 81.3 chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

81.4 For purposes of this chapter, lottery prizes, as set forth in section 349A.08,  
 81.5 subdivision 8, and amounts granted to persons by the legislature on the recommendation  
 81.6 of the joint senate-house of representatives Subcommittee on Claims shall be treated  
 81.7 as refunds.

81.8 In the case of a joint property tax refund payable to spouses under chapter 290A,  
 81.9 the refund shall be considered as belonging to each spouse in the proportion of the total  
 81.10 refund that equals each spouse's proportion of the total income determined under section  
 81.11 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the  
 81.12 refund shall be considered as belonging to each spouse in the proportion of the total  
 81.13 refund that equals each spouse's proportion of the total taxable income determined under  
 81.14 section 290.01, subdivision 29. The commissioner shall remit the entire refund to the  
 81.15 claimant agency, which shall, upon the request of the spouse who does not owe the debt,  
 81.16 determine the amount of the refund belonging to that spouse and refund the amount to  
 81.17 that spouse. For court fines, fees, and surcharges and court-ordered restitution under  
 81.18 section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under  
 81.19 section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice  
 81.20 to the spouse who does not owe the debt.

81.21 **EFFECTIVE DATE.** This section is effective for political contribution refund  
 81.22 claims based on contributions that are made after June 30, 2011.

81.23 Sec. 2. Minnesota Statutes 2008, section 289A.50, subdivision 1, is amended to read:

81.24 Subdivision 1. **General right to refund.** (a) Subject to the requirements of this  
 81.25 section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully  
 81.26 due and who files a written claim for refund will be refunded or credited the overpayment  
 81.27 of the tax determined by the commissioner to be erroneously paid.

81.28 (b) The claim must specify the name of the taxpayer, the date when and the period  
 81.29 for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer  
 81.30 claims was erroneously paid, the grounds on which a refund is claimed, and other  
 81.31 information relative to the payment and in the form required by the commissioner. An  
 81.32 income tax, estate tax, or corporate franchise tax return, or amended return claiming an  
 81.33 overpayment constitutes a claim for refund.

81.34 (c) When, in the course of an examination, and within the time for requesting a  
 81.35 refund, the commissioner determines that there has been an overpayment of tax, the

82.1 commissioner shall refund or credit the overpayment to the taxpayer and no demand  
 82.2 is necessary. If the overpayment exceeds \$1, the amount of the overpayment must  
 82.3 be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the  
 82.4 commissioner is not required to refund. In these situations, the commissioner does not  
 82.5 have to make written findings or serve notice by mail to the taxpayer.

82.6 (d) If the amount allowable as a credit for withholding, estimated taxes, or dependent  
 82.7 care exceeds the tax against which the credit is allowable, the amount of the excess is  
 82.8 considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also~~  
 82.9 ~~considered an overpayment.~~ The requirements of section 270C.33 do not apply to the  
 82.10 refunding of such an overpayment shown on the original return filed by a taxpayer.

82.11 (e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes,  
 82.12 penalties, and interest reported in the return of the entertainment entity or imposed by  
 82.13 section 290.9201, the excess must be refunded to the entertainment entity. If the excess is  
 82.14 less than \$1, the commissioner need not refund that amount.

82.15 (f) If the surety deposit required for a construction contract exceeds the liability of  
 82.16 the out-of-state contractor, the commissioner shall refund the difference to the contractor.

82.17 (g) An action of the commissioner in refunding the amount of the overpayment does  
 82.18 not constitute a determination of the correctness of the return of the taxpayer.

82.19 (h) There is appropriated from the general fund to the commissioner of revenue the  
 82.20 amount necessary to pay refunds allowed under this section.

82.21 **EFFECTIVE DATE.** This section is effective for political contribution refund  
 82.22 claims based on contributions that are made after June 30, 2011.

82.23 Sec. 3. Minnesota Statutes 2008, section 290.01, subdivision 6, is amended to read:

82.24 Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to  
 82.25 a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term~~  
 82.26 ~~"taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

82.27 **EFFECTIVE DATE.** This section is effective for political contribution refund  
 82.28 claims based on contributions that are made after June 30, 2011.

82.29 Sec. 4. Minnesota Statutes 2008, section 290A.03, subdivision 11, is amended to read:

82.30 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"  
 82.31 means ~~19~~ 15 percent of the gross rent actually paid in cash, or its equivalent, or the portion  
 82.32 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right  
 82.33 of occupancy of the claimant's Minnesota homestead in the calendar year, and which

83.1 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this  
83.2 chapter by the claimant.

83.3 **EFFECTIVE DATE.** This section is effective for property tax refunds based on  
83.4 rent paid after December 31, 2009.

83.5 Sec. 5. Minnesota Statutes 2008, section 290A.03, subdivision 13, is amended to read:

83.6 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
83.7 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
83.8 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
83.9 and any other state paid property tax credits in any calendar year, and after any refund  
83.10 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in  
83.11 the year that the property tax is payable. In the case of a claimant who makes ground  
83.12 lease payments, "property taxes payable" includes the amount of the payments directly  
83.13 attributable to the property taxes assessed against the parcel on which the house is located.  
83.14 No apportionment or reduction of the "property taxes payable" shall be required for the  
83.15 use of a portion of the claimant's homestead for a business purpose if the claimant does not  
83.16 deduct any business depreciation expenses for the use of a portion of the homestead in the  
83.17 determination of federal adjusted gross income. For homesteads which are manufactured  
83.18 homes as defined in section 273.125, subdivision 8, and for homesteads which are park  
83.19 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property  
83.20 taxes payable" shall also include ~~10~~ 15 percent of the gross rent paid in the preceding  
83.21 year for the site on which the homestead is located. When a homestead is owned by  
83.22 two or more persons as joint tenants or tenants in common, such tenants shall determine  
83.23 between them which tenant may claim the property taxes payable on the homestead. If  
83.24 they are unable to agree, the matter shall be referred to the commissioner of revenue  
83.25 whose decision shall be final. Property taxes are considered payable in the year prescribed  
83.26 by law for payment of the taxes.

83.27 In the case of a claim relating to "property taxes payable," the claimant must have  
83.28 owned and occupied the homestead on January 2 of the year in which the tax is payable  
83.29 and (i) the property must have been classified as homestead property pursuant to section  
83.30 273.124, on or before December 15 of the assessment year to which the "property taxes  
83.31 payable" relate; or (ii) the claimant must provide documentation from the local assessor  
83.32 that application for homestead classification has been made on or before December 15  
83.33 of the year in which the "property taxes payable" were payable and that the assessor has  
83.34 approved the application.

84.1 **EFFECTIVE DATE.** This section is effective for property tax refunds based upon  
 84.2 rent paid after December 31, 2009, and upon property taxes payable in 2011 and thereafter.

84.3 Sec. 6. **REPEALER.**

84.4 (a) Minnesota Statutes 2008, sections 10A.322, subdivision 4; and 13.4967,  
 84.5 subdivision 2, are repealed.

84.6 (b) Minnesota Statutes 2008, section 290.06, subdivision 23, is repealed.

84.7 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.

84.8 Paragraph (b) is effective for refund claims based on contributions made after June 30,  
 84.9 2011.

## 84.10 **ARTICLE 8**

### 84.11 **MISCELLANEOUS**

84.12 Section 1. **[270C.311] FAILURE TO PRODUCE RECORDS.**

84.13 (a) A taxpayer who fails to produce records or documents that support items on a  
 84.14 return is subject to a penalty equal to the greater of \$500 or 25 percent of the amount of  
 84.15 the additional tax on any assessment made by the commissioner that results from the  
 84.16 failure to produce the documents or records.

84.17 (b) The penalty cannot be imposed unless the commissioner:

84.18 (1) makes a preliminary written request for the records or documents that gives the  
 84.19 taxpayer at least 30 days to comply; and

84.20 (2) makes a final written request, after the deadline provided in the preliminary  
 84.21 written request, for records or documents that gives the taxpayer at least 30 days to  
 84.22 comply. This request must notify the taxpayer of the consequences for failing to provide  
 84.23 the records or documents.

84.24 (c) The penalty may not be imposed, and if imposed, may be abated, if the taxpayer  
 84.25 shows that the response, or failure to respond, was due to reasonable cause.

84.26 (d) Records or documents submitted after the deadline provided in the request made  
 84.27 under paragraph (b) may be used to determine the correct tax. However, the late records or  
 84.28 documents must not reduce any penalty assessed under this section unless the penalty is  
 84.29 abated under paragraph (c).

84.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

84.31 Sec. 2. Minnesota Statutes 2008, section 270C.52, subdivision 2, is amended to read:

85.1 Subd. 2. **Payment agreements.** (a) When any portion of any tax payable to the  
85.2 commissioner together with interest and penalty thereon, if any, has not been paid, the  
85.3 commissioner may extend the time for payment for a further period. When the authority  
85.4 of this section is invoked, the extension shall be evidenced by written agreement signed by  
85.5 the taxpayer and the commissioner, stating the amount of the tax with penalty and interest,  
85.6 if any, and providing for the payment of the amount in installments.

85.7 (b) The agreement may contain a confession of judgment for the amount and for any  
85.8 unpaid portion thereof. If the agreement contains a confession of judgment, the confession  
85.9 of judgment must provide that the commissioner may enter judgment against the taxpayer  
85.10 in the district court of the county of residence as shown upon the taxpayer's tax return for  
85.11 the unpaid portion of the amount specified in the extension agreement.

85.12 (c) The agreement shall provide that it can be terminated, after notice by the  
85.13 commissioner, if information provided by the taxpayer prior to the agreement was  
85.14 inaccurate or incomplete, collection of the tax covered by the agreement is in jeopardy,  
85.15 there is a subsequent change in the taxpayer's financial condition, the taxpayer has failed  
85.16 to make a payment due under the agreement, or the taxpayer has failed to pay any other  
85.17 tax or file a tax return coming due after the agreement.

85.18 (d) The notice must be given at least 14 calendar days prior to termination, and shall  
85.19 advise the taxpayer of the right to request a reconsideration from the commissioner of  
85.20 whether termination is reasonable and appropriate under the circumstances. A request for  
85.21 reconsideration does not stay collection action beyond the 14-day notice period. If the  
85.22 commissioner has reason to believe that collection of the tax covered by the agreement  
85.23 is in jeopardy, the commissioner may proceed under section 270C.36 and terminate the  
85.24 agreement without regard to the 14-day period.

85.25 (e) The commissioner may accept other collateral the commissioner considers  
85.26 appropriate to secure satisfaction of the tax liability. The principal sum specified in the  
85.27 agreement shall bear interest at the rate specified in section 270C.40 on all unpaid portions  
85.28 thereof until the same has been fully paid or the unpaid portion thereof has been entered as  
85.29 a judgment. The judgment shall bear interest at the rate specified in section 270C.40.

85.30 (f) If it appears to the commissioner that the tax reported by the taxpayer is in excess  
85.31 of the amount actually owing by the taxpayer, the extension agreement or the judgment  
85.32 entered pursuant thereto shall be corrected. If after making the extension agreement  
85.33 or entering judgment with respect thereto, the commissioner determines that the tax as  
85.34 reported by the taxpayer is less than the amount actually due, the commissioner shall  
85.35 assess a further tax in accordance with the provisions of law applicable to the tax.

86.1 (g) The authority granted to the commissioner by this section is in addition to any  
 86.2 other authority granted to the commissioner by law to extend the time of payment or the  
 86.3 time for filing a return and shall not be construed in limitation thereof.

86.4 (h) The commissioner shall charge a fee for entering into payment agreements  
 86.5 that reflects the commissioner's costs for entering into payment agreements. The fee is  
 86.6 initially set at \$25 and is adjusted annually as necessary. The fee is charged for entering  
 86.7 into a payment agreement, for entering into a new payment agreement after the taxpayer  
 86.8 has defaulted on a prior agreement, and for entering into a new payment agreement as  
 86.9 a result of renegotiation of the terms of an existing agreement. The fee is paid to the  
 86.10 commissioner before the payment agreement becomes effective and does not reduce  
 86.11 the amount of the liability.

86.12 By June 1 of each year, the commissioner shall determine the cost to the  
 86.13 commissioner for entering into payment agreements during the fiscal year and adjust the  
 86.14 payment agreement fee as necessary to most nearly equal those costs. Determination  
 86.15 of the fee for payment agreements under this section is not subject to the fee setting  
 86.16 requirements of section 16A.1283.

86.17 **EFFECTIVE DATE.** This section is effective for payment agreements entered  
 86.18 into or renegotiated after June 30, 2010.

86.19 Sec. 3. Minnesota Statutes 2009 Supplement, section 289A.08, subdivision 16, is  
 86.20 amended to read:

86.21 Subd. 16. **Tax refund or return preparers; electronic filing; paper filing fee**  
 86.22 **imposed.** (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision  
 86.23 13, paragraph (f), who ~~prepared~~ is a tax return preparer for purposes of section 6011(e)  
 86.24 of the Internal Revenue Code, and who reasonably expects to prepare more than ~~100~~  
 86.25 ten Minnesota individual income tax returns for the ~~prior~~ current calendar year must file all  
 86.26 Minnesota individual income tax returns prepared for ~~the current~~ that calendar year by  
 86.27 electronic means.

86.28 (b) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return  
 86.29 that the taxpayer did not want the return filed by electronic means.

86.30 (c) For each return that is not filed electronically by a tax refund or return preparer  
 86.31 under this subdivision, including returns filed under paragraph (b), a paper filing fee  
 86.32 of \$5 is imposed upon the preparer. The fee is collected from the preparer in the same  
 86.33 manner as income tax. The fee does not apply to returns that the commissioner requires  
 86.34 to be filed in paper form.

87.1 **EFFECTIVE DATE.** This section is effective for tax returns filed after December  
87.2 31, 2010.

87.3 Sec. 4. **REPEALER.**

87.4 Laws 2009, chapter 88, article 12, section 21, is repealed.

87.5 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2009.

APPENDIX  
Article locations in 10-4114

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ARTICLE 2	FEDERAL UPDATE .....	Page.Ln 17.25
ARTICLE 3	ANGEL INVESTMENT TAX CREDIT .....	Page.Ln 24.31
ARTICLE 4	MINNESOTA BUSINESS INVESTMENT COMPANY CREDIT .....	Page.Ln 32.21
ARTICLE 5	TECHZ .....	Page.Ln 44.20
ARTICLE 6	PROPERTY TAXES, AIDS, AND PAYMENTS .....	Page.Ln 70.15
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