

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

MJM
11-18-92

RULE REVIEW CHECKLIST

File No. 1969
DATE RECEIVED 11-17-92
REVIEW DATE ~~11-30-92~~ 11-30-92
DUE DATE ~~12-1-92~~
(~~DIS~~)APPROVED 12-1-92
WITHDRAWN

Docket No. 05.0009, 0735
ADOPTED W/O HEARING
EMERGENCY RULE
TO REVISOR ON 11-18-92
REVISOR (DIS)APPROVED 11/24/92
FILED W/SEC. OF STATE 12-2-92
RETURNED TO AGENCY 12-2-92

✓ Rule as adopted (4 copies)

✓ ~~Notice to Solicit~~ Outside Information/Opinion (if applicable)
March 30 92 Date published in State Register
✓ Comments

~~Petition for Adoption of a Rule~~

~~Board's Authorizing~~ Resolution
Date adopted

X Proposed Rule
X Revisor's Certificate

X Notice of Intent to Adopt Rule
Mon Sept 28 92 Statutory Authority 270.06(13)
Small Business Statement
Expenditure of public money statement
Signature

X Statement of Need and Reasonableness (if applicable)
Small Business Statement
Fees - § 16A.128

X Affidavit of Mailing Notice of Intent to Adopt Rule
~~Sept 23, 92~~ Dated 30/25 days before adoption
Notice attached indicates it is attached
Copy of rule or summary attached

X Publication in State Register
Sept 28 92 Date 30/25 days before adoption

X 180-day deadline from:
✓ Effective date of law requiring rule (14.12) (both rules) amendments don't apply
✓ end of comment period (§ 14.26) (rules without hearing)
effective date of statutory authority (§ 14.29) (emergency rules)

Resolution Adopting
Date adopted

X Findings of Fact, Conclusions & Order Adopting
Nov 9, 92 Date

Written Requests, Submissions or Comments

X Declaration of Attorney
Nov 16 92 Name of SAAG representing agency Barry Creller

Notice of Submission to Attorney General (if applicable)

Affidavit of Mailing Notice to Attorney General (if applicable)

STATE OF MINNESOTA

Office of the Attorney General

TO : JASON P. HARDY
Appeals, Legal Services, and
Criminal Investigations Division
10 River Park Plaza
Mail Station 2220
St. Paul

DATE : December 2, 1992

FROM : MARY JO MURRAY
Special Assistant
Attorney General

PHONE : 296-3258

SUBJECT : In the Matter of the Adopted Rule Relating to United States Interest Subtraction

The above-referenced rule has been approved as to its legality by the Attorney General on December 1, 1992.

Enclosed is your copy of the approved rule. This office has already filed two copies with the Secretary of State, who will forward one copy to the Revisor of Statutes. The fourth is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submissions or comments along with any extra copies of documents which you submitted to the Attorney General.

Your next step is to arrange for publication of the Notice of Adoption in the State Register. In a day or two, you should receive from the Revisor's Office three copies of the notice of adoption of your rule. You should submit two copies of the Notice of Adoption to the State Register for publication. A permanent rule without a hearing does not become effective until five days after a notice of adoption is published in the State Register in accordance with Minn. Stat. § 14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. § 14.34.

If you have any questions in this regard, please contact me.

Enclosures
cc: Barry R. Greller
William Brown, Chief Judge
MaryAnn Hruby

MJM:jj.rules.BD9

Department of Revenue

Adopted Permanent Rules Relating to United States Interest Subtraction

Rules as Adopted

8002.0300 SUBTRACTION FOR INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS.

Subpart 1. **Conditions for qualification.** Minnesota Statutes, section 290.01, subdivision 19b, clause (1), allows an individual taxpayer, an estate, or a trust to subtract the amount of interest earned on certain obligations of the United States government from federal taxable income. To qualify for this subtraction, the obligation must meet the following conditions:

A. For the purposes of these conditions, "interest" includes:

(1) income reported federally as ordinary income pursuant to ~~the Internal Revenue Code,~~ sections 454 and 1271 through 1286 of the Internal Revenue Code of 1986, as amended through December 31, 1992; and

(2) dividends from regulated investment companies as defined by ~~the Internal Revenue Code, sections~~ section 851(a) or (h) of the Internal Revenue Code of 1986, as amended through December 31, 1992, to the extent that the income of the regulated investment company is derived from interest on federal obligations and is reported federally as dividend income by shareholders.

B. The obligation must be an obligation of the United States of America, whether through an agency, authority, commission, or instrumentality of the United States, and must be exempt from state taxation under federal law.

C. The obligation must be in writing, bear interest, contain a binding promise by the United States to pay specified sums on specified dates, and be specifically authorized by

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Congress. Open accounts and other unsettled claims or demands are not obligations of the United States for the purposes of this part.

[For text of item D, see M.R.]

E. The interest income on the obligation must have been included in federal taxable income for the taxable year that subtraction is claimed. If only a portion of the interest income on an obligation has been included in federal taxable income, only the included portion may be subtracted. Where the interest is in the form of dividends from a regulated investment company and all of the regulated investment company's interest is derived from interest on obligations that are exempt from state taxation by federal law, the full amount of the dividends received by shareholders may be subtracted. Where less than the full amount is derived from interest on exempt obligations, the amount to be subtracted is determined as follows:

Regulated investment company's interest income on federal obligations less expenses attributable to such income	÷	Regulated investment company's taxable income as defined by section 852(b)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1992, before deduction for dividends paid	=	Percent of federally taxable ordinary income dividends received by shareholders that qualify as exempt

In the case of a series fund, as defined by the Internal Revenue Code, section 851(h), the portion of the dividends paid that is exempt from Minnesota income tax must be determined on a fund-by-fund basis.

Subp. 2. **Exhibits.** Subpart 3 contains a list of securities that are exempt from Minnesota income tax and for which a subtraction is allowed. Subpart 4 contains a list of securities that are subject to Minnesota income tax and for which no subtraction is allowed. Subparts 5 and 6 contain lists of various federal agencies or related organizations that either generally issue exempt obligations or generally issue taxable obligations. These lists are not intended to be conclusive on the taxable status of any particular obligation issued by or in conjunction with a listed agency or organization. Even though a

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listed agency generally only issues either exempt obligations or taxable obligations, it does not follow that each and every obligation carrying the name of that particular agency is either exempt or taxable. An agency may issue its own obligations that are exempt and also may handle private obligations that are not exempt. For example, the agency may administer, purchase and sell, insure, or guarantee an otherwise private obligation. Such action by the agency does not convert a private obligation into a direct and primary obligation of the United States of America and, therefore, does not make the private obligation tax exempt. The taxable status of each obligation must be determined separately in accordance with subpart 1, items A to E.

Subp. 3. **Exempt obligations listed by name of security.**

	Name of Security	Agency	Authority as amended through 6-15-92
A.	Banks for Cooperatives bonds	Banks for Cooperatives	12 USC S 2134
B.	Farmers Home Administration notes, as defined in Tobak v. Commissioner	Farmers Home Administration	31 USC S 3124, Tobak v. Commissioner, docket number 2244 Minn. tax court (March 10, 1977)
C.	Consolidated collateral trust debentures	Federal Intermediate Credit Banks	12 USC S 2077
D.	Consolidated discount notes	Federal Home Loan Banks	12 USC S 1433
E.	Consolidated Federal Home Loan Bank notes	Federal Home Loan Banks	12 USC S 1433
F.	Consolidated Federal Farm Loan bond	Federal Land Banks	12 USC S 2023
G.	Federal Farm Credit Banks consolidated systemwide bonds and notes	Federal Land Banks, Federal Intermediate Credit Banks	12 USC SS 2023, 2077, and 2134
H.	U.S. freedom shares	U.S. Treasury Department	31 USC S 3124
I.	U.S. savings bonds	U.S. Treasury Department	31 USC SS 3105 and 3124
J.	U.S. Treasury bills	U.S. Treasury Department	31 USC SS 3104 and 3124
K.	U.S. Treasury bonds	U.S. Treasury Department	31 USC SS 3102 and 3124

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L. U.S. Treasury certificates of indebtedness	U.S. Treasury Department	31 USC SS 3104 and 3124
M. United States notes	U.S. Treasury Department	31 USC SS 3103 and 3124
N. Industrial Development Bonds of East Samoa	American Samoa	48 USC S 1670
O. Proprietary zero-coupon certificates	U.S. Treasury Department	31 USC S 3124
P. United States Postal Service bonds	U.S. Postal service	39 USC S 2005
Q. Virgin Islands general obligation bonds	Virgin Islands	48 USC S 1574(b)(ii)(A)
R. Virgin Island Public Improvement bonds	Virgin Islands	48 USC S 1574(b)(i)
S. Puerto Rico bonds	Puerto Rico	48 USC S 745

Subp. 4. **Taxable obligations listed by name of security.**

Name of Security	Agency	Authority as amended through 6-15-92
A. Certificate of beneficial interest (CBI's)	Export-Import Bank of the U.S. (Eximbank)	12 USC SS 635 and 635d
B. Eximbank debentures	Export-Import Bank of the U.S. (Eximbank)	12 USC S 635
C. Participation certificates (PC's)	Export-Import Bank of the U.S. (Eximbank)	12 USC S 635
D. Federal Assets Financing Trust participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
E. Federal Assets Liquidation Trust participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c), 1721, and 1723 c
F. GNMA mortgage-backed bonds	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
G. GNMA pass-through Securities	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
H. Government Mortgage Liquidation Trust	Government National Mortgage	12 USC SS 1717(c)

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	Participation certificates	Association (GNMA)	and 1721
I.	National Government Securities Trust	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
J.	Mortgage participation certificates (PC's)	Federal Home Loan Mortgage Corporation	12 USC SS 1452(d) and 1455
K.	Guaranteed mortgage certificates (GMC's)	Federal Home Loan Mortgage Corporation	12 USC SS 1452(d) and 1455
L.	New communities debentures	Privately issued under HUD program	42 USC SS 3902 and 4514
M.	Certificate of beneficial ownership (CBO's)	Farmers Home Administration	7 USC SS 1922-1928
N.	SBIC debentures	Small Business Investment Companies	15 USC S 687(e)
O.	Rural Telephone debentures	Rural Electrification Administration	7 USC S 947(a)
P.	Small Business Administration notes	Small Business Administration	15 USC S 633

Subp. 5. **Agencies which generally issue exempt obligations.**

Notice: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to subpart 1, items A to E.

	Name of Agency	Types of Securities	Authority as amended through 6-15-92
A.	Bank for Cooperatives	Notes, debentures, and other obligations	12 USC S 2134
B.	Commodity Credit Corporation	Bonds, notes, debentures, and other similar obligations	15 USC S 713a-5
C.	Federal Deposit Insurance Corporation	All notes, debentures, bonds, or other obligations	12 USC S 1825
D.	Federal Farm Credit Administration	Obligations	12 USC SS 2023, 2027, 2098, 2134, and 2278(b)-10
E.	Federal Home Loan	Notes, debentures,	12 USC S

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	Banks	bonds, and other obligations		1433
F.	Federal Intermediate Credit Banks	Notes, bonds, and debentures		12 USC S 2079
G.	Federal Land Bank Associations	Notes, bonds, debentures, and other obligations		12 USC S 2098
H.	Federal Land Banks	(a) Mortgages held by the instrumentality		12 USC S 2023
		(b) Notes, bonds, debentures, and other obligations		12 USC S 2023
I.	Federal Savings & Loan Insurance Corporation	All notes, debentures, bonds, or other obligations		12 USC S 1725(e)
J.	General Insurance Fund of the Department of Housing and Urban Development, including	Debentures		
	(1) Rental Housing Insurance		i.	12 USC S 1713(i)
	(2) Rental Housing Project		ii.	12 USC S 1747g(g)
	(3) War Housing Insurance		iii.	12 USC S 1739(d)
	(4) Armed Services Housing		iv.	12 USC S 1748b(f)
	(5) National Defense Housing Insurance		v.	12 USC S 1750c(d)
	(6) Neighborhood Conservation Housing Insurance		vi.	12 USC S 1715k (h)(7)
K.	Production Credit Associations	Notes, debentures, and other obligations		12 USC S 2077
L.	Puerto Rico	~~Bonds~~ Obligations		48 USC S 745
M.	Tennessee Valley Authority	Bonds		16 USC S 831n-4(d)
N.	U.S. Postal Service	Obligations		39 USC S 2005(d)(4)
O.	Virgin Islands	Bonds		48 USC S 1574
P.	Farm Credit System Financial Assistance Corporation	Notes, bonds, debentures, and other obligations		12 USC S 2278b-10
Q.	Financing Corporation	Notes, debentures, and other obligations		12 USC S 1441
R.	Guam	Bonds		48 USC S 1423a
S.	Resolution Funding Corporations	All notes, debentures, bonds, and other		12 USC S 1441a

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		obligations	
T.	Student Loan Marketing Association	Bonds and notes	20 USC S 1087-2

Subp. 6. **Agencies or organizations which generally issue taxable obligations.**

Notice: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to subpart 1, items A to E.

	Name of Agency or Organization	Types of Securities	Authority as amended through 6-15-92
A.	Asian Development Bank	Obligations	22 USC SS 285-285t
B.	District of Columbia Armory Board	Obligations	31 USC S 3124(a)
C.	Environmental Financing Authority	Obligations	33 USC S 1281 note, P.L. 92-500 S 12(j)
D.	Export-Import Bank	Notes, debentures, bonds, or other obligations	12 USC SS 635-635n
E.	Farmers Home Administration	Obligations	7 USC SS 1922-1928
F.	Federal Home Loan Mortgage Corporation	Obligations	12 USC S 1455
G.	Federal National Mortgage Association (FNMA)	Obligations, mortgage-backed securities, subordinated obligations, participation certificates (PC's)	12 USC S 1719(e)
H.	Government National Mortgage Association (GNMA)	Obligations, mortgage-backed securities, participation certificates (PC's)	12 USC SS 1717(c), 1721, and 1723c
I.	Inter-American Development Bank	Obligations	22 USC SS 283-283z
J.	International Bank for Reconstruction and Development (World Banks)	Obligations	22 USC SS 286-286r
K.	International Monetary Fund	Obligations	22 USC SS 286-286r
L.	Maritime Administration Merchant	Private obligations guaranteed by	46 USC S 1273

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	Marine	agency	
M.	National Consumer Cooperative Bank	Obligations	12 USC S 3017(c)
N.	New community development corporations	Bonds, debentures, notes, and other obligations issued on behalf of private new community developers and state land development agencies which are guaranteed by HUD	42 USC SS 3902 and 4514
O.	Small Business Investment Companies	Debenture bonds, promissory notes, and other obligations	15 USC S 687(e)
P.	Federal Financing Bank	Obligations	12 USC S 2288
Q.	Federal Reserve banks	Obligations	12 USC S 548
R.	College Construction Loan Insurance Association	Obligations	20 USC S 1132
S.	Small Business Administration	Notes	15 USC S 633

RELETTERING. In the next edition of Minnesota Rules, the revisor of statutes shall place all items in part 8002.0300, subparts 3, 4, 5, and 6 in alphabetical order and reletter accordingly.

Approved
by Revisor _____

APPROVED AS TO FORM AND LEGALITY

Dec 1 19 92

HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY _____
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

DEC 2 1992

Joan Anderson Growe
Secretary of State

12:57 PM

MINNESOTA Department of Revenue

APPEALS, LEGAL SERVICES AND CRIMINAL INVESTIGATION DIVISION

Mail Station 2220
St. Paul, Minnesota 55146-2220
Phone (612) 296-1902, ext. 117
Facsimile (612) 296-8229

RECEIVED
NOV 17 1992
Office of the Attorney General
Government Services Section
Capitol Office Bldg., Suite 5
525 Park Street
St. Paul, MN

November 16, 1992

The Office of the Attorney General
Public Finance Division
Capitol Office Building
525 Park Street
St. Paul, Minnesota 55103

Re: **In the Matter of the Proposed Adoption of Amendments to Minnesota Rules, Part 8002.0300 Governing Subtraction for Interest on United States Government Obligations.**

Dear Sir or Madam:

Enclosed herein are the following:

(1) A copy of the proposed rule with a certificate of approval as to form by the revisor of statutes attached.

(2) The notice of intent to adopt the rule without a public hearing as mailed.

(3) The statement of need and reasonableness.

(4) The affidavit of mailing the notice of intent to adopt the rule without a public hearing.

(5) A copy of the notice of intent to adopt the rule without a public hearing as published in the State Register.

(6) Four copies of the rule as adopted.

(7) The findings of fact, conclusions, and order adopting the rule.

(8) The Declaration of Counsel of Barry R. Greller, Special Assistant Attorney General.

A copy of the statement of need and reasonableness was mailed to the Legislative Commission to Review Administrative Rules when it became available to the public, as required by Minn. Stat. § 14.23.

These documents are submitted for your final approval pursuant to Minn. Stat. ch. 14 and Minn. Rules ch. 2010. If the rule is approved and filed with the Secretary of State, please notify me.

Sincerely,

Jason P. Hardy
Legal Services Section

JPH/ml
Enclosure

In the Matter of the Adoption of
Amendments to Minnesota Rules,
Part 8002.0300, Governing Subtraction
for Interest on United States
Government Obligations

DECLARATION OF COUNSEL

I, Barry R. Greller, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rule and the supporting rulemaking record and that based on my examination, the Administrative Procedure Act and Minnesota Rules, chapter 2010 have been followed. Any exceptions are listed below. For Attorney General billing purposes, the four-digit docket client code is 0735.

In examining the rule, I noted the following:

The Notice of Intent to Adopt a Rule Without a Public Hearing as mailed is prepared under the signature of Michael E. Boekhaus, but it does not contain his handwritten signature. It does not appear that this matter deprived any person of an opportunity to participate meaningfully in the rulemaking process, in that, among other reasons, the mailed notice clearly specified that it was issued under Mr. Boekhaus's authority and his handwritten signature does appear on the Findings of Fact, Conclusions of Law and Order Adopting Rule Without A Public Hearing.

Dated: November 10, 1992.

Barry R. Greller

BARRY R. GRELLER
Special Assistant
Attorney General

brg.do0

STATE OF MINNESOTA
DEPARTMENT OF REVENUE

In the Matter of the Proposed Adoption Without a Public Hearing of Amendments to Minnesota Rules, part 8002.0300 Governing Subtraction for Interest on United States Government Obligations	FINDINGS OF FACT CONCLUSIONS, AND ORDER ADOPTING RULE WITHOUT PUBLIC HEARING

The Department published notice of intent to solicit outside information or opinions in the *State Register* on March 30, 1992. The Department received no information or opinions from sources outside the agency concerning the part. On September 23, 1992, the Department sent, by United States mail, notice of intent to adopt a rule without a public hearing to all persons on the list maintained by the Department pursuant to Minnesota Statutes, sections 14.14 and 14.22. The Department published notice of intent to adopt a rule without a public hearing in the *State Register* on September 28, 1992. The statement of need and reasonableness was prepared before the notice of intent to adopt a rule without a public hearing was mailed and was available to the public.

All persons were given the opportunity to submit comment on the rule for at least 30 days after notice of the proposed rulemaking. No requests for a public hearing on the part were received by the Department. The Department received one written comment and one oral comment. The comments suggested minor improvements to the amendments to the part. In response to the comments, the Department made two changes to the formula in subpart 1, item E, of the part. A citation to the Internal Revenue Code was inserted in the formula to indicate that the Department relies on the Internal Revenue Code definition of regulated investment company taxable income for the purposes of the formula. The words "federally taxable ordinary income" were inserted in the formula to emphasize that in order for interest to be deducted from federal taxable income it must have been

included in federal taxable income in the first place and that only ordinary income dividends may qualify for subtraction from taxable income. An additional exempt security was added to subpart 3. The security, Puerto Rico bonds, was listed in subpart 5, but it was suggested by written comment that it be listed in subpart 3 also, because all bonds issued by the government of Puerto Rico are exempt from state taxation.

The above-captioned rule is needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rule identified as Minnesota Rules, part 8002.0300 as modified is adopted this 9th day of November, 1992, pursuant to authority vested in the Commissioner by Minnesota Statutes, section 270.06(13).

Dorothy A. McClung
Commissioner of Revenue
State of Minnesota

STATE OF MINNESOTA
DEPARTMENT OF REVENUE
APPEALS AND LEGAL SERVICES DIVISION

IN THE MATTER OF THE PROPOSED ADOPTION OF AMENDMENTS TO MINNESOTA RULES, PART 8002.0300 GOVERNING SUBTRACTION FOR INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS

AFFIDAVIT OF MAILING THE NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING AND CERTIFICATE OF MAILING LIST

STATE OF MINNESOTA }
}ss.
COUNTY OF RAMSEY }

Margaret A. Connolly, being sworn says:

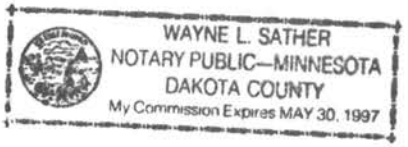
I hereby certify that the list of persons and associations who have requested, pursuant to Minnesota Statutes, sections 14.14, subdivision 1a and 14.22 or 14.30, that their names be placed on the state Department of Revenue rulemaking mailing list is accurate, complete, and current as of this 23rd day of September, 1992.

That on the 23rd day of September, 1992, at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notice of Intent to Adopt A Rule Without a Public Hearing by depositing in the State of Minnesota Central Mail System for United States mailing, a copy thereof, with postage prepaid, to all persons and associations on the aforementioned mailing list.

Margaret A. Connolly
MARGARET A. CONNOLLY
SECRETARY, SENIOR TYPIST 4

Subscribed and sworn to
before me this
23rd day of September 1992

Wayne L. Sather
WAYNE L. SATHER



Department of Revenue

In the Matter of the Proposed
Adoption of Amendments to
Minnesota Rules, Part 8002.0300
Governing Subtraction for Interest on
United States Government Obligations

NOTICE OF
INTENT TO
ADOPT A RULE
WITHOUT A
PUBLIC HEARING

NOTICE IS HEREBY GIVEN THAT the Minnesota Department of Revenue intends to adopt the above entitled rule without a public hearing following the procedures set forth in the Administrative procedures Act for adopting rules without a public hearing in Minnesota Statutes, section 14.22 to 14.28. The statutory authority to adopt the proposed rule is Minnesota Statutes, section 270.06(13).

All persons have until 4:30 p.m. on October 28, 1992 to submit comment in support of or in opposition to the proposed rule or any subpart of the proposed rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule. Any written request for a public hearing must be received by the Department of Revenue by 4:30 p.m. on October 28, 1992. If 25 or more persons submit written requests for a public hearing by 4:30 p.m. on October 28, 1992, a public hearing will be held unless a sufficient number withdraw their requests in writing. Any person requesting a public hearing must include his or her name and address, and should identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the agency will proceed under Minnesota Statutes, sections 14.131 to 14.20. Comments or written requests for a public hearing must be submitted to:

Jason P. Hardy
Appeals, Legal Services, and Criminal Investigations Division
10 River Park Plaza
Mail Station 2220
St. Paul, MN 55146-2220
(612) 296-1902 extension 117

The proposed rule may be modified if the modifications are supported by data and views submitted to the Department of Revenue and do not result in a substantial change in the proposed rule as noticed. A copy of the proposed rule is attached to this notice.

A STATEMENT OF NEED AND REASONABLENESS that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available upon request from Jason P. Hardy at the address and telephone number listed above.

In preparing the rule, the Department has considered the requirements of Minnesota Statutes, section 14.115 in regard to the impact of the proposed rule on small business. The adoption of the rule will not adversely affect small businesses.

Minnesota Statutes, section 14.11, subdivision 1, does not apply because adoption of the rule will not result in additional spending by local public bodies in excess of $100,000 per year for the first two years following adoption of the rule. Minnesota Statutes, section 14.11, subdivision 2, does not apply because adoption of the rule will not impact agricultural land. Minnesota Statutes, section 16A.128, subdivisions 1a and 2a, do not apply because the rule does not fix fees.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rules, must submit the written request to Jason P. Hardy at the address and telephone number listed above.

Dated: September 10, 1992

Michael E. Boekhaus, Director
Appeals, Legal Services, and
Criminal Investigation Division

Department of Revenue

Proposed Permanent Rules Relating to United States Interest Subtraction

Rules as Proposed

8002.0300 SUBTRACTION FOR INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS.

Subpart 1. **Conditions for qualification.** Minnesota Statutes, section 290.01, subdivision ~~20, paragraph (b)~~ 19b, clause (1), allows an individual taxpayer, an estate, or a trust to subtract the amount of interest earned on certain obligations of the United States government from federal ~~adjusted gross~~ taxable income. To qualify for this subtraction, the obligation must meet the following conditions:

A. ~~The interest income on the obligation must have been included in federal adjusted gross income for the taxable year that the subtraction is claimed. If only a portion of the interest income on an obligation has been included in federal adjusted gross income, only the included portion may be subtracted~~ For the purposes of these conditions, "interest" includes:

(1) income reported federally as ordinary income pursuant to the Internal Revenue Code, sections 454 and 1271 through 1286; and

(2) dividends from regulated investment companies as defined by the Internal Revenue Code, sections 851(a) or (h), to the extent that the income of the regulated investment company is derived from interest on federal obligations and is reported federally as dividend income by shareholders.

B. The obligation must be an obligation of the United States of America, whether through an agency, authority, commission, or instrumentality of the United States, and must be exempt from state taxation under federal law. ~~This means that the full faith and credit of the United States must be pledged~~

Approved by Revisor

~~to-the-payment-of-the-underlying-obligation.~~

C. The obligation must be in writing, bear interest, contain a binding promise by the United States to pay specified sums on specified dates, and be specifically authorized by Congress~~,-and-be-supported-by-a-pledge-of-full-faith-and-credit of-the-United-States~~. Open accounts and other unsettled claims or demands are not obligations of the United States for the purposes of this ~~subtraction~~ part.

[For text of item D, see M.R.]

E. The interest income on the obligation must have been included in federal taxable income for the taxable year that subtraction is claimed. If only a portion of the interest income on an obligation has been included in federal taxable income, only the included portion may be subtracted. Where the interest is in the form of dividends from a regulated investment company and all of the regulated investment company's interest is derived from interest on obligations that are exempt from state taxation by federal law, the full amount of the dividends received by shareholders may be subtracted. Where less than the full amount is derived from interest on exempt obligations, the amount to be subtracted is determined as follows:

Regulated investment company's interest income on federal obligations less expenses attributable to such income	÷	Regulated investment company's taxable income before deduction for dividends paid	=	Percent of dividends received by shareholders that qualify as exempt

In the case of a series fund, as defined by the Internal Revenue Code, section 851(h), the portion of the dividends paid that is exempt from Minnesota income tax must be determined on a fund-by-fund basis.

Subp. 2. **Exhibits.** Subpart 3 contains a list of securities that ~~have-been-determined-to-be~~ are exempt from Minnesota income tax and for which a subtraction is allowed. Subpart 4 contains a list of securities that ~~have-been determined-to-be-taxable-by-the-state-of~~ are subject to Minnesota income tax and for which no subtraction is allowed. Subparts 5 and 6 contain lists of various federal agencies or

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related organizations that either generally issue exempt obligations or generally issue taxable obligations. These lists are not intended to be conclusive on the taxable status of any particular obligation issued by or in conjunction with a listed agency or organization. Even though a listed agency generally only issues either exempt obligations or taxable obligations, it does not follow that each and every obligation carrying the name of that particular agency is either exempt or taxable. An agency may issue its own obligations that are exempt and also may handle private obligations that are not exempt. For example, the agency may administer, purchase and sell, insure, or guarantee an otherwise private obligation. Such action by the agency does not convert a private obligation into a direct and primary obligation of the United States of America and, therefore, does not make the private obligation tax exempt. The taxable status of each obligation must be determined separately in accordance with subpart 1, items A to ~~D~~ E.

Subp. 3. **Exempt obligations listed by name of security.**

	Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
A.	Banks for Cooperatives bonds	Banks for Cooperatives	12 USC S 2134
B.	Farmers Home Administration notes, as defined in Tobak v. Commissioner	Farmers Home Administration	31 USC S ~~742~~ 3124, Tobak v. Commissioner, docket number 2244 Minn. tax court (March 10, 1977)
C.	Consolidated collateral trust debentures	Federal Intermediate Credit Banks	12 USC S ~~2079~~ 2077
D.	Consolidated discount notes	Federal Home Loan Banks	12 USC S 1433
E.	Consolidated Federal Home Loan Bank notes	Federal Home Loan Banks	12 USC S 1433
F.	Consolidated Federal Farm Loan bond	Federal Land Banks	12 USC S ~~2055~~ 2023
G.	Federal Farm Credit Banks consolidated systemwide bonds and notes	Federal Land Banks, Federal Intermediate Credit Banks	12 USC SS ~~2055~~ 2023, ~~2079~~ 2077, and 2134
H.	U.S. freedom shares	U.S. Treasury	31 USC SS ~~742~~,

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		Department	~~753, and 757c~~ S 3124
I.	U.S. savings bonds	U.S. Treasury Department	31 USC SS ~~742,~~ ~~753, and 757c~~ 3105 and 3124
J.	U.S. Treasury bills	U.S. Treasury Department	31 USC SS ~~742,~~ ~~753, and 757c~~ 3104 and 3124
K.	U.S. Treasury bonds	U.S. Treasury Department	31 USC SS ~~742,~~ ~~753, and 757c~~ 3102 and 3124
L.	U.S. Treasury certificates of indebtedness	U.S. Treasury Department	31 USC SS ~~742,~~ ~~753, and 757c~~ 3104 and 3124
M.	United States notes	U.S. Treasury Department	31 USC SS ~~742,~~ ~~753, and 757c~~ 3103 and 3124
N.	Industrial Development Bonds of East Samoa	American Samoa	48 USC S 1670
O.	Proprietary zero-coupon certificates	U.S. Treasury Department	31 USC S 3124
P.	United States Postal Service bonds	U.S. Postal service	39 USC S 2005
Q.	Virgin Islands general obligation bonds	Virgin Islands	48 USC S 1574(b)(ii)(A)
R.	Virgin Island Public Improvement bonds	Virgin Islands	48 USC S 1574(b)(i)

Subp. 4. Taxable obligations listed by name of security.

	Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
A.	Certificate of beneficial interest (CBI's)	Export-Import Bank of the U.S. (Eximbank)	12 USC SS 635 and 635d
B.	Eximbank debentures	Export-Import Bank of the U.S. (Eximbank)	12 USC S 635
C.	Participation certificates (PC's)	Export-Import Bank of the U.S. (Eximbank)	12 USC S 635
D.	Federal Assets Financing Trust participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
E.	Federal Assets Liquidation Trust participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c), 1721, and 1723 c

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F. GNMA mortgage-backed bonds	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
G. GNMA pass-through Securities	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
H. Government Mortgage Liquidation Trust Participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
I. National Government Securities Trust	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
J. Mortgage participation certificates (PC's)	Federal Home Loan Mortgage Corporation	12 USC SS 1452(d) and 1455
K. Guaranteed mortgage certificates (GMC's)	Federal Home Loan Mortgage Corporation	12 USC SS 1452(d) and 1455
L. New communities debentures	Privately issued under HUD program	42 USC SS 3902 and 4514
M. Certificate of beneficial ownership (CBO's)	Farmers Home Administration	7 USC SS 1922-1928
N. SBIC debentures	Small Business Investment Companies	15 USC S 687(e)
O. Rural Telephone debentures	Rural Electrification Administration	7 USC S 947(a)
P. Small Business Administration notes	Small Business Administration	15 USC S 633

Subp. 5. Agencies which generally issue exempt obligations.

Notice: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to subpart 1, items A to ~~B~~ E.

Name of ~~instrumentality~~ Agency	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
A. Bank for Cooperatives	Notes, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S 2134
B. Commodity Credit	Bonds, notes,	15 USC S

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	Corporation	debentures, and other similar obligations	713a-5
C.	Federal Deposit Insurance Corporation	All notes, debentures, bonds, or other obligations	12 USC S 1825
D.	Federal Farm Credit Administration	Obligations	12 USC SS ~~2055,~~ ~~2079,~~ ~~2134,~~ ~~and 2098~~ 2023, 2027, 2098, 2134, and 2278(b)-10
E.	Federal Home Loan Banks	Notes, debentures, bonds, and other obligations ~~issued by the bank~~	12 USC S 1433
F.	Federal Intermediate Credit Banks	Notes, bonds, and debentures ~~issued by the instrumentality~~	12 USC S 2079
G.	Federal Land Bank Associations	Notes, bonds, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S ~~2055~~ 2098
H.	Federal Land Banks	(a) Mortgages held by the instrumentality (b) Notes, bonds, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S ~~2055~~ 2023 12 USC S ~~2055~~ 2023
I.	Federal Savings & Loan Insurance Corporation	All notes, debentures, bonds, or other obligations	12 USC S 1725(e)
J.	General Insurance Fund of the Department of Housing and Urban Development, including	Debentures	
	(1) Rental Housing Insurance	i.	12 USC S 1713(i)
	(2) Rental Housing Project	ii.	12 USC S 1747g(g)
	(3) War Housing Insurance	iii.	12 USC S 1739(d)
	(4) Armed Services Housing	iv.	12 USC S 1748b(f)
	(5) National Defense Housing Insurance	v.	12 USC S 1750c(d)
	(6) Neighborhood Conservation Housing Insurance	vi.	12 USC S 1715k (h)(7)
~~K.~~	~~Panama Canal bonds~~	~~Bonds~~	~~31 USC SS 744 and 745~~
~~L.~~	Production Credit Associations	Notes, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S ~~2098~~ 2077
~~M.~~			

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L. Puerto Rico	Bonds	48 USC S 745
~~N.~~ M. Tennessee Valley Authority	Bonds	16 USC S 831n-4(d)
~~O.~~ N. U.S. Postal Service	Obligations	39 USC S 2005(d)(4)
~~P.~~ O. Virgin Islands	Bonds	48 USC S 1574
P. Farm Credit System Financial Assistance Corporation	Notes, bonds, debentures, and other obligations	12 USC S 2278b-10
Q. Financing Corporation	Notes, debentures, and other obligations	12 USC S 1441
R. Guam	Bonds	48 USC S 1423a
S. Resolution Funding Corporations	All notes, debentures, bonds, and other obligations	12 USC S 1441a
T. Student Loan Marketing Association	Bonds and notes	20 USC S 1087-2

Subp. 6. Agencies or organizations which generally issue taxable obligations.

Notice: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to subpart 1, items A to ~~D~~ E.

Name of Agency or Organization	Types of Securities	Authority as amended through ~~1-1-92~~ 6-15-92
A. Asian Development Bank	Obligations	22 USC SS 285-285t
B. District of Columbia Armory Board	Obligations	31 USC S ~~742a(a)~~ 3124(a)
C. Environmental Financing Authority	Obligations	33 USC S 1281 note, P.L. 92-500 S 12(j)
D. Export-Import Bank	Notes, debentures, bonds, or other obligations	12 USC SS 635-635n

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E.	Farmers Home Administration	Obligations	7 USC SS 1922-1928
F.	Federal Home Loan Mortgage Corporation	Obligations	12 USC S 1455
G.	Federal National Mortgage Association (FNMA)	Obligations, mortgage-backed securities, subordinated obligations, participation certificates (PC's)	12 USC S 1719(e)
H.	Government National Mortgage Association (GNMA)	Obligations, mortgage-backed securities, participation certificates (PC's)	12 USC SS 1717(c), 1721, and 1723c
I.	Inter-American Development Bank	Obligations	22 USC SS 283-283z
J.	International Bank for Reconstruction and Development (World Banks)	Obligations	22 USC SS 286-286r
K.	International Monetary Fund	Obligations	22 USC SS 286-286r
L.	Maritime Administration Merchant Marine	Private obligations guaranteed by agency	46 USC S 1273
M.	National Consumer Cooperative Bank	Obligations	12 USC S ~~3017(d)~~ 3017(c)
N.	New community development corporations	Bonds, debentures, notes, and other obligations issued on behalf of private new community developers and state land development agencies which are guaranteed by HUD	42 USC SS 3902 and 4514
O.	Small Business Investment Companies	Debenture bonds, promissory notes, and other obligations	15 USC S 687(e)
P.	~~Washington Metropolitan Area Transit Authority (WMATA)~~	~~Bonds~~	~~40 USC SS 65-67~~
~~Q.~~	Federal Financing Bank	Obligations ~~issued by the bank~~	12 USC S ~~2283 and 31 USC S 742~~ 2288
R. ~~Q.~~	Federal Reserve banks	Obligations	12 USC S ~~502 and 12 USC S 531~~ 548

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~~S.~~	~~Student Loan Marketing Association~~	~~Bonds and notes~~	~~20 USC S 1087-2~~
R.	College Construction Loan Insurance Association	Obligations	20 USC S 1132
S.	Small Business Administration	Notes	15 USC S 633

RELETTERING. In the next edition of Minnesota Rules, the revisor of statutes shall place all items in part 8002.0300, subparts 3, 4, 5, and 6 in alphabetical order and reletter accordingly.

Approved by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to United States Interest Subtraction

AGENCY: Department of Revenue

MINNESOTA RULES: Chapter 8002

The attached rules are approved for publication in the State Register

Janet M. Rahm
Assistant Deputy Revisor

4900.3130 SELECTION CRITERIA FOR ~~GRANTS~~ FINANCIAL ASSISTANCE.

Preference shall be given to local units of government that propose to acquire properties being sold by the Resolution Trust Corporation or the Department of Housing and Urban Development.

In addition, the agency shall take the following criteria into consideration when determining which applications will be funded:

A. the extent to which the ~~grant is~~ requested funds are combined with funds or in-kind contributions from other public and private sources;

B. the availability and source of funds to pay the cost of acquisition, construction, or rehabilitation of the structure not funded by the ~~grant~~ financial assistance;

[For text of items C to E, see M.R.]

F. the immediacy of the need documented for temporary housing in the area in which the structure is located;

G. if the applicant requests funding for a structure in which a ~~transitional~~ housing program is currently operating:

(1) the need for an additional ~~transitional~~ housing program in the area and the extent to which additional ~~transitional~~ housing will be produced if the application is funded; or

(2) the extent to which funding for ongoing operating costs is declining and government ownership of the structure will ensure continued operation of the program;

H. if the applicant requests funding for shelters or facilities for other crime victims, priority shall be given to applicants who serve victims of crimes against the person;

I. the capacity of the applicant to proceed promptly with the acquisition, improvement, construction, or rehabilitation of the structure;

~~I.~~ J. the amount of the ~~grant~~ financial assistance requested as compared to the total resources available ~~for these grants~~ from the program;

~~J.~~ K. the extent to which the application receives the support and participation of the local community including the extent to which, if the applicant proposes to contract with or lease the property to a nonprofit organization, the governing board of the nonprofit organization represents the cultural diversity of the community;

~~K.~~ L. the geographic location of the structure in relation to support services, retail facilities, recreational facilities, medical facilities, and transportation;

~~L.~~ M. the reasonableness of the acquisition, improvement, construction, or rehabilitation cost with preference given to applications that minimize the cost per ~~transitional~~ housing units produced; and

~~M. the extent to which the application uses innovative cost-effective support services that are appropriate to the needs of the population served; and~~

N. the experience of the applicant, or if the applicant proposes to contract with a nonprofit ~~or for-profit~~ organization, then the experience of the nonprofit ~~or for-profit~~ organization in developing or managing housing, providing support services, and servicing the specific target population ~~of homeless persons~~.

REPEALER. *Minnesota Rules*, part 4900.3110, subpart 11, is repealed.

Department of Revenue

Proposed Permanent Rules Relating to United States Interest Subtraction

Notice of Intent to Adopt a Rule Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Minnesota Department of Revenue intends to adopt the above entitled rule without a public hearing following the procedures set forth in the Administrative procedures Act for adopting rules without a public hearing in *Minnesota Statutes*, section 14.22 to 14.28. The statutory authority to adopt the proposed rule is *Minnesota Statutes*, section 270.06(13).

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." **ADOPTED RULES SECTION** — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

All persons have until 4:30 p.m. on October 28, 1992 to submit comment in support of or in opposition to the proposed rule or any subpart of the proposed rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule. Any written request for a public hearing must be received by the Department of Revenue by 4:30 p.m. on October 28, 1992. If 25 or more persons submit written requests for a public hearing by 4:30 p.m. on October 28, 1992, a public hearing will be held unless a sufficient number withdraw their requests in writing. Any person requesting a public hearing must include his or her name and address, and should identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a hearing is required, the agency will proceed under *Minnesota Statutes* section 14.131 to 14.20. Comments or written requests for a public hearing must be submitted to:

Jason P. Hardy
Appeals, Legal Services, and Criminal Investigations Division
10 River Park Plaza
Mail Station 2220
St. Paul, MN 55146-2220
(612) 296-1902 extension 117

The proposed rule may be modified if the modifications are supported by data and views submitted to the Department of Revenue and do not result in a substantial change in the proposed rule as noticed. A copy of the proposed rule is attached to this notice.

A STATEMENT OF NEED AND REASONABLENESS that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available upon request for Jason P. Hardy at the address and telephone number listed above.

In preparing the rule, the Department has considered the requirements of *Minnesota Statutes*, section 14.115, in regard to the impact of the proposed rule on small business. The adoption of the rule will not adversely affect small businesses.

Minnesota Statutes, section 14.11, subdivision 1, does not apply because adoption of the rule will not result in additional spending by local public bodies in excess of $100,000 per year for the first two years following adoption of the rule. *Minnesota Statutes*, section 14.11, subdivision 2, does not apply because adoption of the rule will not impact agricultural land. *Minnesota Statutes*, section 16A.128, subdivisions 1a and 2a, do not apply because the rule does not fix fees.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rules, must submit the written request to Jason P. Hardy at the address and telephone number listed above.

Dated: 10 September 1992

Michael E. Boekhaus, Director
Appeals, Legal Services, and
Criminal Investigation Division

Rules as Proposed

8002.0300 SUBTRACTION FOR INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS.

Subpart 1. **Conditions for qualification.** *Minnesota Statutes*, section 290.01, subdivision ~~20, paragraph (b)~~ 19b, clause (1), allows an individual taxpayer, an estate, or a trust to subtract the amount of interest earned on certain obligations of the United States government from federal ~~adjusted gross~~ taxable income. To qualify for this subtraction, the obligation must meet the following conditions:

A. ~~The interest income on the obligation must have been included in federal adjusted gross income for the taxable year that the subtraction is claimed. If only a portion of the interest income on an obligation has been included in federal adjusted gross income, only the included portion may be subtracted~~ For the purposes of these conditions, "interest" includes:

(1) income reported federally as ordinary income pursuant to the Internal Revenue Code, sections 454 and 1271 through 1286; and

(2) dividends from regulated investment companies as defined by the Internal Revenue Code, sections 851(a) or (h), to the extent that the income of the regulated investment company is derived from interest on federal obligations and is reported federally as dividend income by shareholders.

B. The obligation must be an obligation of the United States of America, whether through an agency, authority, commission, or instrumentality of the United States, and must be exempt from state taxation under federal law. ~~This means that the full faith and credit of the United States must be pledged to the payment of the underlying obligation.~~

C. The obligation must be in writing, bear interest, contain a binding promise by the United States to pay specified sums on specified dates, and be specifically authorized by Congress~~, and be supported by a pledge of full faith and credit of the United States~~. Open accounts and other unsettled claims or demands are not obligations of the United States for the purposes of this ~~subtraction~~ part.

[For text of item D, see M.R.]

E. The interest income on the obligation must have been included in federal taxable income for the taxable year that subtraction is claimed. If only a portion of the interest income on an obligation has been included in federal taxable income, only the included portion may be subtracted. Where the interest is in the form of dividends from a regulated investment company and all of the regulated investment company's interest is derived from interest on obligations that are exempt from state taxation by federal law, the full amount of the dividends received by shareholders may be subtracted. Where less than the full amount is derived from interest on exempt obligations, the amount to be subtracted is determined as follows:

Regulated investment company's interest income on federal obligations less expenses attributale to such income	÷	Regulated investment company's taxable income before deduction for dividends paid	=	Percent of dividends received by shareholders that qualify as exempt

In the case of a series fund, as defined by the Internal Revenue Code, section 851(h), the portion of the dividends paid that is exempt from Minnesota income tax must be determined on a fund-by-fund basis.

Subp. 2. **Exhibits.** Subpart 3 contains a list of securities that ~~have been determined to be~~ are exempt from Minnesota income tax and for which a subtraction is allowed. Subpart 4 contains a list of securities that ~~have been determined to be taxable by the state of~~ are subject to Minnesota income tax and for which no subtraction is allowed. Subparts 5 and 6 contain lists of various federal agencies or related organizations that either generally issue exempt obligations or generally issue taxable obligations. These lists are not intended to be conclusive on the taxable status of any particular obligation issued by or in conjunction with a listed agency or organization. Even though a listed agency generally only issues either exempt obligations or taxable obligations, it does not follow that each and every obligation carrying the name of that particular agency is either exempt or taxable. An agency may issue its own obligations that are exempt and also may handle private obligations that are not exempt. For example, the agency may administer, purchase and sell, insure, or guarantee an otherwise private obligation. Such action by the agency does not convert a private obligation into a direct and primary obligation of the United States of America and, therefore, does not make the private obligation tax exempt. The taxable status of each obligation must be determined separately in accordance with subpart 1, items A to ~~D~~ E.

Subp. 3. **Exempt obligations listed by name of security.**

Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
A. Banks for Cooperatives bonds	Banks for Cooperatives	12 USC S 2134
B. Farmers Home Administration notes, as defiend in Tobak v. Commissioner	Farmers Home Administration	31 USC S ~~742~~ 3124, Tobak v. Commissioner, docket number 2244 Minn. tax court (March 10, 1977)
C. Consolidated collateral trust debentures	Federal Intermediate Credit Banks	12 USC S ~~2079~~ 2077
D. Consolidated discount notes	Federal Home Loan Banks	12 USC 1433

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." **ADOPTED RULES SECTION** — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
E. Consolidated Federal Home Loan Bank notes	Federal Home Loan Banks	12 USC S 1433
E. Consolidated Federal Home Loan Bank notes	Federal Home Loan Banks	12 USC S 1433
F. Consolidated Federal Farm Loan bond	Federal Land Banks	12 USC S ~~2055~~ 2023
G. Federal Farm Credit Banks consolidated systemwide bonds and notes	Federal Land Banks, Federal Intermediate Credit Banks	12 USC SS ~~2055~~ 2023, ~~2079~~ 2077, and 2134
H. U.S. freedom shares	U.S. Treasury Department	31 USC ~~SS 742, 753, and 757c~~ S 3124
I. U.S. savings bonds	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3105 and 3124
J. U.S. Treasury bills	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3105 and 3124
K. U.S. Treasury bonds	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3102 and 3124
L. U.S. Treasury certificates of indebtedness	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3104 and 3124
M. United States notes	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3103 and 3124
N. Industrial Development Bonds of East Samoa	American Samoa	48 USC S 1670
O. Proprietary zero-coupon certificates	U.S. Treasury Department	31 USC S 3124
P. United States Postal Service bonds	U.S. Postal Service	39 USC S 2005
Q. Virgin Islands general obligation bonds	Virgin Islands	48 USC S 1574(b)(ii)(A)
R. Virgin Islands Public Improvement bonds	Virgin Islands	48 USC S 1574(b)(i)

Subp. 4. **Taxable obligations listed by name of security.**

Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
A. Certificate of beneficial interest (CBI's)	Export-Import Bank of the U.S. (Eximbank)	12 USC SS 635 and 635d

Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
B. Eximbank debentures	Export-Import Bank of the U.S. (Eximbank)	12 USC S 615
C. Participation certificates (PC's)	Export-Import Bank of the U.S. (Eximbank)	12 USC S 635
D. Federal Assets Financing Trust participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717 (c) and 1721
E. Federal Assets Liquidation Trust participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c), 1721, and 1723 c
F. GNMA mortgage-backed bonds	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
G. GNMA pass-through Securities	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
H. Government Mortgage Liquidation Trust Participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
I. National Government Securities Trust	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
J. Mortgage participation certificates (PC's)	Federal Home Loan Mortgage Corporation	12 USC SS 1452(d) and 1455
K. Guaranteed mortgage certificates (GMC's)	Federal Home Loan Mortgage Corporation	12 USC SS 1452(d) and 1455
L. New communities debentures	Privately issued under HUD program	42 USC SS 3902 and 4514
M. Certificate of beneficial ownership (CBO's)	Farmers Home Administration	7 USC SS 1922-1928

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." **ADOPTED RULES SECTION** — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

	Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
N.	SBIC debentures	Small Business Investment Companies	15 USC S 687(e)
O.	Rural Telephone debentures	Rural Electrification Administration	7 USC S 947(a)
P.	Small Business Administration notes	Small Business Administration	15 USC S 633

Subp. 5. **Agencies which generally issue exempt obligations.**

Notice: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to subpart 1, items A to ~~D~~ E.

	Name of ~~Instrumentality~~ Agency	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
A.	Bank for Cooperatives	Notes, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S 2134
B.	Commodity Credit Corporation	Bond, notes, debentures, and other similar obligations	713a-5
C.	Federal Deposit Insurance Corporation	All notes, debentures, bonds, or other obligations	12 USC S 1825
D.	Federal Farm Credit Association	Obligations	12 USC SS ~~2055, 2079, 2134, and 2098~~ 2023, 2027, 2098, 2134, and 2278(b)-10
E.	Federal Home Loan Banks	Notes, debentures, bonds, and other obligations ~~issued by the bank~~	12 USC S 1433
F.	Federal Intermediate Credit Banks	Notes, bonds, and debentures ~~issued by the instrumentality~~	12 USC S 2079
G.	Federal Land Bank Associations	Notes, bonds, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S ~~2055~~ 2098

	Name of ~~Instrumentality~~ Agency	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
H.	Federal Land Banks	(a) Mortgages held by the instrumentality, (b) Notes, bonds, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S ~~2055~~ 2023 12 USC S ~~2055~~ 2023
I.	Federal Savings & Loan Insurance Corporation	All notes, debentures, bonds, or other obligations	12 USC S 1725(e)
J.	General Insurance Fund of the Department of Housing and Urban Development, including	Debentures	
	(1) Rental Housing Insurance	i.	12 USC S 1713(i)
	(2) Rental Housing Project	ii.	12 USC S 1747g(g)
	(3) War Housing Insurance	iii.	12 USC S 1739(d)
	(4) Armed Services Housing	iv.	12 USC S 1748b(f)
	(5) National Defense Housing Insurance	v.	12 USC S 1750c(d)
	(6) Neighborhood Conservation Housing Insurance	vi.	12 USC S 1715k (h) (7)
K.	~~Panama Canal bonds~~	~~Bonds~~	~~31 USC SS 744 and 745~~
~~L.~~	Production Credit Associations	Notes, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S ~~2098~~ 2077
~~M.~~			
L.	Puerto Rico	Bonds	48 USC S 745
~~N.~~			
M.	Tennessee Valley Authority	Bonds	16 USC S 831n-4(d)
~~O.~~			
N.	U.S. Postal Service	Obligations	39 USC S 2005(d)(4)
~~P.~~			
O.	Virgin Islands	Bonds	48 USC S 1574

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." **ADOPTED RULES SECTION** — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

	Name of ~~Instrumentality~~ Agency	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
P.	Farm Credit System Financial Assistance Corporation	Notes, bonds, debentures, and other obligations	12 USC S 2278b-10
Q.	Financing Corporation	Notes, debentures, and other obligations	12 USC S 1441
R.	Guam	Bonds	48 USC S 1423a
S.	Resolution Funding Corporations	All notes, debentures, bonds, and other obligations	12 USC S 1441a
T.	Student Loan Marketing Association	Bonds and notes	20 USC S 1087-2

Subp. 6. **Agencies or organizations which generally issue taxable obligations.**

Notice: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to subpart 1, items A to ~~D~~ E.

	Name of Agency or Organization	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
A.	Asian Development Bank	Obligations	22 USC SS 285-285t
B.	District of Columbia Armory Board	Obligations	31 USC S ~~742a(a)~~ 3124(a)
C.	Environmental Financing Authority	Obligations	33 USC S 1281 note, P.L. 92-500 S 12(j)
D.	Export-Import Bank	Notes, debentures, bonds, or other obligations	12 USC SS 635-635n
E.	Farmers Home Administration	Obligations	7 USC SS 1922-1928
F.	Federal Home Loan Mortgage Corporation	Obligations	12 USC S 1455
G.	Federal National Mortgage Association (FNMA)	Obligations, mortgage-backed securities, subordinated obligations, participation certificates (PC's)	12 USC S 1719(e)

Name of Agency or Organization	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
H. Government National Mortgage Association (GNMA)	Obligations, mortgage-backed securities, participation certificates (PC's)	12 USC SS 1717(c), 1721, and 1723c
I. Inter-American Development Bank	Obligations	22 USC SS 283-283z
J. International Bank for Reconstruction and Development (World Banks)	Obligations	22 USC SS 286-286r
K. International Monetary Fund	Obligations	22 USC SS 286-286r
L. Maritime Administration Merchant Marine	Private obligations guaranteed by agency	46 USC S 1273
M. National Consumer Cooperative Bank	Obligations	12 USC S ~~3017(d)~~ 3017(c)
N. New community development corporations	Bonds, debentures, notes, and other obligations issued on behalf of private new community developers and state land development agencies which are guaranteed by HUD	42 USC SS 3902 and 4514
O. Small Business Investment Companies	Debenture bonds, promissory notes, and other obligations	15 USC S 687(e)
P. ~~Washington Metropolitan Area Transit Authority (WMATA)~~	~~Bonds~~	~~40 USC SS 651-671~~
~~Q.~~ Federal Financing Bank	Obligations ~~issued by the bank~~	12 USC S ~~2283 and 31 USC S 742~~ 2288

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." **ADOPTED RULES SECTION** — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

Name of Agency or Organization	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
~~R.~~ Q. Federal Reserve banks	Obligations	12 USC S ~~502 and 12 USC S 531~~ 548
~~S. Student Loan Marketing Association~~	~~Bonds and notes~~	~~20 USC S 1007-2~~
R. College Construction Loan Insurance Association	Obligations	20 USC S 1132
S. Small Business Administration	Notes	15 USC S 633

RELETTERING. In the next edition of *Minnesota Rules*, the revisor of statutes shall place all items in part 8002.0300, subparts 3, 4, 5, and 6 in alphabetical order and reletter accordingly.

Executive Orders

Executive Department

Emergency Executive Order 92-14: Providing for Personnel and Equipment for the Prairie Island Nuclear Power Plant Exercise

I, ARNE H. CARLSON, GOVERNOR OF THE STATE OF MINNESOTA, by virtue of the authority vested in me by the Constitution and the applicable statutes, do hereby issue this Executive Order:

WHEREAS, the Minnesota Department of Public Safety, Division of Emergency Management, has requested assistance in providing personnel and equipment to support the Prairie Island Nuclear Power Plant Exercise; and

WHEREAS, adequate personnel and equipment are not available from the Department of Public Safety, other participating state agencies, Dakota and Goodhue Counties of Minnesota, and other local authorities;

NOW, THEREFORE, I hereby order that:

1. The Adjutant General of Minnesota order to active duty on or about August 4, 1992; August 12, 1992; September 15, 1992; and September 16, 1992, in service of the State, such personnel and equipment of the military forces of the State as required to provide the necessary support needed by the Department of Public Safety and Dakota and Goodhue Counties to successfully complete the Prairie Island Nuclear Power Plant Exercise.

2. The cost of subsistence, transportation, fuel, and pay and allowances of said individuals shall be defrayed by the Department of Public Safety, Division of Emergency Management, as provided by an inter-agency agreement dated July 17, 1989.

Pursuant to *Minnesota Statutes* 1990, Section 4.035, subd. 2, this Order shall be effective August 4, 1992 through September 16, 1992.

State of Minnesota
Department of Revenue

In the Matter of the Proposed Adoption Without a Public Hearing of Amendments to Minnesota Rules, Part 8002.0300 which Governs Subtraction for Interest on United States Government Obligations.

STATEMENT OF NEED AND REASONABLENESS

This document has been prepared to establish the statutory authority, need for, and reasonableness of the proposed amendments to the existing part. It is submitted pursuant to Minnesota Statutes, section 14.23 and Minnesota Rules, part 2010.0700 requiring a Statement of Need and Reasonableness.

A Notice of Intent to Solicit Outside Opinion regarding Minnesota Rules, part 8002.0300 was published in the State Register on March 30, 1992. The notice specifically mentioned this part and invited interested persons to submit comments or suggestions in writing to the Department by April 15, 1992. No written comments were submitted.

In preparing the amendments to this part, the Department has considered the requirements of Minnesota Statutes, section 14.115, in regard to the impact of the proposed amendments to the part on small business. Adoption of the part will not adversely affect small businesses. Minnesota Statutes, section 14.11, subdivision 1, does not apply because adoption of the part will not result in additional spending by local public bodies in excess of $100,000 per year for the first two years following adoption of the part. Minnesota Statutes, section 14.11, subdivision 2, does not apply because adoption of the part will not impact agricultural land. Minnesota Statutes, section 16A.128, subdivisions 1a and 2a, does not apply because the part does not fix fees.

Authority to Adopt Rules.

Minnesota Statutes, section 270.06(13) provides that the Commissioner of Revenue shall promulgate rules concerning the administration of state tax laws.

Minnesota Rules, Part 8002.0300 Subtraction for Interest on United States Government Obligations.

This rulemaking proceeding proposes amendments to Minnesota Rules, part 8002.0300. This part was adopted in 1982. It sets out the requirements for subtraction of interest earned on United States government obligations from federal adjusted gross income for Minnesota state individual income determination. This part also contains nonconclusive exhibits of securities that are usually exempt, securities that

are usually taxable, issuers whose obligations are generally exempt, and issuers whose obligations are generally taxable.

Since the adoption of this part, the Department has determined that additional obligations should be included as exhibits. The Department has also determined that certain obligations are no longer properly exhibited and that certain citations in this part have become inaccurate because of revision of the *United States Code* . The primary reason the part needs to be amended, however, is that a recent Minnesota Supreme Court decision requires a change in the Department's interpretation of state law as it applies to the subtraction from federal taxable income of mutual fund dividends derived from federal obligations. The part must be amended so that it will contain useful exhibits, accurate citations, and current law. The amendments to this part are not intended to reflect the merits of *Meunier v. Minnesota*, No. 91-00043 (Hennepin County Dist. Ct. May 14, 1992), which is currently under appeal.

Part Analysis.

The following is a subpart-by-subpart analysis of amendments to Minnesota Rules, part 8002.0300.

Subpart 1. Amendments to item A indicate that in cases where original issue discount is considered interest and included in federal taxable income, it can be subtracted from federal taxable income to the same extent as other interest. Allowing the subtraction of the income at the state level is consistent with its inclusion in federal taxable income under the Internal Revenue Code, sections 454 and 1271 through 1286. Amendments also reflect change in the Department's position on the subtraction of mutual fund dividends derived from interest on federal obligations. The Minnesota Supreme Court's holding in *Yurista v. Commissioner*, 460 N.W.2d 24, (1990), requires the subtraction of interest on federal obligations pass through to individuals who own shares in mutual funds that own federal obligations.

Amendments to items B and C delete the requirement that the full faith and credit of the United States must be pledged to the payment of underlying obligations. Amendments delete the full faith and credit requirement because some obligations issued through an agency, authority, commission, or instrumentality of the United States are exempted from state taxation by federal statute, but are also defined by statute as not guaranteed by or obligations of the United States. For example, obligations issued by the Tennessee Valley Authority are specifically made exempt from state taxation by 16 U.S.C. 831n-4(d) (1990) and specifically defined as not guaranteed by or obligations of the United States by 16 U.S.C. 831n-4(b) (1990).

Item E provides that only amounts which have been included in federal taxable income may be deducted from federal taxable income for state income tax purposes. This provision was originally found in item A, but was moved to improve readability of the part. Item E also provides a formula for determining the percent of dividends received by shareholders that qualify as exempt. The formula is provided because dividends from a regulated investment company may not be derived entirely from exempt obligations. Only the portion of the dividends which is derived from exempt obligations is exempt. The formula is a convenient way to determine the portion which is exempt.

Subpart 3. Amendments delete citations made inaccurate by revision of the *United States Code* and insert current citations. Amendments insert additional items. The items list other securities found to be exempt along with the agency authorized to secure their issuance. The securities are included because they are exempt from state taxation under federal law. The authority relied upon to determine that each additional security is exempt is cited directly following the listing of the security.

Subpart 4. Amendments insert additional items which exhibit securities which may appear to be exempt but are not. These securities are not exempt from state taxation under federal law. The authority relied upon to determine that each additional security is not exempt is cited directly following the listing of the security.

Subpart 5. Amendments delete citations made inaccurate by revision of the *United States Code* and insert current citations. Amendments eliminate item K, Panama Canal bonds, because the authority for this security as cited in the part has been repealed. Act of September 13, 1983, Pub. L. No. 97-258, ch. 661, 96 Stat. 1068. Amendments insert additional items that name agencies which generally issue exempt obligations. The authority relied upon to determine the status of obligations generally issued by each agency is cited directly following the listing of the agency.

Subpart 6. Amendments delete citations made inaccurate by revision of the *United States Code* and insert current citations. Amendments eliminate item P, Washington Metropolitan Area Transit Authority, because the authority has been repealed. Act of December 9, 1969, Pub. L. No. 91-143, sec. 8(a)(1), 83 Stat. 322. Amendments eliminate item S, Student Loan Marketing Association, because of a change in federal law, which occurred just before adoption of this part. That change exempts from state taxation bonds and notes issued by the Student Loan Marketing Association. 20 U.S.C. § 1087-2 (1990). Amendments insert additional items that name agencies which generally issue taxable obligations. The authority relied upon

to determine the status of obligations generally issued by each agency is cited directly following the listing of the agency.

failure on the part of statewide associations of governments to communicate to their memberships the most effective ways of coping with legislation that has been on the books for several years is contrary to the practice of every such association of which I am aware. Both the Association of Counties and the League of Cities have extensive member-education programs, and the omission of "how to cope with prevailing wage" is at least curious, and at worst a failure to understand that with which they should be most familiar, governmental process.

The Department's survey procedures, set forth in *Minnesota Rules* part 5200.1050, subp. 2c, for acquiring information needed to develop a data base upon which to determine prevailing wage rates for varying classes of labor have been the subject of debate at the informational hearings. Currently the state is broken down into three regions to gather contractor and wage-rate information.

There may be alternative and preferable means to collect the data. Perhaps a more "automatic" way of filing can be devised. In addition, Departmental mailing lists, which are extensive with over 8,482 names on file, will inevitably be out of date or incomplete.

ORDER

In order to ensure the most accurate prevailing wage determination, a complete and new survey will be conducted throughout the state beginning immediately.

The units of government throughout the state will receive a revised letter requesting the names of contractors working on construction projects in their county in the preceding 12 months. This statewide survey will comply with the requirements of *Minnesota Rules* part 5200.1050—Survey Procedures, as well as other relevant rules.

This survey process is expected to take a minimum of 120 days from the date of the Order, in order to comply with the provisions of current rules and to allow sufficient time to verify and certify the prevailing wages in all of the state's 87 counties.

While there are persons who may object to an extension or renewed surveys, the issue of fairness and equity should be the controlling factor. The currently certified prevailing wages will remain in effect throughout the state until new rates are determined and certified by the Commissioner. Although some seem unable to cope with the law and its administration, others have succeeded. The latter cannot and should not be faulted for having operated effectively under the current law and procedures. In fact, they should be commended.

The extension of current rates while new county rates throughout the state are determined will not be destructive of any rights. Paramount in this process is the statutory objective of determining what wages prevail for various jobs in areas throughout the state. On balance, that probably could be done more comprehensively than it has been for the past two decades. The concept of equity calls at least for receipt of additional data as may be appropriate.

THEREFORE, IT IS ORDERED that the Labor Standards Division of the Department of Labor and Industry implement survey procedures for all 87 counties of the state for the purpose of calculating and certifying prevailing wage rates as soon as legally possible and practical with the resources it has available.

21 March 1992

John B. Lennes, Jr.
Commissioner
Department of Labor and Industry

Public Employees Retirement Association

Board of Trustees Meetings

The next regular monthly meeting of the Board of Trustees of the Public Employees Retirement Association (PERA) will be on Thursday, April 9, 1992, at 9:30 a.m. in the Science Museum, 3rd Floor Penthouse, 30 East 10th Street, St. Paul, Minnesota.

A Public Safety Officers' meeting will be held on Wednesday, April 1, at 1:00 p.m. in the PERA offices, 514 St. Peter Street, St. Paul, Minnesota.

Department of Revenue

Appeals, Legal Services, and Criminal Investigation Division

Notice of Solicitation of Outside Information or Opinions Regarding Proposed Amendments to a Rule Governing Subtraction for Interest on United States Government Obligations

NOTICE IS HEREBY GIVEN that the State Department of Revenue is seeking information or opinions from sources outside the agency in preparing amendments to *Minnesota Rule* part 8002.0300 which governs Subtraction for Interest on United States Government

Obligations. The adoption of the rule is authorized by *Minnesota Statutes*, section 270.06, clause (13), which permits the agency to make, publish, and distribute rules for the administration and enforcement of state tax laws.

The State Department of Revenue requests information and opinions concerning the subject matter of the rule. Interested persons or groups may submit data or views on the subject matter of concern in writing or orally. Written statements should be addressed to:

Jason P. Hardy
Department of Revenue
Appeals, Legal Services, and Criminal Investigation Division
10 River Park Plaza
Mail Station 2220
St. Paul, MN 55146-2220

Oral statements will be received during regular business hours over the telephone at (612) 296-1902 extension 117 and in person at the above address.

All statements of information and opinions shall be accepted until April 15, 1992. Any written material received by the State Department of Revenue shall become part of the rulemaking record to be submitted to the attorney general or administrative law judge in the event that the rule is adopted.

Jason P. Hardy

Office of the Secretary of State

Notice of Vacancies in Multi-Member Agencies

NOTICE IS HEREBY GIVEN to the public that vacancies have occurred in multi-member state agencies, pursuant to *Minnesota Statutes* 15.0597, subdivision 4. Application forms may be obtained from the Office of the Secretary of State, Open Appointments, 180 State Office Building, St. Paul, MN 55155-1299; (612) 297-5845, or in person at Room 174 of the State Office Building. More specific information about these vacancies may be obtained from the agencies listed below. These vacancies will remain open for application through April 21, 1992. Appointing Authorities may also chose to review applications received after that date. Applications are kept on file for a one year period.

METROPOLITAN AIRPORTS COMMISSION
6040 28th Ave. S., Mpls. 55450. 612-726-8100
Minnesota Statutes 473.603

APPOINTING AUTHORITY: Governor. COMPENSATION: $50 per diem.
VACANCY: Three members: One member must reside in MAC Precinct #3 consisting of Anoka county (excluding Spring Lake Park, Fridley, Hilltop, Columbia Heights), Ramsey county including Shoreview, Roseville, Arden Hills, New Brighton, Moundsview, St. Anthony, and Spring Lake Park, Hennepin county including St. Anthony, and Isanti county (within 35 miles of Minneapolis City Hall.) One member must be a resident of statutory or home rule charter cities, towns or counties containing an airport designated by the commissioner of Transportation as a key airport. One member must reside in MAC Precinct #1 consisting of the Ramsey county area including St. Paul (excluding area south of the river), Falcon Heights and Lauderdale.

The commission promotes air transportation locally, nationally, and internationally by developing the Twin Cities as an aviation center. The commission consists of fifteen members including the chair and twelve members appointed by the governor, including eight residing in precincts determined by the governor, and four residing outside the metro area, two from cities, towns or counties containing a key airport, and two from cities, towns or counties containing an intermediate airport. The mayors of Minneapolis and St. Paul, or designees, are ex-officio members. The chair receives $20,226. per year plus expenses and serves at the pleasure of the governor. Monthly meetings. Members must file with the Ethical Practices Board.

SUBCOMMITTEE ON CHILDREN'S MENTAL HEALTH
444 Lafayette Rd., St. Paul 55155-3828. 612-297-4164
Laws of 1988, Chapter 689

APPOINTING AUTHORITY: Chairman, State Advisory Council on Mental Health. COMPENSATION: $55 per diem plus expenses.
VACANCY: One member: must be a county commissioner.

The subcommittee must make recommendations to the advisory council on policies, law, regulations, and service relating to children's mental health. Members include: commissioners or designees of Department of Commerce, Corrections, Education, Health, Human Services, Finance, and State Planning; one member children's mental health advocacy group, three service providers (preadolescent, adolescent, and hospital-based), parents of emotionally disturbed children; a consumer of adolescent mental health services; educators

OCT 28 1992

DORSEY & WHITNEY

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127 EAST FRONT STREET
MISSOULA, MONTANA 59802
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801 GRAND, SUITE 3900
DES MOINES, IOWA 50309
(515) 283-1000

October 27, 1992

Jason P. Hardy
Appeals and Legal Services
10 River Park Plaza
Mail Station 2220
St. Paul, Minnesota 55146-2220

Re: Proposed Amendments of Minnesota Rules 8002.0300

Dear Mr. Hardy:

I am writing in response to your solicitation of public comments on the proposed amendments to Minnesota Rules 8002.0300 as published in the State Register on September 28, 1992. My comment concerns the classification of bonds issued by the Government of Puerto Rico for purposes of Minnesota income tax exemption. Both in the current rules and the proposed amended rules, Puerto Rico is listed under Subpart 5, "Agencies which generally issue exempt obligations." The federal statutory authority for this exemption is cited as 48 U.S.C. § 745. This section provides, in its entirety:

> All bonds issued by the Government of Puerto Rico, or by its authority, shall be exempt from taxation of the Government of the United States, or by the Government of Puerto Rico or of any political or municipal subdivision thereof, or by any State, Territory, or possession, or by any county, municipality, or other municipal subdivision of any State, Territory, or possession of the United States, or by the District of Columbia.

In light of the language of 48 U.S.C. § 745, I would suggest that all bonds issued by the Government of Puerto Rico should be listed in Subpart 3 of Minnesota

Rules 8002.0300 as "exempt obligations." You have explained to me that Puerto Rico is included in Subpart 5 as an agency which generally issues exempt obligations because you believe it is possible that certain obligations issued by Puerto Rico or its agencies or instrumentalities might not be explicitly exempt from state taxation. If this is your concern, perhaps other obligations than "bonds" issued by Puerto Rico could continue to be listed under Subpart 5.

Thank you for the attention you give to this comment. If you have any questions, please feel free to call me at the number printed above.

Sincerely yours,

William R. Goetz

WRG/slh

Department of Revenue

Proposed Permanent Rules Relating to United States Interest Subtraction

Rules as Proposed

8002.0300 SUBTRACTION FOR INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS.

Subpart 1. **Conditions for qualification.** Minnesota Statutes, section 290.01, subdivision ~~20, paragraph (b)~~ 19b, clause (1), allows an individual taxpayer, an estate, or a trust to subtract the amount of interest earned on certain obligations of the United States government from federal ~~adjusted gross~~ taxable income. To qualify for this subtraction, the obligation must meet the following conditions:

A. ~~The interest income on the obligation must have been included in federal adjusted gross income for the taxable year that the subtraction is claimed. If only a portion of the interest income on an obligation has been included in federal adjusted gross income, only the included portion may be subtracted~~ For the purposes of these conditions, "interest" includes:

(1) income reported federally as ordinary income pursuant to the Internal Revenue Code, sections 454 and 1271 through 1286; and

(2) dividends from regulated investment companies as defined by the Internal Revenue Code, sections 851(a) or (h), to the extent that the income of the regulated investment company is derived from interest on federal obligations and is reported federally as dividend income by shareholders.

B. The obligation must be an obligation of the United States of America, whether through an agency, authority, commission, or instrumentality of the United States, and must be exempt from state taxation under federal law. ~~This means that the full faith and credit of the United States must be pledged~~

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~~to-the-payment-of-the-underlying-obligation.~~

C. The obligation must be in writing, bear interest, contain a binding promise by the United States to pay specified sums on specified dates, and be specifically authorized by Congress~~,-and-be-supported-by-a-pledge-of-full-faith-and-credit of-the-United-States~~. Open accounts and other unsettled claims or demands are not obligations of the United States for the purposes of this ~~subtraction~~ part.

[For text of item D, see M.R.]

E. The interest income on the obligation must have been included in federal taxable income for the taxable year that subtraction is claimed. If only a portion of the interest income on an obligation has been included in federal taxable income, only the included portion may be subtracted. Where the interest is in the form of dividends from a regulated investment company and all of the regulated investment company's interest is derived from interest on obligations that are exempt from state taxation by federal law, the full amount of the dividends received by shareholders may be subtracted. Where less than the full amount is derived from interest on exempt obligations, the amount to be subtracted is determined as follows:

Regulated investment company's interest income on federal obligations less expenses attributable to such income	÷	Regulated investment company's taxable income before deduction for dividends paid	=	Percent of dividends received by shareholders that qualify as exempt

In the case of a series fund, as defined by the Internal Revenue Code, section 851(h), the portion of the dividends paid that is exempt from Minnesota income tax must be determined on a fund-by-fund basis.

Subp. 2. **Exhibits.** Subpart 3 contains a list of securities that ~~have-been-determined-to-be~~ are exempt from Minnesota income tax and for which a subtraction is allowed. Subpart 4 contains a list of securities that ~~have-been determined-to-be-taxable-by-the-state-of~~ are subject to Minnesota income tax and for which no subtraction is allowed. Subparts 5 and 6 contain lists of various federal agencies or

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by Revisor _____

related organizations that either generally issue exempt obligations or generally issue taxable obligations. These lists are not intended to be conclusive on the taxable status of any particular obligation issued by or in conjunction with a listed agency or organization. Even though a listed agency generally only issues either exempt obligations or taxable obligations, it does not follow that each and every obligation carrying the name of that particular agency is either exempt or taxable. An agency may issue its own obligations that are exempt and also may handle private obligations that are not exempt. For example, the agency may administer, purchase and sell, insure, or guarantee an otherwise private obligation. Such action by the agency does not convert a private obligation into a direct and primary obligation of the United States of America and, therefore, does not make the private obligation tax exempt. The taxable status of each obligation must be determined separately in accordance with subpart 1, items A to ~~D~~ E.

Subp. 3. **Exempt obligations listed by name of security.**

	Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
A.	Banks for Cooperatives bonds	Banks for Cooperatives	12 USC S 2134
B.	Farmers Home Administration notes, as defined in Tobak v. Commissioner	Farmers Home Administration	31 USC S ~~742~~ 3124, Tobak v. Commissioner, docket number 2244 Minn. tax court (March 10, 1977)
C.	Consolidated collateral trust debentures	Federal Intermediate Credit Banks	12 USC S ~~2079~~ 2077
D.	Consolidated discount notes	Federal Home Loan Banks	12 USC S 1433
E.	Consolidated Federal Home Loan Bank notes	Federal Home Loan Banks	12 USC S 1433
F.	Consolidated Federal Farm Loan bond	Federal Land Banks	12 USC S ~~2055~~ 2023
G.	Federal Farm Credit Banks consolidated systemwide bonds and notes	Federal Land Banks, Federal Intermediate Credit Banks	12 USC SS ~~2055~~ 2023, ~~2079~~ 2077, and 2134
H.	U.S. freedom shares	U.S. Treasury	31 USC ~~SS-742,~~

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		Department	~~753, and 757c~~ S 3124
I.	U.S. savings bonds	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3105 and 3124
J.	U.S. Treasury bills	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3104 and 3124
K.	U.S. Treasury bonds	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3102 and 3124
L.	U.S. Treasury certificates of indebtedness	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3104 and 3124
M.	United States notes	U.S. Treasury Department	31 USC SS ~~742, 753, and 757c~~ 3103 and 3124
N.	Industrial Development Bonds of East Samoa	American Samoa	48 USC S 1670
O.	Proprietary zero-coupon certificates	U.S. Treasury Department	31 USC S 3124
P.	United States Postal Service bonds	U.S. Postal service	39 USC S 2005
Q.	Virgin Islands general obligation bonds	Virgin Islands	48 USC S 1574(b)(ii)(A)
R.	Virgin Island Public Improvement bonds	Virgin Islands	48 USC S 1574(b)(i)

Subp. 4. **Taxable obligations listed by name of security.**

	Name of Security	Agency	Authority as amended through ~~1-1-82~~ 6-15-92
A.	Certificate of beneficial interest (CBI's)	Export-Import Bank of the U.S. (Eximbank)	12 USC SS 635 and 635d
B.	Eximbank debentures	Export-Import Bank of the U.S. (Eximbank)	12 USC S 635
C.	Participation certificates (PC's)	Export-Import Bank of the U.S. (Eximbank)	12 USC S 635
D.	Federal Assets Financing Trust participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
E.	Federal Assets Liquidation Trust participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c), 1721, and 1723 c

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F.	GNMA mortgage-backed bonds	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
G.	GNMA pass-through Securities	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
H.	Government Mortgage Liquidation Trust Participation certificates	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
I.	National Government Securities Trust	Government National Mortgage Association (GNMA)	12 USC SS 1717(c) and 1721
J.	Mortgage participation certificates (PC's)	Federal Home Loan Mortgage Corporation	12 USC SS 1452(d) and 1455
K.	Guaranteed mortgage certificates (GMC's)	Federal Home Loan Mortgage Corporation	12 USC SS 1452(d) and 1455
L.	New communities debentures	Privately issued under HUD program	42 USC SS 3902 and 4514
M.	Certificate of beneficial ownership (CBO's)	Farmers Home Administration	7 USC SS 1922-1928
N.	SBIC debentures	Small Business Investment Companies	15 USC S 687(e)
O.	Rural Telephone debentures	Rural Electrification Administration	7 USC S 947(a)
P.	Small Business Administration notes	Small Business Administration	15 USC S 633

Subp. 5. **Agencies which generally issue exempt obligations.**

Notice: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to subpart 1, items A to ~~D~~ E.

	Name of ~~Instrumentality~~ Agency	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
A.	Bank for Cooperatives	Notes, debentures, and other obligations ~~issued by the instrumentality~~	12 USC S 2134
B.	Commodity Credit	Bonds, notes,	15 USC S

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	Corporation	debentures, and other similar obligations		713a-5
C.	Federal Deposit Insurance Corporation	All notes, debentures, bonds, or other obligations		12 USC S 1825
D.	Federal Farm Credit Administration	Obligations		12 USC SS ~~2055,~~ ~~2079,~~ ~~2134,~~ ~~and 2098~~ 2023, 2027, 2098, 2134, and 2278(b)-10
E.	Federal Home Loan Banks	Notes, debentures, bonds, and other obligations ~~issued by the bank~~		12 USC S 1433
F.	Federal Intermediate Credit Banks	Notes, bonds, and debentures ~~issued by the instrumentality~~		12 USC S 2079
G.	Federal Land Bank Associations	Notes, bonds, debentures, and other obligations ~~issued by the instrumentality~~		12 USC S ~~2055~~ 2098
H.	Federal Land Banks	(a) Mortgages held by the instrumentality (b) Notes, bonds, debentures, and other obligations ~~issued by the instrumentality~~		12 USC S ~~2055~~ 2023 12 USC S ~~2055~~ 2023
I.	Federal Savings & Loan Insurance Corporation	All notes, debentures, bonds, or other obligations		12 USC S 1725(e)
J.	General Insurance Fund of the Department of Housing and Urban Development, including	Debentures		
	(1) Rental Housing Insurance		i.	12 USC S 1713(i)
	(2) Rental Housing Project		ii.	12 USC S 1747g(g)
	(3) War Housing Insurance		iii.	12 USC S 1739(d)
	(4) Armed Services Housing		iv.	12 USC S 1748b(f)
	(5) National Defense Housing Insurance		v.	12 USC S 1750c(d)
	(6) Neighborhood Conservation Housing Insurance		vi.	12 USC S 1715k (h)(7)
K.	~~Panama Canal bonds~~	~~Bonds~~		~~31 USC SS 744 and 745~~
~~L.~~	Production Credit Associations	Notes, debentures, and other obligations ~~issued by the instrumentality~~		12 USC S ~~2098~~ 2077
~~M.~~				

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L.	Puerto Rico	Bonds	48 USC S 745
~~N.~~ M.	Tennessee Valley Authority	Bonds	16 USC S 831n-4(d)
~~O.~~ N.	U.S. Postal Service	Obligations	39 USC S 2005(d)(4)
~~P.~~ O.	Virgin Islands	Bonds	48 USC S 1574
P.	Farm Credit System Financial Assistance Corporation	Notes, bonds, debentures, and other obligations	12 USC S 2278b-10
Q.	Financing Corporation	Notes, debentures, and other obligations	12 USC S 1441
R.	Guam	Bonds	48 USC S 1423a
S.	Resolution Funding Corporations	All notes, debentures, bonds, and other obligations	12 USC S 1441a
T.	Student Loan Marketing Association	Bonds and notes	20 USC S 1087-2

Subp. 6. **Agencies or organizations which generally issue taxable obligations.**

Notice: This listing is only a guide and is not conclusive on the issue of the taxable status of an obligation. Each obligation issued by a listed agency must be separately analyzed according to subpart 1, items A to ~~D~~ E.

	Name of Agency or Organization	Types of Securities	Authority as amended through ~~1-1-82~~ 6-15-92
A.	Asian Development Bank	Obligations	22 USC SS 285-285t
B.	District of Columbia Armory Board	Obligations	31 USC S ~~742a(a)~~ 3124(a)
C.	Environmental Financing Authority	Obligations	33 USC S 1281 note, P.L. 92-500 S 12(j)
D.	Export-Import Bank	Notes, debentures, bonds, or other obligations	12 USC SS 635-635n

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E.	Farmers Home Administration	Obligations	7 USC SS 1922-1928
F.	Federal Home Loan Mortgage Corporation	Obligations	12 USC S 1455
G.	Federal National Mortgage Association (FNMA)	Obligations, mortgage-backed securities, subordinated obligations, participation certificates (PC's)	12 USC S 1719(e)
H.	Government National Mortgage Association (GNMA)	Obligations, mortgage-backed securities, participation certificates (PC's)	12 USC SS 1717(c), 1721, and 1723c
I.	Inter-American Development Bank	Obligations	22 USC SS 283-283z
J.	International Bank for Reconstruction and Development (World Banks)	Obligations	22 USC SS 286-286r
K.	International Monetary Fund	Obligations	22 USC SS 286-286r
L.	Maritime Administration Merchant Marine	Private obligations guaranteed by agency	46 USC S 1273
M.	National Consumer Cooperative Bank	Obligations	12 USC S ~~3017(d)~~ 3017(c)
N.	New community development corporations	Bonds, debentures, notes, and other obligations issued on behalf of private new community developers and state land development agencies which are guaranteed by HUD	42 USC SS 3902 and 4514
O.	Small Business Investment Companies	Debenture bonds, promissory notes, and other obligations	15 USC S 687(e)
P.	~~Washington Metropolitan Area Transit Authority (WMATA)~~	~~Bonds~~	~~40 USC SS 651-671~~
~~Q.~~	Federal Financing Bank	Obligations ~~issued by the bank~~	12 USC S ~~2283 and 31 USC S 742~~ 2288
~~R.~~ Q.	Federal Reserve banks	Obligations	12 USC S ~~502 and 12 USC S 531~~ 548

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~~S.~~	~~Student Loan Marketing Association~~	~~Bonds and notes~~	~~20 USC S 1087-2~~
R.	College Construction Loan Insurance Association	Obligations	20 USC S 1132
S.	Small Business Administration	Notes	15 USC S 633

RELETTERING. In the next edition of Minnesota Rules, the revisor of statutes shall place all items in part 8002.0300, subparts 3, 4, 5, and 6 in alphabetical order and reletter accordingly.

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Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to United States Interest Subtraction

AGENCY: Department of Revenue

MINNESOTA RULES: Chapter 8002

The attached rules are approved for publication in the State Register

Janet M. Rahm
Assistant Deputy Revisor