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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1384**

February 26, 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; conforming to various federal tax changes for individual
1.3 income, corporate franchise, and estate taxes, and property tax refunds; amending
1.4 Minnesota Statutes 2006, sections 289A.02, subdivision 7; 290.01, subdivisions
1.5 19, as amended, 31, as amended; 290A.03, subdivision 15, as amended; 291.005,
1.6 subdivision 1.

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

1.8 Section 1. Minnesota Statutes 2006, section 289A.02, subdivision 7, is amended to
1.9 read:

1.10 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
1.11 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~May 18,~~
1.12 ~~2006~~ December 31, 2006.

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

1.14 Sec. 2. Minnesota Statutes 2006, section 290.01, subdivision 19, as amended by Laws
1.15 2007, chapter 1, section 1, is amended to read:

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

1.22 In the case of a regulated investment company or a fund thereof, as defined in section
1.23 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment

2.1 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
 2.2 except that:

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

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

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

2.12 The net income of a real estate investment trust as defined and limited by section
 2.13 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
 2.14 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

2.18 The Internal Revenue Code of 1986, as amended through ~~May 18~~ December 31,
 2.19 2006, shall be in effect for taxable years beginning after December 31, 1996, ~~and before~~
 2.20 ~~January 1, 2006, and for taxable years beginning after December 31, 2006. The Internal~~
 2.21 ~~Revenue Code of 1986, as amended through December 31, 2006, is in effect for taxable~~
 2.22 ~~years beginning after December 31, 2005, and before January 1, 2007.~~

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

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

2.27 Sec. 3. Minnesota Statutes 2006, section 290.01 subdivision 31, as amended by Laws
 2.28 2007, chapter 1, section 3, is amended to read:

2.29 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for~~
 2.30 ~~taxable years beginning before January 1, 2006, and after December 31, 2006, "Internal~~
 2.31 ~~Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18,~~
 2.32 ~~2006; and for taxable years beginning after December 31, 2005, and before January 1,~~
 2.33 ~~2007, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended~~
 2.34 ~~through December 31, 2006.~~

3.1 **EFFECTIVE DATE.** This section is effective the day following final enactment
3.2 except the changes incorporated by federal changes are effective at the same time as the
3.3 changes were effective for federal purposes.

3.4 Sec. 4. Minnesota Statutes 2006, section 290A.03, subdivision 15, as amended by
3.5 Laws 2007, chapter 1, section 4, is amended to read:

3.6 Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1,~~
3.7 ~~2006, and after December 31, 2006,~~ "Internal Revenue Code" means the Internal Revenue
3.8 Code of 1986, as amended through ~~May 18, 2006,~~ and for taxable years beginning after
3.9 ~~December 31, 2005, and before January 1, 2007,~~ "Internal Revenue Code" means the
3.10 ~~Internal Revenue Code of 1986, as amended through~~ December 31, 2006.

3.11 **EFFECTIVE DATE.** This section is effective for property tax refunds based on
3.12 property taxes payable on or after December 31, 2006, and rent paid on or after December
3.13 31, 2005.

3.14 Sec. 5. Minnesota Statutes 2006, section 291.005, subdivision 1, is amended to read:

3.15 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following
3.16 terms used in this chapter shall have the following meanings:

3.17 (1) "Federal gross estate" means the gross estate of a decedent as valued and
3.18 otherwise determined for federal estate tax purposes by federal taxing authorities pursuant
3.19 to the provisions of the Internal Revenue Code.

3.20 (2) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
3.21 excluding therefrom any property included therein which has its situs outside Minnesota,
3.22 and (b) including therein any property omitted from the federal gross estate which is
3.23 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing
3.24 authorities.

3.25 (3) "Personal representative" means the executor, administrator or other person
3.26 appointed by the court to administer and dispose of the property of the decedent. If there
3.27 is no executor, administrator or other person appointed, qualified, and acting within this
3.28 state, then any person in actual or constructive possession of any property having a situs in
3.29 this state which is included in the federal gross estate of the decedent shall be deemed
3.30 to be a personal representative to the extent of the property and the Minnesota estate tax
3.31 due with respect to the property.

3.32 (4) "Resident decedent" means an individual whose domicile at the time of death
3.33 was in Minnesota.

4.1 (5) "Nonresident decedent" means an individual whose domicile at the time of
4.2 death was not in Minnesota.

4.3 (6) "Situs of property" means, with respect to real property, the state or country in
4.4 which it is located; with respect to tangible personal property, the state or country in which
4.5 it was normally kept or located at the time of the decedent's death; and with respect to
4.6 intangible personal property, the state or country in which the decedent was domiciled
4.7 at death.

4.8 (7) "Commissioner" means the commissioner of revenue or any person to whom the
4.9 commissioner has delegated functions under this chapter.

4.10 (8) "Internal Revenue Code" means the United States Internal Revenue Code of
4.11 1986, as amended through ~~May 18, 2006~~ December 31, 2006.

4.12 (9) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as
4.13 defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of
4.14 deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

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