

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
(651) 296-4791
FAX: (651) 296-7747
JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 616 - National Guard Tuition Reimbursement Program (The Delete-Everything Amendment)

Author: Senator Dallas Sams

Prepared by: Carol E. Baker, Senate Counsel (651/296-4395) *CEB*

Date: March 9, 2005

The delete-everything amendment for S.F. No. 616 extends the time period for eligibility under the National Guard's tuition reimbursement program for certain Guard members who have been ordered into active military service since the 9/11 terrorist attacks.

Section 1 [Tuition and Textbook Reimbursement Grant Program.]

Paragraph (a) extends the time period for eligibility under the program for any member of the Minnesota National Guard who has been ordered into federal active service or federally funded state active service since 9/11/2001. Under current law, a National Guard member is eligible for tuition reimbursement for higher educational pursuits only while the person is "actively serving" in the Guard - i.e., while the person is in selective reserve status.

- Program eligibility would be extended for a period of two years, plus the amount of time that the person has served in federal active service, or federally-funded state active service.
- For any person who had provided honorable active service and has been separated or discharged from the National Guard due to a service-connected injury, disease or disability, the eligibility period is extended for eight years beyond the date of separation.

The bill does not change the statutory limit of 144 semester credit hours of reimbursement under the program. Thus, any credit hours of reimbursement a person received before being ordered

into active service counts against the limit, and any person who had exhausted his or her benefits before being ordered to active service would have none remaining afterwards.

Paragraph (i) clarifies that the Adjutant's authority to recoup benefits from a National Guard member who fails to complete a term of enlistment does not apply to a person whose separation from the National Guard is due to a medical condition or financial hardship.

Paragraph (j), clauses (1) to (4), excludes certain types of training and employment services from the definitions in paragraph (a).

Effective date. The bill is effective the day following final enactment.

CEB:rdr

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
(651) 296-4791
FAX: (651) 296-7747
JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 734 - Military and Veterans

Author: Senator Jim Vickerman

Prepared by: Carol E. Baker, Senate Counsel (651/296-4395) *CEB*

Date: March 9, 2005

Article 1 License Plates

Section 1. [Special "Support our Troops" License Plates.] General requirements and procedures.

Subdivision 1. [General Requirements.] authorizes the special plate with language similar to that of the state's Critical Habitat license plate, except that this plate would be available for motorcycles, in addition to passenger autos, pickups, and recreational vehicles (RVs). The \$30 annual contribution would be the minimum amount for eligibility.

Subdivision 2. [Design.] authorizes the Adjutant General and Commissioner of Veterans Affairs to design the new plate.

Subdivision 3. [No Refund.] stipulates that contributions are nonrefundable.

Subdivision 4. [Plate Transfers.] provides that for a fee of \$5, the new special plate may be transferred to another passenger auto, pickup, RV, or motorcycle owned by the person.

Subdivision 5. [Contribution and Fees Credited.] directs that contributions be credited to the "Support our Troops" private sector matching account.

Subdivision 6. [Record.] directs the commissioner to keep a record of the number of plates issued.

Section 2. [Support Our Troops Private Sector Matching Account.]

Subdivision 1. [Account Established.] establishes this account in the state treasury.

Subdivision 2. [Appropriations Must be Matched.] stipulates that money credited and transferred into this account, as well as any other appropriations made to the account, may be expended only to the extent that they are matched with donations from private sources within three years. Appropriations that are not matched must be returned to the source after that time.

Subdivision 3. [Management.] specifies how money in the matching account must be managed.

Subdivision 4. [Pledges and Contributions.] authorizes the Adjutant General to accept contributions and pledges, and permits them to be accepted contingent upon a particular appropriation.

Money in the account may be spent only to alleviate financial hardships faced by members of the Minnesota National Guard and other military reserve units based in Minnesota, or for Guard and reserve members who are Minnesota residents based outside the state, if they have been ordered into certain types of "active duty." Certain immediate family members of these persons may also be eligible.

**Article 2
National Guard Funding**

Section 1. [Appropriation.] This section appropriates from the general fund to the Adjutant General for the 2006-2007 biennium:

- \$3.85 million each year, for the National Guard's tuition reimbursement program; and
- \$1.5 million each year, for the National Guard's reenlistment bonus program.

**Article 3
Bonding**

Section 1. [Appropriation.] provides appropriations of:

- \$670,000 to the commissioner of Administration for construction of a WWII veterans memorial on the Capitol Mall; and
- \$6,282,000 to the Veterans Home Board, as follows:
 1. \$6,000,000 for asset maintenance and improvements at the homes; and
 2. \$282,000 for the dementia unit at the Luverne Veterans Home.

Section 2. [Bond Sale.] authorizes the sale of state bonds in the amount of \$6,952,000.

Article 4 Income Tax

Section 1. [Resident; Definition.] expands the definition of nonresident for income tax purposes to include members of the Minnesota National Guard in active service. Under current law, members of the U.S. military, reserves, and National Guard are considered nonresidents for income tax purposes while they are in active service outside of Minnesota. This change would extend that tax treatment to members of the Minnesota National Guard for time periods in which they were called to either federally funded state active service (such as airport security) or to state active service (such as natural disaster relief), within Minnesota.

Section 2. [Net Income.] conforms to federal changes to the definition of net income enacted as part of the Military Family Tax Relief Act of 2003 (P.L. 108-121).

Section 3. [Subtractions from Taxable Income.] allows a subtraction for military pay received by members of the military stationed in Minnesota but domiciled in another state. The Department of Revenue is complying with this change to federal law.

Section 4. [Nonresident Ratio.] adjusts the nonresident ratio used in apportioning tax to Minnesota for the subtraction for military pay received by members of the military stationed in Minnesota but domiciled in another state that is required under federal law.

CEB:rdr

1 Senator Vickerman from the Committee on Agriculture,
2 Veterans and Gaming, to which was referred

3 S.F. No. 681: A bill for an act relating to military
4 affairs; creating a fund for the purpose of reimbursing members
5 of the National Guard or other reserve component of the armed
6 forces for certain premiums paid for life insurance;
7 appropriating money; proposing coding for new law in Minnesota
8 Statutes, chapter 192.

9 Reports the same back with the recommendation that the bill
10 be amended as follows:

11 Page 1, line 9, delete "[192.091]" and insert "[190.091]"

12 Page 1, line 17, delete "Department of Military Affairs"
13 and insert "adjutant general"

14 Page 1, line 23, delete "commissioner of military affairs"
15 and insert "adjutant general"

16 Amend the title as follows:

17 Page 1, line 7, delete "192" and insert "190"

18 And when so amended the bill do pass and be re-referred to
19 the Committee on Finance. Amendments adopted. Report adopted.

20

21
22 (Committee Chair)

23
24 March 9, 2005.....
25 (Date of Committee recommendation)

1 Senator Vickerman from the Committee on Agriculture,
2 Veterans and Gaming, to which was referred

3 S.F. No. 616: A bill for an act relating to the military;
4 extending the time period for adjutant general of the Minnesota
5 National Guard to make tuition reimbursement grants to members
6 who have served in active military service; amending Minnesota
7 Statutes 2004, section 192.501, subdivision 2.

8 Reports the same back with the recommendation that the bill
9 be amended as follows:

10 Delete everything after the enacting clause and insert:

11 "Section 1. Minnesota Statutes 2004, section 192.501,
12 subdivision 2, is amended to read:

13 Subd. 2. [TUITION AND TEXTBOOK REIMBURSEMENT GRANT
14 PROGRAM.] (a) The adjutant general shall establish a program to
15 provide tuition and textbook reimbursement grants to eligible
16 members of the Minnesota National Guard within the limitations
17 of this subdivision.

18 (b) Eligibility is limited to a member of the National
19 Guard who:

20 (1) is serving satisfactorily as defined by the adjutant
21 general;

22 (2) is attending a postsecondary educational institution,
23 as defined by section 136A.15, subdivision 6, including a
24 vocational or technical school operated or regulated by this
25 state or another state or province; and

26 (3) provides proof of satisfactory completion of
27 coursework, as defined by the adjutant general.

28 ~~In addition,~~ (c) Notwithstanding paragraph (b), clause (1),
29 for a person who:

30 (1) has satisfactorily completed the person's service
31 contract in the Minnesota National Guard or the portion of it
32 involving selective reserve status, for which any part of that
33 service was spent serving honorably in federal active service or
34 federally funded state active service since September 11, 2001,
35 the person's eligibility is extended for a period of two years,
36 plus an amount of time equal to the duration of that person's
37 active service, subject to the credit hours limit in paragraph
38 (g); or

39 (2) has served honorably in the Minnesota National Guard

1 and has been separated or discharged from that organization due
2 to a service-connected injury, disease, or disability, the
3 eligibility period is extended for eight years beyond the date
4 of separation, subject to the credit hours limit in paragraph
5 (g).

6 (d) If a member of the Minnesota National Guard is killed
7 in the line of state active service or federally funded state
8 active service, ~~as defined in section 190.057, subdivisions 5a~~
9 ~~and 5b,~~ the member's surviving spouse, and any surviving
10 dependent who has not yet reached 24 years of age, is eligible
11 for a tuition and textbook reimbursement grant, with each
12 eligible person independently subject to the credit hours limit
13 in paragraph (g).

14 (e) The adjutant general may, within the limitations of
15 ~~this paragraph~~ paragraphs (b) to (d) and other applicable laws,
16 determine additional eligibility criteria for the grant, and
17 must specify the criteria in department regulations and publish
18 changes as necessary.

19 ~~(e)~~ (f) The amount of a tuition and textbook reimbursement
20 grant must be specified on a schedule as determined and
21 published in department regulations by the adjutant general, but
22 is limited to a maximum of an amount equal to the greater of:

23 (1) up to 100 percent of the cost of tuition for lower
24 division programs in the College of Liberal Arts at the Twin
25 Cities campus of the University of Minnesota in the most recent
26 academic year; or

27 (2) up to 100 percent of the cost of tuition for the
28 program in which the person is enrolled at that Minnesota public
29 institution, or if that public institution is outside the state
30 of Minnesota, for the cost of a comparable program at the
31 University of Minnesota, except that in the case of a survivor
32 as defined in paragraph (b), the amount of the tuition and
33 textbook reimbursement grant for coursework satisfactorily
34 completed by the person is limited to 100 percent of the cost of
35 tuition for postsecondary courses at a Minnesota public
36 educational institution.

1 Paragraphs (g) Paragraphs (b) to (e) notwithstanding, a
2 person is no longer eligible for a grant under this subdivision
3 once the person has received grants under this subdivision for
4 the equivalent of 208 quarter credits or 144 semester credits of
5 coursework.

6 ~~(d)~~ (h) Tuition and textbook reimbursement grants received
7 under this subdivision may not be considered by the Minnesota
8 Higher Education Services Office or by any other state board,
9 commission, or entity in determining a person's eligibility for
10 a scholarship or grant-in-aid under sections 136A.095 to
11 136A.1311.

12 ~~(e)~~ (i) If a member fails to complete a term of enlistment
13 during which a tuition and textbook reimbursement grant was
14 paid, the adjutant general may seek to recoup a prorated amount
15 as determined by the adjutant general. However, this authority
16 does not apply to a person whose separation from the National
17 Guard is due to a medical condition or financial hardship.

18 (j) For purposes of this section, the terms "active
19 service," "state active service," "federally funded state active
20 service," and "federal active service" have the meanings given
21 in section 190.05, subdivisions 5 to 5c, respectively, except
22 that for purposes of paragraph (c), clause (1), these terms
23 exclude service performed exclusively for purposes of:

24 (1) basic combat training, advanced individual training,
25 annual training, and periodic inactive duty training;

26 (2) special training periodically made available to reserve
27 members;

28 (3) service performed in accordance with section 190.08,
29 subdivision 3; and

30 (4) service performed as part of the active guard/reserve
31 program pursuant to United States Code, title 32, section
32 502(f), or other applicable authority.

33 [EFFECTIVE DATE.] This section is effective the day
34 following final enactment and applies to persons who have served
35 in the Minnesota National Guard at any time since September 11,
36 2001, and if the person has died in the line of service, to the

1 person's surviving spouse and dependent as well."

2 And when so amended the bill do pass and be re-referred to
3 the Committee on Finance. Amendments adopted. Report adopted.

4

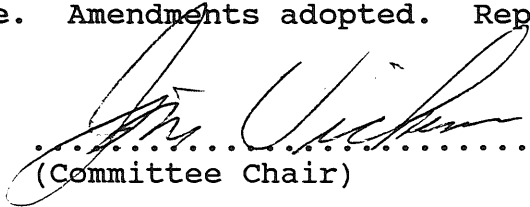
5

6

7

8

9


.....
(Committee Chair)

March 9, 2005.....
(Date of Committee recommendation)

1 Senator Vickerman from the Committee on Agriculture,
2 Veterans and Gaming, to which was referred

3 S.F. No. 734: A bill for an act relating to the military;
4 providing for special "Support Our Troops" plates; establishing
5 an account; providing funding for certain National Guard
6 incentive programs; providing funding for a World War II
7 veterans memorial and the maintenance and improvement of
8 veterans homes; providing certain income tax benefits;
9 appropriating money; amending Minnesota Statutes 2004, sections
10 290.01, subdivisions 7, 19, 19b; 290.06, subdivision 2c;
11 proposing coding for new law in Minnesota Statutes, chapters
12 168; 190.

13 Reports the same back with the recommendation that the bill
14 be amended as follows:

15 Delete everything after the enacting clause and insert:

16 "ARTICLE 1

17 LICENSE PLATES

18 Section 1. [168.1298] [SPECIAL "SUPPORT OUR TROOPS"
19 LICENSE PLATES.]

20 Subdivision 1. [GENERAL REQUIREMENTS AND PROCEDURES.] (a)
21 The commissioner shall issue special "Support Our Troops"
22 license plates to an applicant who:

23 (1) is an owner of a passenger automobile, one-ton pickup
24 truck, recreational vehicle, or motorcycle;

25 (2) pays a fee of \$10 to cover the costs of handling and
26 manufacturing the plates;

27 (3) pays the registration tax required under section
28 168.013;

29 (4) pays the fees required under this chapter;

30 (5) contributes a minimum of \$30 annually to the Minnesota
31 "Support Our Troops" account established in section 190.19; and

32 (6) complies with laws and rules governing registration and
33 licensing of vehicles and drivers.

34 (b) The license application under this section must
35 indicate that the annual contribution specified under paragraph
36 (a), clause (5), is a minimum contribution to receive the plate
37 and that the applicant may make an additional contribution to
38 the account.

39 Subd. 2. [DESIGN.] After consultation with interested
40 groups, the adjutant general and the commissioner of veterans
41 affairs shall design the special plate, subject to the approval

1 of the commissioner.

2 Subd. 3. [NO REFUND.] Contributions under this section
3 must not be refunded.

4 Subd. 4. [PLATE TRANSFERS.] Notwithstanding section
5 168.12, subdivision 1, on payment of a transfer fee of \$5,
6 plates issued under this section may be transferred to another
7 passenger automobile, one-ton pickup truck, recreational
8 vehicle, or motorcycle owned by the individual to whom the
9 special plates were issued.

10 Subd. 5. [CONTRIBUTION AND FEES CREDITED.] Contributions
11 under subdivision 1, paragraph (a), clause (5), must be paid to
12 the commissioner and credited to the Minnesota "Support Our
13 Troops" account established in section 190.19. The fees
14 collected under this section must be deposited in the vehicle
15 services operating account in the special revenue fund.

16 Subd. 6. [RECORD.] The commissioner shall maintain a
17 record of the number of plates issued under this section.

18 Sec. 2. [190.19] [MINNESOTA "SUPPORT OUR TROOPS" ACCOUNT.]

19 Subdivision 1. [ESTABLISHMENT.] The Minnesota "Support Our
20 Troops" account is established in the state treasury. The
21 account shall consist of contributions from private sources and
22 appropriations.

23 Subd. 2. [GRANTS.] (a) Money in the Minnesota "Support Our
24 Troops" account is appropriated to the adjutant general for the
25 purpose of making grants:

26 (1) directly to eligible individuals; or

27 (2) to one or more eligible foundations for the purpose of
28 making grants to eligible individuals, as provided in this
29 section.

30 (b) The term, "eligible individual" includes any person who
31 is:

32 (1) a member of the Minnesota National Guard or a reserve
33 unit based in Minnesota who has been called to active service as
34 defined in section 190.05, subdivision 5;

35 (2) a Minnesota resident who is a member of a military
36 reserve unit not based in Minnesota, if the member is called to

1 active service as defined in section 190.05, subdivision 5;
2 (3) any other Minnesota resident performing active service
3 for any branch of the military of the United States; and
4 (4) members of the immediate family of an individual
5 identified in clause (1), (2), or (3). For purposes of this
6 clause, "immediate family" means the individual's spouse and
7 minor children and, if they are dependents of the member of the
8 military, the member's parents, grandparents, siblings,
9 stepchildren, and adult children.

10 (c) The term "eligible foundation" includes any
11 organization that:

12 (1) is a tax-exempt organization under section 501(c)(3) of
13 the Internal Revenue Code;

14 (2) has articles of incorporation under chapter 317A
15 specifying the purpose of the organization as including the
16 provision of financial assistance to members of the Minnesota
17 National Guard and other United States armed forces reserves and
18 their families and survivors; and

19 (3) agrees in writing to distribute any grant money
20 received from the adjutant general under this section to
21 eligible individuals as defined in this section and in
22 accordance with any written policies and rules the adjutant
23 general may impose as conditions of the grant to the foundation.

24 (d) The maximum grant awarded to an eligible individual in
25 a calendar year with funds from the Minnesota "Support Our
26 Troops" account, either through an eligible institution or
27 directly from the adjutant general, may not exceed \$2,000.

28 Subd. 3. [ANNUAL REPORT.] The adjutant general must report
29 by February 1, 2007, and each year thereafter, to the chairs and
30 ranking minority members of the legislative committees and
31 divisions with jurisdiction over military and veterans' affairs
32 on the number, amounts, and use of grants issued from the
33 Minnesota "Support Our Troops" account in the previous year.

34 ARTICLE 2

35 NATIONAL GUARD FUNDING

36 Section 1. [APPROPRIATION.]

1 (a) \$3,850,000 is appropriated in fiscal year 2006 and
2 \$3,850,000 is appropriated in fiscal year 2007 from the general
3 fund to the adjutant general to provide the additional amount
4 necessary for full funding of the tuition reimbursement program
5 in Minnesota Statutes, section 192.501, subdivision 2.

6 (b) \$1,500,000 is appropriated in fiscal year 2006 and
7 \$1,500,000 is appropriated in fiscal year 2007 from the general
8 fund to the adjutant general to provide for reenlistment bonuses
9 under Minnesota Statutes, section 192.501, subdivision 1b.

10 ARTICLE 3

11 BONDING

12 Section 1. [APPROPRIATION.]

13 (a) \$670,000 is appropriated from the bond proceeds fund to
14 the commissioner of administration for the construction of a
15 World War II veterans memorial on the Capitol Mall. The design
16 is subject to approval by the Capitol Area Architectural and
17 Planning Board.

18 (b) \$6,306,000 is appropriated from the bond proceeds fund
19 to the Veterans Homes Board for the maintenance and improvement
20 of Minnesota's veterans homes, including \$6,000,000 for asset
21 preservation and \$306,000 for the Luverne Veterans Home dementia
22 unit common area.

23 Sec. 2. [BOND SALE.]

24 To provide the money appropriated in this act from the bond
25 proceeds fund, the commissioner of finance shall sell and issue
26 bonds of the state in an amount up to \$6,976,000 in the manner,
27 upon the terms, and with the effect prescribed by Minnesota
28 Statutes, sections 16A.631 to 16A.675, and by the Minnesota
29 Constitution, article XI, sections 4 to 7.

30 Sec. 3. [EFFECTIVE DATE.]

31 Sections 1 and 2 are effective the day following final
32 enactment.

33 ARTICLE 4

34 INCOME TAX

35 Section 1. Minnesota Statutes 2004, section 289A.02,
36 subdivision 7, is amended to read:

1 Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically
2 defined otherwise, "Internal Revenue Code" means the Internal
3 Revenue Code of 1986, as amended through ~~June-15~~ November 15,
4 2003.

5 [EFFECTIVE DATE.] This section is effective the day
6 following final enactment.

7 Sec. 2. Minnesota Statutes 2004, section 290.01,
8 subdivision 19, is amended to read:

9 Subd. 19. [NET INCOME.] The term "net income" means the
10 federal taxable income, as defined in section 63 of the Internal
11 Revenue Code of 1986, as amended through the date named in this
12 subdivision, incorporating the federal effective dates of
13 changes to the Internal Revenue Code and any elections made by
14 the taxpayer in accordance with the Internal Revenue Code in
15 determining federal taxable income for federal income tax
16 purposes, and with the modifications provided in subdivisions
17 19a to 19f.

18 In the case of a regulated investment company or a fund
19 thereof, as defined in section 851(a) or 851(g) of the Internal
20 Revenue Code, federal taxable income means investment company
21 taxable income as defined in section 852(b)(2) of the Internal
22 Revenue Code, except that:

23 (1) the exclusion of net capital gain provided in section
24 852(b)(2)(A) of the Internal Revenue Code does not apply;

25 (2) the deduction for dividends paid under section
26 852(b)(2)(D) of the Internal Revenue Code must be applied by
27 allowing a deduction for capital gain dividends and
28 exempt-interest dividends as defined in sections 852(b)(3)(C)
29 and 852(b)(5) of the Internal Revenue Code; and

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

34 The net income of a real estate investment trust as defined
35 and limited by section 856(a), (b), and (c) of the Internal
36 Revenue Code means the real estate investment trust taxable

1 income as defined in section 857(b)(2) of the Internal Revenue
2 Code.

3 The net income of a designated settlement fund as defined
4 in section 468B(d) of the Internal Revenue Code means the gross
5 income as defined in section 468B(b) of the Internal Revenue
6 Code.

7 ~~The provisions of sections 1113(a), 1117, 1206(a), 1313(a),~~
8 ~~1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612,~~
9 ~~1616, 1617, 1704(i), and 1704(m) of the Small Business Job~~
10 ~~Protection Act, Public Law 104-188, the provisions of Public Law~~
11 ~~104-117, the provisions of sections 313(a) and (b)(1), 602(a),~~
12 ~~913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013,~~
13 ~~1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b)~~
14 ~~and (c), 1211(b), 1213, 1530(e)(2), 1601(f)(5) and (h), and~~
15 ~~1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law~~
16 ~~105-34, the provisions of section 6010 of the Internal Revenue~~
17 ~~Service Restructuring and Reform Act of 1998, Public Law~~
18 ~~105-206, the provisions of section 4003 of the Omnibus~~
19 ~~Consolidated and Emergency Supplemental Appropriations Act,~~
20 ~~1999, Public Law 105-277, and the provisions of section 318 of~~
21 ~~the Consolidated Appropriation Act of 2001, Public Law 106-554,~~
22 ~~shall become effective at the time they become effective for~~
23 ~~federal purposes.~~

24 The Internal Revenue Code of 1986, as amended through
25 December 31, 1996 November 15, 2003, shall be in effect for
26 taxable years beginning after December 31, 1996.

27 ~~The provisions of sections 202(a) and (b), 221(a), 225,~~
28 ~~312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and~~
29 ~~(e), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306,~~
30 ~~1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528,~~
31 ~~1530, 1601(d), (e), (f) and (i) and 1602(a), (b), (c) and (e)~~
32 ~~of the Taxpayer Relief Act of 1997, Public Law 105-34, the~~
33 ~~provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002,~~
34 ~~and 7003 of the Internal Revenue Service Restructuring and~~
35 ~~Reform Act of 1998, Public Law 105-206, the provisions of~~
36 ~~section 3001 of the Omnibus Consolidated and Emergency~~

1 Supplemental Appropriations Act, 1999, Public Law 105-277, the
2 provisions of section 3001 of the Miscellaneous Trade and
3 Technical Corrections Act of 1999, Public Law 106-36, and the
4 provisions of section 316 of the Consolidated Appropriation Act
5 of 2001, Public Law 106-554, shall become effective at the time
6 they become effective for federal purposes.

7 The Internal Revenue Code of 1986, as amended through
8 December 31, 1997, shall be in effect for taxable years
9 beginning after December 31, 1997.

10 The provisions of sections 5002, 6009, 6011, and 7001 of
11 the Internal Revenue Service Restructuring and Reform Act of
12 1998, Public Law 105-206, the provisions of section 9010 of the
13 Transportation Equity Act for the 21st Century, Public Law
14 105-178, the provisions of sections 1004, 4002, and 5301 of the
15 Omnibus Consolidation and Emergency Supplemental Appropriations
16 Act, 1999, Public Law 105-277, the provision of section 303 of
17 the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law
18 105-369, the provisions of sections 532, 534, 536, 537, and 538
19 of the Ticket to Work and Work Incentives Improvement Act of
20 1999, Public Law 106-170, the provisions of the Installment Tax
21 Correction Act of 2000, Public Law 106-573, and the provisions
22 of section 309 of the Consolidated Appropriation Act of 2001,
23 Public Law 106-554, shall become effective at the time they
24 become effective for federal purposes.

25 The Internal Revenue Code of 1986, as amended through
26 December 31, 1998, shall be in effect for taxable years
27 beginning after December 31, 1998.

28 The provisions of the FSC Repeal and Extraterritorial
29 Income Exclusion Act of 2000, Public Law 106-519, and the
30 provision of section 412 of the Job Creation and Worker
31 Assistance Act of 2002, Public Law 107-147, shall become
32 effective at the time it became effective for federal purposes.

33 The Internal Revenue Code of 1986, as amended through
34 December 31, 1999, shall be in effect for taxable years
35 beginning after December 31, 1999. The provisions of sections
36 306 and 401 of the Consolidated Appropriation Act of 2001,

1 Public-Law-106-554,-and-the-provision-of-section-632(b)(2)(A)-of
2 the-Economic-Growth-and-Tax-Relief-Reconciliation-Act-of-2001,
3 Public-Law-107-167,-and-provisions-of-sections-101-and-402-of-the
4 Job-Creation-and-Worker-Assistance-Act-of-2002,-Public-Law
5 107-147,-shall-become-effective-at-the-same-time-it-became
6 effective-for-federal-purposes.

7 The-Internal-Revenue-Code-of-1986,-as-amended-through
8 December-31,-2000,-shall-be-in-effect-for-taxable-years
9 beginning-after-December-31,-2000.--The-provisions-of-sections
10 659a-and-671-of-the-Economic-Growth-and-Tax-Relief
11 Reconciliation-Act-of-2001,-Public-Law-107-167,-the-provisions-of
12 sections-104,-105,-and-111-of-the-Victims-of-Terrorism-Tax
13 Relief-Act-of-2001,-Public-Law-107-134,-and-the-provisions-of
14 sections-201,-403,-413,-and-606-of-the-Job-Creation-and-Worker
15 Assistance-Act-of-2002,-Public-Law-107-147,-shall-become
16 effective-at-the-same-time-it-became-effective-for-federal
17 purposes.

18 The-Internal-Revenue-Code-of-1986,-as-amended-through-March
19 15,-2002,-shall-be-in-effect-for-taxable-years-beginning-after
20 December-31,-2001.

21 The-provisions-of-sections-101-and-102-of-the-Victims-of
22 Terrorism-Tax-Relief-Act-of-2001,-Public-Law-107-134,-shall
23 become-effective-at-the-same-time-it-becomes-effective-for
24 federal-purposes.

25 The-Internal-Revenue-Code-of-1986,-as-amended-through-June
26 15,-2003,-shall-be-in-effect-for-taxable-years-beginning-after
27 December-31,-2002.--The-provisions-of-section-201-of-the-Jobs
28 and-Growth-Tax-Relief-and-Reconciliation-Act-of-2003,-H.R.-2,-if
29 it-is-enacted-into-law,-are-effective-at-the-same-time-it-became
30 effective-for-federal-purposes.

31 Except as otherwise provided, references to the Internal
32 Revenue Code in subdivisions 19a 19 to 19g 19f mean the code in
33 effect for purposes of determining net income for the applicable
34 year.

35 [EFFECTIVE DATE.] This section is effective the day
36 following final enactment.

1 Sec. 3. Minnesota Statutes 2004, section 290.01,
2 subdivision 19b, is amended to read:

3 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
4 individuals, estates, and trusts, there shall be subtracted from
5 federal taxable income:

6 (1) interest income on obligations of any authority,
7 commission, or instrumentality of the United States to the
8 extent includable in taxable income for federal income tax
9 purposes but exempt from state income tax under the laws of the
10 United States;

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

16 (3) the amount paid to others, less the amount used to
17 claim the credit allowed under section 290.0674, not to exceed
18 \$1,625 for each qualifying child in grades kindergarten to 6 and
19 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
20 textbooks, and transportation of each qualifying child in
21 attending an elementary or secondary school situated in
22 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
23 wherein a resident of this state may legally fulfill the state's
24 compulsory attendance laws, which is not operated for profit,
25 and which adheres to the provisions of the Civil Rights Act of
26 1964 and chapter 363A. For the purposes of this clause,
27 "tuition" includes fees or tuition as defined in section
28 290.0674, subdivision 1, clause (1). As used in this clause,
29 "textbooks" includes books and other instructional materials and
30 equipment purchased or leased for use in elementary and
31 secondary schools in teaching only those subjects legally and
32 commonly taught in public elementary and secondary schools in
33 this state. Equipment expenses qualifying for deduction
34 includes expenses as defined and limited in section 290.0674,
35 subdivision 1, clause (3). "Textbooks" does not include
36 instructional books and materials used in the teaching of

1 religious tenets, doctrines, or worship, the purpose of which is
2 to instill such tenets, doctrines, or worship, nor does it
3 include books or materials for, or transportation to,
4 extracurricular activities including sporting events, musical or
5 dramatic events, speech activities, driver's education, or
6 similar programs. For purposes of the subtraction provided by
7 this clause, "qualifying child" has the meaning given in section
8 32(c)(3) of the Internal Revenue Code;

9 (4) income as provided under section 290.0802;

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

13 (6) to the extent included in federal taxable income,
14 postservice benefits for youth community service under section
15 124D.42 for volunteer service under United States Code, title
16 42, sections 12601 to 12604;

17 (7) to the extent not deducted in determining federal
18 taxable income by an individual who does not itemize deductions
19 for federal income tax purposes for the taxable year, an amount
20 equal to 50 percent of the excess of charitable contributions
21 allowable as a deduction for the taxable year under section
22 170(a) of the Internal Revenue Code over \$500;

23 (8) for taxable years beginning before January 1, 2008, the
24 amount of the federal small ethanol producer credit allowed
25 under section 40(a)(3) of the Internal Revenue Code which is
26 included in gross income under section 87 of the Internal
27 Revenue Code;

28 (9) for individuals who are allowed a federal foreign tax
29 credit for taxes that do not qualify for a credit under section
30 290.06, subdivision 22, an amount equal to the carryover of
31 subnational foreign taxes for the taxable year, but not to
32 exceed the total subnational foreign taxes reported in claiming
33 the foreign tax credit. For purposes of this clause, "federal
34 foreign tax credit" means the credit allowed under section 27 of
35 the Internal Revenue Code, and "carryover of subnational foreign
36 taxes" equals the carryover allowed under section 904(c) of the

1 Internal Revenue Code minus national level foreign taxes to the
2 extent they exceed the federal foreign tax credit;

3 (10) in each of the five tax years immediately following
4 the tax year in which an addition is required under subdivision
5 19a, clause (7), an amount equal to one-fifth of the delayed
6 depreciation. For purposes of this clause, "delayed
7 depreciation" means the amount of the addition made by the
8 taxpayer under subdivision 19a, clause (7), minus the positive
9 value of any net operating loss under section 172 of the
10 Internal Revenue Code generated for the tax year of the
11 addition. The resulting delayed depreciation cannot be less
12 than zero; and

13 (11) job opportunity building zone income as provided under
14 section 469.316; and

15 (12) to the extent included in federal taxable income,
16 compensation paid to a service member as defined in United
17 States Code, title 10, section 101(a)(5), for military service
18 as defined in the Service Members Civil Relief Act, Public Law
19 108-189, section 101(2), and compensation paid for state active
20 service as defined in section 190.05, subdivision 5a, clauses
21 (1) and (3), or federally funded state active service as defined
22 in section 190.05, subdivision 5b. This subtraction does not
23 apply to "retirement income" as defined in section 290.17,
24 subdivision 2, paragraph (a), clause (3).

25 [EFFECTIVE DATE.] This section is effective for tax years
26 beginning after December 31, 2004.

27 Sec. 4. Minnesota Statutes 2004, section 290.01,
28 subdivision 31, is amended to read:

29 Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically
30 defined otherwise, "Internal Revenue Code" means the Internal
31 Revenue Code of 1986, as amended through ~~June 15~~ November 15,
32 2003.

33 [EFFECTIVE DATE.] This section is effective the day
34 following final enactment, except the changes incorporated by
35 federal changes are effective at the same times as the changes
36 were effective for federal purposes.

1 Sec. 5. Minnesota Statutes 2004, section 290.06,
2 subdivision 2c, is amended to read:

3 Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES,
4 AND TRUSTS.] (a) The income taxes imposed by this chapter upon
5 married individuals filing joint returns and surviving spouses
6 as defined in section 2(a) of the Internal Revenue Code must be
7 computed by applying to their taxable net income the following
8 schedule of rates:

9 (1) On the first \$25,680, 5.35 percent;

10 (2) On all over \$25,680, but not over \$102,030, 7.05
11 percent;

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

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

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

20 (1) On the first \$17,570, 5.35 percent;

21 (2) On all over \$17,570, but not over \$57,710, 7.05
22 percent;

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

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

28 (1) On the first \$21,630, 5.35 percent;

29 (2) On all over \$21,630, but not over \$86,910, 7.05
30 percent;

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

32 (d) In lieu of a tax computed according to the rates set
33 forth in this subdivision, the tax of any individual taxpayer
34 whose taxable net income for the taxable year is less than an
35 amount determined by the commissioner must be computed in
36 accordance with tables prepared and issued by the commissioner

1 of revenue based on income brackets of not more than \$100. The
2 amount of tax for each bracket shall be computed at the rates
3 set forth in this subdivision, provided that the commissioner
4 may disregard a fractional part of a dollar unless it amounts to
5 50 cents or more, in which case it may be increased to \$1.

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

11 (1) the numerator is the individual's Minnesota source
12 federal adjusted gross income as defined in section 62 of the
13 Internal Revenue Code and increased by the additions required
14 under section 290.01, subdivision 19a, clauses (1), (5), and
15 (6), and reduced by the subtraction under section 290.01,
16 subdivision 19b, clause (11), and the Minnesota assignable
17 portion of the subtraction for United States government interest
18 under section 290.01, subdivision 19b, clause (1), and the
19 subtraction under clause (12), after applying the allocation and
20 assignability provisions of section 290.081, clause (a), or
21 290.17; and

22 (2) the denominator is the individual's federal adjusted
23 gross income as defined in section 62 of the Internal Revenue
24 Code of 1986, increased by the amounts specified in section
25 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
26 by the amounts specified in section 290.01, subdivision 19b,
27 clauses (1) and, (11), and (12).

28 [EFFECTIVE DATE.] This section is effective for taxable
29 years beginning after December 31, 2004.

30 Sec. 6. Minnesota Statutes 2004, section 290.091,
31 subdivision 2, is amended to read:

32 Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by
33 this section, the following terms have the meanings given:

34 (a) "Alternative minimum taxable income" means the sum of
35 the following for the taxable year:

36 (1) the taxpayer's federal alternative minimum taxable

1 income as defined in section 55(b)(2) of the Internal Revenue
2 Code;

3 (2) the taxpayer's itemized deductions allowed in computing
4 federal alternative minimum taxable income, but excluding:

5 (i) the charitable contribution deduction under section 170
6 of the Internal Revenue Code to the extent that the deduction
7 exceeds 1.0 percent of adjusted gross income, as defined in
8 section 62 of the Internal Revenue Code;

9 (ii) the medical expense deduction;

10 (iii) the casualty, theft, and disaster loss deduction; and

11 (iv) the impairment-related work expenses of a disabled
12 person;

13 (3) for depletion allowances computed under section 613A(c)
14 of the Internal Revenue Code, with respect to each property (as
15 defined in section 614 of the Internal Revenue Code), to the
16 extent not included in federal alternative minimum taxable
17 income, the excess of the deduction for depletion allowable
18 under section 611 of the Internal Revenue Code for the taxable
19 year over the adjusted basis of the property at the end of the
20 taxable year (determined without regard to the depletion
21 deduction for the taxable year);

22 (4) to the extent not included in federal alternative
23 minimum taxable income, the amount of the tax preference for
24 intangible drilling cost under section 57(a)(2) of the Internal
25 Revenue Code determined without regard to subparagraph (E);

26 (5) to the extent not included in federal alternative
27 minimum taxable income, the amount of interest income as
28 provided by section 290.01, subdivision 19a, clause (1); and

29 (6) the amount of addition required by section 290.01,
30 subdivision 19a, clause (7);

31 less the sum of the amounts determined under the following:

32 (1) interest income as defined in section 290.01,
33 subdivision 19b, clause (1);

34 (2) an overpayment of state income tax as provided by
35 section 290.01, subdivision 19b, clause (2), to the extent
36 included in federal alternative minimum taxable income;

1 (3) the amount of investment interest paid or accrued
2 within the taxable year on indebtedness to the extent that the
3 amount does not exceed net investment income, as defined in
4 section 163(d)(4) of the Internal Revenue Code. Interest does
5 not include amounts deducted in computing federal adjusted gross
6 income; and

7 (4) amounts subtracted from federal taxable income as
8 provided by section 290.01, subdivision 19b, clauses (10) and,
9 (11), and (12).

10 In the case of an estate or trust, alternative minimum
11 taxable income must be computed as provided in section 59(c) of
12 the Internal Revenue Code.

13 (b) "Investment interest" means investment interest as
14 defined in section 163(d)(3) of the Internal Revenue Code.

15 (c) "Tentative minimum tax" equals 6.4 percent of
16 alternative minimum taxable income after subtracting the
17 exemption amount determined under subdivision 3.

18 (d) "Regular tax" means the tax that would be imposed under
19 this chapter (without regard to this section and section
20 290.032), reduced by the sum of the nonrefundable credits
21 allowed under this chapter.

22 (e) "Net minimum tax" means the minimum tax imposed by this
23 section.

24 [EFFECTIVE DATE.] This section is effective for tax years
25 beginning after December 31, 2004.

26 Sec. 7. Minnesota Statutes 2004, section 290A.03,
27 subdivision 15, is amended to read:

28 Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code"
29 means the Internal Revenue Code of 1986, as amended through ~~June~~
30 November 15, 2003.

31 [EFFECTIVE DATE.] This section is effective for property
32 tax refunds based on property taxes payable on or after December
33 31, 2004, and rent paid on or after December 31, 2003."

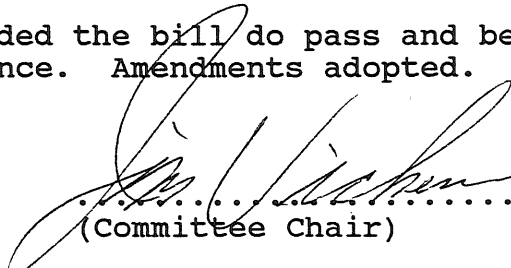
34 Amend the title as follows:

35 Page 1, line 9, after "sections" insert "289A.02,
36 subdivision 7;" and delete "7,"

1 Page 1, line 10, after "19b" insert ", 31" and after "2c;"
2 insert "290.091, subdivision 2; 290A.03, subdivision 15;"

3 And when so amended the bill do pass and be re-referred to
4 the Committee on Finance. Amendments adopted. Report adopted.

5
6
7
8
9
10


.....
(Committee Chair)

March 9, 2005.....
(Date of Committee recommendation)

Senator Wiger introduced--

S.F. No. 681: Referred to the Committee on Agriculture, Veterans and Gaming.

1

A bill for an act

2

relating to military affairs; creating a fund for the
3 purpose of reimbursing members of the National Guard
4 or other reserve component of the armed forces for
5 certain premiums paid for life insurance;
6 appropriating money; proposing coding for new law in
7 Minnesota Statutes, chapter 192.

8

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

9

Section 1. [192.091] [SERVICE MEMBERS' LIFE INSURANCE

10

REIMBURSEMENT FUND CREATED.]

11

(a) The service members' life insurance reimbursement fund

12

is created in the state treasury, consisting of:

13

(1) legislative appropriations;

14

(2) gifts, grants, donations, and bequests to the fund; and

15

(3) income from investment of the fund.

16

(b) Money in the fund is annually appropriated to the

17

Department of Military Affairs for the purpose of reimbursing

18

eligible members of this state's National Guard or other reserve

19

component of the armed forces of the United States for premiums

20

paid for benefits under the service members' group life

21

insurance program, as provided for in United States Code, title

22

38, section 1965 et seq., as amended.

23

(c) The commissioner of military affairs shall adopt rules

24

necessary to determine eligibility for reimbursement and to

25

implement a reimbursement program. Nothing in this section is

26

intended to alter, amend, or change the eligibility or

1 applicability of the service members' group life insurance
2 program, as provided for in United States Code, title 38,
3 section 1965 et seq., as amended, or any rights,
4 responsibilities, or benefits thereunder.

5 Sec. 2. [APPROPRIATION.]

6 §..... in the fiscal biennium ending June 30, 2007, is
7 appropriated from the general fund to the service members' life
8 insurance reimbursement fund to pay premium reimbursements, as
9 provided in section 1.

10 Sec. 3. [EFFECTIVE DATE.]

11 Section 1 is effective the day following final enactment
12 and applies to premiums paid on or after that date.

- 1 Senator moves to amend S.F. No. 681 as follows:
- 2 Page 1, line 9, delete "[192.091]" and insert "[190.091]"
- 3 Page 1, line 17, delete "Department of Military Affairs"
- 4 and insert "adjutant general"
- 5 Page 1, line 23, delete "commissioner of military affairs"
- 6 and insert "adjutant general"
- 7 Amend the title as follows:
- 8 Page 1, line 7, delete "192" and insert "190"

1 Senator moves to amend S.F. No. 616 as follows:

2 Delete everything after the enacting clause and insert:

3 "Section 1. Minnesota Statutes 2004, section 192.501,
4 subdivision 2, is amended to read:

5 Subd. 2. [TUITION AND TEXTBOOK REIMBURSEMENT GRANT
6 PROGRAM.] (a) The adjutant general shall establish a program to
7 provide tuition and textbook reimbursement grants to eligible
8 members of the Minnesota National Guard within the limitations
9 of this subdivision.

10 (b) Eligibility is limited to a member of the National
11 Guard who:

12 (1) is serving satisfactorily as defined by the adjutant
13 general;

14 (2) is attending a postsecondary educational institution,
15 as defined by section 136A.15, subdivision 6, including a
16 vocational or technical school operated or regulated by this
17 state or another state or province; and

18 (3) provides proof of satisfactory completion of
19 coursework, as defined by the adjutant general.

20 ~~In addition,~~ (c) Notwithstanding paragraph (b), clause (1),
21 for a person who:

22 (1) has satisfactorily completed the person's service
23 contract in the Minnesota National Guard or the portion of it
24 involving selective reserve status, for which any part of that
25 service was spent serving honorably in federal active service or
26 federally funded state active service since September 11, 2001,
27 the person's eligibility is extended for a period of two years,
28 plus an amount of time equal to the duration of that person's
29 active service, subject to the credit hours limit in paragraph
30 (g); or

31 (2) has served honorably in the Minnesota National Guard
32 and has been separated or discharged from that organization due
33 to a service-connected injury, disease, or disability, the
34 eligibility period is extended for eight years beyond the date
35 of separation, subject to the credit hours limit in paragraph
36 (g).

1 (d) If a member of the Minnesota National Guard is killed
2 in the line of state active service or federally funded state
3 active service, ~~as defined in section 190.05, subdivisions 5a~~
4 ~~and 5b~~, the member's surviving spouse, and any surviving
5 dependent who has not yet reached 24 years of age, is eligible
6 for a tuition and textbook reimbursement grant, with each
7 eligible person independently subject to the credit hours limit
8 in paragraph (g).

9 (e) The adjutant general may, within the limitations of
10 ~~this paragraph~~ paragraphs (b) to (d) and other applicable laws,
11 determine additional eligibility criteria for the grant, and
12 must specify the criteria in department regulations and publish
13 changes as necessary.

14 ~~(e)~~ (f) The amount of a tuition and textbook reimbursement
15 grant must be specified on a schedule as determined and
16 published in department regulations by the adjutant general, but
17 is limited to a maximum of an amount equal to the greater of:

18 (1) up to 100 percent of the cost of tuition for lower
19 division programs in the College of Liberal Arts at the Twin
20 Cities campus of the University of Minnesota in the most recent
21 academic year; or

22 (2) up to 100 percent of the cost of tuition for the
23 program in which the person is enrolled at that Minnesota public
24 institution, or if that public institution is outside the state
25 of Minnesota, for the cost of a comparable program at the
26 University of Minnesota, except that in the case of a survivor
27 as defined in paragraph (b), the amount of the tuition and
28 textbook reimbursement grant for coursework satisfactorily
29 completed by the person is limited to 100 percent of the cost of
30 tuition for postsecondary courses at a Minnesota public
31 educational institution.

32 Paragraphs (g) Paragraphs (b) to (e) notwithstanding, a
33 person is no longer eligible for a grant under this subdivision
34 once the person has received grants under this subdivision for
35 the equivalent of 208 quarter credits or 144 semester credits of
36 coursework.

1 ~~(d)~~ (h) Tuition and textbook reimbursement grants received
2 under this subdivision may not be considered by the Minnesota
3 Higher Education Services Office or by any other state board,
4 commission, or entity in determining a person's eligibility for
5 a scholarship or grant-in-aid under sections 136A.095 to
6 136A.1311.

7 ~~(e)~~ (i) If a member fails to complete a term of enlistment
8 during which a tuition and textbook reimbursement grant was
9 paid, the adjutant general may seek to recoup a prorated amount
10 as determined by the adjutant general. However, this authority
11 does not apply to a person whose separation from the National
12 Guard is due to a medical condition or financial hardship.

13 (j) For purposes of this section, the terms "active
14 service," "state active service," "federally funded state active
15 service," and "federal active service" have the meanings given
16 in section 190.05, subdivisions 5 to 5c, respectively, except
17 that for purposes of paragraph (c), clause (1), these terms
18 exclude service performed exclusively for purposes of:

19 (1) basic combat training, advanced individual training,
20 annual training, and periodic inactive duty training;

21 (2) special training periodically made available to reserve
22 members;

23 (3) service performed in accordance with section 190.08,
24 subdivision 3; and

25 (4) service performed as part of the active guard/reserve
26 program pursuant to United States Code, title 32, section
27 502(f), or other applicable authority.

28 [EFFECTIVE DATE.] This section is effective the day
29 following final enactment and applies to persons who have served
30 in the Minnesota National Guard at any time since September 11,
31 2001, and if the person has died in the line of service, to the
32 person's surviving spouse and dependent, as well."

Senators Sams, Wergin, Murphy, Vickerman and Dille introduced--

S.F. No. 616: Referred to the Committee on Agriculture, Veterans and Gaming.

1 A bill for an act

2 relating to the military; extending the time period
3 for adjutant general of the Minnesota National Guard
4 to make tuition reimbursement grants to members who
5 have served in active military service; amending
6 Minnesota Statutes 2004, section 192.501, subdivision
7 2.

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

9 Section 1. Minnesota Statutes 2004, section 192.501,
10 subdivision 2, is amended to read:

11 Subd. 2. [TUITION AND TEXTBOOK REIMBURSEMENT GRANT
12 PROGRAM.] (a) The adjutant general shall establish a program to
13 provide tuition and textbook reimbursement grants to eligible
14 members of the Minnesota National Guard within the limitations
15 of this subdivision.

16 (b) Eligibility is limited to a member of the National
17 Guard who:

18 (1) is serving satisfactorily as defined by the adjutant
19 general;

20 (2) is attending a postsecondary educational institution,
21 as defined by section 136A.15, subdivision 6, including a
22 vocational or technical school operated or regulated by this
23 state or another state or province; and

24 (3) provides proof of satisfactory completion of
25 coursework, as defined by the adjutant general.

26 Notwithstanding clause (1), for a person who has

1 satisfactorily completed the person's service contract in the
2 Minnesota National Guard or the portion of it requiring active
3 drill status, for which any part of that service was spent
4 serving honorably in federal active service or federally funded
5 state active service, as defined in section 190.05, subdivisions
6 5b and 5c, the person's eligibility is extended for a period of
7 three years, plus an amount of time equal to the duration of
8 that person's active service, subject to the credit hours limit
9 in paragraph (c). However, if a person who has provided
10 honorable active service is separated or discharged from the
11 National Guard due to a service connected injury, disease or
12 disability, the eligibility period is extended for eight years
13 beyond the date of separation.

14 In addition, if a member of the Minnesota National Guard is
15 killed in the line of state active service or federally funded
16 state active service, as defined in section 190.05, subdivisions
17 5a and 5b, the member's surviving spouse, and any surviving
18 dependent who has not yet reached 24 years of age, is eligible
19 for a tuition and textbook reimbursement grant.

20 The adjutant general may, within the limitations of this
21 paragraph and other applicable laws, determine additional
22 eligibility criteria for the grant, and must specify the
23 criteria in department regulations and publish changes as
24 necessary.

25 (c) The amount of a tuition and textbook reimbursement
26 grant must be specified on a schedule as determined and
27 published in department regulations by the adjutant general, but
28 is limited to a maximum of an amount equal to the greater of:

29 (1) up to 100 percent of the cost of tuition for lower
30 division programs in the College of Liberal Arts at the Twin
31 Cities campus of the University of Minnesota in the most recent
32 academic year; or

33 (2) up to 100 percent of the cost of tuition for the
34 program in which the person is enrolled at that Minnesota public
35 institution, or if that public institution is outside the state
36 of Minnesota, for the cost of a comparable program at the

1 University of Minnesota, except that in the case of a survivor
2 as defined in paragraph (b), the amount of the tuition and
3 textbook reimbursement grant for coursework satisfactorily
4 completed by the person is limited to 100 percent of the cost of
5 tuition for postsecondary courses at a Minnesota public
6 educational institution.

7 Paragraph (b) notwithstanding, a person is no longer
8 eligible for a grant under this subdivision once the person has
9 received grants under this subdivision for the equivalent of 208
10 quarter credits or 144 semester credits of coursework.

11 (d) Tuition and textbook reimbursement grants received
12 under this subdivision may not be considered by the Minnesota
13 Higher Education Services Office or by any other state board,
14 commission, or entity in determining a person's eligibility for
15 a scholarship or grant-in-aid under sections 136A.095 to
16 136A.1311.

17 (e) If a member fails to complete a term of enlistment
18 during which a tuition and textbook reimbursement grant was
19 paid, the adjutant general may seek to recoup a prorated amount
20 as determined by the adjutant general. However, this authority
21 does not apply to a person whose separation from the National
22 Guard is due to a medical condition or financial hardship.

23 [EFFECTIVE DATE.] This section is effective the day
24 following final enactment.

**Senate Counsel, Research,
and Fiscal Analysis**

G-17 STATE CAPITOL
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.
ST. PAUL, MN 55155-1606
(651) 296-4791
FAX: (651) 296-7747
JO ANNE ZOFF SELLNER
DIRECTOR

Senate

State of Minnesota

S.F. No. 734 - Military and Veterans

Author: Senator Jim Vickerman

Prepared by: Carol E. Baker, Senate Counsel (651/296-4395) *CEB*

Date: March 9, 2005

Article 1 License Plates

Section 1. [Special "Support our Troops" License Plates.] General requirements and procedures.

Subdivision 1. [General Requirements.] authorizes the special plate with language similar to that of the state's Critical Habitat license plate, except that this plate would be available for motorcycles, in addition to passenger autos, pickups, and recreational vehicles (RVs). The \$30 annual contribution would be the minimum amount for eligibility.

Subdivision 2. [Design.] authorizes the Adjutant General and Commissioner of Veterans Affairs to design the new plate.

Subdivision 3. [No Refund.] stipulates that contributions are nonrefundable.

Subdivision 4. [Plate Transfers.] provides that for a fee of \$5, the new special plate may be transferred to another passenger auto, pickup, RV, or motorcycle owned by the person.

Subdivision 5. [Contribution and Fees Credited.] directs that contributions be credited to the "Support our Troops" private sector matching account.

Subdivision 6. [Record.] directs the commissioner to keep a record of the number of plates issued.

Section 2. [Support Our Troops Private Sector Matching Account.]

Subdivision 1. [Account Established.] establishes this account in the state treasury.

Subdivision 2. [Appropriations Must be Matched.] stipulates that money credited and transferred into this account, as well as any other appropriations made to the account, may be expended only to the extent that they are matched with donations from private sources within three years. Appropriations that are not matched must be returned to the source after that time.

Subdivision 3. [Management.] specifies how money in the matching account must be managed.

Subdivision 4. [Pledges and Contributions.] authorizes the Adjutant General to accept contributions and pledges, and permits them to be accepted contingent upon a particular appropriation.

Money in the account may be spent only to alleviate financial hardships faced by members of the Minnesota National Guard and other military reserve units based in Minnesota, or for Guard and reserve members who are Minnesota residents based outside the state, if they have been ordered into certain types of "active duty." Certain immediate family members of these persons may also be eligible.

**Article 2
National Guard Funding**

Section 1. [Appropriation.] This section appropriates from the general fund to the Adjutant General for the 2006-2007 biennium:

- \$3.85 million each year, for the National Guard's tuition reimbursement program; and
- \$1.5 million each year, for the National Guard's reenlistment bonus program.

**Article 3
Bonding**

Section 1. [Appropriation.] provides appropriations of:

- \$670,000 to the commissioner of Administration for construction of a WWII veterans memorial on the Capitol Mall; and
- \$6,282,000 to the Veterans Home Board, as follows:
 1. \$6,000,000 for asset maintenance and improvements at the homes; and
 2. \$282,000 for the dementia unit at the Luverne Veterans Home.

Section 2. [Bond Sale.] authorizes the sale of state bonds in the amount of \$6,952,000.

Article 4 Income Tax

Section 1. [Resident; Definition.] expands the definition of nonresident for income tax purposes to include members of the Minnesota National Guard in active service. Under current law, members of the U.S. military, reserves, and National Guard are considered nonresidents for income tax purposes while they are in active service outside of Minnesota. This change would extend that tax treatment to members of the Minnesota National Guard for time periods in which they were called to either federally funded state active service (such as airport security) or to state active service (such as natural disaster relief), within Minnesota.

Section 2. [Net Income.] conforms to federal changes to the definition of net income enacted as part of the Military Family Tax Relief Act of 2003 (P.L. 108-121).

Section 3. [Subtractions from Taxable Income.] allows a subtraction for military pay received by members of the military stationed in Minnesota but domiciled in another state. The Department of Revenue is complying with this change to federal law.

Section 4. [Nonresident Ratio.] adjusts the nonresident ratio used in apportioning tax to Minnesota for the subtraction for military pay received by members of the military stationed in Minnesota but domiciled in another state that is required under federal law.

CEB:rdt

1 Senator moves to amend the delete-everything
2 amendment (A05-0188) to S.F. No. 734 as follows:

3 Page 1, line 29, after the period, insert "The adjutant
4 general and the commissioner shall also design a separate and
5 distinctive plate for veterans who have been awarded a
6 Congressional Medal of Honor."

Passed

1 Senator moves to amend S.F. No. 734 as follows:

2 Delete everything after the enacting clause and insert:

3 "ARTICLE 1

4 LICENSE PLATES

5 Section 1. [168.1298] [SPECIAL "SUPPORT OUR TROOPS"
6 LICENSE PLATES.]

7 Subdivision 1. [GENERAL REQUIREMENTS AND PROCEDURES.] (a)

8 The commissioner shall issue special "Support Our Troops"
9 license plates to an applicant who:

10 (1) is an owner of a passenger automobile, one-ton pickup
11 truck, recreational vehicle, or motorcycle;

12 (2) pays a fee of \$10 to cover the costs of handling and
13 manufacturing the plates;

14 (3) pays the registration tax required under section
15 168.013;

16 (4) pays the fees required under this chapter;

17 (5) contributes a minimum of \$30 annually to the Minnesota
18 "Support Our Troops" account established in section 190.19; and

19 (6) complies with laws and rules governing registration and
20 licensing of vehicles and drivers.

21 (b) The license application under this section must
22 indicate that the annual contribution specified under paragraph
23 (a), clause (5), is a minimum contribution to receive the plate
24 and that the applicant may make an additional contribution to
25 the account.

26 Subd. 2. [DESIGN.] After consultation with interested
27 groups, the adjutant general and the commissioner of veterans
28 affairs shall design the special plate, subject to the approval
29 of the commissioner.

30 Subd. 3. [NO REFUND.] Contributions under this section
31 must not be refunded.

32 Subd. 4. [PLATE TRANSFERS.] Notwithstanding section
33 168.12, subdivision 1, on payment of a transfer fee of \$5,
34 plates issued under this section may be transferred to another
35 passenger automobile, one-ton pickup truck, recreational
36 vehicle, or motorcycle owned by the individual to whom the

1 special plates were issued.

2 Subd. 5. [CONTRIBUTION AND FEES CREDITED.] Contributions
3 under subdivision 1, paragraph (a), clause (5), must be paid to
4 the commissioner and credited to the Minnesota "Support Our
5 Troops" account established in section 190.19. The fees
6 collected under this section must be deposited in the vehicle
7 services operating account in the special revenue fund.

8 Subd. 6. [RECORD.] The commissioner shall maintain a
9 record of the number of plates issued under this section.

10 Sec. 2. [190.19] [MINNESOTA "SUPPORT OUR TROOPS" ACCOUNT.]

11 Subdivision 1. [ESTABLISHMENT.] The Minnesota "Support Our
12 Troops" account is established in the state treasury. The
13 account shall consist of contributions from private sources and
14 appropriations.

15 Subd. 2. [GRANTS.] (a) Money in the Minnesota "Support Our
16 Troops" account is appropriated to the adjutant general for the
17 purpose of making grants:

18 (1) directly to eligible individuals; or

19 (2) to one or more eligible foundations for the purpose of
20 making grants to eligible individuals, as provided in this
21 section.

22 (b) The term, "eligible individual" includes any person who
23 is:

24 (1) a member of the Minnesota National Guard or a reserve
25 unit based in Minnesota who has been called to active service as
26 defined in section 190.05, subdivision 5;

27 (2) a Minnesota resident who is a member of a military
28 reserve unit not based in Minnesota, if the member is called to
29 active service as defined in section 190.05, subdivision 5;

30 (3) any other Minnesota resident performing active service
31 for any branch of the military of the United States; and

32 (4) members of the immediate family of an individual
33 identified in clause (1), (2), or (3). For purposes of this
34 clause, "immediate family" means the individual's spouse and
35 minor children and, if they are dependents of the member of the
36 military, the member's parents, grandparents, siblings,

1 stepchildren, and adult children.

2 (c) The term "eligible foundation" includes any
3 organization that:

4 (1) is a tax-exempt organization under section 501(c)(3) of
5 the Internal Revenue Code;

6 (2) has articles of incorporation under chapter 317A
7 specifying the purpose of the organization as including the
8 provision of financial assistance to members of the Minnesota
9 National Guard and other United States armed forces reserves and
10 their families and survivors; and

11 (3) agrees in writing to distribute any grant money
12 received from the adjutant general under this section to
13 eligible individuals as defined in this section and in
14 accordance with any written policies and rules the adjutant
15 general may impose as conditions of the grant to the foundation.

16 (d) The maximum grant awarded to an eligible individual in
17 a calendar year with funds from the Minnesota "Support Our
18 Troops" account, either through an eligible institution or
19 directly from the adjutant general, may not exceed \$2,000.

20 Subd. 3. [ANNUAL REPORT.] The adjutant general must report
21 by February 1, 2007, and each year thereafter, to the chairs and
22 ranking minority members of the legislative committees and
23 divisions with jurisdiction over military and veterans' affairs
24 on the number, amounts, and use of grants issued from the
25 Minnesota "Support Our Troops" account in the previous year.

26 ARTICLE 2

27 NATIONAL GUARD FUNDING

28 Section 1. [APPROPRIATION.]

29 (a) \$3,850,000 is appropriated in fiscal year 2006 and
30 \$3,850,000 is appropriated in fiscal year 2007 from the general
31 fund to the adjutant general to provide the additional amount
32 necessary for full funding of the tuition reimbursement program
33 in Minnesota Statutes, section 192.501, subdivision 2.

34 (b) \$1,500,000 is appropriated in fiscal year 2006 and
35 \$1,500,000 is appropriated in fiscal year 2007 from the general
36 fund to the adjutant general to provide for reenlistment bonuses

1 under Minnesota Statutes, section 192.501, subdivision 1b.

2 ARTICLE 3

3 BONDING

4 Section 1. [APPROPRIATION.]

5 (a) \$670,000 is appropriated from the bond proceeds fund to
6 the commissioner of administration for the construction of a
7 World War II veterans memorial on the Capitol Mall. The design
8 is subject to approval by the Capitol Area Architectural and
9 Planning Board.

10 (b) \$6,306,000 is appropriated from the bond proceeds fund
11 to the Veterans Homes Board for the maintenance and improvement
12 of Minnesota's veterans homes, including \$6,000,000 for asset
13 preservation and \$306,000 for the Luverne Veterans Home dementia
14 unit common area.

15 Sec. 2. [BOND SALE.]

16 To provide the money appropriated in this act from the bond
17 proceeds fund, the commissioner of finance shall sell and issue
18 bonds of the state in an amount up to \$6,976,000 in the manner,
19 upon the terms, and with the effect prescribed by Minnesota
20 Statutes, sections 16A.631 to 16A.675, and by the Minnesota
21 Constitution, article XI, sections 4 to 7.

22 Sec. 3. [EFFECTIVE DATE.]

23 Sections 1 and 2 are effective the day following final
24 enactment.

25 ARTICLE 4

26 INCOME TAX

27 Section 1. Minnesota Statutes 2004, section 289A.02,
28 subdivision 7, is amended to read:

29 Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically
30 defined otherwise, "Internal Revenue Code" means the Internal
31 Revenue Code of 1986, as amended through ~~June-15~~ November 15,
32 2003.

33 [EFFECTIVE DATE.] This section is effective the day
34 following final enactment.

35 Sec. 2. Minnesota Statutes 2004, section 290.01,
36 subdivision 19, is amended to read:

1 Subd. 19. [NET INCOME.] The term "net income" means the
 2 federal taxable income, as defined in section 63 of the Internal
 3 Revenue Code of 1986, as amended through the date named in this
 4 subdivision, incorporating the federal effective dates of
 5 changes to the Internal Revenue Code and any elections made by
 6 the taxpayer in accordance with the Internal Revenue Code in
 7 determining federal taxable income for federal income tax
 8 purposes, and with the modifications provided in subdivisions
 9 19a to 19f.

10 In the case of a regulated investment company or a fund
 11 thereof, as defined in section 851(a) or 851(g) of the Internal
 12 Revenue Code, federal taxable income means investment company
 13 taxable income as defined in section 852(b)(2) of the Internal
 14 Revenue Code, except that:

15 (1) the exclusion of net capital gain provided in section
 16 852(b)(2)(A) of the Internal Revenue Code does not apply;

17 (2) the deduction for dividends paid under section
 18 852(b)(2)(D) of the Internal Revenue Code must be applied by
 19 allowing a deduction for capital gain dividends and
 20 exempt-interest dividends as defined in sections 852(b)(3)(C)
 21 and 852(b)(5) of the Internal Revenue Code; and

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

26 The net income of a real estate investment trust as defined
 27 and limited by section 856(a), (b), and (c) of the Internal
 28 Revenue Code means the real estate investment trust taxable
 29 income as defined in section 857(b)(2) of the Internal Revenue
 30 Code.

31 The net income of a designated settlement fund as defined
 32 in section 468B(d) of the Internal Revenue Code means the gross
 33 income as defined in section 468B(b) of the Internal Revenue
 34 Code.

35 ~~The provisions of sections 1113(a), 1117, 1206(a), 1313(a),~~
 36 ~~1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612,~~

1 ~~16167-16177-1704(1)7-and-1704(m)-of-the-Small-Business-Job~~
 2 ~~Protection-Act7-Public-Law-104-1887-the-provisions-of-Public-Law~~
 3 ~~104-1177-the-provisions-of-sections-313(a)-and-(b)(1)7-602(a)7~~
 4 ~~913(b)7-9417-9617-9717-1001(a)-and-(b)7-10027-10037-10127-10137~~
 5 ~~10147-10617-10627-10817-1084(b)7-10867-10877-1111(a)7-1131(b)~~
 6 ~~and-(c)7-1211(b)7-12137-1530(c)(2)7-1601(f)(5)-and-(h)7-and~~
 7 ~~1604(d)(1)-of-the-Taxpayer-Relief-Act-of-19977-Public-Law~~
 8 ~~105-347-the-provisions-of-section-6010-of-the-Internal-Revenue~~
 9 ~~Service-Restructuring-and-Reform-Act-of-19987-Public-Law~~
 10 ~~105-2067-the-provisions-of-section-4003-of-the-Omnibus~~
 11 ~~Consolidated-and-Emergency-Supplemental-Appropriations-Act7~~
 12 ~~19997-Public-Law-105-2777-and-the-provisions-of-section-318-of~~
 13 ~~the-Consolidated-Appropriation-Act-of-20017-Public-Law-106-5547~~
 14 ~~shall-become-effective-at-the-time-they-become-effective-for~~
 15 ~~federal-purposes7~~

16 The Internal Revenue Code of 1986, as amended through
 17 ~~December-317-1996~~ November 15, 2003, shall be in effect for
 18 taxable years beginning after December 31, 1996.

19 ~~The-provisions-of-sections-202(a)-and-(b)7-221(a)7-2257~~
 20 ~~3127-3137-913(a)7-9347-9627-10047-10057-10527-10637-1084(a)-and~~
 21 ~~(c)7-10897-11127-11717-12047-1271(a)-and-(b)7-1305(a)7-13067~~
 22 ~~13077-13087-13097-1501(b)7-1502(b)7-1504(a)7-15057-15277-15287~~
 23 ~~15307-1601(d)7-(e)7-(f)7-and-(i)-and-1602(a)7-(b)7-(c)7-and-(e)~~
 24 ~~of-the-Taxpayer-Relief-Act-of-19977-Public-Law-105-347-the~~
 25 ~~provisions-of-sections-60047-60057-60127-60137-60157-60167-70027~~
 26 ~~and-7003-of-the-Internal-Revenue-Service-Restructuring-and~~
 27 ~~Reform-Act-of-19987-Public-Law-105-2067-the-provisions-of~~
 28 ~~section-3001-of-the-Omnibus-Consolidated-and-Emergency~~
 29 ~~Supplemental-Appropriations-Act7-19997-Public-Law-105-2777-the~~
 30 ~~provisions-of-section-3001-of-the-Miscellaneous-Trade-and~~
 31 ~~Technical-Corrections-Act-of-19997-Public-Law-106-367-and-the~~
 32 ~~provisions-of-section-316-of-the-Consolidated-Appropriation-Act~~
 33 ~~of-20017-Public-Law-106-5547,shall-become-effective-at-the-time~~
 34 ~~they-become-effective-for-federal-purposes7~~

35 ~~The-Internal-Revenue-Code-of-19867-as-amended-through~~
 36 ~~December-317-19977-shall-be-in-effect-for-taxable-years~~

1 ~~beginning-after-December-31-1997-~~

2 ~~The-provisions-of-sections-5002-6009-6011-and-7001-of~~
3 ~~the-Internal-Revenue-Service-Restructuring-and-Reform-Act-of~~
4 ~~1998-Public-Law-105-206-the-provisions-of-section-9010-of-the~~
5 ~~Transportation-Equity-Act-for-the-21st-Century-Public-Law~~
6 ~~105-178-the-provisions-of-sections-1004-4002-and-5301-of-the~~
7 ~~Omnibus-Consolidation-and-Emergency-Supplemental-Appropriations~~
8 ~~Act-1999-Public-Law-105-277-the-provision-of-section-303-of~~
9 ~~the-Ricky-Ray-Hemophilia-Relief-Fund-Act-of-1998-Public-Law~~
10 ~~105-369-the-provisions-of-sections-532-534-536-537-and-538~~
11 ~~of-the-Ticket-to-Work-and-Work-Incentives-Improvement-Act-of~~
12 ~~1999-Public-Law-106-170-the-provisions-of-the-Installment-Tax~~
13 ~~Correction-Act-of-2000-Public-Law-106-573-and-the-provisions~~
14 ~~of-section-309-of-the-Consolidated-Appropriation-Act-of-2001~~
15 ~~Public-Law-106-554-shall-become-effective-at-the-time-they~~
16 ~~become-effective-for-federal-purposes-~~

17 ~~The-Internal-Revenue-Code-of-1986-as-amended-through~~
18 ~~December-31-1998-shall-be-in-effect-for-taxable-years~~
19 ~~beginning-after-December-31-1998-~~

20 ~~The-provisions-of-the-FSC-Repeal-and-Extraterritorial~~
21 ~~Income-Exclusion-Act-of-2000-Public-Law-106-519-and-the~~
22 ~~provision-of-section-412-of-the-Job-Creation-and-Worker~~
23 ~~Assistance-Act-of-2002-Public-Law-107-147-shall-become~~
24 ~~effective-at-the-time-it-became-effective-for-federal-purposes-~~

25 ~~The-Internal-Revenue-Code-of-1986-as-amended-through~~
26 ~~December-31-1999-shall-be-in-effect-for-taxable-years~~
27 ~~beginning-after-December-31-1999--The-provisions-of-sections~~
28 ~~306-and-401-of-the-Consolidated-Appropriation-Act-of-2001~~
29 ~~Public-Law-106-554-and-the-provision-of-section-632(b)(2)(A)-of~~
30 ~~the-Economic-Growth-and-Tax-Relief-Reconciliation-Act-of-2001~~
31 ~~Public-Law-107-167-and-provisions-of-sections-101-and-402-of-the~~
32 ~~Job-Creation-and-Worker-Assistance-Act-of-2002-Public-Law~~
33 ~~107-147-shall-become-effective-at-the-same-time-it-became~~
34 ~~effective-for-federal-purposes-~~

35 ~~The-Internal-Revenue-Code-of-1986-as-amended-through~~
36 ~~December-31-2000-shall-be-in-effect-for-taxable-years~~

1 ~~beginning after December 31, 2000. The provisions of sections~~
 2 ~~659a and 671 of the Economic Growth and Tax Relief~~
 3 ~~Reconciliation Act of 2001, Public Law 107-167, the provisions of~~
 4 ~~sections 1047, 1057, and 111 of the Victims of Terrorism Tax~~
 5 ~~Relief Act of 2001, Public Law 107-134, and the provisions of~~
 6 ~~sections 2017, 4037, 4137, and 606 of the Job Creation and Worker~~
 7 ~~Assistance Act of 2002, Public Law 107-147, shall become~~
 8 ~~effective at the same time it became effective for federal~~
 9 ~~purposes.~~

10 The Internal Revenue Code of 1986, as amended through March
 11 15, 2002, shall be in effect for taxable years beginning after
 12 December 31, 2001.

13 The provisions of sections 101 and 102 of the Victims of
 14 Terrorism Tax Relief Act of 2001, Public Law 107-134, shall
 15 become effective at the same time it becomes effective for
 16 federal purposes.

17 The Internal Revenue Code of 1986, as amended through June
 18 15, 2003, shall be in effect for taxable years beginning after
 19 December 31, 2002. The provisions of section 201 of the Jobs
 20 and Growth Tax Relief and Reconciliation Act of 2003, H.R. 27, if
 21 it is enacted into law, are effective at the same time it became
 22 effective for federal purposes.

23 Except as otherwise provided, references to the Internal
 24 Revenue Code in subdivisions 19a 19 to 19g 19f mean the code in
 25 effect for purposes of determining net income for the applicable
 26 year.

27 [EFFECTIVE DATE.] This section is effective the day
 28 following final enactment.

29 Sec. 3. Minnesota Statutes 2004, section 290.01,
 30 subdivision 19b, is amended to read:

31 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
 32 individuals, estates, and trusts, there shall be subtracted from
 33 federal taxable income:

34 (1) interest income on obligations of any authority,
 35 commission, or instrumentality of the United States to the
 36 extent includable in taxable income for federal income tax

1 purposes but exempt from state income tax under the laws of the
2 United States;

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

8 (3) the amount paid to others, less the amount used to
9 claim the credit allowed under section 290.0674, not to exceed
10 \$1,625 for each qualifying child in grades kindergarten to 6 and
11 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
12 textbooks, and transportation of each qualifying child in
13 attending an elementary or secondary school situated in
14 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
15 wherein a resident of this state may legally fulfill the state's
16 compulsory attendance laws, which is not operated for profit,
17 and which adheres to the provisions of the Civil Rights Act of
18 1964 and chapter 363A. For the purposes of this clause,
19 "tuition" includes fees or tuition as defined in section
20 290.0674, subdivision 1, clause (1). As used in this clause,
21 "textbooks" includes books and other instructional materials and
22 equipment purchased or leased for use in elementary and
23 secondary schools in teaching only those subjects legally and
24 commonly taught in public elementary and secondary schools in
25 this state. Equipment expenses qualifying for deduction
26 includes expenses as defined and limited in section 290.0674,
27 subdivision 1, clause (3). "Textbooks" does not include
28 instructional books and materials used in the teaching of
29 religious tenets, doctrines, or worship, the purpose of which is
30 to instill such tenets, doctrines, or worship, nor does it
31 include books or materials for, or transportation to,
32 extracurricular activities including sporting events, musical or
33 dramatic events, speech activities, driver's education, or
34 similar programs. For purposes of the subtraction provided by
35 this clause, "qualifying child" has the meaning given in section
36 32(c)(3) of the Internal Revenue Code;

- 1 (4) income as provided under section 290.0802;
- 2 (5) to the extent included in federal adjusted gross
3 income, income realized on disposition of property exempt from
4 tax under section 290.491;
- 5 (6) to the extent included in federal taxable income,
6 postservice benefits for youth community service under section
7 124D.42 for volunteer service under United States Code, title
8 42, sections 12601 to 12604;
- 9 (7) to the extent not deducted in determining federal
10 taxable income by an individual who does not itemize deductions
11 for federal income tax purposes for the taxable year, an amount
12 equal to 50 percent of the excess of charitable contributions
13 allowable as a deduction for the taxable year under section
14 170(a) of the Internal Revenue Code over \$500;
- 15 (8) for taxable years beginning before January 1, 2008, the
16 amount of the federal small ethanol producer credit allowed
17 under section 40(a)(3) of the Internal Revenue Code which is
18 included in gross income under section 87 of the Internal
19 Revenue Code;
- 20 (9) for individuals who are allowed a federal foreign tax
21 credit for taxes that do not qualify for a credit under section
22 290.06, subdivision 22, an amount equal to the carryover of
23 subnational foreign taxes for the taxable year, but not to
24 exceed the total subnational foreign taxes reported in claiming
25 the foreign tax credit. For purposes of this clause, "federal
26 foreign tax credit" means the credit allowed under section 27 of
27 the Internal Revenue Code, and "carryover of subnational foreign
28 taxes" equals the carryover allowed under section 904(c) of the
29 Internal Revenue Code minus national level foreign taxes to the
30 extent they exceed the federal foreign tax credit;
- 31 (10) in each of the five tax years immediately following
32 the tax year in which an addition is required under subdivision
33 19a, clause (7), an amount equal to one-fifth of the delayed
34 depreciation. For purposes of this clause, "delayed
35 depreciation" means the amount of the addition made by the
36 taxpayer under subdivision 19a, clause (7), minus the positive

1 value of any net operating loss under section 172 of the
2 Internal Revenue Code generated for the tax year of the
3 addition. The resulting delayed depreciation cannot be less
4 than zero; and

5 (11) job opportunity building zone income as provided under
6 section 469.316~~7~~; and

7 (12) to the extent included in federal taxable income,
8 compensation paid to a service member as defined in United
9 States Code, title 10, section 101(a)(5), for military service
10 as defined in the Service Members Civil Relief Act, Public Law
11 108-189, section 101(2), and compensation paid for state active
12 service as defined in section 190.05, subdivision 5a, clauses
13 (1) and (3), or federally funded state active service as defined
14 in section 190.05, subdivision 5b. This subtraction does not
15 apply to "retirement income" as defined in section 290.17,
16 subdivision 2, paragraph (a), clause (3).

17 [EFFECTIVE DATE.] This section is effective for tax years
18 beginning after December 31, 2004.

19 Sec. 4. Minnesota Statutes 2004, section 290.01,
20 subdivision 31, is amended to read:

21 Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically
22 defined otherwise, "Internal Revenue Code" means the Internal
23 Revenue Code of 1986, as amended through June 15 November 15,
24 2003.

25 [EFFECTIVE DATE.] This section is effective the day
26 following final enactment, except the changes incorporated by
27 federal changes are effective at the same times as the changes
28 were effective for federal purposes.

29 Sec. 5. Minnesota Statutes 2004, section 290.06,
30 subdivision 2c, is amended to read:

31 Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES,
32 AND TRUSTS.] (a) The income taxes imposed by this chapter upon
33 married individuals filing joint returns and surviving spouses
34 as defined in section 2(a) of the Internal Revenue Code must be
35 computed by applying to their taxable net income the following
36 schedule of rates:

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

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

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

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

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

12 (1) On the first \$17,570, 5.35 percent;

13 (2) On all over \$17,570, but not over \$57,710, 7.05
14 percent;

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

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

20 (1) On the first \$21,630, 5.35 percent;

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

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

24 (d) In lieu of a tax computed according to the rates set
25 forth in this subdivision, the tax of any individual taxpayer
26 whose taxable net income for the taxable year is less than an
27 amount determined by the commissioner must be computed in
28 accordance with tables prepared and issued by the commissioner
29 of revenue based on income brackets of not more than \$100. The
30 amount of tax for each bracket shall be computed at the rates
31 set forth in this subdivision, provided that the commissioner
32 may disregard a fractional part of a dollar unless it amounts to
33 50 cents or more, in which case it may be increased to \$1.

34 (e) An individual who is not a Minnesota resident for the
35 entire year must compute the individual's Minnesota income tax
36 as provided in this subdivision. After the application of the

1 nonrefundable credits provided in this chapter, the tax
2 liability must then be multiplied by a fraction in which:

3 (1) the numerator is the individual's Minnesota source
4 federal adjusted gross income as defined in section 62 of the
5 Internal Revenue Code and increased by the additions required
6 under section 290.01, subdivision 19a, clauses (1), (5), and
7 (6), and reduced by the subtraction under section 290.01,
8 subdivision 19b, clause (11), and the Minnesota assignable
9 portion of the subtraction for United States government interest
10 under section 290.01, subdivision 19b, clause (1), and the
11 subtraction under clause (12), after applying the allocation and
12 assignability provisions of section 290.081, clause (a), or
13 290.17; and

14 (2) the denominator is the individual's federal adjusted
15 gross income as defined in section 62 of the Internal Revenue
16 Code of 1986, increased by the amounts specified in section
17 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced
18 by the amounts specified in section 290.01, subdivision 19b,
19 clauses (1) and, (11), and (12).

20 [EFFECTIVE DATE.] This section is effective for taxable
21 years beginning after December 31, 2004.

22 Sec. 6. Minnesota Statutes 2004, section 290.091,
23 subdivision 2, is amended to read:

24 Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by
25 this section, the following terms have the meanings given:

26 (a) "Alternative minimum taxable income" means the sum of
27 the following for the taxable year:

28 (1) the taxpayer's federal alternative minimum taxable
29 income as defined in section 55(b)(2) of the Internal Revenue
30 Code;

31 (2) the taxpayer's itemized deductions allowed in computing
32 federal alternative minimum taxable income, but excluding:

33 (i) the charitable contribution deduction under section 170
34 of the Internal Revenue Code to the extent that the deduction
35 exceeds 1.0 percent of adjusted gross income, as defined in
36 section 62 of the Internal Revenue Code;

1 (ii) the medical expense deduction;
2 (iii) the casualty, theft, and disaster loss deduction; and
3 (iv) the impairment-related work expenses of a disabled
4 person;

5 (3) for depletion allowances computed under section 613A(c)
6 of the Internal Revenue Code, with respect to each property (as
7 defined in section 614 of the Internal Revenue Code), to the
8 extent not included in federal alternative minimum taxable
9 income, the excess of the deduction for depletion allowable
10 under section 611 of the Internal Revenue Code for the taxable
11 year over the adjusted basis of the property at the end of the
12 taxable year (determined without regard to the depletion
13 deduction for the taxable year);

14 (4) to the extent not included in federal alternative
15 minimum taxable income, the amount of the tax preference for
16 intangible drilling cost under section 57(a)(2) of the Internal
17 Revenue Code determined without regard to subparagraph (E);

18 (5) to the extent not included in federal alternative
19 minimum taxable income, the amount of interest income as
20 provided by section 290.01, subdivision 19a, clause (1); and

21 (6) the amount of addition required by section 290.01,
22 subdivision 19a, clause (7);

23 less the sum of the amounts determined under the following:

24 (1) interest income as defined in section 290.01,
25 subdivision 19b, clause (1);

26 (2) an overpayment of state income tax as provided by
27 section 290.01, subdivision 19b, clause (2), to the extent
28 included in federal alternative minimum taxable income;

29 (3) the amount of investment interest paid or accrued
30 within the taxable year on indebtedness to the extent that the
31 amount does not exceed net investment income, as defined in
32 section 163(d)(4) of the Internal Revenue Code. Interest does
33 not include amounts deducted in computing federal adjusted gross
34 income; and

35 (4) amounts subtracted from federal taxable income as
36 provided by section 290.01, subdivision 19b, clauses (10) and,

1 (11), and (12).

2 In the case of an estate or trust, alternative minimum
3 taxable income must be computed as provided in section 59(c) of
4 the Internal Revenue Code.

5 (b) "Investment interest" means investment interest as
6 defined in section 163(d)(3) of the Internal Revenue Code.

7 (c) "Tentative minimum tax" equals 6.4 percent of
8 alternative minimum taxable income after subtracting the
9 exemption amount determined under subdivision 3.

10 (d) "Regular tax" means the tax that would be imposed under
11 this chapter (without regard to this section and section
12 290.032), reduced by the sum of the nonrefundable credits
13 allowed under this chapter.

14 (e) "Net minimum tax" means the minimum tax imposed by this
15 section.

16 [EFFECTIVE DATE.] This section is effective for tax years
17 beginning after December 31, 2004.

18 Sec. 7. Minnesota Statutes 2004, section 290A.03,
19 subdivision 15, is amended to read:

20 Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code"
21 means the Internal Revenue Code of 1986, as amended through ~~June~~
22 November 15, 2003.

23 [EFFECTIVE DATE.] This section is effective for property
24 tax refunds based on property taxes payable on or after December
25 31, 2004, and rent paid on or after December 31, 2003."

26 Renumber the sections in sequence and correct the internal
27 references

28 Amend the title accordingly

Article 1 LICENSE PLATES.....	page	1
Article 2 NATIONAL GUARD FUNDING.....	page	3
Article 3 BONDING.....	page	4
Article 4 INCOME TAX.....	page	4

Passed

1 Senator moves to amend the delete-everything
2 amendment (A05-0188) to S.F. No. 734 as follows:

3 Page 1, line 29, after the period, insert "The adjutant
4 general and the commissioner shall also design a separate and
5 distinctive plate for veterans who have been awarded a
6 Congressional Medal of Honor."

Senators Vickerman, Dille, Murphy, Kleis and Wergin introduced--
S.F. No. 734: Referred to the Committee on Agriculture, Veterans and Gaming.

1 A bill for an act

2 relating to the military; providing for special

3 "Support Our Troops" plates; establishing an account;

4 providing funding for certain National Guard incentive

5 programs; providing funding for a World War II

6 veterans memorial and the maintenance and improvement

7 of veterans homes; providing certain income tax

8 benefits; appropriating money; amending Minnesota

9 Statutes 2004, sections 290.01, subdivisions 7, 19,

10 19b; 290.06, subdivision 2c; proposing coding for new

11 law in Minnesota Statutes, chapters 168; 190.

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

13 ARTICLE 1

14 LICENSE PLATES

15 Section 1. [168.1298] [SPECIAL "SUPPORT OUR TROOPS"

16 LICENSE PLATES.]

17 Subdivision 1. [GENERAL REQUIREMENTS AND PROCEDURES.] (a)

18 The commissioner shall issue special "Support Our Troops"

19 license plates to an applicant who:

20 (1) is an owner of a passenger automobile, one-ton pickup

21 truck, recreational vehicle, or motorcycle;

22 (2) pays a fee of \$10 to cover the costs of handling and

23 manufacturing the plates;

24 (3) pays the registration tax required under section

25 168.013;

26 (4) pays the fees required under this chapter;

27 (5) contributes a minimum of \$30 annually to the Minnesota

28 "Support Our Troops" private sector matching account established

1 in section 190.19; and

2 (6) complies with laws and rules governing registration and
3 licensing of vehicles and drivers.

4 (b) The license application under this section must
5 indicate that the annual contribution specified under paragraph
6 (a), clause (5), is a minimum contribution to receive the plate
7 and that the applicant may make an additional contribution to
8 the account.

9 Subd. 2. [DESIGN.] After consultation with interested
10 groups, the adjutant general and the commissioner of veterans
11 affairs shall design the special plate, subject to the approval
12 of the commissioner.

13 Subd. 3. [NO REFUND.] Contributions under this section
14 must not be refunded.

15 Subd. 4. [PLATE TRANSFERS.] Notwithstanding section
16 168.12, subdivision 1, on payment of a transfer fee of \$5,
17 plates issued under this section may be transferred to another
18 passenger automobile, one-ton pickup truck, recreational
19 vehicle, or motorcycle owned by the individual to whom the
20 special plates were issued.

21 Subd. 5. [CONTRIBUTION AND FEES CREDITED.] Contributions
22 under subdivision 1, paragraph (a), clause (5), must be paid to
23 the commissioner and credited to the Minnesota "Support Our
24 Troops" private sector matching account established in section
25 190.19. The fees collected under this section must be deposited
26 in the vehicle services operating account in the special revenue
27 fund.

28 Subd. 6. [RECORD.] The commissioner shall maintain a
29 record of the number of plates issued under this section.

30 Sec. 2. [190.19] [MINNESOTA "SUPPORT OUR TROOPS" PRIVATE
31 SECTOR MATCHING ACCOUNT.]

32 Subdivision 1. [ESTABLISHMENT.] The Minnesota "Support Our
33 Troops" private sector matching account is established in the
34 state treasury. The account shall consist of contributions from
35 private sources and appropriations.

36 Subd. 2. [APPROPRIATIONS MUST BE MATCHED BY PRIVATE

1 FUNDS.] Appropriations transferred to the "Support Our Troops"
2 private sector matching account and money credited to the
3 account under section 168.1298, subdivision 5, may be expended
4 only to the extent that they are matched equally with
5 contributions to the account from private sources.
6 Appropriations transferred to the account that are not matched
7 within three years from the date of the appropriation must
8 cancel to the source of the appropriation.

9 Subd. 3. [MANAGEMENT.] The "Support Our Troops" private
10 sector matching account must be managed to earn the highest
11 interest compatible with prudent investment, preservation of
12 principal, and reasonable liquidity. Unless an appropriation to
13 the account reverts to its original source under subdivision 2,
14 the principal and interest in the account remain in the account
15 until expended as provided in this section.

16 Subd. 4. [PLEDGES AND CONTRIBUTIONS.] The adjutant general
17 may accept contributions and pledges to the "Support Our Troops"
18 private sector matching account. A pledge that is made
19 contingent on an appropriation is acceptable and shall be
20 reported with other pledges as required in this section. In the
21 budget request for each biennium, the adjutant general shall
22 report the balance of contributions in the account and the
23 amount that has been pledged for payment in the succeeding two
24 calendar years.

25 Money in the account is appropriated to the adjutant
26 general only for the purposes of alleviating financial hardships
27 faced by:

28 (1) a member of the Minnesota National Guard or a reserve
29 unit based in Minnesota who has been called to active duty or
30 active state service;

31 (2) a Minnesota resident who is a member of a military
32 reserve unit not based in Minnesota, if the member is called to
33 active duty;

34 (3) any other Minnesota resident performing active duty
35 service for any branch of the military of the United States; and

36 (4) members of the immediate family of an individual

1 identified in clause (1), (2), or (3). For purposes of this
2 clause, "immediate family" means the individual's spouse and
3 minor children and, if they are dependents of the member of the
4 military, the member's parents, grandparents, siblings,
5 stepchildren, and adult children.

6 ARTICLE 2

7 NATIONAL GUARD FUNDING

8 Section 1. [APPROPRIATION.]

9 (a) \$3,850,000 is appropriated in fiscal year 2006 and
10 \$3,850,000 is appropriated in fiscal year 2007 from the general
11 fund to the adjutant general to provide the additional amount
12 necessary for full funding of the tuition reimbursement program
13 in Minnesota Statutes, section 192.501, subdivision 2.

14 (b) \$1,500,000 is appropriated in fiscal year 2006 and
15 \$1,500,000 is appropriated in fiscal year 2007 from the general
16 fund to the adjutant general to provide for reenlistment bonuses
17 under Minnesota Statutes, section 192.501, subdivision 1b.

18 ARTICLE 3

19 BONDING

20 Section 1. [APPROPRIATION.]

21 (a) \$670,000 is appropriated from the bond proceeds fund to
22 the commissioner of administration for the construction of a
23 World War II veterans memorial on the Capitol Mall. The design
24 is subject to approval by the Capitol Area Architectural and
25 Planning Board.

26 (b) \$6,282,000 is appropriated from the bond proceeds fund
27 to the Veterans Homes Board for the maintenance and improvement
28 of Minnesota's veterans homes, including \$6,000,000 for asset
29 preservation and \$282,000 for the Luverne Veterans Home dementia
30 unit common area.

31 Sec. 2. [BOND SALE.]

32 To provide the money appropriated in this act from the bond
33 proceeds fund, the commissioner of finance shall sell and issue
34 bonds of the state in an amount up to \$6,952,000 in the manner,
35 upon the terms, and with the effect prescribed by Minnesota
36 Statutes, sections 16A.631 to 16A.675, and by the Minnesota

1 Constitution, article XI, sections 4 to 7.

2 Sec. 3. [EFFECTIVE DATE.]

3 Sections 1 and 2 are effective the day following final
4 enactment.

5 ARTICLE 4

6 INCOME TAX

7 Section 1. Minnesota Statutes 2004, section 290.01,
8 subdivision 7, is amended to read:

9 Subd. 7. [RESIDENT.] (a) The term "resident" means any
10 individual domiciled in Minnesota, except that an individual is
11 not a "resident" for the period of time that the individual is
12 either:

13 (1) ~~on in active duty-stationed-outside-of-Minnesota-while~~
14 ~~in service as defined in section 190.05, subdivision 5, as a~~
15 ~~member of the armed forces of the United States or, the United~~
16 ~~Nations, or the Minnesota National Guard; or~~

17 (2) a "qualified individual" as defined in section
18 911(d)(1) of the Internal Revenue Code, if the qualified
19 individual notifies the county within three months of moving out
20 of the country that homestead status be revoked for the
21 Minnesota residence of the qualified individual, and the
22 property is not classified as a homestead while the individual
23 remains a qualified individual.

24 (b) "Resident" also means any individual domiciled outside
25 the state who maintains a place of abode in the state and spends
26 in the aggregate more than one-half of the tax year in
27 Minnesota, unless:

28 (1) the individual or the spouse of the individual is in
29 the armed forces of the United States; or

30 (2) the individual is covered under the reciprocity
31 provisions in section 290.081.

32 For purposes of this subdivision, presence within the state
33 for any part of a calendar day constitutes a day spent in the
34 state. Individuals shall keep adequate records to substantiate
35 the days spent outside the state.

36 The term "abode" means a dwelling maintained by an

1 individual, whether or not owned by the individual and whether
2 or not occupied by the individual, and includes a dwelling place
3 owned or leased by the individual's spouse.

4 (c) Neither the commissioner nor any court shall consider
5 charitable contributions made by an individual within or without
6 the state in determining if the individual is domiciled in
7 Minnesota.

8 [EFFECTIVE DATE.] This section is effective for taxable
9 years beginning after December 31, 2004.

10 Sec. 2. Minnesota Statutes 2004, section 290.01,
11 subdivision 19, is amended to read:

12 Subd. 19. [NET INCOME.] The term "net income" means the
13 federal taxable income, as defined in section 63 of the Internal
14 Revenue Code of 1986, as amended through the date named in this
15 subdivision, incorporating any elections made by the taxpayer in
16 accordance with the Internal Revenue Code in determining federal
17 taxable income for federal income tax purposes, and with the
18 modifications provided in subdivisions 19a to 19f.

19 In the case of a regulated investment company or a fund
20 thereof, as defined in section 851(a) or 851(g) of the Internal
21 Revenue Code, federal taxable income means investment company
22 taxable income as defined in section 852(b)(2) of the Internal
23 Revenue Code, except that:

24 (1) the exclusion of net capital gain provided in section
25 852(b)(2)(A) of the Internal Revenue Code does not apply;

26 (2) the deduction for dividends paid under section
27 852(b)(2)(D) of the Internal Revenue Code must be applied by
28 allowing a deduction for capital gain dividends and
29 exempt-interest dividends as defined in sections 852(b)(3)(C)
30 and 852(b)(5) of the Internal Revenue Code; and

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

35 The net income of a real estate investment trust as defined
36 and limited by section 856(a), (b), and (c) of the Internal

1 Revenue Code means the real estate investment trust taxable
2 income as defined in section 857(b)(2) of the Internal Revenue
3 Code.

4 The net income of a designated settlement fund as defined
5 in section 468B(d) of the Internal Revenue Code means the gross
6 income as defined in section 468B(b) of the Internal Revenue
7 Code.

8 The provisions of sections 1113(a), 1117, 1206(a), 1313(a),
9 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612,
10 1616, 1617, 1704(l), and 1704(m) of the Small Business Job
11 Protection Act, Public Law 104-188, the provisions of Public Law
12 104-117, the provisions of sections 313(a) and (b)(1), 602(a),
13 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013,
14 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b)
15 and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and
16 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law
17 105-34, the provisions of section 6010 of the Internal Revenue
18 Service Restructuring and Reform Act of 1998, Public Law
19 105-206, the provisions of section 4003 of the Omnibus
20 Consolidated and Emergency Supplemental Appropriations Act,
21 1999, Public Law 105-277, and the provisions of section 318 of
22 the Consolidated Appropriation Act of 2001, Public Law 106-554,
23 shall become effective at the time they become effective for
24 federal purposes.

25 The Internal Revenue Code of 1986, as amended through
26 December 31, 1996, shall be in effect for taxable years
27 beginning after December 31, 1996.

28 The provisions of sections 202(a) and (b), 221(a), 225,
29 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and
30 (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306,
31 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528,
32 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e)
33 of the Taxpayer Relief Act of 1997, Public Law 105-34, the
34 provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002,
35 and 7003 of the Internal Revenue Service Restructuring and
36 Reform Act of 1998; Public Law 105-206, the provisions of

1 section 3001 of the Omnibus Consolidated and Emergency
2 Supplemental Appropriations Act, 1999, Public Law 105-277, the
3 provisions of section 3001 of the Miscellaneous Trade and
4 Technical Corrections Act of 1999, Public Law 106-36, and the
5 provisions of section 316 of the Consolidated Appropriation Act
6 of 2001, Public Law 106-554, and the provision of section 101 of
7 the Military Family Tax Relief Act of 2003, Public Law 108-121,
8 shall become effective at the time they become effective for
9 federal purposes.

10 The Internal Revenue Code of 1986, as amended through
11 December 31, 1997, shall be in effect for taxable years
12 beginning after December 31, 1997.

13 The provisions of sections 5002, 6009, 6011, and 7001 of
14 the Internal Revenue Service Restructuring and Reform Act of
15 1998, Public Law 105-206, the provisions of section 9010 of the
16 Transportation Equity Act for the 21st Century, Public Law
17 105-178, the provisions of sections 1004, 4002, and 5301 of the
18 Omnibus Consolidation and Emergency Supplemental Appropriations
19 Act, 1999, Public Law 105-277, the provision of section 303 of
20 the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law
21 105-369, the provisions of sections 532, 534, 536, 537, and 538
22 of the Ticket to Work and Work Incentives Improvement Act of
23 1999, Public Law 106-170, the provisions of the Installment Tax
24 Correction Act of 2000, Public Law 106-573, and the provisions
25 of section 309 of the Consolidated Appropriation Act of 2001,
26 Public Law 106-554, shall become effective at the time they
27 become effective for federal purposes.

28 The Internal Revenue Code of 1986, as amended through
29 December 31, 1998, shall be in effect for taxable years
30 beginning after December 31, 1998.

31 The provisions of the FSC Repeal and Extraterritorial
32 Income Exclusion Act of 2000, Public Law 106-519, and the
33 provision of section 412 of the Job Creation and Worker
34 Assistance Act of 2002, Public Law 107-147, shall become
35 effective at the time it became effective for federal purposes.

36 The Internal Revenue Code of 1986, as amended through

1 December 31, 1999, shall be in effect for taxable years
2 beginning after December 31, 1999. The provisions of sections
3 306 and 401 of the Consolidated Appropriation Act of 2001,
4 Public Law 106-554, and the provision of section 632(b)(2)(A) of
5 the Economic Growth and Tax Relief Reconciliation Act of 2001,
6 Public Law 107-16, and provisions of sections 101 and 402 of the
7 Job Creation and Worker Assistance Act of 2002, Public Law
8 107-147, shall become effective at the same time it became
9 effective for federal purposes.

10 The Internal Revenue Code of 1986, as amended through
11 December 31, 2000, shall be in effect for taxable years
12 beginning after December 31, 2000. The provisions of sections
13 659a and 671 of the Economic Growth and Tax Relief
14 Reconciliation Act of 2001, Public Law 107-16, the provisions of
15 sections 104, 105, and 111 of the Victims of Terrorism Tax
16 Relief Act of 2001, Public Law 107-134, and the provisions of
17 sections 201, 403, 413, and 606 of the Job Creation and Worker
18 Assistance Act of 2002, Public Law 107-147, and the provision of
19 section 102 of the Military Family Tax Relief Act of 2003,
20 Public Law 108-121, shall become effective at the same time it
21 became effective for federal purposes.

22 The Internal Revenue Code of 1986, as amended through March
23 15, 2002, shall be in effect for taxable years beginning after
24 December 31, 2001.

25 The provisions of sections 101 and 102 of the Victims of
26 Terrorism Tax Relief Act of 2001, Public Law 107-134, shall
27 become effective at the same time it becomes effective for
28 federal purposes.

29 The Internal Revenue Code of 1986, as amended through June
30 15, 2003, shall be in effect for taxable years beginning after
31 December 31, 2002. The provisions of section 201 of the Jobs
32 and Growth Tax Relief and Reconciliation Act of 2003, ~~H.R.-27-if~~
33 ~~it-is-enacted-into-law~~ Public Law 108-27, and the provisions of
34 sections 103, 106, 108, 109, and 110 of the Military Family Tax
35 Relief Act of 2003, Public Law 108-121, are effective at the
36 same time it became effective for federal purposes.

1 The Internal Revenue Code of 1986, as amended through April
2 10, 2004, shall be in effect for taxable years beginning after
3 December 31, 2003.

4 Except as otherwise provided, references to the Internal
5 Revenue Code in subdivisions 19a to 19g mean the code in effect
6 for purposes of determining net income for the applicable year.

7 [EFFECTIVE DATE.] This section is effective the day
8 following final enactment.

9 Sec. 3. Minnesota Statutes 2004, section 290.01,
10 subdivision 19b, is amended to read:

11 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
12 individuals, estates, and trusts, there shall be subtracted from
13 federal taxable income:

14 (1) interest income on obligations of any authority,
15 commission, or instrumentality of the United States to the
16 extent includable in taxable income for federal income tax
17 purposes but exempt from state income tax under the laws of the
18 United States;

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

24 (3) the amount paid to others, less the amount used to
25 claim the credit allowed under section 290.0674, not to exceed
26 \$1,625 for each qualifying child in grades kindergarten to 6 and
27 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
28 textbooks, and transportation of each qualifying child in
29 attending an elementary or secondary school situated in
30 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
31 wherein a resident of this state may legally fulfill the state's
32 compulsory attendance laws, which is not operated for profit,
33 and which adheres to the provisions of the Civil Rights Act of
34 1964 and chapter 363A. For the purposes of this clause,
35 "tuition" includes fees or tuition as defined in section
36 290.0674, subdivision 1, clause (1). As used in this clause,

1 "textbooks" includes books and other instructional materials and
2 equipment purchased or leased for use in elementary and
3 secondary schools in teaching only those subjects legally and
4 commonly taught in public elementary and secondary schools in
5 this state. Equipment expenses qualifying for deduction
6 includes expenses as defined and limited in section 290.0674,
7 subdivision 1, clause (3). "Textbooks" does not include
8 instructional books and materials used in the teaching of
9 religious tenets, doctrines, or worship, the purpose of which is
10 to instill such tenets, doctrines, or worship, nor does it
11 include books or materials for, or transportation to,
12 extracurricular activities including sporting events, musical or
13 dramatic events, speech activities, driver's education, or
14 similar programs. For purposes of the subtraction provided by
15 this clause, "qualifying child" has the meaning given in section
16 32(c)(3) of the Internal Revenue Code;

17 (4) income as provided under section 290.0802;

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

21 (6) to the extent included in federal taxable income,
22 postservice benefits for youth community service under section
23 124D.42 for volunteer service under United States Code, title
24 42, sections 12601 to 12604;

25 (7) to the extent not deducted in determining federal
26 taxable income by an individual who does not itemize deductions
27 for federal income tax purposes for the taxable year, an amount
28 equal to 50 percent of the excess of charitable contributions
29 allowable as a deduction for the taxable year under section
30 170(a) of the Internal Revenue Code over \$500;

31 (8) for taxable years beginning before January 1, 2008, the
32 amount of the federal small ethanol producer credit allowed
33 under section 40(a)(3) of the Internal Revenue Code which is
34 included in gross income under section 87 of the Internal
35 Revenue Code;

36 (9) for individuals who are allowed a federal foreign tax

1 credit for taxes that do not qualify for a credit under section
 2 290.06, subdivision 22, an amount equal to the carryover of
 3 subnational foreign taxes for the taxable year, but not to
 4 exceed the total subnational foreign taxes reported in claiming
 5 the foreign tax credit. For purposes of this clause, "federal
 6 foreign tax credit" means the credit allowed under section 27 of
 7 the Internal Revenue Code, and "carryover of subnational foreign
 8 taxes" equals the carryover allowed under section 904(c) of the
 9 Internal Revenue Code minus national level foreign taxes to the
 10 extent they exceed the federal foreign tax credit;

11 (10) in each of the five tax years immediately following
 12 the tax year in which an addition is required under subdivision
 13 19a, clause (7), an amount equal to one-fifth of the delayed
 14 depreciation. For purposes of this clause, "delayed
 15 depreciation" means the amount of the addition made by the
 16 taxpayer under subdivision 19a, clause (7), minus the positive
 17 value of any net operating loss under section 172 of the
 18 Internal Revenue Code generated for the tax year of the
 19 addition. The resulting delayed depreciation cannot be less
 20 than zero; and

21 (11) job opportunity building zone income as provided under
 22 section 469.316~~7~~; and

23 (12) to the extent included in federal taxable income,
 24 compensation paid to a service member as defined in United
 25 States Code, title 10, section 101(a)(5), for military service
 26 as defined in the Service Members Civil Relief Act, Public Law
 27 108-189, section 101(2), performed by a nonresident. This
 28 subtraction does not apply to "retirement income" as defined in
 29 section 290.17, subdivision 2, paragraph (a), clause (3).

30 [EFFECTIVE DATE.] This section is effective for tax years
 31 beginning after December 31, 2004.

32 Sec. 4. Minnesota Statutes 2004, section 290.06,
 33 subdivision 2c, is amended to read:

34 Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES,
 35 AND TRUSTS.] (a) The income taxes imposed by this chapter upon
 36 married individuals filing joint returns and surviving spouses

Article 1 LICENSE PLATES.....	page	1
Article 2 NATIONAL GUARD FUNDING.....	page	4
Article 3 BONDING.....	page	4
Article 4 INCOME TAX.....	page	5