

STATE OF MINNESOTA  
DEPARTMENT OF REVENUE  
INCOME TAX DIVISION

IN THE MATTER of the Proposed Amendment  
of an Income Tax Rule of the Department  
of Revenue Relating to Minnesota Gross  
Income for Individuals Who Are Part-Year  
Residents or Nonresidents of Minnesota  
(Federal Adjusted Gross Income)  
(13 MCAR Section 1.6004)

STATEMENT OF NEED  
AND REASONABLENESS

This document has been prepared as a verbatim affirmative presentation of the facts necessary to establish the statutory authority, need for and reasonableness of the proposed amendment of 13 MCAR Section 1.6004, Minnesota Gross Income for Individuals Who Are Part-Year Residents or Nonresidents of Minnesota (Federal Adjusted Gross Income). It is submitted pursuant to Minnesota Statutes, Section 14.23, which requires that the agency prepare a Statement of Need and Reasonableness which shall be available to the public.

Authority to Amend the Rule

Minnesota Statutes, Section 290.52 gives the Commissioner authority to establish rules for the income tax law. Implicit in the authority to establish rules is the ability to amend rules. Minnesota Statutes, Section 290.081(c) allows the Commissioner to decide with which states reciprocity will be allowed.

Statement of Need and Reasonableness

13 MCAR Section 1.6004 deals with Minnesota Gross Income for Individuals Who are Part-Year Residents or Nonresidents of Minnesota (Federal Adjusted Gross Income) including income tax reciprocal agreements between Minnesota and certain other states. The Commissioner of Revenue has the authority under Minnesota Statutes, Section 290.081 to enter into reciprocal tax agreements with other states. The authority for withholding tax reciprocity agreements is contained

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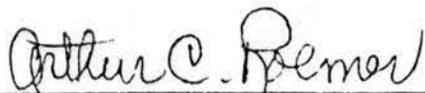
in Minnesota Statutes, Section 290.93, subd. 4a(3). The Commissioner of Revenue, State of Minnesota, has entered into an income tax and withholding tax reciprocal agreement with the Commissioner of Revenue, State of Michigan, applicable with respect to the taxation of net income for taxable years beginning on or after January 1, 1984 and with respect to withholding tax, effective January 1, 1984 (see attachment). Wisconsin, North Dakota and Michigan are now the only states that have reciprocity exclusion agreements with the State of Minnesota. 13 MCAR Section 1.6004 F. should therefore be amended to include the State of Michigan.

Income Tax and Withholding Tax Reciprocal Agreement  
Between Michigan and Minnesota

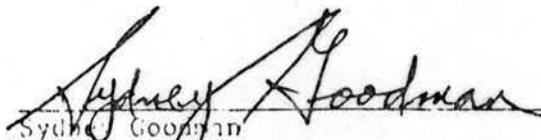
1. This agreement shall be applicable with respect to the taxation of net income for taxable years beginning on or after January 1, 1984 and with respect to withholding tax, effective January 1, 1984.
2. For purposes of this agreement, income from "personal services" shall be deemed to include income from "professions" and "compensation" shall be deemed to include fees of independent professional persons not engaged in business, i.e., doctors, attorneys, accountants, engineers.
3. This agreement relates only to net income taxation of natural persons and the terms "natural persons" and "individuals" are to be deemed synonymous.
4. This agreement does not relate to any tax levied on each individual by either state for the privilege of doing business in such state.
5. This agreement shall not be interpreted as preventing the taxing authorities of either state from requiring any individual to file such returns as are required by the law of the state even though some or all of the income reported in such returns is not subject to income tax by the state because of the reciprocity provisions of its income tax law.
6. Pursuant to this agreement, Michigan will forego taxation of compensation, from personal services performed in Michigan, by natural persons domiciled in Minnesota who customarily return to their place of abode in Minnesota at least once a month; and Minnesota will forego taxation of compensation, from personal services performed in Minnesota, by natural persons domiciled in Michigan who customarily return to their place of abode in Michigan at least once a month.
7. The employer of any employee domiciled in Minnesota and qualifying under Paragraph 6., which employee performs personal services in Michigan, need not withhold for Michigan income tax purposes for wages paid to such employee after January 1, 1984 for personal services performed in Michigan. The employer of any employee domiciled in Michigan and qualifying under Paragraph 6., which employee performs personal services in Minnesota, need not withhold for Minnesota income tax purposes for wages paid to such employee after January 1, 1984, for personal services performed in Minnesota.
8. Additions and changes, including definitions, in the provisions of this agreement may be made by mutual consent of the Commissioners of Michigan and Minnesota shall become an attachment to this agreement.

Dated this 14 day of December 1983

Dated this 14th day of Sept, 1983



Arthur C. Roemer  
Commissioner of Revenue  
State of Minnesota



Sydney Goodman  
Commissioner of Revenue  
State of Michigan

MAR 8 1984

March 6, 1984

Dear Lui

Regarding intent to amend the rule to exclude income from tax in Minn. from workers in Mich.

I think there should be a public hearing. For one reason that there appears to be Mich Ford workers coming to Minn to replace Minn workers and they would not be paying Minn Tax. What possible Minn workers would be earning money in Mich. !!!

Sincerely

Mr Roy Wilson

8205 Upton Ave So

Bloomington, Minn

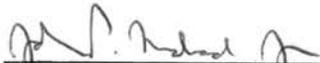
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Statement  
Compliance With  
Rulemaking Procedures

I, John P. Malach, Jr., Income Tax Attorney, do hereby declare that I have examined the rules and all related documents and that, based on my examination and my personal familiarity with the applicable procedures, the Administrative Procedure Act, the rules of the Office of Administrative Hearings, and the rules of the Attorney General have been followed. There are no exceptions.

  
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John P. Malach, Jr.

Dated: 4-4-84