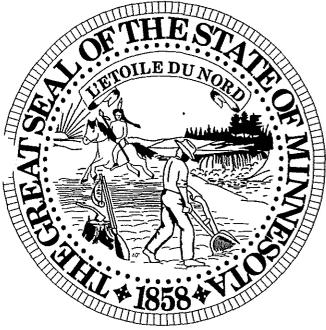


NOV 23 1994



Minnesota Department of
Economic Security

Formerly the Department of Jobs and Training

✓
KBJ

November 21, 1994

Maryanne V. Hruby
Legislative Commission to
Review Administrative Rules
55 State Office Building
100 Constitution Avenue
St. Paul, MN 55155

re: SONAR for Proposed Rules

Dear Ms. Hruby:

I have enclosed a copy of the Statement of Need and Reasonableness (SONAR) for the proposed rules on Types of Wages. The Notice of Intent to Adopt Rules will be published in the State Register on December 5, 1994.

Beginning today the SONAR is available to the public.

Sincerely,

A handwritten signature in cursive script that reads "Michael J. Fratto".

Michael J. Fratto
Rules Coordinator

STATE OF MINNESOTA

DEPARTMENT OF ECONOMIC SECURITY

In the Matter of Proposed
Rules Relating to Unemployment
Compensation Employer Taxes,
Minnesota Rule, Part 3315.0210

Statement of Need
and Reasonableness

INTRODUCTION

This proposed rule is presented by the Department of Economic Security in accordance with Minnesota Statutes, sections 14.22 to 14.28 of the Administrative Procedures Act. This rule interprets Minnesota Statutes section 268.04, which defines the term "wages". This rule has been developed as authorized by Minnesota Statutes, section 268.021, which permits the Commissioner to adopt rules governing programs the Commissioner administers under Minnesota Statutes, Chapter 268.

The proposed rule would amend the existing rule in Minnesota Rules, part 3315.0210, and represents codification of departmental policy and practice that will take effect on January 1, 1995.

DISCUSSION

3315.0210 TYPES OF WAGES, GENERALLY

Subpart E. The proposed rule amends existing rule 3315.0210E by deleting from the definition of the term "wages" certain distributions or allocations of profits by corporations organized under the rules of subchapter S of the Internal Revenue Code. The existing rule requires employers to report to the department as wages certain distributions and allocations that are not reportable for FUTA purposes. The proposed rule is needed to standardize federal and state treatment of distributions. The proposed rule is reasonable because it will eliminate taxation of undistributed profits, will clearly define certain exclusions, and will ease the reporting burden of employers.

SMALL BUSINESS CONSIDERATIONS

Small businesses can be affected by these rules. Many small corporations choose to report as subchapter S corporations because it eases the reporting burden for federal purposes. The proposed rule will simplify the reporting procedure for these corporations by narrowing the definition of the term "wages" to actual payments, by eliminating the need to declare and pay tax on undistributed profits, and by allowing a consideration of reasonable compensation.