

HOUSE RESEARCH

Bill Summary

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Overview

This bill provides a rebate of 1997 income tax liability and agricultural assistance.

The rebate equals 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.

Under the bill, a farmer is eligible for agricultural assistance equal to either (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 1999 property taxes 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 both of the farm payments 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). Income tax liability is before allowance of the refundable credits (working family credit, dependent care credit, and the 1997 property tax rebate).

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.

Checks to joint filers. For married joint returns, checks will be made out jointly to both spouses. One spouse may request separate checks be issued. In addition, if the rebate is offset for taxes or other debts under Revenue Recapture, the non-debtor spouse may claim one-half of the rebate.

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. If the rebate is offset for taxes or other debts under Revenue Recapture, the non-debtor spouse may claim one-half of the rebate.

Uncashed checks. Uncashed rebate checks lapse to the general fund on July 1, 2001.

Authority to file claims for unpaid rebates. Individuals who are eligible but did not receive a rebate or who received an incorrect amount may apply for a rebate until July 1, 2000.

Wrongly cashed checks. The Commissioner may assess as tax the amount of checks that are cashed by someone other than the payee of the check. This authority is limited to two years; no time limit applies, if the individual committed theft or forgery in cashing the check.

Authority to use private vendors. The Commissioner of Revenue may contract with a private vendor to process, print, and mail the rebate checks. Exceptions to various laws are provided for these contracts: Minn. Stat. §§ 9.031 (requirements for state depositories); 16A.40 (refunds of less than \$1 prohibited); 16B.49 (requirement to use the central mailing system); and 16B.50 (requirement to use Department of Administration's duplicating and printing).

Payment to state. Individuals who receive rebate checks are given the option of endorsing the check to the state for one of five purposes:

- The basic sliding fee child care program
- K-6 class size reductions
- Affordable rental housing
- Contaminated site clean-up
- General state government use

The bill requires the endorsement options to be printed on the back of the rebate check. In addition, the commissioner of revenue is directed to send a notice with rebate checks that describes the options and explains how the funds will be used. The notice is to explain that the taxpayer may also cash the check and send a contribution for any of the options listed.

The funds must be used for the purposes designated ; the money is appropriated for those purposes. Use of the funds for another purpose is prohibited and the funds may not be used to reduce any appropriation. The amounts contributed are not put into the budget base for the programs.

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 to each eligible farmer.

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 \$1,075,000 to the commissioner of revenue to administer the rebate 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 \$68,0000 to the commissioner of revenue for distribution to the counties for the cost of administering the property tax refund (section 2, subdivisions 4 to 8).

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