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SESSION

HOUSE FILE No. **955**

February 15, 2007

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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 taxation; individual income and corporate franchise taxes; conforming
1.3 to federal rules on section 179 expensing retroactively; amending Minnesota
1.4 Statutes 2006, sections 290.01, subdivisions 19a, 19b, 19c, 19d; 290.0921,
1.5 subdivision 3.

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

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

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

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

1.15 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
1.16 Code, except the portion of the exempt-interest dividends derived from interest income
1.17 on obligations of the state of Minnesota or its political or governmental subdivisions,
1.18 municipalities, governmental agencies or instrumentalities, but only if the portion of the
1.19 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
1.20 95 percent or more of the exempt-interest dividends that are paid by the regulated
1.21 investment company as defined in section 851(a) of the Internal Revenue Code, or the
1.22 fund of the regulated investment company as defined in section 851(g) of the Internal
1.23 Revenue Code, making the payment; and

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

2.4 (2) the amount of income or sales and use taxes paid or accrued within the taxable
2.5 year under this chapter and the amount of taxes based on net income paid or sales and use
2.6 taxes paid to any other state or to any province or territory of Canada, to the extent allowed
2.7 as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not
2.8 be more than the amount by which the itemized deductions as allowed under section 63(d)
2.9 of the Internal Revenue Code exceeds the amount of the standard deduction as defined
2.10 in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the
2.11 disallowance of itemized deductions under section 68 of the Internal Revenue Code of
2.12 1986, income or sales and use tax is the last itemized deduction disallowed;

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

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

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

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

2.26 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
2.27 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
2.28 in the taxable year generates a deduction for depreciation under section 168(k) and the
2.29 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
2.30 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
2.31 limited to excess of the depreciation claimed by the activity under section 168(k) over the
2.32 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
2.33 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
2.34 under section 168(k) is allowed;

3.1 (8) ~~80 percent of the amount by which the deduction allowed by section 179 of the~~
 3.2 ~~Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal~~
 3.3 ~~Revenue Code of 1986, as amended through December 31, 2003;~~

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

3.6 ~~(10)~~ (9) the exclusion allowed under section 139A of the Internal Revenue Code for
 3.7 federal subsidies for prescription drug plans.

3.8 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 3.9 beginning after December 31, 2005.

3.10 Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 19b, is amended to read:

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

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

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

3.19 (3) the amount paid to others, less the amount used to claim the credit allowed under
 3.20 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
 3.21 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
 3.22 transportation of each qualifying child in attending an elementary or secondary school
 3.23 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
 3.24 resident of this state may legally fulfill the state's compulsory attendance laws, which
 3.25 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
 3.26 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or
 3.27 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
 3.28 "textbooks" includes books and other instructional materials and equipment purchased
 3.29 or leased for use in elementary and secondary schools in teaching only those subjects
 3.30 legally and commonly taught in public elementary and secondary schools in this state.
 3.31 Equipment expenses qualifying for deduction includes expenses as defined and limited in
 3.32 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
 3.33 books and materials used in the teaching of religious tenets, doctrines, or worship, the
 3.34 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
 3.35 or materials for, or transportation to, extracurricular activities including sporting events,

4.1 musical or dramatic events, speech activities, driver's education, or similar programs. For
4.2 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
4.3 given in section 32(c)(3) of the Internal Revenue Code;

4.4 (4) income as provided under section 290.0802;

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

4.7 (6) to the extent not deducted in determining federal taxable income by an individual
4.8 who does not itemize deductions for federal income tax purposes for the taxable year, an
4.9 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
4.10 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and
4.11 under the provisions of Public Law 109-1;

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

4.15 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not
4.16 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover
4.17 of subnational foreign taxes for the taxable year, but not to exceed the total subnational
4.18 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,
4.19 "federal foreign tax credit" means the credit allowed under section 27 of the Internal
4.20 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed
4.21 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to
4.22 the extent they exceed the federal foreign tax credit;

4.23 (9) in each of the five tax years immediately following the tax year in which an
4.24 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case
4.25 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth
4.26 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
4.27 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or
4.28 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the
4.29 positive value of any net operating loss under section 172 of the Internal Revenue Code
4.30 generated for the tax year of the addition. The resulting delayed depreciation cannot be
4.31 less than zero;

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

4.33 (11) the amount of compensation paid to members of the Minnesota National Guard
4.34 or other reserve components of the United States military for active service performed
4.35 in Minnesota, excluding compensation for services performed under the Active Guard
4.36 Reserve (AGR) program. For purposes of this clause, "active service" means (i) state

5.1 active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally
 5.2 funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal
 5.3 active service as defined in section 190.05, subdivision 5c, but "active service" excludes
 5.4 services performed exclusively for purposes of basic combat training, advanced individual
 5.5 training, annual training, and periodic inactive duty training; special training periodically
 5.6 made available to reserve members; and service performed in accordance with section
 5.7 190.08, subdivision 3;

5.8 (12) the amount of compensation paid to Minnesota residents who are members
 5.9 of the armed forces of the United States or United Nations for active duty performed
 5.10 outside Minnesota;

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

5.23 ~~(14) in each of the five tax years immediately following the tax year in which an~~
 5.24 ~~addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a~~
 5.25 ~~shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the~~
 5.26 ~~addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the~~
 5.27 ~~case of a shareholder of a corporation that is an S corporation, minus the positive value of~~
 5.28 ~~any net operating loss under section 172 of the Internal Revenue Code generated for the~~
 5.29 ~~tax year of the addition. If the net operating loss exceeds the addition for the tax year, a~~
 5.30 ~~subtraction is not allowed under this clause;~~

5.31 ~~(15)~~ to the extent included in federal taxable income, compensation paid to a
 5.32 nonresident who is a service member as defined in United States Code, title 10, section
 5.33 101(a)(5), for military service as defined in the Service Member Civil Relief Act, Public
 5.34 Law 108-189, section 101(2); and

5.35 ~~(16)~~ (15) international economic development zone income as provided under
 5.36 section 469.325.

6.1 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
6.2 beginning after December 31, 2005.

6.3 Sec. 3. Minnesota Statutes 2006, section 290.01, subdivision 19c, is amended to read:

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

6.6 (1) the amount of any deduction taken for federal income tax purposes for income,
6.7 excise, or franchise taxes based on net income or related minimum taxes, including but not
6.8 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,
6.9 another state, a political subdivision of another state, the District of Columbia, or any
6.10 foreign country or possession of the United States;

6.11 (2) interest not subject to federal tax upon obligations of: the United States, its
6.12 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other
6.13 state, any of its political or governmental subdivisions, any of its municipalities, or any
6.14 of its governmental agencies or instrumentalities; the District of Columbia; or Indian
6.15 tribal governments;

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

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

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

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

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

6.27 (8) the exempt foreign trade income of a foreign sales corporation under sections
6.28 921(a) and 291 of the Internal Revenue Code;

6.29 (9) the amount of percentage depletion deducted under sections 611 through 614 and
6.30 291 of the Internal Revenue Code;

6.31 (10) for certified pollution control facilities placed in service in a taxable year
6.32 beginning before December 31, 1986, and for which amortization deductions were elected
6.33 under section 169 of the Internal Revenue Code of 1954, as amended through December
6.34 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
6.35 income for those facilities;

7.1 (11) the amount of any deemed dividend from a foreign operating corporation
 7.2 determined pursuant to section 290.17, subdivision 4, paragraph (g);

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

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

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

7.11 (15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A)
 7.12 and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer
 7.13 has an activity that in the taxable year generates a deduction for depreciation under
 7.14 section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year
 7.15 that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed
 7.16 under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the
 7.17 depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the
 7.18 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
 7.19 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
 7.20 under section 168(k)(1)(A) and (k)(4)(A) is allowed;

7.21 ~~(16) 80 percent of the amount by which the deduction allowed by section 179 of the~~
 7.22 ~~Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal~~
 7.23 ~~Revenue Code of 1986, as amended through December 31, 2003;~~

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

7.26 ~~(18)~~ (17) the exclusion allowed under section 139A of the Internal Revenue Code
 7.27 for federal subsidies for prescription drug plans.

7.28 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 7.29 beginning after December 31, 2005.

7.30 Sec. 4. Minnesota Statutes 2006, section 290.01, subdivision 19d, is amended to read:

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

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

8.1 (2) the amount of salary expense not allowed for federal income tax purposes due to
8.2 claiming the federal jobs credit under section 51 of the Internal Revenue Code;

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

8.7 (4) amounts disallowed for intangible drilling costs due to differences between
8.8 this chapter and the Internal Revenue Code in taxable years beginning before January
8.9 1, 1987, as follows:

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

8.13 (ii) to the extent the disallowed costs are not represented by physical property, an
8.14 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
8.15 290.09, subdivision 8;

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

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

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

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

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

8.30 (6) an amount for interest and expenses relating to income not taxable for federal
8.31 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
8.32 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
8.33 291 of the Internal Revenue Code in computing federal taxable income;

8.34 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for
8.35 which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a
8.36 reasonable allowance for depletion based on actual cost. In the case of leases the deduction

9.1 must be apportioned between the lessor and lessee in accordance with rules prescribed
9.2 by the commissioner. In the case of property held in trust, the allowable deduction must
9.3 be apportioned between the income beneficiaries and the trustee in accordance with the
9.4 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis
9.5 of the trust's income allocable to each;

9.6 (8) for certified pollution control facilities placed in service in a taxable year
9.7 beginning before December 31, 1986, and for which amortization deductions were elected
9.8 under section 169 of the Internal Revenue Code of 1954, as amended through December
9.9 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
9.10 1986, section 290.09, subdivision 7;

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

9.17 (10) 80 percent of royalties, fees, or other like income accrued or received from a
9.18 foreign operating corporation or a foreign corporation which is part of the same unitary
9.19 business as the receiving corporation;

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

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

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

9.27 (14) the amount of salary expenses not allowed for federal income tax purposes due
9.28 to claiming the Indian employment credit under section 45A(a) of the Internal Revenue
9.29 Code;

9.30 (15) the amount of any refund of environmental taxes paid under section 59A of the
9.31 Internal Revenue Code;

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

9.35 (17) for a corporation whose foreign sales corporation, as defined in section 922
9.36 of the Internal Revenue Code, constituted a foreign operating corporation during any

10.1 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,
 10.2 claiming the deduction under section 290.21, subdivision 4, for income received from
 10.3 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of
 10.4 income excluded under section 114 of the Internal Revenue Code, provided the income is
 10.5 not income of a foreign operating company;

10.6 (18) any decrease in subpart F income, as defined in section 952(a) of the Internal
 10.7 Revenue Code, for the taxable year when subpart F income is calculated without regard to
 10.8 the provisions of section 614 of Public Law 107-147; and

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

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

10.17 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
 10.18 beginning after December 31, 2005.

10.19 Sec. 5. Minnesota Statutes 2006, section 290.0921, subdivision 3, is amended to read:

10.20 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable
 10.21 income" is Minnesota net income as defined in section 290.01, subdivision 19, and
 10.22 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),
 10.23 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company
 10.24 Minnesota tax return, the minimum tax must be computed on a separate company basis.
 10.25 If a corporation is part of a tax group filing a unitary return, the minimum tax must be
 10.26 computed on a unitary basis. The following adjustments must be made.

10.27 (1) For purposes of the depreciation adjustments under section 56(a)(1) and
 10.28 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in
 10.29 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal
 10.30 income tax purposes, including any modification made in a taxable year under section
 10.31 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,
 10.32 paragraph (c).

10.33 For taxable years beginning after December 31, 2000, the amount of any remaining
 10.34 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,

11.1 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation
11.2 allowance in the first taxable year after December 31, 2000.

11.3 ~~(2) The portion of the depreciation deduction allowed for federal income tax~~
11.4 ~~purposes under section 168(k) of the Internal Revenue Code that is required as an~~
11.5 ~~addition under section 290.01, subdivision 19c, clause (16), is disallowed in determining~~
11.6 ~~alternative minimum taxable income.~~

11.7 ~~(3)~~ (2) The subtraction for depreciation allowed under section 290.01, subdivision
11.8 19d, clause (19), is allowed as a depreciation deduction in determining alternative
11.9 minimum taxable income.

11.10 ~~(4)~~ (3) The alternative tax net operating loss deduction under sections 56(a)(4) and
11.11 56(d) of the Internal Revenue Code does not apply.

11.12 ~~(5)~~ (4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the
11.13 Internal Revenue Code does not apply.

11.14 ~~(6)~~ (5) The special rule for dividends from section 936 companies under section
11.15 56(g)(4)(C)(iii) does not apply.

11.16 ~~(7)~~ (6) The tax preference for depletion under section 57(a)(1) of the Internal
11.17 Revenue Code does not apply.

11.18 ~~(8)~~ (7) The tax preference for intangible drilling costs under section 57(a)(2) of the
11.19 Internal Revenue Code must be calculated without regard to subparagraph (E) and the
11.20 subtraction under section 290.01, subdivision 19d, clause (4).

11.21 ~~(9)~~ (8) The tax preference for tax exempt interest under section 57(a)(5) of the
11.22 Internal Revenue Code does not apply.

11.23 ~~(10)~~ (9) The tax preference for charitable contributions of appreciated property
11.24 under section 57(a)(6) of the Internal Revenue Code does not apply.

11.25 ~~(11)~~ (10) For purposes of calculating the tax preference for accelerated depreciation
11.26 or amortization on certain property placed in service before January 1, 1987, under section
11.27 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the
11.28 deduction allowed under section 290.01, subdivision 19e.

11.29 For taxable years beginning after December 31, 2000, the amount of any remaining
11.30 modification made under section 290.01, subdivision 19e, not previously deducted is a
11.31 depreciation or amortization allowance in the first taxable year after December 31, 2004.

11.32 ~~(12)~~ (11) For purposes of calculating the adjustment for adjusted current earnings
11.33 in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable
11.34 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative
11.35 minimum taxable income as defined in this subdivision, determined without regard to the
11.36 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

12.1 ~~(13)~~ (12) For purposes of determining the amount of adjusted current earnings under
12.2 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section
12.3 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend
12.4 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the
12.5 amount of refunds of income, excise, or franchise taxes subtracted as provided in section
12.6 290.01, subdivision 19d, clause (10), or (iii) the amount of royalties, fees or other like
12.7 income subtracted as provided in section 290.01, subdivision 19d, clause (11).

12.8 ~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating
12.9 in a job opportunity building zone as provided under section 469.317.

12.10 ~~(15)~~ (14) Alternative minimum taxable income excludes the income from operating
12.11 in a biotechnology and health sciences industry zone as provided under section 469.337.

12.12 ~~(16)~~ (15) Alternative minimum taxable income excludes the income from operating
12.13 in an international economic development zone as provided under section 469.326.

12.14 Items of tax preference must not be reduced below zero as a result of the
12.15 modifications in this subdivision.

12.16 **EFFECTIVE DATE.** This section is effective retroactively for taxable years
12.17 beginning after December 31, 2005.