

2.1 refund that equals each spouse's proportion of the total taxable income determined under
2.2 section 290.01, subdivision 29. The commissioner shall remit the entire refund to the
2.3 claimant agency, which shall, upon the request of the spouse who does not owe the debt,
2.4 determine the amount of the refund belonging to that spouse and refund the amount to
2.5 that spouse. For court fines, fees, and surcharges and court-ordered restitution under
2.6 section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under
2.7 section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice
2.8 to the spouse who does not owe the debt.

2.9 **EFFECTIVE DATE.** This section is effective for refund claims based on
2.10 contributions made after June 30, 2011.

2.11 Sec. 2. Minnesota Statutes 2010, section 273.1384, subdivision 6, is amended to read:

2.12 Subd. 6. **Credit reduction; towns.** In 2011 and each year thereafter, the market
2.13 value credit reimbursement amount for each ~~taxing jurisdiction town~~ town determined under
2.14 this section is reduced by the dollar amount of the reduction in market value credit
2.15 reimbursements for that ~~taxing jurisdiction town~~ town in 2010 due to the reductions under
2.16 section 477A.0133. No ~~taxing jurisdiction's town's~~ town's market value credit reimbursements
2.17 are reduced to less than zero under this subdivision. The commissioner of revenue shall
2.18 pay the annual market value credit reimbursement amounts, after reduction under this
2.19 subdivision, to the affected ~~taxing jurisdictions towns~~ towns as provided in this section.

2.20 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011
2.21 and thereafter.

2.22 Sec. 3. Minnesota Statutes 2010, section 273.1384, is amended by adding a subdivision
2.23 to read:

2.24 Subd. 7. **Credit reductions and limitation; counties and cities.** (a) In 2011 and
2.25 2012, the market value credit reimbursement payment to each county and city authorized
2.26 under subdivision 4 may not exceed the reimbursement payment received by the county
2.27 or city for taxes payable in 2010.

2.28 (b) In 2013 and each year thereafter, the market value credit reimbursement amount
2.29 for each city and county determined under this section is reduced by the dollar amount of
2.30 the reduction in market value credit reimbursements for that city or county in 2010 due
2.31 to the reductions under sections 477A.0133 and 477A.0134. No taxing jurisdiction's
2.32 market value credit reimbursements are reduced to less than zero under this subdivision.
2.33 The commissioner of revenue shall pay the annual market value credit reimbursement

3.1 amounts, after reduction under this subdivision, to the affected city or county as provided
3.2 in this section.

3.3 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011
3.4 and thereafter.

3.5 Sec. 4. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

3.6 Subdivision 1. **General right to refund.** (a) Subject to the requirements of this
3.7 section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully
3.8 due and who files a written claim for refund will be refunded or credited the overpayment
3.9 of the tax determined by the commissioner to be erroneously paid.

3.10 (b) The claim must specify the name of the taxpayer, the date when and the period
3.11 for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer
3.12 claims was erroneously paid, the grounds on which a refund is claimed, and other
3.13 information relative to the payment and in the form required by the commissioner. An
3.14 income tax, estate tax, or corporate franchise tax return, or amended return claiming an
3.15 overpayment constitutes a claim for refund.

3.16 (c) When, in the course of an examination, and within the time for requesting a
3.17 refund, the commissioner determines that there has been an overpayment of tax, the
3.18 commissioner shall refund or credit the overpayment to the taxpayer and no demand
3.19 is necessary. If the overpayment exceeds \$1, the amount of the overpayment must
3.20 be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the
3.21 commissioner is not required to refund. In these situations, the commissioner does not
3.22 have to make written findings or serve notice by mail to the taxpayer.

3.23 (d) If the amount allowable as a credit for withholding, estimated taxes, or dependent
3.24 care exceeds the tax against which the credit is allowable, the amount of the excess is
3.25 considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also~~
3.26 ~~considered an overpayment.~~ The requirements of section 270C.33 do not apply to the
3.27 refunding of such an overpayment shown on the original return filed by a taxpayer.

3.28 (e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes,
3.29 penalties, and interest reported in the return of the entertainment entity or imposed by
3.30 section 290.9201, the excess must be refunded to the entertainment entity. If the excess is
3.31 less than \$1, the commissioner need not refund that amount.

3.32 (f) If the surety deposit required for a construction contract exceeds the liability of
3.33 the out-of-state contractor, the commissioner shall refund the difference to the contractor.

3.34 (g) An action of the commissioner in refunding the amount of the overpayment does
3.35 not constitute a determination of the correctness of the return of the taxpayer.

4.1 (h) There is appropriated from the general fund to the commissioner of revenue the
4.2 amount necessary to pay refunds allowed under this section.

4.3 EFFECTIVE DATE. This section is effective for refund claims based on
4.4 contributions made after June 30, 2011.

4.5 Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

4.6 Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to
4.7 a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term~~
4.8 ~~"taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

4.9 EFFECTIVE DATE. This section is effective for refund claims based on
4.10 contributions made after June 30, 2011.

4.11 Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

4.12 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"
4.13 means ~~19~~15 percent of the gross rent actually paid in cash, or its equivalent, or the portion
4.14 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right
4.15 of occupancy of the claimant's Minnesota homestead in the calendar year, and which
4.16 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this
4.17 chapter by the claimant.

4.18 EFFECTIVE DATE. This section is effective for claims based on rent paid in
4.19 2010 and following years.

4.20 Sec. 7. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

4.21 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
4.22 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
4.23 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
4.24 and any other state paid property tax credits in any calendar year, and after any refund
4.25 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in
4.26 the year that the property tax is payable. In the case of a claimant who makes ground
4.27 lease payments, "property taxes payable" includes the amount of the payments directly
4.28 attributable to the property taxes assessed against the parcel on which the house is located.
4.29 No apportionment or reduction of the "property taxes payable" shall be required for the
4.30 use of a portion of the claimant's homestead for a business purpose if the claimant does not
4.31 deduct any business depreciation expenses for the use of a portion of the homestead in the
4.32 determination of federal adjusted gross income. For homesteads which are manufactured

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5.1 homes as defined in section 273.125, subdivision 8, and for homesteads which are park
5.2 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property
5.3 taxes payable" shall also include ~~19~~ 15 percent of the gross rent paid in the preceding
5.4 year for the site on which the homestead is located. When a homestead is owned by
5.5 two or more persons as joint tenants or tenants in common, such tenants shall determine
5.6 between them which tenant may claim the property taxes payable on the homestead. If
5.7 they are unable to agree, the matter shall be referred to the commissioner of revenue
5.8 whose decision shall be final. Property taxes are considered payable in the year prescribed
5.9 by law for payment of the taxes.

5.10 In the case of a claim relating to "property taxes payable," the claimant must have
5.11 owned and occupied the homestead on January 2 of the year in which the tax is payable
5.12 and (i) the property must have been classified as homestead property pursuant to section
5.13 273.124, on or before December 15 of the assessment year to which the "property taxes
5.14 payable" relate; or (ii) the claimant must provide documentation from the local assessor
5.15 that application for homestead classification has been made on or before December 15
5.16 of the year in which the "property taxes payable" were payable and that the assessor has
5.17 approved the application.

5.18 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
5.19 2010 and following years.

5.20 Sec. 8. Minnesota Statutes 2010, section 290C.07, is amended to read:

5.21 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

5.22 (a) An approved claimant under the sustainable forest incentive program is eligible
5.23 to receive an annual payment. Subject to the limitation contained in paragraph (b), the
5.24 payment shall equal the greater of:

5.25 ~~(1) the difference between the property tax that would be paid on the land using the~~
5.26 ~~previous year's statewide average total township tax rate and a class rate of one percent, if~~
5.27 ~~the land were valued at (i) the average statewide managed forest land market value per~~
5.28 ~~acre calculated under section 290C.06, and (ii) the average statewide managed forest land~~
5.29 ~~current use value per acre calculated under section 290C.02, subdivision 5; or~~

5.30 ~~(2) two-thirds of the property tax amount determined by using the previous year's~~
5.31 ~~statewide average total township tax rate, the estimated market value per acre as calculated~~
5.32 ~~in section 290C.06, and a class rate of one percent, provided that the payment shall be~~
5.33 ~~no less than \$7~~ \$7.75 per acre for each acre enrolled in the sustainable forest incentive
5.34 program.

6.1 (b) The annual payment under this section per each Social Security number or state
6.2 or federal business tax identification number must not exceed \$100,000.

6.3 **EFFECTIVE DATE.** This section is effective for payments in calendar year 2011
6.4 and thereafter.

6.5 Sec. 9. Minnesota Statutes 2010, section 477A.0124, is amended by adding a
6.6 subdivision to read:

6.7 Subd. 6. **Aid payments in 2011 and 2012.** Notwithstanding total aids calculated or
6.8 certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall
6.9 receive an aid distribution under this section equal to the lesser of (1) the total amount of
6.10 aid it received under this section in 2010 after the reductions under sections 477A.0133
6.11 and 477A.0134, or (2) the total amount the county is certified to receive in 2011 under
6.12 subdivisions 3 to 5.

6.13 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years
6.14 2011 and 2012.

6.15 Sec. 10. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

6.16 Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each
6.17 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
6.18 subdivision 8, and (2) its city aid base.

6.19 (b) For aids payable in ~~2011~~ 2013 only, the total aid in the previous year for any
6.20 city shall mean the amount of aid it was certified to receive for aids payable in ~~2010~~ 2012
6.21 under this section ~~minus the amount of its aid reduction under section 477A.0134.~~ For aids
6.22 payable in ~~2012~~ 2014 and thereafter, the total aid in the previous year for any city means
6.23 the amount of aid it was certified to receive under this section in the previous payable year.

6.24 (c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed
6.25 the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution
6.26 plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total
6.27 aid for any city with a population of 2,500 or more may not be less than its total aid under
6.28 this section in the previous year minus the lesser of \$10 multiplied by its population, or ten
6.29 percent of its net levy in the year prior to the aid distribution.

6.30 (d) For aids payable in 2010 and thereafter, the total aid for a city with a population
6.31 less than 2,500 must not be less than the amount it was certified to receive in the
6.32 previous year minus the lesser of \$10 multiplied by its population, or five percent of its
6.33 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a

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7.1 population less than 2,500 must not be less than what it received under this section in the
7.2 previous year unless its total aid in calendar year 2008 was aid under section 477A.011,
7.3 subdivision 36, paragraph (s), in which case its minimum aid is zero.

7.4 (e) A city's aid loss under this section may not exceed \$300,000 in any year in
7.5 which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or
7.6 greater than the appropriation under that subdivision in the previous year, unless the
7.7 city has an adjustment in its city net tax capacity under the process described in section
7.8 469.174, subdivision 28.

7.9 (f) If a city's net tax capacity used in calculating aid under this section has decreased
7.10 in any year by more than 25 percent from its net tax capacity in the previous year due to
7.11 property becoming tax-exempt Indian land, the city's maximum allowed aid increase
7.12 under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the
7.13 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease
7.14 resulting from the property becoming tax exempt.

7.15 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
7.16 2012 and thereafter.

7.17 Sec. 11. Minnesota Statutes 2010, section 477A.013, is amended by adding a
7.18 subdivision to read:

7.19 **Subd. 11. Aid payments in 2011 and 2012.** Notwithstanding aids calculated or
7.20 certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid
7.21 distribution under this section equal to the lesser of (1) the total amount of aid it received
7.22 under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134,
7.23 and reduced by the amount of payments made under section 477A.011, subdivision
7.24 36, paragraphs (y) and (z), or (2) the amount it was certified to receive in 2011 under
7.25 subdivision 9.

7.26 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years
7.27 2011 and 2012.

7.28 Sec. 12. Minnesota Statutes 2010, section 477A.03, is amended to read:

7.29 **477A.03 APPROPRIATION.**

7.30 Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed
7.31 by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the
7.32 commissioner of revenue.

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8.1 Subd. 2a. **Cities.** For aids payable in ~~2011~~ 2013 and thereafter, the total aid paid
8.2 under section 477A.013, subdivision 9, is ~~\$527,100,646~~ \$426,438,012.

8.3 Subd. 2b. **Counties.** (a) For aids payable in ~~2011~~ 2013 and thereafter, the total aid
8.4 payable under section 477A.0124, subdivision 3, is ~~\$96,395,000~~ \$80,795,000. Each
8.5 calendar year, \$500,000 shall be retained by the commissioner of revenue to make
8.6 reimbursements to the commissioner of management and budget for payments made
8.7 under section 611.27. For calendar year 2004, the amount shall be in addition to the
8.8 payments authorized under section 477A.0124, subdivision 1. For calendar year 2005
8.9 and subsequent years, the amount shall be deducted from the appropriation under
8.10 this paragraph. The reimbursements shall be to defray the additional costs associated
8.11 with court-ordered counsel under section 611.27. Any retained amounts not used for
8.12 reimbursement in a year shall be included in the next distribution of county need aid
8.13 that is certified to the county auditors for the purpose of property tax reduction for the
8.14 next taxes payable year.

8.15 (b) For aids payable in ~~2011~~ 2013 and thereafter, the total aid under section
8.16 477A.0124, subdivision 4, is ~~\$101,309,575~~ \$84,909,575. The commissioner of
8.17 management and budget shall bill the commissioner of revenue for the cost of preparation
8.18 of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year
8.19 2004 and thereafter. The commissioner of education shall bill the commissioner of
8.20 revenue for the cost of preparation of local impact notes for school districts as required by
8.21 section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner
8.22 of revenue shall deduct the amounts billed under this paragraph from the appropriation
8.23 under this paragraph. The amounts deducted are appropriated to the commissioner of
8.24 management and budget and the commissioner of education for the preparation of local
8.25 impact notes.

8.26 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
8.27 2012 and thereafter.

8.28 Sec. 13. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.**

8.29 In administering sections 6 and 7 for claims for refunds submitted using 19 percent
8.30 of gross rent as rent constituting property taxes under prior law, the commissioner shall
8.31 recalculate and pay the refund amounts using 15 percent of gross rent. The commissioner
8.32 shall notify the claimant that the recalculation was mandated by action of the 2011
8.33 Legislature.

8.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

9.1 Sec. 14. **REPEALER.**

9.2 (a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; and 13.4967,
9.3 subdivision 2, are repealed.

9.4 (b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

9.5 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.

9.6 Paragraph (b) is effective for refund claims based on contributions made after June 30,
9.7 2011.

9.8 ARTICLE 2

9.9 FEDERAL UPDATE

9.10 Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, is amended to
9.11 read:

9.12 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
9.13 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18,~~
9.14 ~~2010~~ September 27, 2010.

9.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

9.16 Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, is amended to read:

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

9.23 In the case of a regulated investment company or a fund thereof, as defined in section
9.24 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
9.25 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
9.26 except that:

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

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

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

10.4 The net income of a real estate investment trust as defined and limited by section
10.5 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
10.6 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

10.10 The Internal Revenue Code of 1986, as amended through ~~March 18, 2010~~ September
10.11 27, 2010, shall be in effect for taxable years beginning after December 31, 1996. The
10.12 provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits
10.13 for charitable cash contributions for the relief of victims of the Haitian earthquake, are
10.14 effective at the same time it became effective for federal purposes and apply to the
10.15 subtraction under subdivision 19b, clause (6).

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

10.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

10.20 Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, is amended to read:

10.21 Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and
10.22 trusts, there shall be added to federal taxable income:

10.23 (1)(i) interest income on obligations of any state other than Minnesota or a political
10.24 or governmental subdivision, municipality, or governmental agency or instrumentality
10.25 of any state other than Minnesota exempt from federal income taxes under the Internal
10.26 Revenue Code or any other federal statute; and

10.27 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
10.28 Code, except:

10.29 (A) the portion of the exempt-interest dividends exempt from state taxation under
10.30 the laws of the United States; and

10.31 (B) the portion of the exempt-interest dividends derived from interest income
10.32 on obligations of the state of Minnesota or its political or governmental subdivisions,
10.33 municipalities, governmental agencies or instrumentalities, but only if the portion of the
10.34 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
10.35 95 percent or more of the exempt-interest dividends, including any dividends exempt

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11.1 under subitem (A), that are paid by the regulated investment company as defined in section
11.2 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
11.3 defined in section 851(g) of the Internal Revenue Code, making the payment; and

11.4 (iii) for the purposes of items (i) and (ii), interest on obligations of an Indian tribal
11.5 government described in section 7871(c) of the Internal Revenue Code shall be treated as
11.6 interest income on obligations of the state in which the tribe is located;

11.7 (2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid
11.8 or accrued within the taxable year under this chapter and the amount of taxes based on
11.9 net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other
11.10 state or to any province or territory of Canada, to the extent allowed as a deduction
11.11 under section 63(d) of the Internal Revenue Code, but the addition may not be more
11.12 than the amount by which the itemized deductions as allowed under section 63(d) of
11.13 the Internal Revenue Code exceeds the amount of the standard deduction as defined in
11.14 section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under
11.15 sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of
11.16 this paragraph, the disallowance of itemized deductions under section 68 of the Internal
11.17 Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are
11.18 the last itemized deductions disallowed;

11.19 (3) the capital gain amount of a lump-sum distribution to which the special tax under
11.20 section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law 99-514, applies;

11.21 (4) the amount of income taxes paid or accrued within the taxable year under this
11.22 chapter and taxes based on net income paid to any other state or any province or territory
11.23 of Canada, to the extent allowed as a deduction in determining federal adjusted gross
11.24 income. For the purpose of this paragraph, income taxes do not include the taxes imposed
11.25 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

11.26 (5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10
11.27 other than expenses or interest used in computing net interest income for the subtraction
11.28 allowed under subdivision 19b, clause (1);

11.29 (6) the amount of a partner's pro rata share of net income which does not flow
11.30 through to the partner because the partnership elected to pay the tax on the income under
11.31 section 6242(a)(2) of the Internal Revenue Code;

11.32 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
11.33 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
11.34 in the taxable year generates a deduction for depreciation under section 168(k) and the
11.35 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
11.36 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is

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12.1 limited to excess of the depreciation claimed by the activity under section 168(k) over the
12.2 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
12.3 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
12.4 under section 168(k) is allowed;

12.5 (8) for taxable years beginning before January 1, 2011, 80 percent of the amount by
12.6 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the
12.7 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended
12.8 through December 31, 2003;

12.9 (9) to the extent deducted in computing federal taxable income, the amount of the
12.10 deduction allowable under section 199 of the Internal Revenue Code;

12.11 (10) for taxable years beginning before January 1, 2013, the exclusion allowed
12.12 under section 139A of the Internal Revenue Code for federal subsidies for prescription
12.13 drug plans;

12.14 (11) the amount of expenses disallowed under section 290.10, subdivision 2;

12.15 (12) the amount deducted for qualified tuition and related expenses under section
12.16 222 of the Internal Revenue Code, to the extent deducted from gross income;

12.17 (13) the amount deducted for certain expenses of elementary and secondary school
12.18 teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted
12.19 from gross income;

12.20 (14) the additional standard deduction for property taxes payable that is allowable
12.21 under section 63(c)(1)(C) of the Internal Revenue Code;

12.22 (15) the additional standard deduction for qualified motor vehicle sales taxes
12.23 allowable under section 63(c)(1)(E) of the Internal Revenue Code;

12.24 (16) discharge of indebtedness income resulting from reacquisition of business
12.25 indebtedness and deferred under section 108(i) of the Internal Revenue Code; and

12.26 (17) the amount of unemployment compensation exempt from tax under section
12.27 85(c) of the Internal Revenue Code.

12.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
12.29 December 31, 2009.

12.30 Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, is amended to read:

12.31 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,
12.32 there shall be added to federal taxable income:

12.33 (1) the amount of any deduction taken for federal income tax purposes for income,
12.34 excise, or franchise taxes based on net income or related minimum taxes, including but not
12.35 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,

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13.1 another state, a political subdivision of another state, the District of Columbia, or any
13.2 foreign country or possession of the United States;

13.3 (2) interest not subject to federal tax upon obligations of: the United States, its
13.4 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
13.5 state, any of its political or governmental subdivisions, any of its municipalities, or any
13.6 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
13.7 tribal governments;

13.8 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal
13.9 Revenue Code;

13.10 (4) the amount of any net operating loss deduction taken for federal income tax
13.11 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss
13.12 deduction under section 810 of the Internal Revenue Code;

13.13 (5) the amount of any special deductions taken for federal income tax purposes
13.14 under sections 241 to 247 and 965 of the Internal Revenue Code;

13.15 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,
13.16 clause (a), that are not subject to Minnesota income tax;

13.17 (7) the amount of any capital losses deducted for federal income tax purposes under
13.18 sections 1211 and 1212 of the Internal Revenue Code;

13.19 (8) the exempt foreign trade income of a foreign sales corporation under sections
13.20 921(a) and 291 of the Internal Revenue Code;

13.21 (9) the amount of percentage depletion deducted under sections 611 through 614 and
13.22 291 of the Internal Revenue Code;

13.23 (10) for certified pollution control facilities placed in service in a taxable year
13.24 beginning before December 31, 1986, and for which amortization deductions were elected
13.25 under section 169 of the Internal Revenue Code of 1954, as amended through December
13.26 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
13.27 income for those facilities;

13.28 (11) the amount of any deemed dividend from a foreign operating corporation
13.29 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
13.30 shall be reduced by the amount of the addition to income required by clauses (20), (21),
13.31 (22), and (23);

13.32 (12) the amount of a partner's pro rata share of net income which does not flow
13.33 through to the partner because the partnership elected to pay the tax on the income under
13.34 section 6242(a)(2) of the Internal Revenue Code;

13.35 (13) the amount of net income excluded under section 114 of the Internal Revenue
13.36 Code;

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14.1 (14) any increase in subpart F income, as defined in section 952(a) of the Internal
14.2 Revenue Code, for the taxable year when subpart F income is calculated without regard to
14.3 the provisions of Division C, title III, section 303(b) of Public Law 110-343;

14.4 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
14.5 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
14.6 has an activity that in the taxable year generates a deduction for depreciation under
14.7 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
14.8 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
14.9 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
14.10 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
14.11 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
14.12 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
14.13 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

14.14 (16) for taxable years beginning before January 1, 2011, 80 percent of the amount by
14.15 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the
14.16 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended
14.17 through December 31, 2003;

14.18 (17) to the extent deducted in computing federal taxable income, the amount of the
14.19 deduction allowable under section 199 of the Internal Revenue Code;

14.20 (18) for taxable years beginning before January 1, 2013, the exclusion allowed
14.21 under section 139A of the Internal Revenue Code for federal subsidies for prescription
14.22 drug plans;

14.23 (19) the amount of expenses disallowed under section 290.10, subdivision 2;

14.24 (20) an amount equal to the interest and intangible expenses, losses, and costs paid,
14.25 accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit
14.26 of a corporation that is a member of the taxpayer's unitary business group that qualifies
14.27 as a foreign operating corporation. For purposes of this clause, intangible expenses and
14.28 costs include:

14.29 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,
14.30 use, maintenance or management, ownership, sale, exchange, or any other disposition of
14.31 intangible property;

14.32 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
14.33 transactions;

14.34 (iii) royalty, patent, technical, and copyright fees;

14.35 (iv) licensing fees; and

14.36 (v) other similar expenses and costs.

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15.1 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
15.2 applications, trade names, trademarks, service marks, copyrights, mask works, trade
15.3 secrets, and similar types of intangible assets.

15.4 This clause does not apply to any item of interest or intangible expenses or costs paid,
15.5 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect
15.6 to such item of income to the extent that the income to the foreign operating corporation
15.7 is income from sources without the United States as defined in subtitle A, chapter 1,
15.8 subchapter N, part 1, of the Internal Revenue Code;

15.9 (21) except as already included in the taxpayer's taxable income pursuant to clause
15.10 (20), any interest income and income generated from intangible property received or
15.11 accrued by a foreign operating corporation that is a member of the taxpayer's unitary
15.12 group. For purposes of this clause, income generated from intangible property includes:

- 15.13 (i) income related to the direct or indirect acquisition, use, maintenance or
15.14 management, ownership, sale, exchange, or any other disposition of intangible property;
15.15 (ii) income from factoring transactions or discounting transactions;
15.16 (iii) royalty, patent, technical, and copyright fees;
15.17 (iv) licensing fees; and
15.18 (v) other similar income.

15.19 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent
15.20 applications, trade names, trademarks, service marks, copyrights, mask works, trade
15.21 secrets, and similar types of intangible assets.

15.22 This clause does not apply to any item of interest or intangible income received or accrued
15.23 by a foreign operating corporation with respect to such item of income to the extent that
15.24 the income is income from sources without the United States as defined in subtitle A,
15.25 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

15.26 (22) the dividends attributable to the income of a foreign operating corporation that
15.27 is a member of the taxpayer's unitary group in an amount that is equal to the dividends
15.28 paid deduction of a real estate investment trust under section 561(a) of the Internal
15.29 Revenue Code for amounts paid or accrued by the real estate investment trust to the
15.30 foreign operating corporation;

15.31 (23) the income of a foreign operating corporation that is a member of the taxpayer's
15.32 unitary group in an amount that is equal to gains derived from the sale of real or personal
15.33 property located in the United States;

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16.1 (24) the additional amount allowed as a deduction for donation of computer
16.2 technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the
16.3 extent deducted from taxable income; and

16.4 (25) discharge of indebtedness income resulting from reacquisition of business
16.5 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

16.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
16.7 December 31, 2009.

16.8 Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 31, is amended to read:

16.9 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
16.10 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March~~
16.11 ~~18, 2010~~ September 27, 2010. Internal Revenue Code also includes any uncodified
16.12 provision in federal law that relates to provisions of the Internal Revenue Code that are
16.13 incorporated into Minnesota law.

16.14 **EFFECTIVE DATE.** This section is effective the day following final enactment
16.15 except that the changes incorporated by federal changes are effective at the same time as
16.16 the changes were effective for federal purposes.

16.17 Sec. 6. Minnesota Statutes 2010, section 290A.03, subdivision 15, is amended to read:

16.18 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal
16.19 Revenue Code of 1986, as amended through ~~March 18, 2010~~ September 27, 2010.

16.20 **EFFECTIVE DATE.** This section is effective for property tax refunds based on
16.21 property taxes payable on or after December 31, 2010, and rent paid on or after December
16.22 31, 2009.

16.23 Sec. 7. **CORRECTED FORM W-2 NOT REQUIRED.**

16.24 Employers who have prepared and distributed form W-2, wage and tax statement,
16.25 for tax year 2010, that reported to employees the amount of health coverage provided to
16.26 adult children under age 27 includable in net income under prior law, are not required to
16.27 prepare and distribute corrected tax year 2010 form W-2.

16.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

APPENDIX
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