

Section 10 of this act is not effective if the appropriation for special education aid in section 2, subdivision 3 of this act is not finally enacted. Sections 19 to 21 are effective for refunds payable after December 31, 1981. Sections 22 and 23 are effective for taxable years beginning after December 31, 1981.

Approved June 6, 1981

CHAPTER 3 — H.F.No. 3

An act relating to the financing of state and local government; rescheduling certain payment dates; providing for deduction of federal income tax on the accrual basis; requiring declaration and estimated payment of gross earnings taxes by telephone and telegraph companies; amending Minnesota Statutes 1980, Sections 273.13, Subdivision 15a; 273.136, Subdivision 3; 290.09, Subdivision 4; 290.10; 290.18, Subdivision 2; 290.37, Subdivision 3; 290A.07, Subdivisions 2, 3 and by adding a subdivision; 477A.13; proposing new law coded in Chapters 295, and 477A.

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

Section 1. Minnesota Statutes 1980, Section 273.13, Subdivision 15a, is amended to read:

Subd. 15a. **GENERAL FUND, REPLACEMENT OF REVENUE.** (1) Payment from the general fund shall be made, as provided herein, for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in subdivisions 6, 7, and 14a.

(2) Each county auditor shall certify, not later than May 1 of each year commencing in 1968 to the commissioner of revenue the amount of reduction resulting from subdivisions 6 and 7 in his county, and not later than May 1 of each year commencing in 1970, the amount of reduction resulting from subdivision 14a. In 1975 and subsequent years, this certification shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review such certifications to determine their accuracy. He may make such changes in the certification as he may deem necessary or return a certification to the county auditor for corrections.

(3) Based on current year tax data reported in the abstracts of tax lists, the commissioner of revenue shall annually determine the taxing district distribution of the amounts certified under clause (2). On or before July 15, 1975 1981, and each year thereafter, the commissioner of revenue shall pay to each taxing district ~~one-half~~ one-sixth of ~~their distribution~~ its total payment for

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the year. The remaining one-half five-sixths shall be paid in equal installments on or before ~~November 15, 1975~~ August 15, September 15, October 15, November 15, and December 15, 1981, and each year thereafter.

Sec. 2. Minnesota Statutes 1980, Section 273.136, Subdivision 3, is amended to read:

Subd. 3. The commissioner of finance shall pay out of the taconite property tax relief account to each county treasurer one-half of the amount certified under subdivision 2 not later than ~~June 15~~ July 15 and the remaining half not later than November 15 of each year commencing in ~~1974~~ 1982.

Sec. 3. Minnesota Statutes 1980, Section 290.10, is amended to read:
290.10 NONDEDUCTIBLE ITEMS.

In computing the net income no deduction shall in any case be allowed for:

- (1) Personal, living or family expenses;
- (2) Amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as otherwise provided in this chapter;
- (3) Amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;
- (4) Premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;
- (5) The shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;
- (6) Losses from sales or exchanges of property, directly or indirectly, between members of a family; or, except in the case of distributions in liquidation, between an individual and a corporation in which such individual owns, directly or indirectly, more than 50 percent in value of the outstanding stock; or between any person or corporation and a trust created by him or it or of which he or it is a beneficiary, directly or indirectly; for the purpose of this clause, an individual shall be considered as owning the stock owned, directly or indirectly, by his family; and the family of an individual shall include only his brothers and sisters (whether by the whole or half blood), spouse, ancestor, and lineal descendants, but such losses shall be allowed as deductions if the taxpayer shows to the satisfaction of the commissioner that the sale or exchange was bona fide and for a fair and adequate consideration;
- (7) In computing net income, no deduction shall be allowed under section 290.09, subdivision 2, relating to expenses incurred or under section 290.09, subdivision 3, relating to interest accrued;

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(a) If such expenses or interest not paid within the taxable year or within two and one-half months after the close thereof; and

(b) If, by reason of the method of accounting of the person to whom the payment is to be made, the amount thereof is not, unless paid, includible in the gross income of such person for the taxable year in which or with which the taxable year of the taxpayer ends; and

(c) If, at the close of the taxable year of the taxpayer or at any time within two and one-half months thereafter, both the taxpayer and the person to whom the payment is to be made are persons between whom losses would be disallowed under clause (6);

(8) (a) Contributions by employees under the federal railroad retirement act; and the federal social security act; or (b) Payments to Minnesota or federal public employee retirement funds; and that (c) Three-fourths (75 percent) of the amount of taxes imposed on self-employment income under section 1401 of the Internal Revenue Code of 1954, as amended through December 31, 1979; which would have been imposed on the same amount of income if such income had been treated as wages from employment and subject to tax under the provisions of section 3101 of the Internal Revenue Code of 1954, as amended through December 31, 1979.

(9) Expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this act. ~~When the federal income tax liability is joint and several under a joint federal return of husband and wife, the allowable federal income tax paid on the income included in the joint federal return may be taken as a deduction from gross income by the spouse who paid the federal income tax.~~

(10) In situations where this chapter provides for an exclusion from gross income of a specific dollar amount of an item of income assignable to this state, and within the measure of the tax imposed by this chapter, that portion of the federal income tax paid liability assessed upon such income excluded, and any expenses attributable to earning such income, shall not be deductible in computing net income.

(11) Amounts paid or accrued for such taxes and carrying charges as, under regulations prescribed by the commissioner, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such regulations, to treat such taxes or charges as so chargeable.

Sec. 4. Minnesota Statutes 1980, Section 290.18, Subdivision 2, is amended to read:

Subd. 2. **FEDERAL INCOME TAX PAYMENTS AND REFUNDS.**
(a) The adjusted gross income shall, ~~except insofar as section 290.19 is applicable,~~ be computed by deducting from the gross income assignable to this state under section 290.17, the ~~following deductions:~~ deduction for

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allowable federal income taxes determined under the provisions of sections 290.09, subdivision 4, 290.10(9) and 290.18.

The deduction enumerated in this subdivision This deduction shall be allowed to the extent provided in subdivision 4 and as provided in clauses (b) and (c).

(b) In the case of corporations, national and state banks for taxable years beginning prior to July 1, 1971 and ending subsequent thereto, federal income taxes allowable as a deduction shall be that part of the federal income tax determined by multiplying the federal income tax liability for such taxable year as reflected on the return filed with the Internal Revenue Service by a fraction, the numerator of which is the number of months in the taxable year prior to July 1, 1971 and the denominator which is the number of months in the entire taxable year; provided that if the taxable period is other than a full year the denominator of the fraction shall be the total number of months for which the federal return is filed.

(c) The amount of any additional federal income taxes for 1971 and prior years, where such additional federal income taxes would have been allowed as a deduction from gross income under clause (b) or under prior law, shall be allowed as a deduction in the year in which such additional federal income taxes are paid.

(d) The amount of any overpayment of federal income taxes, whether allowed as a refund or allowed as a credit to any liability, where such overpayment has previously been allowed as a deduction from gross income under Extra Session Laws 1971, Chapter 31, Article 6 or under prior law, shall be added to gross income in the year in which received or credited. individuals, estates, or trusts (i) for taxable years beginning after December 31, 1980 in the taxable year to which the liability applies. Such liability includes the portion of self-employment tax allowed under section 290.10, clause (8). The self-employment tax must be deducted by the person who is deriving the income. When the federal tax liability is joint and several under the computation of a joint federal return of husband and wife, the federal tax liability must be split between the spouses in the same ratio that the federal adjusted gross income of that spouse bears to the total federal adjusted gross income.

(ii) taxes paid for a taxable year beginning before January 1, 1981 shall be allowed as follows:

(1) Those taxes paid in a taxable year beginning before January 1, 1981, shall be claimed in the year in which the payment was made.

(2) Those paid in a taxable year beginning after December 31, 1980 shall be divided and deducted in equal installments reflected by the yearly periods beginning with the first day of the taxable year in which the payment was made and ending December 31, 1986.

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(iii) In the case of a person who was self employed during all or a portion of the taxable year, the federal income tax liability for purposes of this section shall be increased by the self-employment tax allowed under section 290.10, clause (8).

(iv) If a taxpayer's federal tax liability is eventually not paid by reason of compromise, discharge, or court order, the deduction allowed pursuant to this subdivision shall be disallowed for the taxable year in which the liability was accrued.

(v) In the event a federal tax liability for a taxable year commencing after December 31, 1980 is increased, decreased or modified, and such increase, decrease or modification has resulted in a change in the amount of Minnesota income tax in the year to which such increase, decrease or modification is attributable, the taxpayer's deduction under this section shall be modified for such year.

(vi) If the readjustments required in (iv) or (v) are for taxes reflected in the transition rule described in (ii)(2), the readjustment shall be made equally to the remaining installments and if a reduction to such installments is required under this readjustment which exceeds the total of all remaining installments, the remaining installments will be reduced to zero and the excess included in income as a federal income tax refund.

(vii) Refunds which are not involved with any readjustments under the transition rule shall be included in income under section 290.01, subdivision 20, clause (a)(6) if it is from a year beginning before January 1, 1981.

(viii) Refunds of taxes for years beginning after December 31, 1980, shall be used to adjust the deduction in the taxable year of the liability unless that year is closed by statute and no other adjustments are to be required or allowable in which case such refund shall be reportable in the year received.

Sec. 5. Minnesota Statutes 1980, Section 290.37, Subdivision 3, is amended to read:

Subd. 3. **INFORMATION INCLUDED IN RETURN.** The return provided for herein shall require a statement of the name of the taxpayer, or taxpayers, if the return be a joint return, and the address of such taxpayer in the same name or names and same address as the taxpayer has used in making his income tax return to the United States under the terms of the internal revenue act ~~act~~ code of 1954, and shall include the social security number of the taxpayer, or taxpayers, if a social security number has been issued by the United States with respect to said taxpayers, and shall include the amount of the adjusted gross income of such taxpayer as the same appears on said return to the United States internal revenue service for the taxable year to which such Minnesota state return is applicable; ~~or, in lieu thereof,~~ and the commissioner may require the taxpayer shall attach to his Minnesota state income tax

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return a copy of the federal income tax return which he has filed or is about to file for such period. ~~The commissioner of revenue, if necessary to audit the return of the taxpayer for a particular period, may require a detailed schedule of the items used to compute the adjusted gross income of such taxpayer as the same appears on said return to the United States internal revenue service for the taxable year to which such Minnesota return is applicable; or, in lieu thereof, a copy of the federal income tax return filed for such period.~~

Sec. 6. Minnesota Statutes 1980, Section 290A.07, Subdivision 2, is amended to read:

Subd. 2. A claimant ~~who is a renter or~~ who had attained the age of 65 or had been disabled prior to June 1 of the year following the year for which the taxes were levied or in which the rent was paid shall receive full payment no later than 60 days after receipt of the application or may elect to take as a credit against his income tax the full amount.

Sec. 7. Minnesota Statutes 1980, Section 290A.07, is amended by adding a subdivision to read:

Subd. 2a. A claimant not included in subdivision 2 who is a renter shall receive full payment prior to August 15 or 60 days after receipt of the application, whichever is later.

Sec. 8. Minnesota Statutes 1980, Section 290A.07, Subdivision 3, is amended to read:

Subd. 3. Any claimant not included in subdivision 2 or section 7 shall receive full payment after September 30 and prior to October 15.

Sec. 9. [295.365] DECLARATIONS OF ESTIMATED GROSS EARNINGS TAX BY TELEGRAPH AND TELEPHONE COMPANIES.

Every telegraph company subject to taxation pursuant to section 295.32 and every telephone company subject to taxation pursuant to section 295.34, shall make a declaration of estimated gross earnings tax for the calendar year. The declaration of estimated tax shall be filed on or before March 15. The amount of estimated tax with respect to which a declaration is required shall be paid in four equal installments on or before the 15th day of March, June, September, and December. An amendment of a declaration may be filed in any interval between installment dates prescribed above but only one amendment may be filed in each such interval.

If any amendment of a declaration is filed, the amount of each remaining installment shall be the amount which would have been payable if the new estimate had been made when the first estimate for the calendar year was made, increased or decreased, as the case may be, by the amount computed by dividing

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(1) the difference between (A) the amount of estimated tax required to be paid before the date on which the amendment was made, and (B) the amount of estimated tax which would have been required to be paid before such date if the new estimate had been made when the first estimate was made, by

(2) the number of installments remaining to be paid on or after the date on which the amendment is made.

The commissioner of revenue may grant a reasonable extension of time for filing any declaration but such extension shall not be for more than six months.

Sec. 10. [295.366] FAILURE BY TELEGRAPH OR TELEPHONE COMPANY TO PAY ESTIMATED GROSS EARNINGS TAX.

Subdivision 1. ADDITION TO THE TAX. In case of any underpayment of estimated tax by a telegraph or telephone company, except as provided in subdivision 4, there shall be added to the tax for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment (determined under subdivision 2) for the period of the underpayment (determined under subdivision 3).

Subd. 2. AMOUNT OF UNDERPAYMENT. For purposes of subdivision 1, the amount of the underpayment shall be the excess of

(1) the amount of the installment, over

(2) the amount, if any, of the installment paid on or before the last date prescribed for payment.

Subd. 3. PERIOD OF UNDERPAYMENT. The period of the underpayment shall run from the date the installment was required to be paid to whichever of the following dates is the earlier

(1) The 15th day of the third month following the close of the taxable year.

(2) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this paragraph, a payment of estimated tax on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under subdivision 2, clause (1) for such installment date.

Subd. 4. EXCEPTION. Notwithstanding the provisions of the preceding subdivisions, the addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the lesser

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(1) The tax shown on the return of the corporation for the preceding taxable year.

(2) Eighty percent of the actual liability for the calendar year.

Sec. 11. [477A.015] PAYMENT DATES.

The commissioner of revenue shall make the payments of local government aid to affected taxing authorities in six installments on July 15, August 15, September 15, October 15, November 15, and December 15 annually.

For calendar year 1981 only, the commissioner shall make the payments in seven installments computed as follows: one-fourth of the calendar year 1981 aids shall be paid on March 15; the remaining amounts shall be divided into six equal payments to be made on July 15, August 15, September 15, October 15, November 15, and December 15.

Sec. 12. Minnesota Statutes 1980, Section 477A.13, is amended to read:

477A.13 TIME OF PAYMENT, DEDUCTIONS.

Payments to the counties shall be made from the general fund during the month of ~~January~~ July of the year next following certification. There shall be deducted from amounts paid any amounts paid to a county or township during the preceding year pursuant to sections 84A.51, 89.036, 97.49, subdivision 3, and 272.68, subdivision 3 with respect to the lands certified pursuant to section 477A.12.

Sec. 13. Minnesota Statutes 1980, Section 290.09, Subdivision 4, is amended to read:

Subd. 4. **TAXES.** Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter and income or franchise taxes paid to any other state or to any province or territory of Canada for which a credit is allowed under section 290.081; (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; (c) inheritance, gift and estate taxes except as provided in section 290.077, subdivision 4; (d) cigarette and tobacco products excise tax imposed on the consumer; (e) that part of Minnesota property taxes for which a credit or refund is claimed and allowed under chapter 290A; (f) federal income taxes, by corporations, national and state banks except as provided in section 290.18; (g) mortgage registry tax; (h) real estate transfer tax; (i) federal telephone tax; (j) federal transportation tax; and (k) tax paid by any corporation or national or state bank to any foreign country or possession of the United States to the extent that a credit against federal income taxes is allowed under the provisions of the Internal Revenue Code of 1954, as amended through December 31, 1979. If the taxpayer's foreign tax credit consists of both foreign taxes deemed paid and foreign taxes actually paid or withheld, it will be conclusively presumed

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that foreign taxes deemed paid were first used by the taxpayer in its foreign tax credit. Minnesota gross income shall include the amount of foreign tax paid which had been allowed as a deduction in a previous year, provided such foreign tax is later allowed as a credit against federal income tax. ~~Income taxes permitted to be deducted hereunder shall, regardless of the methods of accounting employed, be deductible only in the taxable year in which paid.~~ Taxes imposed upon a shareholder's interest in a corporation which are paid by the corporation without reimbursement from the shareholder shall be deductible only by such corporation.

Sec. 14. EFFECTIVE DATE.

Section 1 is effective the day after final enactment. Sections 2, 11 and 12 are effective January 1, 1982, except for those provisions of section 11 that relate to payments in calendar year 1981, which are effective July 1, 1981. Sections 3 to 5 and 13 are effective for taxable years beginning after December 31, 1980. Sections 6 to 8 are effective for claims based on rent paid in 1982 and subsequent years. Sections 9 and 10 are effective for taxable years beginning after December 31, 1982.

Approved June 6, 1981

CHAPTER 4 — S.F.No. 1

An act relating to legislative enactments; correcting erroneous, ambiguous, omitted and obsolete references and text; eliminating redundant, conflicting and superseded provisions; reenacting certain laws; correcting miscellaneous oversights, inconsistencies, ambiguities, unintended results and errors of a noncontroversial nature in the 1981 Regular Session; extending the availability of a certain appropriation; authorizing changing of certain precinct boundaries; abolishing the office of court referee and court commissioner; providing for the continuance of certain referee and court commissioner positions; defining "city" for the purpose of participation in municipal power agencies; extending the powers of a city to make loans under a municipal housing program; extending the availability of a certain appropriation; amending Minnesota Statutes 1980, Sections 10.30; 12.03, Subdivision 9; 12.25, Subdivision 1; 15.0412, Subdivision 4d; 15.0413, Subdivision 3, as amended; 15.052, Subdivision 3, as amended; 15.1611, Subdivisions 1 and 2; 15.1621, Subdivision 2; 15.163, Subdivision 6; 15.166, Subdivisions 1, 2 and 4; 15.1671; 15.50, Subdivision 1; 15.61, Subdivision 2; 15A.081, Subdivision 1, as amended; 16.172; 16.822, Subdivisions 3 and 6; 17.72; 17B.23; 27.01, Subdivision 1; 31.58; 32A.04, Subdivision 1; 35.067; 40.05, Subdivision 4; 40.071; 43.12, Subdivision 19; 43.126, Subdivisions 1 and 2; 43.24, Subdivision 2; 43.323, Subdivision 3; 47.203; 48.68; 48.88, Subdivision 2; 50.14, Subdivision 5, as reenacted; 55.15; 56.19, Subdivision 1, as amended; 60A.11, Subdivision 7; 60A.23, Subdivision 8; 62A.152, Subdivision 2; 62D.22, Subdivision 6; 62D.28, Subdivisions 2 and 3; 65B.05; 65B.06, Subdivision 2; 65B.71, Subdivision 2; 69.031, Subdivision 5; 69.29; 72A.20,

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