

MEMO# 6885

May 1, 1995

MINNESOTA HOUSE VOTES TO REVOKE TAX EXEMPTION FOR STATE BONDS

VIA FAX May 1, 1995 TO: TAX COMMITTEE No. 18-95 MINNESOTA MEMBERS RE: MINNESOTA HOUSE VOTES TO REVOKE TAX EXEMPTION FOR STATE BONDS

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Minnesota House of Representatives has approved legislation that eliminates the exemption from state income tax for interest earned on bonds issued after June 30, 1995 by the State of Minnesota. It would not alter the state tax exemption for bonds issued by Minnesota local governments or agencies and has no effect on any bond's federal tax exemption. Dividends paid by a mutual fund that are derived from interest on Minnesota state and local bonds would be treated as exempt from state tax only if 95 percent of the dividend is derived from interest on Minnesota local bonds and bonds issued by the state before July 1, 1995. Attached is the relevant portion of the legislation, which is an amendment to an Omnibus Tax Bill. The Omnibus Tax Bill will now be considered by a conference committee that will attempt to reconcile differences between the House passed version and the version approved by the Minnesota Senate, which does not contain any provisions effecting state or local bonds. We will keep you informed of developments. Peter J. Cinquegrani Assistant Counsel - Tax Attachment