

Gross Earnings Taxes

CHAPTER 294

GENERAL PROVISIONS

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294.01 COMPANIES TO REPORT GROSS EARNINGS. Subdivision 1. On or before February first, of each year, every company, joint stock association, copartnership, corporation, or individual required by law to pay taxes to the state on a gross earnings basis shall make and furnish an itemized statement, in duplicate, to the commissioner of taxation, in such form as he shall prescribe, containing a true and just report of the gross earnings for and during the year ending December thirty-first preceding, verified by the president, secretary, treasurer, individual owner, or chief agent of such company in this state; provided, that railroad companies shall make semiannual reports, as provided in section 295.02. One copy of the report received shall be filed with the public examiner. Such gross earnings shall be computed in accordance with the method prescribed by law.

Subd. 2. Notwithstanding subdivision 1, each telephone company shall file its return with the commissioner of taxation by April 15 of each year, and shall compute the tax due thereon.

[1913 c 487 s 1; 1927 c 308; 1967 c 821 s 1] (2233)

294.02 DUTIES OF COMMISSIONER OF TAXATION. The commissioner of taxation shall keep a permanent file of such gross earnings reports, inspect and verify each report and assess the earnings as shown thereon with the amount of taxes due, and, except in the case of telephone companies, certify the amount of such earnings and taxes to the state auditor, who thereupon shall make his draft on such company, joint stock association, copartnership, corporation, or individual, for the amount of taxes due, as thus certified, and place the draft in the hands of the state treasurer for collection.

[1913 c 487 s 2; 1967 c 821 s 2] (2234)

294.03 FAILURE TO PAY TAX. If any company, joint stock association, copartnership, corporation, or individual required by law to pay taxes to the state on a gross earnings basis shall fail to pay such tax or gross earnings percentage by March first; or, if a railway company subject to semiannual payment, by March first, and September first, respectively, or as provided by law, or if a telephone company shall fail to pay such tax by April 15, a penalty of ten percent thereof shall immediately accrue and thereafter one percent for each month after the same becomes delinquent March first or September first, while such tax remains unpaid.

[1913 c 487 s 3; 1967 c 821 s 3] (2235)

294.04 CERTIFICATION OF TAX, WHEN NOT NECESSARY. Gross earnings taxes amounting to less than \$1 in any year shall not be certified for collection by the commissioner of taxation, but shall be entered against the company, joint stock association, copartnership, corporation, or individual liable for such tax, and to which shall be added taxes for any subsequent year or years until the total thereof shall amount to \$1 or more, when such taxes shall be certified for collection in the usual manner, but no penalties shall be added by reason of such deferred certification.

[1919 c. 502] (2236)

294.05 FAILURE TO MAKE REPORT. Subdivision 1. If any company, joint stock association, copartnership, corporation, or individual fails to make and file a gross earnings report, as required by section 294.01, the commissioner of taxation shall notify such company of such neglect or default; and, if such default continue for 30 days after service of such notice, he shall notify the public examiner of such default, who shall examine the records of such company and report to the commissioner of taxation his findings of such company's taxable earnings for official entry in the books of the commissioner of taxation. Thereupon the commissioner of taxation, upon the basis of such findings and such other evidence as he may possess, shall fix the amount of such gross earnings and assess the tax thereon and the accruing penalties, making official entry thereof, and certify the amount thereof, together with the penalty, to the state auditor, who shall proceed as in section 294.02. Such entry shall stand in place of the report required by law to be made by such company, joint stock association, copartnership, corporation, or individual and the same, or a certified copy thereof, shall, in all the courts of the state, for all purposes, be prima facie evidence of the correctness and validity of such gross earnings and of such tax and penalties, and the liability of such company therefor.

Subd. 2. In the case of telephone companies the commissioner of taxation shall assess the tax, notify the taxpayer of the assessment, and if not paid within 60 days, certify the tax, penalty and interest to the attorney general for collection.

[1913 c 487 s 4; 1967 c 821 s 4] (2237)

294.06 DELINQUENT TAX, A LIEN. Such delinquent and unpaid tax and penalties, assessed and certified by the commissioner of taxation, as provided in sections 294.03 and 294.05, shall be a lien upon all the property, estate and effects of any such company, joint stock association, copartnership, corporation, or individual, and shall take precedence of all demands and judgments against the same; and said lien shall relate back to and be effective from the date when such tax was originally due and payable; and the certificate of the commissioner of taxation that said tax and penalties are due and unpaid, and/or the unpaid draft of the state auditor issued in pursuance thereof, shall be sufficient warrant for the attorney general to institute proceedings for the collection of said tax and penalties by sale of such property or otherwise.

Laws 1943, Chapter 120, shall apply to all taxes and penalties certified by the commissioner of taxation after March 15, 1943; provided that nothing therein shall affect property rights acquired in good faith and for value from a gross earnings taxpayer prior to March 15, 1943.

[1913 c 487 s 5; 1943 c 120; 1967 c 821 s 5] (2238)

294.07 UNIFORM SYSTEM OF ACCOUNTING. The public examiner, with the approval of the commissioner of taxation, shall have authority and power to prescribe for such companies, joint stock associations, copartnerships, corporations, or individuals a system of gross earnings accounts that shall be uniform for each class of companies; and he shall supervise the method of keeping such accounts; provided, that such system shall conform, as nearly as practicable, with that prescribed for such companies by the United States government.

[1913 c. 487 s. 6] (2239)

294.08 EVASIONS; VIOLATIONS. Any evasions or violations of the gross earnings tax laws which the public examiner may discover as a result of his examination of the books, records, and taxation reports of such companies, shall be reported by him to the governor. A transcript and a detailed report thereof containing a summary of all errors and omissions of taxable gross earnings shall be filed by the public examiner with the commissioner of taxation forthwith, who shall proceed, as under section 294.05, to assess omitted earnings for additional taxes and penalties and report to the attorney general such violations of law; and the attorney general shall institute such proceedings as may be required to secure compliance with the law and the recovery of public revenue.

[1913 c. 487 s. 7] (2240)

294.09 RECORDS RELATING TO TAXES AND PENALTIES. It shall be the duty of the public examiner, the commissioner of taxation, the state auditor, and the state treasurer to keep a complete and properly itemized record of the transaction of their respective departments with reference to the assessment, collection, and verification of gross earnings taxes and penalties; and such record, and likewise the forms used by the several departments in certifying such earnings,

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taxes, and penalties, shall bear a three-fold classification, namely, as they pertain to current year taxes, to delinquent tax payment, and to errors and omissions, respectively, as provided in sections 294.02, 294.03, and 294.08, and it shall be the duty of the public examiner, at least twice in each year, to compare the gross earnings records of each department and verify the collection of such taxes and penalties.

[1913 c. 487 s. 8] (2241)

294.10 RECORDS AND FILES KEPT FOR SIX YEARS BY COMPANIES.

Every person, company, joint stock association, copartnership, or corporation required by law to pay taxes to the state upon a gross earnings basis, shall keep, as a permanent file and in such a manner as to make them easily accessible at all times for inspection by a properly accredited representative of the public examiner or the railroad and warehouse commission, all books, records, documents, papers, and statistics relating to such gross earnings for at least six years subsequent to the date that such gross earnings tax returns have been rendered to the state.

[1909 c. 258 s. 1] (2243)

294.11 DESTRUCTION OF CERTAIN PAPERS. Any detached papers subordinate to statements of gross earnings, or reports compiled in the accounting department, the full details of which are included in other statements or reports on file in as perfect a form, and which have been passed upon in a general examination by the special examiners or representatives of the state, but which have not reached the time limit prescribed in section 294.10, may, upon the recommendations of such special examiner or representative and the written approval of the public examiner, be destroyed.

If in the opinion of the commissioner of taxation, gross earnings may be adequately verified without reference to certain of such subordinate detached papers, he may authorize destruction of such detached papers without examination.

[1909 c 258 s 2; 1965 c 137 s 1] (2244)

294.12 VIOLATION, A GROSS MISDEMEANOR. Any person who shall willfully violate the provisions of sections 294.10 and 294.11 shall be deemed guilty of a gross misdemeanor.

[1909 c. 258 s. 3] (2245)

294.21 TACONITE RAILROAD COMPANY; DEFINITION. For the purposes of sections 294.21 to 294.28 a taconite railroad company is any company owning or operating, other than as a common carrier, a railway principally used for the transportation of taconite concentrates from the plant at which such taconite concentrates are produced in shipping form to a point of consumption or port for shipment beyond the state.

[1955 c 730 s 1]

294.22 GROSS EARNINGS TAX; COMPUTATION. Every company owning or operating any taconite railroad shall pay annually into the state treasury a sum of money equal to five percent of the gross earnings derived from the operation of such taconite railway within the state. The gross earnings of such a taconite railroad company from the transportation of taconite concentrates from the Mesabi Range to ports on Lake Superior, for all purposes hereof, shall be a sum of money equal to the amount which would be charged under established tariffs of common carriers for the transportation of an equal tonnage of iron ore from Mesabi Range points to ports at the head of Lake Superior, including the established charges for loading such ore on boats. For all purposes of Minnesota Statutes, Chapter 298 the amount of the gross earnings as so calculated shall be treated as the cost of transportation of such concentrates between such points. If such a taconite railroad company transports coal or any other commodity, except taconite concentrates, its gross earnings shall include an amount equal to the established tariffs of common carriers for the transportation of the same quantities of similar commodities for corresponding distances, not, however, including any such charges for any such commodities used or intended to be used in the construction, operation or maintenance of such railroad.

[1955 c 730 s 2]

294.23 COMPANIES LIABLE FOR TAX. If a company producing concentrates from taconite shall transport the taconite in the course of the concentrating process and before such concentrating process is completed to a concentrating plant located within the state over a railroad which is not a common carrier and shall not use a common carrier or taconite railroad company as defined in section 294.21 for

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the movement of the concentrate to a point of consumption or port for shipment beyond the state, then such company nevertheless shall pay annually into the state treasury a tax equal to five percent of the amount which would be charged for the transportation of such concentrates produced by such taconite company as if such concentrates were transported by a common carrier under established tariffs of common carriers from the Mesabi Range or other iron range point nearest to the mine at which such taconite is quarried to ports at the head of Lake Superior, including established charges for loading such ore on boats. For the purposes of sections 294.24 to 294.28, such a company shall be considered a taconite railroad company.

[1955 c 730 s 3]

294.24 TAX IS IN LIEU OF OTHER TAXES. The taxes imposed by sections 294.22 and 294.23 shall be in lieu of all taxes upon all property within the state owned or operated for such railway purposes by such taconite railroad companies, including all equipment, appurtenances, appendages and franchises thereof, and including all docks, dock storage and loading or unloading facilities, and harbors, harbor facilities and equipment owned and operated by such company in connection therewith.

[1955 c 730 s 4]

294.25 REPORTS, PAYMENT OF TAXES. Taconite railroad companies shall file reports and make payment of such taxes at the same times and in the same manner as required of railroad companies under Minnesota Statutes, Sections 294.01 to 294.12, and Sections 295.02 to 295.05, all the provisions of which, except as otherwise herein specifically provided, shall be applicable to such companies, and such companies shall be subject to the penalties provided by such statutes for violation of any of the requirements thereof.

[1955 c 730 s 5]

294.26 DIVISION OF PROCEEDS OF TAX. The proceeds of the taxes collected under sections 294.21 to 294.28 shall be distributed by the state treasurer, upon certificate of the commissioner of taxation, to the general fund of the state and to the various taxing districts in which such railway operations are conducted, in the following proportions: 22 percent thereof to the city, village or town; 50 percent thereof to the school district; 22 percent thereof to the county; six percent thereof to the state. If such railroad operation, or different steps therein, are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities, villages or towns among such subdivisions, and the part going to school districts among such districts, and the part going to counties among such counties, upon the basis of attributing 40 percent of the proceeds of the tax to the terminal facilities at each end of the railway line of a taconite railroad company, and the remaining 20 percent thereof to the railway trackage connecting such terminals, and with respect to each such portion giving due consideration to the relative extent of such portion of the operation performed in each such taxing district. If any part of such facilities are located outside the limits of any organized city, village or town, 70 percent of the portion of the tax which would be distributed to any such governmental unit, if it existed and the facilities were located therein, shall be added to the portion distributed to the school district, and 30 percent thereof shall be added to the portion distributed to the county in which such facilities are located; also, if the amount otherwise distributable to any city, village or town hereunder would exceed \$75 per capita of the population thereof, the amount of such excess shall be added to the portions distributed to the school district and county in which such facilities are located in the proportions above set forth. The commissioner's order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner. The amount so distributed shall be divided among the various funds of the taxing district in the same proportion as the general ad valorem property tax thereof.

There is hereby appropriated to such persons, city, village, town, school district, or county as are entitled to such payment, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the payment authorized herein.

[1955 c 760 s 6; 1959 c 158 s 22; 1959 c 676 s 2; 1965 c 698 s 1]

294.27 FILING OF REPORTS. Each taconite railroad company, at the time it

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reports its gross earnings, shall file with the commissioner of taxation a report showing:

(a) The names of the taxing districts of each class in which its terminal facilities or any part thereof are located, indicating such districts separately for such terminal facilities at each end of its railway line; if such terminal facilities at either end of said railway line are located in more than one taxing district of the same class, such report shall set forth the relative extent of the terminal operations performed in each such taxing district.

(b) The names of taxing districts of each class in which any portion of its railway line (other than terminal facilities) is located; if any portions of said railway lines are located in more than one taxing district of the same class, such report shall indicate the main line track mileage in each such district.

(c) Such additional information as the commissioner may deem necessary to make proper allocation of the taxes paid.

[1955 c 730 s 7]

294.28 DEDUCTIONS FROM PERMISSIBLE LEVIES. The amount distributed to any city, village or school district under the provisions hereof shall be included in computing the permissible levies of such city, village or school district under Minnesota Statutes, Sections 275.11 or 275.12, provided, in computing the deduction from permissible levies of cities or villages by reason hereof effect shall be given to the cost of living adjustment allowed by section 275.11, subdivision 2, regardless of whether or not more than 50 percent of the assessed valuation consists of iron ore. On or before October 10 of each calendar year each taconite railroad company shall file with the commissioner of taxation, county auditor of each county in which it operates, and with the chief clerical officer of each school district, city or village which is entitled to participate in the distribution of the tax, an estimate of the amount of tax which would be payable in the next ensuing calendar year on the gross earnings of such taconite railroad company in excess of any credit allowable as hereinafter provided. Such estimate shall list the taxing districts entitled to participate in the distribution of such tax and the amount of the estimated tax which would be distributable to each such district in said next ensuing calendar year on the basis of the last percentage distribution certified by the commissioner of taxation; if there be no such prior certification, the company shall set forth its estimate of the proper distribution of such tax under the law, which estimate may be corrected by the commissioner if he deems it improper, notice of such correction being given by him to the company, and the public officers receiving such estimate. The officers with whom such report is so filed shall use the amounts indicated as being distributable to each taxing district in computing, pursuant to Minnesota Statutes, Sections 275.11 or 275.12, the permissible tax levies of such city, village or school district in the year in which such estimate is made and payable in the next ensuing calendar year. Such taconite railroad company shall then pay at the times payments are required to be made under section 294.25, as the amount of tax payable under section 294.22 the greater of (a) the amounts shown by such estimate or (b) the amount due on its gross earnings as finally determined. If the amount payable under clause (a) is greater than the amount which would be payable under clause (b) the payment of the excess shall be made at the time of making the semi-annual payment covering the earnings for the six months ending on June 30 of said year. If, as a result of the making of an estimate and the payment of the amount of such estimate as hereinabove provided, the taconite railroad company has paid in any calendar year an amount of tax in excess of the amount due in such year under section 294.22, less credit for any excess payments in previous years, all as determined by the commissioner of taxation, the taxpayer shall be given credit for such excess amount against any taxes which may become due on gross earnings from said taconite railroad in subsequent periods. In any calendar year in which a general property tax levy subject to sections 275.11 or 275.12 has been made, if the taxes distributable to any such city, village or school district are greater than the amount estimated to be paid to any such city, village or school district in such year, the excess of such distribution shall be held in the special fund by the city, village or school district and shall not be expended until the succeeding year, and shall be included in computing the permissible levies under

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sections 275.11 or 275.12 of such city, village or school district payable in such year. If the amounts distributable to any such city, village or school district, after final determination by the commissioner of taxation under section 294.26, are less than the amounts indicated by such estimates, such city, village or school district may issue certificates of indebtedness in the amount of the shortage, and may include in its next tax levy, in excess of the limitations of sections 275.11 or 275.12 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

[1955 c 730 s 8; 1959 c 676 s 1]