

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Daggett and others

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**Analyst:** Joel Michael, 651/296-5057 Karen Baker, 651/296-8959 Steve Hinze, 651/296-8956  
Pat Dalton, 651/296-7434 Nina Manzi, 651/296-5204

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### Overview

This is the Department of Revenue's technical bill. The bill makes a number of minor and technical changes to various taxes.

### Article 1: Income and Franchise Taxes

#### Section

- 1 Working family credit.** Directs the commissioner to construct tables for taxpayers to use in determining the working family credit. Allows the commissioner to graduate the income brackets in the tables. The commissioner used this approach in administering the changes made to the working family credit in 1998. Effective retroactive to tax year 1998.
- 2 Charitable contributions; corporate alternative minimum tax (AMT).** Clarifies that for the purpose of computing the corporate AMT, charitable contributions are not subject to the 15 percent limit under the regular corporate tax. The corporate charitable contribution deduction would continue to be limited to 15 percent of alternative minimum taxable income, as under current law.
- 3 Net operating loss (NOL) carryovers.** Clarifies that the requirement to apportion net operating losses applies to corporations that conduct their entire business in Minnesota but are members of a unitary group required to apportion income.
- 4 Unitary Business Principle.** Strikes obsolete references.
- 5 Effective dates.** Effective for tax years beginning on or after the day following final enactment, except the working family tax credit changes are effective retroactive to tax year 1998.

### Article 2: Property Taxes

- 1-2 Homestead appeals.** Allows owners to appeal a denial of homestead application in the small claims division of tax court if they do not receive timely notice of the denial on their valuation notice. They may appeal even if they have not appeared before the local board of review and the

county board of equalization. Under current law, all owners must first appear before the county board before appealing to the small claims division of tax court.

- 3 **'Green Acres' for split-class properties.** Clarifies that 'green acres' treatment may be applied to a portion of a tax parcel, without being applied to the whole parcel. Also clarifies payback-deferral provisions to apply only to land that no longer qualifies due to 1997 changes.
- 4 **Property tax microdata.** Allows county treasurers and auditors to view and access Social Security and federal identification numbers that taxpayers give to county assessors on their homestead applications. This authorization applies only to activities necessary for production of the microdata sample required under section 270.0681.
- 5 **Repeal of land-value schedule.** Repeals a requirement that the commissioner develop a land value schedule for county assessors to use in valuing agricultural lands.
- 6 **Effective dates.** Effective the day following final enactment, unless noted otherwise in the summary of the section.

### Article 3: MinnesotaCare Taxes

- 1 **Definition of Patient Services.** Clarifies that 'patient services' includes review of medical records and other examinations for purposes of employment, litigation, or determining insurance eligibility. As 'patient services', these examinations are subject to MinnesotaCare tax. Under current law, the definition of 'health care provider' includes providers who conduct examinations for purpose of litigation or insurance claims.

This section excludes 'home health care services' from the definition of 'patient services'. Under this change providers of home health care services will not be required to register to pay the MinnesotaCare tax.

- 2 **Underpayment of estimated taxes by hospitals and surgical centers.** Modifies the safe harbor rule for underpayment of estimated taxes by hospitals and surgical centers. Under present law, estimated payments are not required if total liability for the current year is less than \$500. The revision extends this exemption to tax paid in the previous year, if the hospital or surgical center was doing business for the entire year.

The section also substitutes the use of the one-twelfth of the previous year's tax as the base for calculating underpayment of estimated tax for a month. Under current law the definition of an underpayment is based on the actual tax for the month. The underpayment amount is the tax base on which the additional tax charge (ATC) is imposed. Use of the tax based on the current month's receipts prevents accurate calculation of the ATC by the department, since the department does not know the taxpayer's receipts for the month.

- 3 **Underpayment of estimated taxes by other taxpayers.** Makes changes in the estimated tax payments rules for other taxpayers similar to those for hospitals under section 2.
- 4 **Sampling techniques.** Allows the commissioner to use sampling methods when examining a taxpayer's records.
- 5 **Effective dates.** Effective the date following final enactment. The estimated tax changes are effective for payments received on or after January 1, 2000.

### Article 4: Special Taxes

- 1 **Gross premiums.** Defines 'gross premiums', which are the base for the insurance premiums tax. The definition is consistent with how the department administers the tax under current law.
- 2 **Wholesale price.** Clarifies that 'wholesale' price for the tobacco products tax to include established prices (excluding discounts) set by sellers other than manufacturers. Present law only refers to purchases from a manufacturer.
- 3 **Bad debt.** Makes the bad debt provisions for cigarette and tobacco products taxes consistent

with bad debt provisions for the sales tax. Effective for refund claims filed on or after July 1, 1999.

- 4 **Waste containers and compactors.** Clarifies that for purposes of solid waste management taxes, the term 'waste management service' for mixed municipal solid waste includes the provision of waste containers and compactors if they are provided by the waste management service provider.
- 5 **Self-hauler.** Clarifies that the solid waste management tax on mixed municipal solid waste is imposed on the difference between the market price and the tip fee if the tip fee is less than the market price and the political subdivision subsidizes the cost of service at the facility. This is intended to make the tax treatment of self-haulers the same as that for services received by residential and commercial generators. Effective for services provided on or after July 1, 1999.
- 6 **Daily cover.** Clarifies that daily cover for landfills is not subject to the solid waste management tax, if the cover is approved by the Minnesota pollution control agency.
- 7 **Effective dates.** Effective the date following final enactment, unless stated otherwise in the summary for individual sections.

#### **Article 5: Miscellaneous**

- 1 **Time limit for refund claims.** Clarifies that an order determining an appeal starts the one-year period for paying the tax on the order and filing a claim for refund.
- 2 **Obsolete reference.** Eliminates obsolete language referring to a repealed minimum penalty.
- 3 **Penalty for failure to pay by electronic funds transfer.** Strikes an obsolete provision that was in effect through December 31, 1997.
- 4 **Capital equipment refunds.** Clarifies that the general procedural requirements for claiming refunds apply to capital equipment refund claims.
- 5 **Repealer.** Repeals provisions dealing with combined late filing and late payment penalty for lawful gambling taxes, cigarette and tobacco products taxes, and liquor taxes. Changes to the penalty provisions referenced in the sections repealed have made these sections obsolete.
- 6 **Effective dates.** Provides the changes are effective the day following final enactment.