

A bill for an act
relating to taxation; conforming to federal tax rules for public safety retiree
pensions; amending Minnesota Statutes 2006, section 290.01, subdivisions 19,
31.

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

Section 1. Minnesota Statutes 2006, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income,
as defined in section 63 of the Internal Revenue Code of 1986, as amended through the
date named in this subdivision, incorporating the federal effective dates of changes to the
Internal Revenue Code and any elections made by the taxpayer in accordance with the
Internal Revenue Code in determining federal taxable income for federal income tax
purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section
851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal
Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal
Revenue Code must be applied by allowing a deduction for capital gain dividends and
exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal
Revenue Code; and

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(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through May 18, 2006, shall be in effect for taxable years beginning after December 31, 1996, and as amended by section 845 of Public Law 109-280, the Pension Protection Act of 2006, is in effect for taxable years beginning after December 31, 2006.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18, 2006, and as amended by section 845 of Public Law 109-280, the Pension Protection Act of 2006.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2006.