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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1509**

March 1, 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 tax compliance; requiring toll-free telephone access for taxpayer
1.3 assistance; providing for income tax return processing; requiring certain
1.4 withholding returns be filed by electronic means; providing for a study of sales
1.5 and use tax compliance assistance for taxpayers of limited English proficiency;
1.6 appropriating money for additional auditors; amending Minnesota Statutes 2006,
1.7 sections 270C.03, subdivision 1; 289A.09, subdivision 2; proposing coding for
1.8 new law in Minnesota Statutes, chapter 270C.

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

1.10 Section 1. Minnesota Statutes 2006, section 270C.03, subdivision 1, is amended to read:

1.11 Subdivision 1. **Powers and duties.** The commissioner shall have and exercise
1.12 the following powers and duties:

1.13 (1) administer and enforce the assessment and collection of taxes;

1.14 (2) make determinations, corrections, and assessments with respect to taxes,
1.15 including interest, additions to taxes, and assessable penalties;

1.16 (3) use statistical or other sampling techniques consistent with generally accepted
1.17 auditing standards in examining returns or records and making assessments;

1.18 (4) investigate the tax laws of other states and countries, and formulate and submit
1.19 to the legislature such legislation as the commissioner may deem expedient to prevent
1.20 evasions of state revenue laws and to secure just and equal taxation and improvement in
1.21 the system of state revenue laws;

1.22 (5) consult and confer with the governor upon the subject of taxation, the
1.23 administration of the laws in regard thereto, and the progress of the work of the
1.24 department, and furnish the governor, from time to time, such assistance and information
1.25 as the governor may require relating to tax matters;

2.1 (6) execute and administer any agreement with the secretary of the treasury or the
 2.2 Bureau of Alcohol, Tobacco, Firearms, and Explosives in the Department of Justice of the
 2.3 United States or a representative of another state regarding the exchange of information
 2.4 and administration of the state revenue laws;

2.5 (7) require town, city, county, and other public officers to report information as to the
 2.6 collection of taxes received from licenses and other sources, and such other information
 2.7 as may be needful in the work of the commissioner, in such form as the commissioner
 2.8 may prescribe;

2.9 (8) authorize the use of unmarked motor vehicles to conduct seizures or criminal
 2.10 investigations pursuant to the commissioner's authority; ~~and~~

2.11 (9) maintain toll-free telephone access for taxpayer assistance for calls from
 2.12 locations within the state; and

2.13 (10) exercise other powers and authority and perform other duties required of or
 2.14 imposed upon the commissioner by law.

2.15 **EFFECTIVE DATE.** This section is effective January 1, 2008.

2.16 Sec. 2. **[270C.415] INCOME TAX RETURN PROCESSING; AGREEMENT**
 2.17 **WITH INTERNAL REVENUE SERVICE.**

2.18 The commissioner of revenue shall enter into an agreement with the United States
 2.19 Internal Revenue Service to participate in a tax processing program whereby the Internal
 2.20 Revenue Service processes electronically filed state returns together with the federal
 2.21 returns. If possible, the ability of taxpayers to file property tax refund claims under chapter
 2.22 290A with state income tax returns must be preserved.

2.23 Sec. 3. Minnesota Statutes 2006, section 289A.09, subdivision 2, is amended to read:

2.24 Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a)
 2.25 A person required to deduct and withhold from an employee a tax under section 290.92,
 2.26 subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to
 2.27 deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required
 2.28 to withhold tax under section 290.923, subdivision 2, determined without regard to
 2.29 section 290.92, subdivision 19, if the employee or payee had claimed no more than one
 2.30 withholding exemption, or who paid wages or made payments not subject to withholding
 2.31 under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or
 2.32 person receiving royalty payments in excess of \$600, or who has entered into a voluntary
 2.33 withholding agreement with a payee under section 290.92, subdivision 20, must give
 2.34 every employee or person receiving royalty payments in respect to the remuneration paid

3.1 by the person to the employee or person receiving royalty payments during the calendar
3.2 year, on or before January 31 of the succeeding year, or, if employment is terminated
3.3 before the close of the calendar year, within 30 days after the date of receipt of a written
3.4 request from the employee if the 30-day period ends before January 31, a written statement
3.5 showing the following:

3.6 (1) name of the person;

3.7 (2) the name of the employee or payee and the employee's or payee's Social Security
3.8 account number;

3.9 (3) the total amount of wages as that term is defined in section 290.92, subdivision
3.10 1, paragraph (1); the total amount of remuneration subject to withholding under section
3.11 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the
3.12 Internal Revenue Code; and the amount of royalties subject to withholding under section
3.13 290.923, subdivision 2; and

3.14 (4) the total amount deducted and withheld as tax under section 290.92, subdivision
3.15 2a or 3, or 290.923, subdivision 2.

3.16 (b) The statement required to be furnished by ~~this~~ paragraph (a) with respect to any
3.17 remuneration must be furnished at those times, must contain the information required, and
3.18 must be in the form the commissioner prescribes.

3.19 (c) The commissioner may prescribe rules providing for reasonable extensions of
3.20 time, not in excess of 30 days, to employers or payers required to give the statements to
3.21 their employees or payees under this subdivision.

3.22 (d) A duplicate of any statement made under this subdivision and in accordance
3.23 with rules prescribed by the commissioner, along with a reconciliation in the form the
3.24 commissioner prescribes of the statements for the calendar year, including a reconciliation
3.25 of the quarterly returns required to be filed under subdivision 1, must be filed with the
3.26 commissioner on or before February 28 of the year after the payments were made.

3.27 (e) If an employer cancels the employer's Minnesota withholding account number
3.28 required by section 290.92, subdivision 24, the information required by paragraph (d),
3.29 must be filed with the commissioner within 30 days of the end of the quarter in which
3.30 the employer cancels its account number.

3.31 (f) The employer must submit the statements required to be sent to the commissioner
3.32 ~~on magnetic media, if the magnetic media was~~ in the same manner required to satisfy the
3.33 federal reporting requirements of section 6011(e) of the Internal Revenue Code and the
3.34 regulations issued under it. For wages paid in calendar year 2007, an employer must
3.35 submit statements to the commissioner required by this section by electronic means if the
3.36 employer is required to send more than 100 statements to the commissioner, even though

4.1 the employer is not required to submit the returns federally by electronic means. For
 4.2 calendar year 2008, the 100 statements threshold is reduced to 25, and for calendar year
 4.3 2009 and thereafter, the threshold is reduced to ten.

4.4 (g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph
 4.5 (a), clause (2), must submit the returns required by this subdivision and subdivision 1,
 4.6 paragraph (a), with the commissioner by electronic means.

4.7 **EFFECTIVE DATE.** This section is effective for wages paid after December 31,
 4.8 2006.

4.9 **Sec. 4. SALES AND USE TAX; SERVICES TO TAXPAYERS WITH LIMITED**
 4.10 **ENGLISH PROFICIENCY.**

4.11 The commissioner of revenue shall study and implement procedures and services
 4.12 that will assist sales and use taxpayers of limited English proficiency in complying with
 4.13 sales and use tax laws. The benefits of translating sales and use tax fact sheets, forms,
 4.14 and instructions into Spanish and other languages must be considered. In addition, the
 4.15 commissioner shall study how to direct taxpayers of limited English proficiency who
 4.16 contact the Department of Revenue by telephone to assistance in Spanish and other
 4.17 languages as determined by the commissioner. The commissioner shall provide a written
 4.18 report on the results of the study and a plan to implement them to the senate and house
 4.19 of representatives committees with jurisdiction over tax laws by February 1, 2008, in
 4.20 compliance with Minnesota Statutes, sections 3.195 and 3.197.

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

4.22 **Sec. 5. APPROPRIATION.**

4.23 (a) \$4,330,000 in fiscal year 2008 and \$5,907,000 in fiscal year 2009 are appropriated
 4.24 from the general fund to the commissioner of revenue for tax compliance initiatives.

4.25 (b) \$3,455,000 the first year and \$4,352,000 the second year are for additional
 4.26 activities to identify and collect tax liabilities from individuals and businesses that
 4.27 currently do not pay all taxes owed. This initiative is expected to result in new general
 4.28 fund revenues of \$21,200,000 for the biennium ending June 30, 2009.

4.29 (c) The department must report to the chairs of the house of representatives Ways
 4.30 and Means and senate Finance Committees, in compliance with Minnesota Statutes,
 4.31 sections 3.195 and 3.197, by March 1, 2008, and January 15, 2009, on the following
 4.32 performance indicators:

5.1 (1) the number of corporations noncompliant with the corporate tax system each
5.2 year and the percentage and dollar amounts of valid tax liabilities collected;

5.3 (2) the number of businesses noncompliant with the sales and use tax system and the
5.4 percentage and dollar amount of the valid tax liabilities collected; and

5.5 (3) the number of individual noncompliant cases resolved and the percentage and
5.6 dollar amounts of valid tax liabilities collected.

5.7 (d) The reports must also identify base-level expenditures and staff positions related
5.8 to compliance and audit activities, including baseline information as of January 1, 2006.

5.9 The information must be provided at the budget activity level.

5.10 (e) \$875,000 the first year and \$1,555,000 the second year are for additional
5.11 activities to identify and collect tax liabilities from individuals and businesses that
5.12 currently do not pay all taxes owed. This initiative is expected to result in new general
5.13 revenues of \$30,000,000 for the biennium ending June 30, 2009.