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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-SIXTH  
SESSION

**HOUSE FILE No. 1782**

March 16, 2009

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to financing state government; taxes; individual income, corporate  
1.3 franchise, property and sales and use; requiring certain additions; conforming  
1.4 to federal section 179 expensing allowances; disallowing certain subtractions;  
1.5 allowing certain nonrefundable credits; allowing a refundable Minnesota child  
1.6 credit; appropriating money; repealing various credits; repealing individual  
1.7 and corporate alternative minimum taxes; amending Minnesota Statutes 2008,  
1.8 sections 275.025, subdivisions 1, 2; 290.01, subdivisions 5, 19, 19a, 19b,  
1.9 19c, 19d, 29, 31, by adding subdivisions; 290.06, subdivision 2c, by adding  
1.10 subdivisions; 290.0671, subdivision 1; 290.0922, subdivisions 1, 3, by adding  
1.11 a subdivision; 290.17, subdivision 4; 290.191, subdivisions 2, 3; 469.315;  
1.12 469.3192; proposing coding for new law in Minnesota Statutes, chapters 17; 290;  
1.13 repealing Minnesota Statutes 2008, sections 272.02, subdivision 83; 290.06,  
1.14 subdivisions 24, 28, 30, 31, 32, 33, 34; 290.067, subdivisions 1, 2, 2a, 2b, 3, 4;  
1.15 290.0672; 290.0674; 290.0679; 290.068, subdivisions 1, 2, 3, 4, 5; 290.0802;  
1.16 290.091; 290.0921, subdivisions 1, 2, 3, 3a, 4, 6, 7, 8; 290.191, subdivision 4;  
1.17 290.491; 297A.68, subdivisions 38, 41; 469.316; 469.317; 469.321; 469.3215;  
1.18 469.322; 469.323; 469.324; 469.325; 469.326; 469.327; 469.328; 469.329;  
1.19 469.330; 469.331; 469.332; 469.333; 469.334; 469.335; 469.336; 469.337;  
1.20 469.338; 469.339; 469.340; 469.341; Laws 2009, chapter 3, section 1.

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

1.22 Section 1. **[17.1195] BOVINE TUBERCULOSIS TESTING GRANTS.**

1.23 **Subdivision 1. Definitions.** (a) For purposes of this section the following terms  
1.24 have the meanings given.

1.25 **(b) "Commissioner" means the commissioner of agriculture.**

1.26 **(c) "Corporate owner of cattle" means an owner of cattle subject to tax under section**  
1.27 **290.06, subdivision 1, and also a shareholder of an S corporation under section 290.9725.**

1.28 **Subd. 2. Bovine tuberculosis testing grants.** (a) The commissioner is authorized to  
1.29 make grants to owners of cattle in Minnesota to offset a portion of the cost of tuberculosis  
1.30 testing performed on the cattle. For corporate owners of cattle, the grant equals 25 percent

2.1 of the tuberculosis testing expenses incurred during the calendar year. For all other  
 2.2 owners, the grant equals 50 percent of tuberculosis testing expenses incurred during the  
 2.3 calendar year.

2.4 (b) The commissioner may specify a time and manner for cattle owners to apply  
 2.5 for grants under this section, and may request supporting documentation of actual testing  
 2.6 expenses. Applications received by January 31 relating to testing expenses incurred in  
 2.7 the previous calendar year are eligible for grants. The commissioner must issue grants by  
 2.8 March 1.

2.9 (c) If applications for grants exceed the amount available for the fiscal year, the  
 2.10 commissioner must proportionally adjust all grant amounts so that the amount awarded for  
 2.11 the year does not exceed the amount available.

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

2.13 Sec. 2. Minnesota Statutes 2008, section 275.025, subdivision 1, is amended to read:

2.14 Subdivision 1. **Levy amount.** The state general levy is levied against  
 2.15 commercial-industrial property and seasonal residential recreational property, as defined  
 2.16 in this section. The state general levy base amount is \$592,000,000 for taxes payable in  
 2.17 2002. For taxes payable in subsequent years, the levy base amount is increased each year  
 2.18 by multiplying the levy base amount for the prior year by the sum of one plus the rate of  
 2.19 increase, if any, in the implicit price deflator for government consumption expenditures  
 2.20 and gross investment for state and local governments prepared by the Bureau of Economic  
 2.21 Analysts of the United States Department of Commerce for the 12-month period ending  
 2.22 March 31 of the year prior to the year the taxes are payable. The tax under this section is  
 2.23 not treated as a local tax rate under section 469.177 and is not the levy of a governmental  
 2.24 unit under chapters 276A and 473F.

2.25 In setting the rate, the commissioner shall exclude the tax capacity of property  
 2.26 described in section 473.625 from the tax base. The commissioner shall increase or  
 2.27 decrease the preliminary or final rate for a year as necessary to account for errors and tax  
 2.28 base changes that affected a preliminary or final rate for either of the two preceding years.  
 2.29 Adjustments are allowed to the extent that the necessary information is available to the  
 2.30 commissioner at the time the rates for a year must be certified, and for the following  
 2.31 reasons:

2.32 (1) an erroneous report of taxable value by a local official;

2.33 (2) an erroneous calculation by the commissioner; and

2.34 (3) an increase or decrease in taxable value for commercial-industrial or seasonal  
 2.35 residential recreational property reported on the abstracts of tax lists submitted under

3.1 section 275.29 that was not reported on the abstracts of assessment submitted under  
3.2 section 270C.89 for the same year.

3.3 The commissioner may, but need not, make adjustments if the total difference in the tax  
3.4 levied for the year would be less than \$100,000.

3.5 **EFFECTIVE DATE.** This section is effective beginning for taxes payable in 2010.

3.6 Sec. 3. Minnesota Statutes 2008, section 275.025, subdivision 2, is amended to read:

3.7 Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section,  
3.8 "commercial-industrial tax capacity" means the tax capacity of all taxable property  
3.9 classified as class 3 or class 5(1) under section 273.13, except for electric generation  
3.10 attached machinery under class 3 ~~and property described in section 473.625.~~ County  
3.11 commercial-industrial tax capacity amounts are not adjusted for the captured net tax  
3.12 capacity of a tax increment financing district under section 469.177, subdivision 2, the  
3.13 net tax capacity of transmission lines deducted from a local government's total net tax  
3.14 capacity under section 273.425, or fiscal disparities contribution and distribution net  
3.15 tax capacities under chapter 276A or 473F.

3.16 **EFFECTIVE DATE.** This section is effective beginning for taxes payable in 2010.

3.17 Sec. 4. Minnesota Statutes 2008, section 290.01, subdivision 5, is amended to read:

3.18 Subd. 5. **Domestic corporation.** The term "domestic" when applied to a corporation  
3.19 means a corporation:

3.20 (1) created or organized in the United States, or under the laws of the United States  
3.21 or of any state, the District of Columbia, or any political subdivision of any of the  
3.22 foregoing but not including the Commonwealth of Puerto Rico, or any possession of  
3.23 the United States;

3.24 (2) which qualifies as a DISC, as defined in section 992(a) of the Internal Revenue  
3.25 Code; ~~or~~

3.26 (3) which qualifies as a FSC, as defined in section 922 of the Internal Revenue Code;

3.27 (4) which is incorporated in a tax haven;

3.28 (5) which is engaged in activity in a tax haven sufficient for the tax haven to impose  
3.29 a net income tax under United States constitutional standards and section 290.015; or

3.30 (6) which has the average of its property, payroll, and sales factors, as defined under  
3.31 section 290.191, within the 50 states of the United States and the District of Columbia of  
3.32 20 percent or more.

4.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
4.2 December 31, 2008.

4.3 Sec. 5. Minnesota Statutes 2008, section 290.01, is amended by adding a subdivision  
4.4 to read:

4.5 Subd. 5c. **Tax haven.** (a) "Tax haven" means a foreign jurisdiction designated  
4.6 under this subdivision.

4.7 (b) The commissioner may designate a foreign jurisdiction as a tax haven by  
4.8 administrative rule if the jurisdiction:

4.9 (1) has no or nominal effective tax on the relevant income; and

4.10 (2)(A) has laws or practices that prevent effective exchange of information for tax  
4.11 purposes with other governments on taxpayers benefiting for the tax regime;

4.12 (B) has a tax regime that lacks transparency. A tax regime lacks transparency if the  
4.13 details of legislative, legal, or administrative provisions are not open and apparent or are  
4.14 not consistently applied among similarly situated taxpayers, or if the information needed  
4.15 by tax authorities to determine a taxpayer's correct tax liability, such as accounting records  
4.16 and underlying documentation, is not adequately available;

4.17 (C) facilitates the establishment of foreign-owned entities without the need for a  
4.18 local substantive presence or prohibits these entities from having any commercial impact  
4.19 on the local economy;

4.20 (D) explicitly or implicitly excludes the jurisdiction's resident taxpayers from taking  
4.21 advantage of the tax regime's benefits or prohibits enterprises that benefit from the regime  
4.22 from operating in the jurisdiction's domestic markets; or

4.23 (E) has created a tax regime that is favorable for tax avoidance, based upon an  
4.24 overall assessment of relevant factors, including whether the jurisdiction has a significant  
4.25 untaxed offshore financial or other services sector relative to its overall economy.

4.26 (c) The following foreign jurisdictions are deemed to be tax havens, unless the  
4.27 commissioner, by revenue notice, revokes the listing of a jurisdiction:

4.28 (1) Anguilla;

4.29 (2) Antigua and Barbuda;

4.30 (3) Aruba;

4.31 (4) Bahamas;

4.32 (5) Barbados;

4.33 (6) Belize;

4.34 (7) Bermuda;

4.35 (8) British Virgin Islands;

- 5.1 (9) Cayman Islands;  
5.2 (10) Cook Islands;  
5.3 (11) Dominica;  
5.4 (12) Gibraltar;  
5.5 (13) Grenada;  
5.6 (14) Guernsey-Sark-Alderney;  
5.7 (15) Isle of Man;  
5.8 (16) Jersey;  
5.9 (17) Latvia;  
5.10 (18) Liechtenstein;  
5.11 (19) Luxembourg;  
5.12 (20) Nauru;  
5.13 (21) Netherlands Antilles;  
5.14 (22) Panama;  
5.15 (23) Samoa;  
5.16 (24) Saint Kitts and Nevis;  
5.17 (25) Saint Lucia;  
5.18 (26) Saint Vincent and Grenadines;  
5.19 (27) Turks and Caicos; and  
5.20 (28) Vanuatu.

5.21 (d) The commissioner shall revoke a foreign jurisdiction's listing under paragraph  
5.22 (b) or (c), as applicable, if the United States enters into a tax treaty or other agreement  
5.23 with the foreign jurisdiction that provides for prompt, obligatory, and automatic exchange  
5.24 of information with the United States government relevant to enforcing the provisions of  
5.25 federal tax laws and the treaty or other agreement was in effect for the taxable year.

5.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
5.27 December 31, 2008.

5.28 Sec. 6. Minnesota Statutes 2008, section 290.01, subdivision 19, is amended to read:

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

6.1 In the case of a regulated investment company or a fund thereof, as defined in section  
 6.2 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
 6.3 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
 6.4 except that:

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

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

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

6.14 The net income of a real estate investment trust as defined and limited by section  
 6.15 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
 6.16 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

6.20 The Internal Revenue Code of 1986, as amended through February 13, 2008, shall  
 6.21 be in effect for taxable years beginning after December 31, 1996, except section 179 of the  
 6.22 Internal Revenue Code, as amended through February 17, 2009, applies.

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

6.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 6.27 December 31, 2008.

6.28 Sec. 7. Minnesota Statutes 2008, section 290.01, subdivision 19a, is amended to read:

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

6.31 (1)(i) interest income on obligations of any state ~~other than Minnesota~~ or a political  
 6.32 or governmental subdivision, municipality, or governmental agency or instrumentality  
 6.33 of any state ~~other than Minnesota~~ exempt from federal income taxes under the Internal  
 6.34 Revenue Code or any other federal statute, but excluding interest on such an obligation

7.1 issued and sold before July 1, 2009, by the state of Minnesota or a political or governmental  
7.2 subdivision, municipality, or governmental agency or instrumentality of Minnesota; and

7.3 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue  
7.4 Code, except the portion of the exempt-interest dividends derived from interest income  
7.5 on obligations of the state of Minnesota or its political or governmental subdivisions,  
7.6 municipalities, governmental agencies or instrumentalities, but only if the portion of the  
7.7 exempt-interest dividends from such Minnesota sources paid to all shareholders represents  
7.8 95 percent or more of the exempt-interest dividends that are paid by the regulated  
7.9 investment company as defined in section 851(a) of the Internal Revenue Code, or the fund  
7.10 of the regulated investment company as defined in section 851(g) of the Internal Revenue  
7.11 Code, making the payment and only to the extent the interest is paid on obligations issued  
7.12 and sold before July 1, 2009; and

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

7.16 (2)(i) the amount of income or sales and use taxes paid or accrued within the taxable  
7.17 year under this chapter and the amount of taxes based on net income paid or sales and  
7.18 use taxes paid to any other state or to any province or territory of Canada, to the extent  
7.19 allowed as a deduction under section 63(d) of the Internal Revenue Code, ~~but the addition;~~

7.20 (ii) qualified residence interest, as defined in section 163(h) of the Internal Revenue  
7.21 Code, to the extent allowed as a deduction under section 63(d) of the Internal Revenue  
7.22 Code;

7.23 (iii) charitable contributions, as defined in section 170(c) of the Internal Revenue  
7.24 Code, to the extent allowed as a deduction under section 170(a) of the Internal Revenue  
7.25 Code; and

7.26 (iv) the sum of the additions made under items (i), (ii), and (iii) may not be more  
7.27 than the amount by which the itemized deductions as allowed under section 63(d) of the  
7.28 Internal Revenue Code exceeds the amount of the standard deduction as defined in section  
7.29 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of  
7.30 itemized deductions under section 68 of the Internal Revenue Code of 1986, income or  
7.31 sales and use tax is, ~~qualified residence interest, and charitable contributions are the last~~  
7.32 itemized ~~deduction~~ deductions disallowed;

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

7.35 (4) the amount of income taxes paid or accrued within the taxable year under this  
7.36 chapter and taxes based on net income paid to any other state or any province or territory

8.1 of Canada, to the extent allowed as a deduction in determining federal adjusted gross  
8.2 income. For the purpose of this paragraph, income taxes do not include the taxes imposed  
8.3 by sections 290.0922, subdivision 1, paragraph (b), 290.9727, 290.9728, and 290.9729;

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

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

8.10 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the  
8.11 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that  
8.12 in the taxable year generates a deduction for depreciation under section 168(k) and the  
8.13 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for  
8.14 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is  
8.15 limited to excess of the depreciation claimed by the activity under section 168(k) over the  
8.16 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
8.17 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
8.18 under section 168(k) is allowed;

8.19 (8) for taxable years beginning before January 1, 2009, 80 percent of the amount by  
8.20 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the  
8.21 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended  
8.22 through December 31, 2003;

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

8.25 (10) the exclusion allowed under section 139A of the Internal Revenue Code for  
8.26 federal subsidies for prescription drug plans;

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

8.28 (12) for taxable years beginning after December 31, 2006, and before January 1,  
8.29 2008, the amount deducted for qualified tuition and related expenses under section 222 of  
8.30 the Internal Revenue Code, to the extent deducted from gross income; and

8.31 (13) for taxable years beginning after December 31, 2006, and before January 1,  
8.32 2008, the amount deducted for certain expenses of elementary and secondary school  
8.33 teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted  
8.34 from gross income.

8.35 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
8.36 December 31, 2008.



9.1 Sec. 8. Minnesota Statutes 2008, section 290.01, subdivision 19b, is amended to read:

9.2 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
9.3 and trusts, there shall be subtracted from federal taxable income:

9.4 (1) net interest income on obligations of any authority, commission, or  
9.5 instrumentality of the United States to the extent includable in taxable income for federal  
9.6 income tax purposes but exempt from state income tax under the laws of the United States;

9.7 (2) if included in federal taxable income, the amount of any overpayment of income  
9.8 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
9.9 is received as a refund or as a credit to another taxable year's income tax liability;

9.10 ~~(3) the amount paid to others, less the amount used to claim the credit allowed under~~  
9.11 ~~section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten~~  
9.12 ~~to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and~~  
9.13 ~~transportation of each qualifying child in attending an elementary or secondary school~~  
9.14 ~~situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a~~  
9.15 ~~resident of this state may legally fulfill the state's compulsory attendance laws, which~~  
9.16 ~~is not operated for profit, and which adheres to the provisions of the Civil Rights Act~~  
9.17 ~~of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or~~  
9.18 ~~tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,~~  
9.19 ~~"textbooks" includes books and other instructional materials and equipment purchased~~  
9.20 ~~or leased for use in elementary and secondary schools in teaching only those subjects~~  
9.21 ~~legally and commonly taught in public elementary and secondary schools in this state.~~  
9.22 ~~Equipment expenses qualifying for deduction includes expenses as defined and limited in~~  
9.23 ~~section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional~~  
9.24 ~~books and materials used in the teaching of religious tenets, doctrines, or worship, the~~  
9.25 ~~purpose of which is to instill such tenets, doctrines, or worship, nor does it include books~~  
9.26 ~~or materials for, or transportation to, extracurricular activities including sporting events,~~  
9.27 ~~musical or dramatic events, speech activities, driver's education, or similar programs. For~~  
9.28 ~~purposes of the subtraction provided by this clause, "qualifying child" has the meaning~~  
9.29 ~~given in section 32(c)(3) of the Internal Revenue Code;~~

9.30 ~~(4) income as provided under section 290.0802;~~

9.31 ~~(5) to the extent included in federal adjusted gross income, income realized on~~  
9.32 ~~disposition of property exempt from tax under section 290.491;~~

9.33 ~~(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)~~  
9.34 ~~of the Internal Revenue Code in determining federal taxable income by an individual~~  
9.35 ~~who does not itemize deductions for federal income tax purposes for the taxable year, an~~  
9.36 ~~amount equal to 50 percent of the excess of charitable contributions over \$500 allowable~~

10.1 ~~as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and~~  
 10.2 ~~under the provisions of Public Law 109-1;~~

10.3 ~~(7) for taxable years beginning before January 1, 2008, the amount of the federal~~  
 10.4 ~~small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code~~  
 10.5 ~~which is included in gross income under section 87 of the Internal Revenue Code;~~

10.6 ~~(8) for individuals who are allowed a federal foreign tax credit for taxes that do not~~  
 10.7 ~~qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover~~  
 10.8 ~~of subnational foreign taxes for the taxable year, but not to exceed the total subnational~~  
 10.9 ~~foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,~~  
 10.10 ~~"federal foreign tax credit" means the credit allowed under section 27 of the Internal~~  
 10.11 ~~Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed~~  
 10.12 ~~under section 904(c) of the Internal Revenue Code minus national level foreign taxes to~~  
 10.13 ~~the extent they exceed the federal foreign tax credit;~~

10.14 ~~(9)~~ (3) in each of the five tax years immediately following the tax year in which an  
 10.15 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
 10.16 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
 10.17 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
 10.18 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
 10.19 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
 10.20 positive value of any net operating loss under section 172 of the Internal Revenue Code  
 10.21 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
 10.22 less than zero;

10.23 ~~(10) job opportunity building zone income as provided under section 469.316;~~

10.24 ~~(11)~~ (4) to the extent included in federal taxable income, the amount of compensation  
 10.25 paid to members of the Minnesota National Guard or other reserve components of the  
 10.26 United States military for active service performed in Minnesota, excluding compensation  
 10.27 for services performed under the Active Guard Reserve (AGR) program. For purposes of  
 10.28 this clause, "active service" means (i) state active service as defined in section 190.05,  
 10.29 subdivision 5a, clause (1); (ii) federally funded state active service as defined in section  
 10.30 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05,  
 10.31 subdivision 5c, but "active service" excludes service performed in accordance with section  
 10.32 190.08, subdivision 3;

10.33 ~~(12)~~ (5) to the extent included in federal taxable income, the amount of compensation  
 10.34 paid to Minnesota residents who are members of the armed forces of the United States or  
 10.35 United Nations for active duty performed outside Minnesota under United States Code,

11.1 title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of  
11.2 the United Nations;

11.3 ~~(13) an amount, not to exceed \$10,000, equal to qualified expenses related to a~~  
11.4 ~~qualified donor's donation, while living, of one or more of the qualified donor's organs~~  
11.5 ~~to another person for human organ transplantation. For purposes of this clause, "organ"~~  
11.6 ~~means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;~~  
11.7 ~~"human organ transplantation" means the medical procedure by which transfer of a human~~  
11.8 ~~organ is made from the body of one person to the body of another person; "qualified~~  
11.9 ~~expenses" means unreimbursed expenses for both the individual and the qualified donor~~  
11.10 ~~for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses~~  
11.11 ~~may be subtracted under this clause only once; and "qualified donor" means the individual~~  
11.12 ~~or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An~~  
11.13 ~~individual may claim the subtraction in this clause for each instance of organ donation for~~  
11.14 ~~transplantation during the taxable year in which the qualified expenses occur;~~

11.15 ~~(14)~~ (6) in each of the five tax years immediately following the tax year in which an  
11.16 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of  
11.17 a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of  
11.18 the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16),  
11.19 in the case of a shareholder of a corporation that is an S corporation, minus the positive  
11.20 value of any net operating loss under section 172 of the Internal Revenue Code generated  
11.21 for the tax year of the addition. If the net operating loss exceeds the addition for the tax  
11.22 year, a subtraction is not allowed under this clause; and

11.23 ~~(15)~~ (7) to the extent included in federal taxable income, compensation paid to a  
11.24 service member as defined in United States Code, title 10, section 101(a)(5), for military  
11.25 service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section  
11.26 101(2);

11.27 ~~(16) international economic development zone income as provided under section~~  
11.28 ~~469.325; and~~

11.29 ~~(17) to the extent included in federal taxable income, the amount of national service~~  
11.30 ~~educational awards received from the National Service Trust under United States Code,~~  
11.31 ~~title 42, sections 12601 to 12604, for service in an approved Americorps National Service~~  
11.32 ~~program.~~

11.33 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
11.34 December 31, 2008.

11.35 Sec. 9. Minnesota Statutes 2008, section 290.01, subdivision 19c, is amended to read:

- 12.1 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
12.2 there shall be added to federal taxable income:
- 12.3 (1) the amount of any deduction taken for federal income tax purposes for income,  
12.4 excise, or franchise taxes based on net income or related minimum taxes, including but not  
12.5 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
12.6 another state, a political subdivision of another state, the District of Columbia, or any  
12.7 foreign country or possession of the United States;
- 12.8 (2) interest not subject to federal tax upon obligations of: the United States, its  
12.9 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
12.10 state, any of its political or governmental subdivisions, any of its municipalities, or any  
12.11 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
12.12 tribal governments;
- 12.13 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
12.14 Revenue Code;
- 12.15 (4) the amount of any net operating loss deduction taken for federal income tax  
12.16 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
12.17 deduction under section 810 of the Internal Revenue Code;
- 12.18 (5) the amount of any special deductions taken for federal income tax purposes  
12.19 under sections 241 to 247 and 965 of the Internal Revenue Code;
- 12.20 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
12.21 clause (a), that are not subject to Minnesota income tax;
- 12.22 (7) the amount of any capital losses deducted for federal income tax purposes under  
12.23 sections 1211 and 1212 of the Internal Revenue Code;
- 12.24 (8) the exempt foreign trade income of a foreign sales corporation under sections  
12.25 921(a) and 291 of the Internal Revenue Code;
- 12.26 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
12.27 291 of the Internal Revenue Code;
- 12.28 (10) for certified pollution control facilities placed in service in a taxable year  
12.29 beginning before December 31, 1986, and for which amortization deductions were elected  
12.30 under section 169 of the Internal Revenue Code of 1954, as amended through December  
12.31 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
12.32 income for those facilities;
- 12.33 (11) for taxable years beginning before January 1, 2009, the amount of any deemed  
12.34 dividend from a foreign operating corporation determined pursuant to section 290.17,  
12.35 subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the  
12.36 addition to income required by clauses (20), (21), (22), and (23);

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

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

13.6 (14) any increase in subpart F income, as defined in section 952(a) of the Internal  
13.7 Revenue Code, for the taxable year when subpart F income is calculated without regard  
13.8 to the provisions of section 103 of Public Law 109-222;

13.9 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)  
13.10 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer  
13.11 has an activity that in the taxable year generates a deduction for depreciation under  
13.12 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year  
13.13 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed  
13.14 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the  
13.15 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the  
13.16 amount of the loss from the activity that is not allowed in the taxable year. In succeeding  
13.17 taxable years when the losses not allowed in the taxable year are allowed, the depreciation  
13.18 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

13.19 (16) for taxable years beginning before January 1, 2009, 80 percent of the amount by  
13.20 which the deduction allowed by section 179 of the Internal Revenue Code exceeds the  
13.21 deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended  
13.22 through December 31, 2003;

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

13.25 (18) the exclusion allowed under section 139A of the Internal Revenue Code for  
13.26 federal subsidies for prescription drug plans;

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

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

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

- 14.1 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting  
14.2 transactions;
- 14.3 (iii) royalty, patent, technical, and copyright fees;
- 14.4 (iv) licensing fees; and
- 14.5 (v) other similar expenses and costs.

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

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

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

- 14.18 (i) income related to the direct or indirect acquisition, use, maintenance or  
14.19 management, ownership, sale, exchange, or any other disposition of intangible property;
- 14.20 (ii) income from factoring transactions or discounting transactions;
- 14.21 (iii) royalty, patent, technical, and copyright fees;
- 14.22 (iv) licensing fees; and
- 14.23 (v) other similar income.

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

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

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

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

15.4 (24) for taxable years beginning after December 31, 2006, and before January 1,  
15.5 2008, the additional amount allowed as a deduction for donation of computer technology  
15.6 and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent  
15.7 deducted from taxable income.

15.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
15.9 December 31, 2008.

15.10 Sec. 10. Minnesota Statutes 2008, section 290.01, subdivision 19d, is amended to read:

15.11 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For  
15.12 corporations, there shall be subtracted from federal taxable income after the increases  
15.13 provided in subdivision 19c:

15.14 (1) the amount of foreign dividend gross-up added to gross income for federal  
15.15 income tax purposes under section 78 of the Internal Revenue Code;

15.16 (2) the amount of salary expense not allowed for federal income tax purposes due to  
15.17 claiming the work opportunity credit under section 51 of the Internal Revenue Code;

15.18 (3) any dividend (not including any distribution in liquidation) paid within the  
15.19 taxable year by a national or state bank to the United States, or to any instrumentality of  
15.20 the United States exempt from federal income taxes, on the preferred stock of the bank  
15.21 owned by the United States or the instrumentality;

15.22 (4) amounts disallowed for intangible drilling costs due to differences between  
15.23 this chapter and the Internal Revenue Code in taxable years beginning before January  
15.24 1, 1987, as follows:

15.25 (i) to the extent the disallowed costs are represented by physical property, an amount  
15.26 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,  
15.27 subdivision 7, subject to the modifications contained in subdivision 19e; and

15.28 (ii) to the extent the disallowed costs are not represented by physical property, an  
15.29 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section  
15.30 290.09, subdivision 8;

15.31 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the  
15.32 Internal Revenue Code, except that:

15.33 (i) for capital losses incurred in taxable years beginning after December 31, 1986,  
15.34 capital loss carrybacks shall not be allowed;

16.1 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,  
16.2 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be  
16.3 allowed;

16.4 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a  
16.5 capital loss carryback to each of the three taxable years preceding the loss year, subject to  
16.6 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

16.7 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,  
16.8 a capital loss carryover to each of the five taxable years succeeding the loss year to the  
16.9 extent such loss was not used in a prior taxable year and subject to the provisions of  
16.10 Minnesota Statutes 1986, section 290.16, shall be allowed;

16.11 (6) an amount for interest and expenses relating to income not taxable for federal  
16.12 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and  
16.13 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or  
16.14 291 of the Internal Revenue Code in computing federal taxable income;

16.15 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for  
16.16 which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a  
16.17 reasonable allowance for depletion based on actual cost. In the case of leases the deduction  
16.18 must be apportioned between the lessor and lessee in accordance with rules prescribed  
16.19 by the commissioner. In the case of property held in trust, the allowable deduction must  
16.20 be apportioned between the income beneficiaries and the trustee in accordance with the  
16.21 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis  
16.22 of the trust's income allocable to each;

16.23 (8) for certified pollution control facilities placed in service in a taxable year  
16.24 beginning before December 31, 1986, and for which amortization deductions were elected  
16.25 under section 169 of the Internal Revenue Code of 1954, as amended through December  
16.26 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes  
16.27 1986, section 290.09, subdivision 7;

16.28 (9) amounts included in federal taxable income that are due to refunds of income,  
16.29 excise, or franchise taxes based on net income or related minimum taxes paid by the  
16.30 corporation to Minnesota, another state, a political subdivision of another state, the  
16.31 District of Columbia, or a foreign country or possession of the United States to the extent  
16.32 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,  
16.33 clause (1), in a prior taxable year;

16.34 ~~(10) 80 percent of royalties, fees, or other like income accrued or received from a~~  
16.35 ~~foreign operating corporation or a foreign corporation which is part of the same unitary~~  
16.36 ~~business as the receiving corporation, unless the income resulting from such payments or~~



17.1 ~~accruals is income from sources within the United States as defined in subtitle A, chapter~~  
17.2 ~~1, subchapter N, part 1, of the Internal Revenue Code;~~

17.3 ~~(11)~~ (10) income or gains from the business of mining as defined in section 290.05,  
17.4 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

17.5 ~~(12)~~ (11) the amount of disability access expenditures in the taxable year which are  
17.6 not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue  
17.7 Code;

17.8 ~~(13)~~ (12) the amount of qualified research expenses not allowed for federal income  
17.9 tax purposes under section 280C(c) of the Internal Revenue Code, ~~but only to the extent~~  
17.10 ~~that the amount exceeds the amount of the credit allowed under section 290.068;~~

17.11 ~~(14)~~ (13) the amount of salary expenses not allowed for federal income tax purposes  
17.12 due to claiming the Indian employment credit under section 45A(a) of the Internal  
17.13 Revenue Code;

17.14 ~~(15)~~ (14) for taxable years beginning before January 1, 2008, the amount of the  
17.15 federal small ethanol producer credit allowed under section 40(a)(3) of the Internal  
17.16 Revenue Code which is included in gross income under section 87 of the Internal Revenue  
17.17 Code;

17.18 ~~(16)~~ (15) for a corporation whose foreign sales corporation, as defined in section  
17.19 922 of the Internal Revenue Code, constituted a foreign operating corporation during any  
17.20 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,  
17.21 claiming the deduction under section 290.21, subdivision 4, for income received from  
17.22 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of  
17.23 income excluded under section 114 of the Internal Revenue Code, provided the income is  
17.24 not income of a foreign operating company;

17.25 ~~(17)~~ (16) any decrease in subpart F income, as defined in section 952(a) of the  
17.26 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
17.27 regard to the provisions of section 103 of Public Law 109-222;

17.28 ~~(18)~~ (17) in each of the five tax years immediately following the tax year in which  
17.29 an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth  
17.30 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
17.31 the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The  
17.32 resulting delayed depreciation cannot be less than zero; and

17.33 ~~(19)~~ (18) in each of the five tax years immediately following the tax year in which an  
17.34 addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the  
17.35 amount of the addition.

18.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 18.2 December 31, 2008.

18.3 Sec. 11. Minnesota Statutes 2008, section 290.01, subdivision 29, is amended to read:

18.4 Subd. 29. **Taxable income.** The term "taxable income" means:

18.5 (1) for individuals, estates, and trusts, the same as taxable net income;

18.6 (2) for corporations, the taxable net income less

18.7 (i) the net operating loss deduction under section 290.095; and

18.8 (ii) the dividends received deduction under section 290.21, subdivision 4; plus

18.9 ~~(iii) the exemption for operating in a job opportunity building zone under section~~  
 18.10 ~~469.317; Minnesota development subsidies.~~

18.11 ~~(iv) the exemption for operating in a biotechnology and health sciences industry~~  
 18.12 ~~zone under section 469.337; and~~

18.13 ~~(v) the exemption for operating in an international economic development zone~~  
 18.14 ~~under section 469.326.~~

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

18.17 Sec. 12. Minnesota Statutes 2008, section 290.01, subdivision 31, is amended to read:

18.18 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 18.19 Revenue Code" means the Internal Revenue Code of 1986, as amended through February  
 18.20 13, 2008, except section 179 of the Internal Revenue Code, as amended through February  
 18.21 17, 2009, applies.

18.22 Sec. 13. Minnesota Statutes 2008, section 290.01, is amended by adding a subdivision  
 18.23 to read:

18.24 Subd. 33. **Minnesota development subsidies.** (a) "Minnesota development  
 18.25 subsidies" means the greater of the following amounts:

18.26 (1) one-half of the amount deducted by the taxpayer in computing federal taxable  
 18.27 income for the taxable year, as property taxes, business expenses or otherwise, that is  
 18.28 attributable to property taxes paid by the taxpayer, either directly or indirectly through a  
 18.29 lease or otherwise, on property located in a tax increment financing district, as defined in  
 18.30 section 469.174, or that receives an abatement under sections 469.1813 to 469.1815, if the  
 18.31 owner of the property or a related party has entered a development or similar agreement  
 18.32 with respect to the increment district or derives a benefit from the abatement by its

19.1 property having access to or use of public improvements financed with the abatement or  
 19.2 otherwise; or

19.3 (2) the amount of payments received by the taxpayer under a development or similar  
 19.4 agreement that provides for payments or reimbursements from the proceeds of increments  
 19.5 from a tax increment financing district or from an abatement under sections 469.1813 to  
 19.6 469.1815, but excluding reimbursements under a development action response plan, as  
 19.7 defined in section 469.174, subdivision 17, to pay for its costs incurred to fund removal  
 19.8 or remedial actions.

19.9 (b) For purposes of this subdivision, "tax increment financing district" excludes:

19.10 (1) a housing district, as defined in section 469.174, subdivision 11;

19.11 (2) a soils condition district, as defined in section 469.174, subdivision 19; and

19.12 (3) a hazardous substance subdistrict, as defined in section 469.174, subdivision 23.

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

19.15 Sec. 14. Minnesota Statutes 2008, section 290.06, subdivision 2c, is amended to read:

19.16 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income  
 19.17 taxes imposed by this chapter upon married individuals filing joint returns and surviving  
 19.18 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by  
 19.19 applying to their taxable net income the following schedule of rates:

19.20 (1) On the first \$25,680, ~~5.35~~ five percent;

19.21 (2) On all over \$25,680, but not over \$102,030, ~~7.05~~ seven percent;

19.22 (3) On all over \$102,030, 7.85 percent.

19.23 Married individuals filing separate returns, estates, and trusts must compute their  
 19.24 income tax by applying the above rates to their taxable income, except that the income  
 19.25 brackets will be one-half of the above amounts.

19.26 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
 19.27 computed by applying to taxable net income the following schedule of rates:

19.28 (1) On the first \$17,570, ~~5.35~~ five percent;

19.29 (2) On all over \$17,570, but not over \$57,710, ~~7.05~~ seven percent;

19.30 (3) On all over \$57,710, 7.85 percent.

19.31 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying  
 19.32 as a head of household as defined in section 2(b) of the Internal Revenue Code must be  
 19.33 computed by applying to taxable net income the following schedule of rates:

19.34 (1) On the first \$21,630, ~~5.35~~ five percent;

19.35 (2) On all over \$21,630, but not over \$86,910, ~~7.05~~ seven percent;

20.1 (3) On all over \$86,910, 7.85 percent.

20.2 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the  
 20.3 tax of any individual taxpayer whose taxable net income for the taxable year is less than  
 20.4 an amount determined by the commissioner must be computed in accordance with tables  
 20.5 prepared and issued by the commissioner of revenue based on income brackets of not  
 20.6 more than \$100. The amount of tax for each bracket shall be computed at the rates set  
 20.7 forth in this subdivision, provided that the commissioner may disregard a fractional part of  
 20.8 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

20.9 (e) An individual who is not a Minnesota resident for the entire year must compute  
 20.10 the individual's Minnesota income tax as provided in this subdivision. After the  
 20.11 application of the nonrefundable credits provided in this chapter, the tax liability must  
 20.12 then be multiplied by a fraction in which:

20.13 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
 20.14 as defined in section 62 of the Internal Revenue Code and increased by the additions  
 20.15 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),  
 20.16 and (13) and reduced by the Minnesota assignable portion of the subtraction for United  
 20.17 States government interest under section 290.01, subdivision 19b, clause (1), and the  
 20.18 subtractions under section 290.01, subdivision 19b, clauses ~~(9), (10), (14), (15), and (16)~~  
 20.19 (3), (6), and (7), after applying the allocation and assignability provisions of section  
 20.20 290.081, clause (a), or 290.17; and

20.21 (2) the denominator is the individual's federal adjusted gross income as defined in  
 20.22 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
 20.23 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), and (13) and  
 20.24 reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), ~~(9);~~  
 20.25 ~~(10), (14), (15), and (16)~~ (3), (6), and (7).

20.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 20.27 December 31, 2008.

20.28 Sec. 15. Minnesota Statutes 2008, section 290.06, is amended by adding a subdivision  
 20.29 to read:

20.30 **Subd. 36. Mortgage interest credit.** (a) An individual is allowed a credit against  
 20.31 the tax imposed by this chapter equal to seven percent of the lesser of:

20.32 (1) \$6,000; or

20.33 (2) qualified residence interest deduction for which the individual is eligible under  
 20.34 section 63(d) of the Internal Revenue Code, minus \$4,000.

21.1 (b) For a nonresident or part-year resident, the credit must be allocated based on the  
21.2 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

21.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
21.4 December 31, 2008.

21.5 Sec. 16. Minnesota Statutes 2008, section 290.06, is amended by adding a subdivision  
21.6 to read:

21.7 **Subd. 37. Charitable contributions credit.** (a) An individual is allowed a credit  
21.8 against the tax imposed by this chapter equal to eight percent of the amount by which  
21.9 eligible charitable contributions exceed the greater of:

21.10 (1) two percent of the individual's adjusted gross income for the taxable year, or

21.11 (2) \$500.

21.12 (b) For purposes of this subdivision "eligible charitable contributions" means the  
21.13 lesser of:

21.14 (1) charitable contributions allowable as a deduction for the taxable year under  
21.15 section 170(a) of the Internal Revenue Code; or

21.16 (2) 50 percent of the individual's adjusted gross income for the taxable year.

21.17 (c) For purposes of this subdivision "adjusted gross income" has the meaning given  
21.18 in section 62 of the Internal Revenue Code.

21.19 (d) For a nonresident or part-year resident, the credit must be allocated based on the  
21.20 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

21.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
21.22 December 31, 2008.

21.23 Sec. 17. Minnesota Statutes 2008, section 290.0671, subdivision 1, is amended to read:

21.24 **Subdivision 1. Credit allowed.** (a) An individual is allowed a credit against the tax  
21.25 imposed by this chapter equal to a percentage of earned income. To receive a credit, a  
21.26 taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

21.27 (b) For individuals with no qualifying children, the credit equals 1.9125 percent of  
21.28 the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned  
21.29 income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no  
21.30 case is the credit less than zero.

21.31 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first  
21.32 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than

22.1 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,  
22.2 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

22.3 (d) For individuals with two or more qualifying children, the credit equals ten  
22.4 percent of the first \$9,720 of earned income and 20 percent of earned income over  
22.5 \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income  
22.6 or adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is  
22.7 the credit less than zero.

22.8 (e) For a nonresident or part-year resident, the credit must be allocated based on the  
22.9 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

22.10 (f) For a person who was a resident for the entire tax year and has earned income  
22.11 not subject to tax under this chapter, ~~including income excluded under section 290.01,~~  
22.12 ~~subdivision 19b, clause (10) or (16);~~ the credit must be allocated based on the ratio of  
22.13 federal adjusted gross income reduced by the earned income not subject to tax under  
22.14 this chapter over federal adjusted gross income. For purposes of this paragraph, the  
22.15 subtractions for military pay under section 290.01, subdivision 19b, clauses ~~(11) and (12)~~  
22.16 (4) and (5), are not considered "earned income not subject to tax under this chapter."

22.17 For the purposes of this paragraph, the exclusion of combat pay under section 112  
22.18 of the Internal Revenue Code is not considered "earned income not subject to tax under  
22.19 this chapter."

22.20 (g) For tax years beginning after December 31, 2001, and before December 31,  
22.21 2004, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in  
22.22 paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by  
22.23 \$1,000 for married taxpayers filing joint returns.

22.24 (h) For tax years beginning after December 31, 2004, and before December 31,  
22.25 2007, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in  
22.26 paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by  
22.27 \$2,000 for married taxpayers filing joint returns.

22.28 (i) For tax years beginning after December 31, 2007, and before December 31, 2010,  
22.29 the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph  
22.30 (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for  
22.31 married taxpayers filing joint returns. For tax years beginning after December 31, 2008,  
22.32 the \$3,000 is adjusted annually for inflation under subdivision 7.

22.33 (j) The commissioner shall construct tables showing the amount of the credit at  
22.34 various income levels and make them available to taxpayers. The tables shall follow  
22.35 the schedule contained in this subdivision, except that the commissioner may graduate  
22.36 the transition between income brackets.

23.1 Sec. 18. **[290.0682] MINNESOTA CHILD CREDIT.**

23.2 **Subdivision 1. Definitions.** (a) For purposes of this section the following terms  
 23.3 have the meanings given.

23.4 (b) "Adjusted gross income" has the meaning given in section 62 of the Internal  
 23.5 Revenue Code.

23.6 (c) "Qualifying child" has the meaning given in section 24(c) of the Internal  
 23.7 Revenue Code.

23.8 **Subd. 2. Credit allowed.** (a) An individual is allowed a credit against the tax  
 23.9 imposed by this chapter equal to the lesser of:

23.10 (1) \$200 for each qualifying child; or

23.11 (2) ten percent of adjusted gross income in excess of \$14,000.

23.12 (b) The credit allowed in paragraph (a) is reduced by an amount equal to five percent  
 23.13 of adjusted gross income in excess of \$28,000, but in no case is the credit less than zero.

23.14 (c) For a nonresident or part-year resident, the credit must be allocated based on the  
 23.15 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

23.16 **Subd. 3. Credit refundable.** If the amount of credit that an individual is eligible  
 23.17 to receive under this section exceeds the claimant's tax liability under this chapter, the  
 23.18 commissioner shall refund the excess to the claimant.

23.19 **Subd. 4. Appropriation.** An amount sufficient to pay the refunds required by this  
 23.20 section is appropriated to the commissioner from the general fund.

23.21 **Subd. 5. Inflation adjustment.** The adjusted gross income floor in subdivision 2,  
 23.22 paragraph (a), clause (2), and the phaseout threshold in subdivision 2, paragraph (b),  
 23.23 must be adjusted for inflation. For tax years beginning after December 31, 2009, the  
 23.24 commissioner shall annually adjust the adjusted gross income floor and the phaseout  
 23.25 threshold by the percentage determined pursuant to section 1(f) of the Internal Revenue  
 23.26 Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for the word  
 23.27 "1992." For 2010, the commissioner shall then determine the percent change from the  
 23.28 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2009,  
 23.29 and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12  
 23.30 months ending on August 31 of the year preceding the taxable year. The adjusted gross  
 23.31 income floor and the phaseout threshold as adjusted for inflation must be rounded to  
 23.32 the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10.  
 23.33 The determination of the commissioner under this subdivision is not a rule under the  
 23.34 Administrative Procedure Act.

23.35 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 23.36 December 31, 2008.

24.1 Sec. 19. Minnesota Statutes 2008, section 290.0922, subdivision 1, is amended to read:

24.2 Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without  
 24.3 regard to this section, the franchise tax imposed on a corporation required to file under  
 24.4 section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation  
 24.5 under section 290.9725 for the taxable year includes a tax equal to the following amounts:

24.6 If the sum of the corporation's Minnesota  
 24.7 property, payrolls, and sales or receipts  
 24.8 is:

the tax equals:

24.9	<del>less than</del> \$ 500,000	\$ 0
24.10	\$ 500,000 to \$ 999,999	\$ 100
24.11	\$ 1,000,000 to \$ 4,999,999	\$ 300
24.12	\$ 5,000,000 to \$ 9,999,999	\$ 1,000
24.13	\$ 10,000,000 to \$ 19,999,999	\$ 2,000
24.14	\$ 20,000,000 or more	\$ 5,000
24.15	<u>less than</u> \$ 830,000	\$ 0
24.16	\$ 830,000 to \$ 1,659,999	\$ 170
24.17	\$ 1,660,000 to \$ 8,319,999	\$ 500
24.18	\$ 8,320,000 to \$ 16,649,999	\$ 1,660
24.19	\$ 16,650,000 to \$ 33,299,999	\$ 3,330
24.20	\$ 33,300,000 or more	\$ 8,320

24.21 (b) A tax is imposed for each taxable year on a corporation required to file a return  
 24.22 under section 289A.12, subdivision 3, that is treated as an "S" corporation under section  
 24.23 290.9725 and on a partnership required to file a return under section 289A.12, subdivision  
 24.24 3, other than a partnership that derives over 80 percent of its income from farming. The  
 24.25 tax imposed under this paragraph is due on or before the due date of the return for the  
 24.26 taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe  
 24.27 the return to be used for payment of this tax. The tax under this paragraph is equal to  
 24.28 the following amounts:

24.29 If the sum of the S corporation's or  
 24.30 partnership's Minnesota property,  
 24.31 payrolls, and sales or receipts is:

the tax equals:

24.32	<del>less than</del> \$ 500,000	\$ 0
24.33	\$ 500,000 to \$ 999,999	\$ 100
24.34	\$ 1,000,000 to \$ 4,999,999	\$ 300
24.35	\$ 5,000,000 to \$ 9,999,999	\$ 1,000
24.36	\$ 10,000,000 to \$ 19,999,999	\$ 2,000
24.37	\$ 20,000,000 or more	\$ 5,000
24.38	<u>less than</u> \$ 830,000	\$ 0
24.39	\$ 830,000 to \$ 1,659,999	\$ 170
24.40	\$ 1,660,000 to \$ 8,319,999	\$ 500
24.41	\$ 8,320,000 to \$ 16,649,999	\$ 1,660



25.1	<u>\$ 16,650,000 to \$ 33,299,999</u>	<u>\$ 3,330</u>
25.2	<u>\$ 33,300,000 or more</u>	<u>\$ 8,320</u>

25.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
25.4 December 31, 2008.

25.5 Sec. 20. Minnesota Statutes 2008, section 290.0922, subdivision 3, is amended to read:

25.6 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales  
25.7 apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts  
25.8 attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the  
25.9 total sales or receipts apportioned or attributed to Minnesota pursuant to any other  
25.10 apportionment formula applicable to the taxpayer.

25.11 (b) "Minnesota property" means total Minnesota tangible property as provided in  
25.12 section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota;  
25.13 ~~but does not include: (1) property located in a job opportunity building zone designated~~  
25.14 ~~under section 469.314, (2) property of a qualified business located in a biotechnology and~~  
25.15 ~~health sciences industry zone designated under section 469.334, or (3) for taxable years~~  
25.16 ~~beginning during the duration of the zone, property of a qualified business located in the~~  
25.17 ~~international economic development zone designated under section 469.322. Intangible~~  
25.18 ~~property shall not be included in Minnesota property for purposes of this section.~~

25.19 Taxpayers who do not utilize tangible property to apportion income shall nevertheless  
25.20 include Minnesota property for purposes of this section. On a return for a short taxable  
25.21 year, the amount of Minnesota property owned, as determined under section 290.191,  
25.22 shall be included in Minnesota property based on a fraction in which the numerator is the  
25.23 number of days in the short taxable year and the denominator is 365.

25.24 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section  
25.25 290.191, subdivision 12, ~~but does not include: (1) job opportunity building zone payrolls~~  
25.26 ~~under section 469.310, subdivision 8, (2) biotechnology and health sciences industry zone~~  
25.27 ~~payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning during~~  
25.28 ~~the duration of the zone, international economic development zone payrolls under section~~  
25.29 ~~469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income shall~~  
25.30 ~~nevertheless include Minnesota payrolls for purposes of this section.~~

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

26.1 Sec. 21. Minnesota Statutes 2008, section 290.0922, is amended by adding a  
 26.2 subdivision to read:

26.3 Subd. 5. **Inflation adjustment.** The commissioner shall adjust the dollar amounts  
 26.4 of both the fee and the property, payrolls, and sales or receipts thresholds in subdivision  
 26.5 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal  
 26.6 Revenue Code, except that in section 1(f)(3)(B) the word "2008" must be substituted for  
 26.7 the word "1992." For 2010, the commissioner shall then determine the percent change  
 26.8 from the 12 months ending on August 31, 2008, to the 12 months ending on August  
 26.9 31, 2009, and in each subsequent year, from the 12 months ending on August 31, 2008,  
 26.10 to the 12 months ending on August 31 of the year preceding the taxable year. The  
 26.11 determination of the commissioner pursuant to this subdivision is not a "rule" subject to  
 26.12 the Administrative Procedure Act contained in chapter 14. The fee amounts as adjusted  
 26.13 must be rounded to the nearest \$10 amounts and the threshold amounts must be adjusted  
 26.14 to the nearest \$10,000 amounts. For fee amounts that end in \$5, the amount is rounded up  
 26.15 to the nearest \$10 amount and for threshold amounts that end in \$5,000, the amount is  
 26.16 rounded up to the nearest \$10,000.

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

26.19 Sec. 22. Minnesota Statutes 2008, section 290.17, subdivision 4, is amended to read:

26.20 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly  
 26.21 within this state or partly within and partly without this state is part of a unitary business,  
 26.22 the entire income of the unitary business is subject to apportionment pursuant to section  
 26.23 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary  
 26.24 business is considered to be derived from any particular source and none may be allocated  
 26.25 to a particular place except as provided by the applicable apportionment formula. The  
 26.26 provisions of this subdivision do not apply to business income subject to subdivision 5,  
 26.27 income of an insurance company, or income of an investment company determined under  
 26.28 section 290.36.

26.29 (b) The term "unitary business" means business activities or operations which  
 26.30 result in a flow of value between them. The term may be applied within a single legal  
 26.31 entity or between multiple entities and without regard to whether each entity is a sole  
 26.32 proprietorship, a corporation, a partnership or a trust.

26.33 (c) Unity is presumed whenever there is unity of ownership, operation, and use,  
 26.34 evidenced by centralized management or executive force, centralized purchasing,  
 26.35 advertising, accounting, or other controlled interaction, but the absence of these

27.1 centralized activities will not necessarily evidence a nonunitary business. Unity is also  
27.2 presumed when business activities or operations are of mutual benefit, dependent upon or  
27.3 contributory to one another, either individually or as a group.

27.4 (d) Where a business operation conducted in Minnesota is owned by a business  
27.5 entity that carries on business activity outside the state different in kind from that  
27.6 conducted within this state, and the other business is conducted entirely outside the state, it  
27.7 is presumed that the two business operations are unitary in nature, interrelated, connected,  
27.8 and interdependent unless it can be shown to the contrary.

27.9 (e) Unity of ownership is not deemed to exist when a corporation is involved unless  
27.10 that corporation is a member of a group of two or more business entities and more than 50  
27.11 percent of the voting stock of each member of the group is directly or indirectly owned  
27.12 by a common owner or by common owners, either corporate or noncorporate, or by one  
27.13 or more of the member corporations of the group. For this purpose, the term "voting  
27.14 stock" shall include membership interests of mutual insurance holding companies formed  
27.15 under section 66A.40.

27.16 (f) The net income and apportionment factors under section 290.191 or 290.20 of  
27.17 foreign corporations and other foreign entities which are part of a unitary business shall  
27.18 not be included in the net income or the apportionment factors of the unitary business.  
27.19 A foreign corporation or other foreign entity which is required to file a return under this  
27.20 chapter shall file on a separate return basis. ~~The net income and apportionment factors~~  
27.21 ~~under section 290.191 or 290.20 of foreign operating corporations shall not be included in~~  
27.22 ~~the net income or the apportionment factors of the unitary business except as provided in~~  
27.23 ~~paragraph (g):~~

27.24 ~~(g) The adjusted net income of a foreign operating corporation shall be deemed to~~  
27.25 ~~be paid as a dividend on the last day of its taxable year to each shareholder thereof, in~~  
27.26 ~~proportion to each shareholder's ownership, with which such corporation is engaged in~~  
27.27 ~~a unitary business. Such deemed dividend shall be treated as a dividend under section~~  
27.28 ~~290.21, subdivision 4.~~

27.29 ~~Dividends actually paid by a foreign operating corporation to a corporate shareholder~~  
27.30 ~~which is a member of the same unitary business as the foreign operating corporation shall~~  
27.31 ~~be eliminated from the net income of the unitary business in preparing a combined report~~  
27.32 ~~for the unitary business. The adjusted net income of a foreign operating corporation~~  
27.33 ~~shall be its net income adjusted as follows:~~

27.34 ~~(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto~~  
27.35 ~~Rico, or a United States possession or political subdivision of any of the foregoing shall~~  
27.36 ~~be a deduction; and~~

28.1 ~~(2) the subtraction from federal taxable income for payments received from foreign~~  
 28.2 ~~corporations or foreign operating corporations under section 290.01, subdivision 19d,~~  
 28.3 ~~clause (10), shall not be allowed.~~

28.4 ~~If a foreign operating corporation incurs a net loss, neither income nor deduction~~  
 28.5 ~~from that corporation shall be included in determining the net income of the unitary~~  
 28.6 ~~business.~~

28.7 ~~(h)~~ (g) For purposes of determining the net income of a unitary business and the  
 28.8 factors to be used in the apportionment of net income pursuant to section 290.191 or  
 28.9 290.20, there must be included only the income and apportionment factors of domestic  
 28.10 corporations or other domestic entities ~~other than foreign operating corporations~~ that are  
 28.11 determined to be part of the unitary business pursuant to this subdivision, notwithstanding  
 28.12 that foreign corporations or other foreign entities might be included in the unitary business.

28.13 ~~(i)~~ (h) Deductions for expenses, interest, or taxes otherwise allowable under  
 28.14 this chapter that are connected with or allocable against dividends, ~~deemed dividends~~  
 28.15 ~~described in paragraph (g), or royalties, fees, or other like income described in section~~  
 28.16 ~~290.01, subdivision 19d, clause (10), shall not be disallowed.~~

28.17 ~~(j)~~ (i) Each corporation or other entity, except a sole proprietorship, that is part of  
 28.18 a unitary business must file combined reports as the commissioner determines. On the  
 28.19 reports, all intercompany transactions between entities included pursuant to paragraph  
 28.20 ~~(h)~~ (g) must be eliminated and the entire net income of the unitary business determined in  
 28.21 accordance with this subdivision is apportioned among the entities by using each entity's  
 28.22 Minnesota factors for apportionment purposes in the numerators of the apportionment  
 28.23 formula and the total factors for apportionment purposes of all entities included pursuant  
 28.24 to paragraph ~~(h)~~ (g) in the denominators of the apportionment formula.

28.25 ~~(k)~~ (j) If a corporation has been divested from a unitary business and is included in a  
 28.26 combined report for a fractional part of the common accounting period of the combined  
 28.27 report:

28.28 (1) its income includable in the combined report is its income incurred for that part  
 28.29 of the year determined by proration or separate accounting; and

28.30 (2) its sales, property, and payroll included in the apportionment formula must  
 28.31 be prorated or accounted for separately.

28.32 **EFFECTIVE DATE.** This section is effective for taxable year beginning after  
 28.33 December 31, 2008.

28.34 Sec. 23. Minnesota Statutes 2008, section 290.191, subdivision 2, is amended to read:

29.1 Subd. 2. **Apportionment formula of general application.** ~~(a)~~ Except for those  
 29.2 trades or businesses required to use a different formula under subdivision 3 or section  
 29.3 290.36, and for those trades or businesses that receive permission to use some other  
 29.4 method under section 290.20 or under subdivision 4, a trade or business required to  
 29.5 apportion its net income must apportion its income to this state on the basis of the  
 29.6 ~~percentage obtained by taking the sum of:~~

29.7 ~~(1) the percent for the sales factor under paragraph (b) of the percentage which~~  
 29.8 ~~the sales made within this state in connection with the trade or business during the tax~~  
 29.9 ~~period are of the total sales wherever made in connection with the trade or business during~~  
 29.10 ~~the tax period;~~

29.11 ~~(2) the percent for the property factor under paragraph (b) of the percentage which~~  
 29.12 ~~the total tangible property used by the taxpayer in this state in connection with the trade or~~  
 29.13 ~~business during the tax period is of the total tangible property, wherever located, used by~~  
 29.14 ~~the taxpayer in connection with the trade or business during the tax period; and~~

29.15 ~~(3) the percent for the payroll factor under paragraph (b) of the percentage which~~  
 29.16 ~~the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor~~  
 29.17 ~~performed in this state in connection with the trade or business during the tax period are~~  
 29.18 ~~of the taxpayer's total payrolls paid or incurred in connection with the trade or business~~  
 29.19 ~~during the tax period.~~

29.20 ~~(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply~~  
 29.21 ~~for the taxable years specified:~~

29.22 Taxable years beginning	Sales factor	Property factor	Payroll factor
29.23 during calendar year	percent	percent	percent
29.24 2007	78	11	11
29.25 2008	81	9.5	9.5
29.26 2009	84	8	8
29.27 2010	87	6.5	6.5
29.28 2011	90	5	5
29.29 2012	93	3.5	3.5
29.30 2013	96	2	2
29.31 2014 and later calendar years	100	0	0

29.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 29.33 December 31, 2008.

29.34 Sec. 24. Minnesota Statutes 2008, section 290.191, subdivision 3, is amended to read:

29.35 Subd. 3. **Apportionment formula for financial institutions.** Except for an  
 29.36 investment company required to apportion its income under section 290.36, a financial

30.1 institution that is required to apportion its net income must apportion its net income to this  
30.2 state on the basis of the percentage ~~obtained by taking the sum of:~~

30.3 ~~(1) the percent for the sales factor under subdivision 2, paragraph (b), of the~~  
30.4 ~~percentage which the receipts from within this state in connection with the trade or~~  
30.5 ~~business during the tax period are of the total receipts in connection with the trade or~~  
30.6 ~~business during the tax period, from wherever derived;~~

30.7 ~~(2) the percent for the property factor under subdivision 2, paragraph (b), of the~~  
30.8 ~~percentage which the sum of the total tangible property used by the taxpayer in this~~  
30.9 ~~state and the intangible property owned by the taxpayer and attributed to this state in~~  
30.10 ~~connection with the trade or business during the tax period is of the sum of the total~~  
30.11 ~~tangible property, wherever located, used by the taxpayer and the intangible property~~  
30.12 ~~owned by the taxpayer and attributed to all states in connection with the trade or business~~  
30.13 ~~during the tax period; and~~

30.14 ~~(3) the percent for the payroll factor under subdivision 2, paragraph (b), of the~~  
30.15 ~~percentage which the taxpayer's total payrolls paid or incurred in this state or paid in~~  
30.16 ~~respect to labor performed in this state in connection with the trade or business during~~  
30.17 ~~the tax period are of the taxpayer's total payrolls paid or incurred in connection with~~  
30.18 ~~the trade or business during the tax period.~~

30.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
30.20 December 31, 2008.

30.21 Sec. 25. Minnesota Statutes 2008, section 469.315, is amended to read:

30.22 **469.315 TAX INCENTIVES AVAILABLE IN ZONES.**

30.23 Qualified businesses that operate in a job opportunity building zone, individuals who  
30.24 invest in a qualified business that operates in a job opportunity building zone, and property  
30.25 located in a job opportunity building zone qualify for:

30.26 ~~(1) exemption from individual income taxes as provided under section 469.316;~~

30.27 ~~(2) exemption from corporate franchise taxes as provided under section 469.317;~~

30.28 ~~(3)~~ (1) exemption from the state sales and use tax and any local sales and use taxes  
30.29 on qualifying purchases as provided in section 297A.68, subdivision 37;

30.30 ~~(4)~~ (2) exemption from the state sales tax on motor vehicles and any local sales tax  
30.31 on motor vehicles as provided under section 297B.03;

30.32 ~~(5)~~ (3) exemption from the property tax as provided in section 272.02, subdivision  
30.33 64;

31.1 ~~(6)~~ (4) exemption from the wind energy production tax under section 272.029,  
 31.2 subdivision 7; and  
 31.3 ~~(7)~~ (5) the jobs credit allowed under section 469.318.

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

31.6 Sec. 26. Minnesota Statutes 2008, section 469.3192, is amended to read:

31.7 **469.3192 PROHIBITION AGAINST AMENDMENTS TO BUSINESS**  
 31.8 **SUBSIDY AGREEMENT.**

31.9 (a) Except as authorized under section 469.3191 or under paragraph (b) and (c),  
 31.10 under no circumstance shall terms of any agreement required as a condition for eligibility  
 31.11 for benefits listed under section 469.315 be amended to change job creation, job retention,  
 31.12 or wage goals included in the agreement.

31.13 (b) A business may elect to void a business subsidy agreement permitting it to  
 31.14 qualify for benefits listed under section 469.315 within 30 days after enactment of section  
 31.15 30, effective for obligations under the agreement that apply to periods after December 31,  
 31.16 2008. The authority to void an agreement expires 180 days after enactment of section 30.

31.17 (c) A business that does not elect to void an agreement under paragraph (b) may  
 31.18 negotiate a modified or new business subsidy agreement to reflect the state's repeal of the  
 31.19 benefits of the individual income and corporate franchise tax exemptions under sections  
 31.20 469.316 and 469.317.

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

31.22 Sec. 27. **APPROPRIATION; BOVINE TUBERCULOSIS TESTING GRANTS.**

31.23 \$360,000 in fiscal year 2010 and \$360,000 in fiscal year 2011 are appropriated from  
 31.24 the general fund to the commissioner of agriculture to make bovine tuberculosis testing  
 31.25 grants as provided in Minnesota Statutes, section 17.1195.

31.26 Sec. 28. **REVISOR'S INSTRUCTION.**

31.27 The revisor of statutes shall identify and correct internal cross-references to sections  
 31.28 that are affected by section 29. The revisor may make changes necessary to correct the  
 31.29 punctuation, grammar, or structure of the remaining text and preserve its meaning.

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

32.1       Sec. 29. **REPEALER.**

32.2           (a) Minnesota Statutes 2008, sections 290.06, subdivisions 33 and 34; 290.067,  
32.3 subdivisions 1, 2, 2a, 2b, 3, and 4; 290.0672; 290.0674; 290.0679; 290.0802; 290.091;  
32.4 290.0921, subdivisions 1, 2, 3, 3a, 4, 6, 7, and 8; 290.191, subdivision 4; and 290.491, and  
32.5 Laws 2009, chapter 3, section 1, are repealed.

32.6           (b) Minnesota Statutes 2008, sections 272.02, subdivision 83; 290.06, subdivisions  
32.7 24, 28, 30, 31, and 32; 290.068, subdivisions 1, 2, 3, 4, and 5; 297A.68, subdivisions 38  
32.8 and 41; 469.316; 469.317; 469.321; 469.3215; 469.322; 469.323; 469.324; 469.325;  
32.9 469.326; 469.327; 469.328; 469.329; 469.330; 469.331; 469.332; 469.333; 469.334;  
32.10 469.335; 469.336; 469.337; 469.338; 469.339; 469.340; and 469.341, are repealed.

32.11           **EFFECTIVE DATE.** Paragraph (a) is effective for taxable years beginning after  
32.12 December 31, 2008. Paragraph (b) is effective for taxable years beginning after December  
32.13 31, 2009.