# HOUSE RESEARCH ==

# Bill Summary —

FILE NUMBER: Version:	1 <b>DATE:</b> January 29, 1999 Delete everything amendment H1A33
Authors:	Abrams and others
Subject:	Income Tax Rebate; Agricultural Assistance
Analyst:	Nina Manzi, 296-5204; Joel Michael, 296-5057; Karen Baker, 296-8959; Steve Hinze, 296-8959; Sam Rankin, 296-5047

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

### Overview

This bill provides a rebate of 1997 income tax liability. The rebate is equal to 100 percent of the first \$150 of tax and 20 percent of the amount above that. The maximum rebate is \$7,600 for married joint filers and \$3,800 for all other filers. The rebate is to be paid within 60 days after enactment of the bill.

This bill also provides agricultural assistance. A farmer is eligible for (1) a \$4 per acre payment from the state on every acre on which the farmer produced agricultural crop during 1998 or (2) a refund equal to the first half of property if the farmer operates a livestock production facility on 160 acres or less. The property tax on the house, garage, and one acre is excluded from the refund. The maximum refund under either farm option is \$10,000. These payments will be made in May 1999.

#### **Section**

**1 Rebate.** Directs the commissioner of revenue to pay an income tax rebate to taxpayers who paid individual income tax for tax year 1997.

Amount of rebate. The rebate equals the sum of:

100% of the first \$150 of income tax liability

+

20% of tax liability over \$150.

The maximum rebate is \$7,600 for married joint filers and \$3,800 for all other filers (single, head of household, married separate, estates, and trusts).

**Payment dates.** The rebate must be paid within 60 days after final enactment of the bill for returns filed before January 1, 1999. If the 1997 return is filed after December 31, 1998, then the rebate must be paid by 90 days after the commissioner receives the return. The state will pay interest if the rebate is not paid by this deadline.

Offsets. The rebate cannot be used to offset interest and penalties for underpayment of

estimated tax for taxable year 1997. Payment of the rebate may be offset under the Revenue Recapture Act or for unpaid taxes or other debts owed to the state.

# 2 Agricultural assistance in 1999.

# Subd. 1. (a) Definition.

(b) "Commissioner" means the commissioner of revenue.

(c) "Farm service agency" means the United States Farm Service Agency.

(d) "Farmer" means a person who produces an agricultural crop or livestock and is certified by the farm service agency (FSA) as bearing a percentage of the risk for production operation.

(e) "Livestock" means cattle, hogs, poultry, and sheep.

(f) "Livestock production facility" means a facility that has produced at least \$10,000 in sales of livestock or dairy products as reported on schedule F of the farmer's federal income tax return for either 1997 or 1998.

**Subd. 2. Payment to farmers.** Provides that every farmer may apply to the commissioner by April 1, 1999, for a payment equal to \$4 for every acre in Minnesota on which the farmer produced an agricultural crop for crop year 1998 as certified by the FSA by December 31, 1998. The commissioner shall prepare application forms and make them available. The farmer must include with the application, a certification from FSA of the number of acres farmed, including any percentage of risk for particular acres. The commissioner shall make the payment to each eligible farmer by May 1, 1999.

**Subd. 3. Livestock producers.** Provides that only a farmer who operates a livestock production facility on 160 acres or less is eligible for the agricultural property tax refund under subdivisions 4 to 8. This refund is in lieu of the per acre payment under subdivision 2.

**Subd. 4. Refund.** Provides a refund equal to the full amount of the May 15, 1999 property tax payment on agricultural land and buildings, excluding those taxes attributable to the house, garage, and surrounding acre of land, and excluding any portion of the taxes on any agricultural property that was leased for the 1998 production year.

**Subd. 5. Certification.** Requires the commissioner to develop a form for use by the county auditors by February 15, 1999, to ascertain qualification for the refund. The form shall require property owners to certify that the owner (i) operates a livestock production facility on 160 acres or less and (ii) the percentage of the property, if any, that was leased to another party for the 1998 production year. Any person qualifying for the refund shall contact the county auditor in the county where the livestock production facility is located and shall file the form with the county by April 1, 1999.

**Subd. 6. Verification.** Provides that the auditor determines the amount of the refund for all qualifying property in the county. By April 10, 1999, the auditor shall notify all applicants of the amount of the refund.

**Subd. 7. Certification and Payment.** Provides that by April 20, 1999, any person eligible for the refund shall notify the commissioner. The commissioner shall make payment by May 10, 1999.

**Subd. 8. Property tax refund.** Provides that taxpayers benefitting from this refund must deduct the amount of the refund from their net taxes when applying for the state property tax refund.

**Subd. 9. Limit.** Provides that no person may receive a payment under subdivision 2 or subdivisions 4 to 8 that exceeds \$10,000.

**3 Appropriation.** (a) Appropriates an amount sufficient to pay the rebate under section 1 to the commissioner of revenue. The first \$200 million of this appropriation is from the tax reform

and reduction account.

(b) Appropriates an amount for the cost of administration under paragraph (a) not to exceed 0.1 percent of the total rebates paid under section 1.

(c) Appropriates the amount necessary to make the payments for the farm assistance under section 2, subdivisions 2 and 7, to the commissioner of revenue.

(d) Appropriates an amount not to exceed one percent of the total amount under section 2, subdivisions 4 to 8 (the property tax refund option), to the commissioner of revenue for distribution to the counties for the cost of administering that refund.

**4 Effective date.** Provides sections 1 to 3 are effective the day following final enactment.