HOUSE RESEARCH =

Bill Summary =

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Subject: Income tax reciprocity

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Overview

Authorizes a new income tax reciprocity benchmark study and directs the commissioner of revenue to enter into negotiations with the Wisconsin secretary of revenue, with the goal of restoring income tax reciprocity between the two states, with payment made from Wisconsin to Minnesota in the same fiscal year in which revenues are foregone. If Minnesota and Wisconsin enter a reciprocity agreement, the commissioner's authority to terminate the agreement is eliminated (i.e., legislation would be required to terminate the agreement).

- Data disclosure; income tax reciprocity benchmark study. Authorizes the commissioner of revenue to share data with the Wisconsin secretary of revenue for purposes of conducting the income tax reciprocity benchmark study provided in section 3. Current law, which authorizes the commissioner to share data with other states for purposes of enforcing tax laws, would not authorize data sharing since there is not currently a reciprocity agreement in effect with Wisconsin.
- 2 Income tax reciprocity.
 - **Subd. 1. Agreements with other states.** Eliminates the commissioner's authority to terminate a reciprocity agreement with Wisconsin and specifies that any reciprocity agreement with Wisconsin must require estimated payments of net revenue loss to be made from Wisconsin to Minnesota in the same fiscal year in which the loss occurred with a final payment with interest made in the next fiscal year. This would largely eliminate the payment time lag in effect for the reciprocity agreement with Wisconsin that was terminated following tax year 2009.
 - **Subd. 2. New reciprocity agreement with Wisconsin.** Directs the commissioner to initiate negotiations with Wisconsin with the objective of entering into a new reciprocity agreement that would be effective for tax year 2012. Provides that the commissioner may not enter into a new agreement with Wisconsin until Wisconsin has paid any amounts due, with interest, under the terms of the agreement in effect before tax year 2010.

Effective date: Subdivision 2 is effective following final enactment and subdivision 1 is effective when a new agreement with Wisconsin is reached.

- Income tax reciprocity benchmark study. Directs the Department of Revenue to work with the Wisconsin Department of Revenue to conduct an income tax reciprocity benchmark study. The study would use information from Minnesota and Wisconsin 2011 income tax returns of individuals who are residents of one state and have earnings in the other state. Requires the study to include:
 - The number of residents of each state with earnings in the other state;
 - The income earned by residents of one state who work in the other state;
 - The change in tax revenue in each state if a reciprocity agreement were implemented under which taxpayers were required to pay income tax only in their state of residence.

Requires the report to be submitted to the legislature by March 1, 2013.