State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 991

02/11/2021 Authored by Marquart and Youakim
The bill was read for the first time and referred to the Committee on Taxes
04/12/2021 Adoption of Report: Amended and re-referred to the Committee on Ways and Means

A bill for an act

relating to financing and operation of state and local government; providing conformity and nonconformity to certain federal tax law changes; modifying individual income and corporate franchise taxes, sales and use taxes, partnership taxes, special and excise taxes, property taxes, local government aids, provisions related to local taxes, tax increment financing, public finance, and other miscellaneous taxes and tax provisions; providing for various individual and corporate additions and subtractions to income; modifying certain income tax credits and authorizing new credits; providing for a pass-through entity tax; modifying definitions for resident trusts; modifying existing and providing new sales tax exemptions; modifying vapor and tobacco tax provisions; modifying and providing certain property tax exemptions; modifying property classification provisions; allowing for certain special assessments; modifying local government aid appropriations; modifying existing local taxes and authorizing new local taxes; modifying property tax homeowners' and renters' refunds; authorizing and modifying certain tax increment financing provisions; providing for a tax expenditure review commission and the required expiration of tax expenditures; making appointments; requiring reports; appropriating money; amending Minnesota Statutes 2020, sections 3.192; 3.8853, subdivision 2; 16A.152, subdivision 2; 41B.0391, subdivisions 2, 4; 116J.8737, subdivisions 5, 12; 270.41, subdivision 3a; 270.44; 270A.03, subdivision 2; 270B.12, subdivisions 8, 9; 270B.14, by adding a subdivision; 270C.11, subdivisions 2, 4, 6; 270C.13, subdivision 1; 270C.22, subdivision 1; 270C.445, subdivisions 3, 6; 272.02, by adding a subdivision; 272.029, subdivision 2; 272.0295, subdivisions 2, 5; 272.115, subdivision 1; 273.063; 273.0755; 273.124, subdivisions 1, 3a, 6, 9, 13, 13a, 13c, 13d, 14; 273.1245, subdivision 1; 273.13, subdivisions 23, 25, 34; 273.1315, subdivision 2; 273.18; 275.025, subdivisions 1, 2; 275.065, subdivisions 1, 3, by adding subdivisions; 275.066; 287.04; 289A.02, subdivision 7; 289A.08, subdivisions 7, 11, by adding subdivisions; 289A.09, subdivision 2; 289A.20, subdivision 4; 289A.31, subdivision 1; 289A.37, subdivision 2; 289A.38, subdivisions 7, 8, 9, 10; 289A.42; 289A.60, subdivisions 15, 24; 290.01, subdivisions 19, 31, by adding a subdivision; 290.0121, subdivision 3; 290.0122, subdivisions 4, 8; 290.0131, by adding subdivisions; 290.0132, subdivision 27, by adding subdivisions; 290.0133, subdivision 6, by adding subdivisions; 290.0134, subdivision 18, by adding a subdivision; 290.06, subdivisions 2c, 2d, 22, by adding subdivisions; 290.0671, subdivisions 1, 1a, 7; 290.0674, subdivision 2a; 290.0681, subdivision 10; 290.0682; 290.0685, subdivision 1, by adding a subdivision; 290.091, subdivision 2; 290.17, by adding subdivisions; 290.21, subdivision 9, by adding a subdivision; 290.31, subdivision 1; 290.92, subdivisions 1, 2a, 3, 4b, 4c, 5, 5a, 19, 20; 290.923, subdivision 9; 290.993; 290A.03, subdivisions 3, 15; 290A.04, subdivisions 2, 2a; 290A.25; 291.005, subdivision 1; 295.75, subdivision 2; 296A.06, subdivision 2; 297A.66, subdivision 3; 297A.67, by adding a subdivision; 297A.70, subdivision 13, by adding a subdivision; 297A.71, subdivision 52, by adding a subdivision; 297A.75, subdivisions 1, 2, 3; 297A.993, subdivision 2; 297E.021, subdivision 4; 297F.01, subdivisions 19, 22b, 23, by adding subdivisions; 297F.031; 297F.04, subdivision 2; 297F.05, by adding a subdivision; 297F.09, subdivisions 3, 4a, 7, 10; 297F.10, subdivision 1; 297F.13, subdivision 4; 297F.17, subdivisions 1, 6; 297G.09, subdivision 9; 297G.16, subdivision 7; 297H.04, subdivision 2; 297H.05; 297I.05, subdivision 7; 297I.20, by adding a subdivision; 298.001, by adding a subdivision; 298.24, subdivision 1; 298.405, subdivision 1; 325F.781, subdivisions 1, 5, 6; 429.021, subdivision 1; 429.031, subdivision 3; 453A.04, subdivision 21, by adding a subdivision; 462A.38; 465.71; 469.176, by adding a subdivision; 469.1763, subdivisions 2, 3, 4; 469.319, subdivision 4; 475.56; 475.58, subdivision 3b; 475.60, subdivision 1; 475.67, subdivision 8; 477A.013, subdivision 13; 477A.03, subdivisions 2a, 2b; 477A.10; 609B.153; Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended; Laws 2017, First Special Session chapter 1, article 3, section 32, as amended; Laws 2019, First Special Session chapter 6, article 6, sections 25; 27; proposing coding for new law in Minnesota Statutes, chapters 3; 16A; 116U; 289A; 477A; proposing coding for new law as Minnesota Statutes, chapters 299O; 428B; repealing Minnesota Statutes 2020, sections 270C.17, subdivision 2; 290.01, subdivisions 7b, 19i; 290.0131, subdivision 18; 327C.01, subdivision 13; 327C.16; 469.055, subdivision 7.

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

ARTICLE 1
FEDERAL CONFORMITY

Section 1. Minnesota Statutes 2020, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~2018~~ 2020.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 2. Minnesota Statutes 2020, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a corporation taxable under section 290.02, the term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the

Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in sections 290.0131 to 290.0136.

(b) For an individual, the term "net income" means federal adjusted gross income with the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

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

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

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

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

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

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

(f) The Internal Revenue Code of 1986, as amended through December 31, ~~2018~~ 2020, shall be in effect for taxable years beginning after December 31, 1996.

(g) Except as otherwise provided, references to the Internal Revenue Code in this subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net income for the applicable year.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 3. Minnesota Statutes 2020, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~2018~~ 2020. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 4. Minnesota Statutes 2020, section 290.0122, subdivision 4, is amended to read:

Subd. 4. **Charitable contributions.** (a) A taxpayer is allowed a deduction for charitable contributions. The deduction equals the amount of the charitable contribution deduction allowable to the taxpayer under section 170 of the Internal Revenue Code, including the denial of the deduction under section 408(d)(8), except that the ~~provisions of section 170(b)(1)(G) apply regardless of the taxable year~~ deduction under this subdivision is limited to 60 percent of the taxpayer's contribution base as defined in section 170(b)(1)(H) of the Internal Revenue Code.

(b) For taxable years beginning after December 31, 2017, the determination of carryover amounts must be made by applying the rules under section 170 of the Internal Revenue Code based on the charitable contribution deductions claimed and allowable under this section.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2019.

Sec. 5. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision to read:

Subd. 19. **Business interest.** The amount of business interest deducted under section 163(j) of the Internal Revenue Code of 1986, as amended through December 31, 2020, that exceeds the amount of business interest allowed to be deducted under section 163(j) of the Internal Revenue Code of 1986, as amended through December 31, 2018, is an addition.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, and before January 1, 2021.

Sec. 6. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision to read:

Subd. 20. **Excess business losses.** The amount by which an excess business loss under section 461(l)(3) of the Internal Revenue Code of 1986, as amended through December 31, 2018, exceeds the amount of a disallowed loss carryover under section 461(l)(3) of the Internal Revenue Code of 1986, as amended through December 31, 2020, is an addition.

EFFECTIVE DATE. This section is effective retroactively at the same time and for the same taxable years as the temporary changes in section 2304 of Public Law 116-136 were effective for federal purposes.

Sec. 7. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision to read:

Subd. 21. **Net operating loss.** The amount by which a net operating loss deducted under section 172 of the Internal Revenue Code of 1986, as amended through December 31, 2020, exceeds the amount of a net operating loss allowed to be deducted under the Internal Revenue Code of 1986, as amended through December 31, 2018, including the amount of the addition required under subdivision 20 to the extent the amount is not included under section 172 of the Internal Revenue Code of 1986, as amended through December 31, 2018, is an addition.

EFFECTIVE DATE. This section is effective retroactively at the same time and for the same taxable years as the temporary changes in section 2303 of Public Law 116-136 were effective for federal purposes.

Sec. 8. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision to read:

Subd. 30. **Delayed business interest.** (a) The amount of delayed business interest is a subtraction.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "delayed business interest" means the lesser of:

(i) the base amount; or

(ii) the amount of business interest deductible under section 163(j) of the Internal Revenue Code, excluding the special rule under section 163(j)(10) of the Internal Revenue Code, less the amount of business interest deducted under section 163(j) of the Internal Revenue Code for the taxable year; and

(2) "base amount" means the sum of each addition required under section 290.0131, subdivision 19, for all prior taxable years, less the sum of all subtractions claimed under this subdivision for all prior taxable years.

EFFECTIVE DATE. This section is effective retroactively at the same time and for the same taxable years as the temporary changes in section 2306 of Public Law 116-136 were effective for federal purposes and thereafter.

Sec. 9. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision to read:

Subd. 31. **Delayed net operating loss.** (a) The amount of a delayed net operating loss is a subtraction.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "delayed net operating loss" means the lesser of:

(i) the base amount; or

(ii) the net operating loss deduction limit under section 172(a) of the Internal Revenue Code of 1986, as amended through December 31, 2018, including the amount of the addition required under section 290.0131, subdivision 20, to the extent the amount is not included under section 172 of the Internal Revenue Code, less the amount of any net operating loss deducted under section 172 of the Internal Revenue Code for the taxable year; and

(2) "base amount" means the sum of each addition required under section 290.0131, subdivision 21, for all prior taxable years, less the sum of all subtractions claimed under this subdivision for all prior taxable years.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2018.

Sec. 10. Minnesota Statutes 2020, section 290.0133, is amended by adding a subdivision to read:

Subd. 15. **Business interest.** The amount of business interest deducted under section 163(j) of the Internal Revenue Code of 1986, as amended through December 31, 2020, or section 290.34, that exceeds the amount of business interest allowed to be deducted under section 163(j) of the Internal Revenue Code of 1986, as amended through December 31, 2018, or section 290.34, is an addition.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 11. Minnesota Statutes 2020, section 290.0134, is amended by adding a subdivision to read:

Subd. 20. **Delayed business interest.** (a) The amount of delayed business interest is a subtraction.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "delayed business interest" means the portion of the base amount equal to the difference, if any, between:

(i) the amount of business interest deductible under section 290.34 or section 163(j) of the Internal Revenue Code, excluding the special rule under section 163(j)(10) of the Internal Revenue Code; and

(ii) the amount of business interest deducted under section 163(j) of the Internal Revenue Code for the taxable year; and

(2) "base amount" means the sum of each addition required under section 290.0131, subdivision 16, for all prior taxable years, less the sum of all subtractions claimed under this subdivision for all prior taxable years.

EFFECTIVE DATE. This section is effective retroactively at the same time and for the same taxable years as the temporary changes in section 2306 of Public Law 116-136 were effective for federal purposes and thereafter.

Sec. 12. Minnesota Statutes 2020, section 290.993, is amended to read:

290.993 SPECIAL LIMITED ADJUSTMENT.

(a) For an individual income taxpayer subject to tax under section 290.06, subdivision 2c, or a partnership that elects to file a composite return under section 289A.08, subdivision 7, for taxable years beginning after December 31, 2017, and before January 1, 2019, the following special rules apply:

(1) an individual income taxpayer may: (i) take the standard deduction; or (ii) make an election under section 63(e) of the Internal Revenue Code to itemize, for Minnesota individual income tax purposes, regardless of the choice made on their federal return; and

(2) there is an adjustment to tax equal to the difference between the tax calculated under this chapter using the Internal Revenue Code as amended through December 16, 2016, and the tax calculated under this chapter using the Internal Revenue Code amended through December 31, 2018, before the application of credits. The end result must be zero additional tax due or refund.

(b) The adjustment in paragraph (a), clause (2), does not apply to any changes due to sections 11012, 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13301, 13302, 13303, 13313, 13502, 13503, 13801, 14101, 14102, 14211 through 14215, and 14501 of Public Law 115-97; and section 40411 of Public Law 115-123.

(c) For an individual, estate, trust, or partnership subject to an adjustment under this section, any change in tax as a result of this act, including amendments to the Internal Revenue Code that are incorporated in this act, must be calculated after the adjustment.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 13. Minnesota Statutes 2020, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~2018~~ 2020.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable after December 31, 2021, and rent paid after December 31, 2020.

Sec. 14. Minnesota Statutes 2020, section 291.005, subdivision 1, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code, increased by the value of any property in which the decedent had a qualifying income interest

for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, ~~2018~~ 2020.

(4) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included in the estate which has its situs outside Minnesota, and (b) including any property omitted from the federal gross estate which is includable in the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property, including qualified works of art, is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(9) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includable in the decedent's federal gross estate; but excludes

(v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Sec. 15. **TEMPORARY NONCONFORMITY ADDITIONS AND SUBTRACTIONS.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms in this section have the meanings given.

(b) For an individual, estate, or trust:

(1) "subtraction" has the meaning given in Minnesota Statutes, section 290.0132, subdivision 1, and the rules in that subdivision apply for this section; and

(2) "addition" has the meaning given in Minnesota Statutes, section 290.0131, subdivision 1, and the rules in that subdivision apply for this section.

(c) For a corporation other than an S corporation:

(1) "subtraction" has the meaning given in Minnesota Statutes, section 290.0134, subdivision 1, and the rules in that subdivision apply for this section; and

(2) "addition" has the meaning given in Minnesota Statutes, section 290.0133, subdivision 1, and the rules in that subdivision apply for this section.

(d) The definitions in Minnesota Statutes, section 290.01, apply for this section.

Subd. 2. **Temporary subtraction; federal credits for sick and family leave; individuals, estates, and trusts.** (a) For an individual, estate, or trust, the amount by which gross income is increased under the following credits is a subtraction:

(1) the payroll credit for required paid sick leave under section 7001 of Public Law 116-127; and

(2) the payroll credit for required paid family leave under section 7003 of Public Law 116-127.

(b) This subdivision is effective retroactively for taxable years in which a taxpayer claimed the credits described in paragraph (a).

Subd. 3. **Temporary subtraction; federal credits for sick and family leave; corporations.** (a) For a corporation other than an S corporation, the amount by which gross income is increased under the following credits is a subtraction:

(1) the payroll credit for required paid sick leave under section 7001 of Public Law 116-127; and

(2) the payroll credit for required paid family leave under section 7003 of Public Law 116-127.

(b) This subdivision is effective retroactively for taxable years in which a taxpayer claimed the credits described in paragraph (a).

Subd. 4. **Temporary subtraction; wages used to claim employee retention credit; individuals, estates, and trusts.** (a) For an individual, estate, or trust, the amount disallowed under section 2301(e) of Public Law 116-136 is a subtraction.

(b) This subdivision is effective retroactively for taxable years in which a taxpayer had a deduction disallowed under section 2301(e) of Public Law 116-136.

Subd. 5. **Temporary subtraction; wages used to claim employee retention credit; corporations.** (a) For a corporation other than an S corporation, the amount disallowed under section 2301(e) of Public Law 116-136 is a subtraction.

(b) This subdivision is effective retroactively for taxable years in which a taxpayer had a deduction disallowed under section 2301(e) of Public Law 116-136.

Subd. 6. **Temporary addition; business meals; individuals, estates, and trusts.** (a) For an individual, estate, or trust, the amount deducted for food or beverages under section 274(n)(2) of the Internal Revenue Code that exceeds the 50 percent limit in section 274(n)(1) of the Internal Revenue Code is an addition.

(b) This subdivision is effective retroactively for expenses paid or incurred after December 31, 2020, and before January 1, 2023.

Subd. 7. **Temporary addition; business meals; C corporations.** (a) For a corporation other than an S corporation, the amount deducted for food or beverages under section 274(n)(2) of the Internal Revenue Code that exceeds the 50 percent limit in section 274(n)(1) of the Internal Revenue Code is an addition.

(b) This subdivision is effective retroactively for expenses paid or incurred after December 31, 2020, and before January 1, 2023.

Subd. 8. **Temporary addition; PPP expenses for individuals, estates, and trusts.** (a) For the purposes of this subdivision:

(1) "qualifying business" means a business with paycheck protection program expenses in the taxable year that is a partnership, limited liability company, S corporation, or sole proprietorship;

(2) "paycheck protection program expenses" means amounts allowed as a deduction under section 276 of the COVID-related Tax Relief Act of 2020 in Public Law 116-260; and

(3) "paycheck protection program loan" means a discharged loan that is excluded from gross income under section 1106(i) of Public Law 116-136.

(b) For a qualifying business, for each paycheck protection program loan, the amount of paycheck protection program expenses in excess of $350,000 is an addition.

(c) This section is effective retroactively at the same time and for the same taxable years as the changes in section 276 of the COVID-related Tax Relief Act of 2020 in Public Law 116-260.

Subd. 9. **Temporary addition; PPP expenses for C corporations.** (a) For the purposes of this subdivision:

(1) "qualifying business" means a business with paycheck protection program expenses that is a corporation other than an S corporation;

(2) "paycheck protection program expenses" means amounts allowed as a deduction under section 276 of the COVID-related Tax Relief Act of 2020 in Public Law 116-260; and

(3) "paycheck protection program loan" means a discharged loan that is excluded from gross income under section 1106(i) of Public Law 116-136.

(b) For a qualifying business, for each paycheck protection program loan, the amount of paycheck protection program expenses in excess of $350,000 is an addition.

(c) This section is effective retroactively at the same time and for the same taxable years as the changes in section 276 of the COVID-related Tax Relief Act of 2020 in Public Law 116-260.

Subd. 10. **Nonresident apportionment; alternative minimum tax.** (a) For the purpose of calculating the percentage under Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), the commissioner of revenue must increase:

(1) the numerator in Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), clause (1), by the subtractions in subdivisions 2 and 4; and

(2) the denominator in Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), clause (2), by the additions in subdivisions 6 and 8.

(b) For the purpose of determining "income" under Minnesota Statutes, section 289A.08, the commissioner of revenue must consider the additions under subdivisions 6 and 8 and the subtractions under subdivisions 2 and 4.

(c) A taxpayer's alternative minimum taxable income under Minnesota Statutes, section 290.091, is increased by the amount of the taxpayer's additions under subdivisions 6 and 8, and reduced by the amount of the taxpayer's subtractions under subdivisions 2 and 4.

(d) This section is effective for taxable years in which a taxpayer had an addition or subtraction under this section.

EFFECTIVE DATE. This section is effective for the taxable years specified in each subdivision.

Sec. 16. **WORKING FAMILY CREDIT; SPECIAL EARNED INCOME RULES FOR TAX YEAR 2020.**

For the purposes of calculating the credit under Minnesota Statutes, section 290.067, the commissioner of revenue must allow a taxpayer to elect to determine earned income using the rules in section 211 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 in Public Law 116-260.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2019, and before January 1, 2021.

Sec. 17. **TEMPORARY INDIVIDUAL INCOME TAX SUBTRACTION; UNEMPLOYMENT INSURANCE BENEFITS.**

(a) For the purposes of this section:

(1) "subtraction" has the meaning given in Minnesota Statutes, section 290.0132; and

(2) "unemployment compensation" has the meaning given in section 85(b) of the Internal Revenue Code.

(b) For taxable years beginning after December 31, 2019, and before January 1, 2021, an individual taxpayer with adjusted gross income that is less than $150,000 is allowed a subtraction equal to the amount of unemployment compensation received in the taxable year. The subtraction is limited to $10,200, except for a joint return the subtraction is limited to $10,200 in unemployment compensation received by each spouse.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2019, and before January 1, 2021.

ARTICLE 2

INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2020, section 41B.0391, subdivision 2, is amended to read:

Subd. 2. **Tax credit for owners of agricultural assets.** (a) An owner of agricultural assets may take a credit against the tax due under chapter 290 for the sale or rental of agricultural assets to a beginning farmer in the amount allocated by the authority under subdivision 4. An owner of agricultural assets is eligible for allocation of a credit equal to:

(1) five percent of the lesser of the sale price or the fair market value of the agricultural asset, up to a maximum of $32,000;

(2) ten percent of the gross rental income in each of the first, second, and third years of a rental agreement, up to a maximum of $7,000 per year; or

(3) 15 percent of the cash equivalent of the gross rental income in each of the first, second, and third years of a share rent agreement, up to a maximum of $10,000 per year.

(b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent agreement. The agricultural asset must be rented at prevailing community rates as determined by the authority.

(c) The credit may be claimed only after approval and certification by the authority, and is limited to the amount stated on the certificate issued under subdivision 4. An owner of agricultural assets must apply to the authority for certification and allocation of a credit, in a form and manner prescribed by the authority.

(d) An owner of agricultural assets or beginning farmer may terminate a rental agreement, including a share rent agreement, for reasonable cause upon approval of the authority. If a rental agreement is terminated without the fault of the owner of agricultural assets, the tax credits shall not be retroactively disallowed. In determining reasonable cause, the authority must look at which party was at fault in the termination of the agreement. If the authority determines the owner of agricultural assets did not have reasonable cause, the owner of agricultural assets must repay all credits received as a result of the rental agreement to the commissioner of revenue. The repayment is additional income tax for the taxable year in which the authority makes its decision or when a final adjudication under subdivision 5, paragraph (a), is made, whichever is later.

(e) The credit is limited to the liability for tax as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer incentive credit carryover according to section 290.06, subdivision 37.

(f) Notwithstanding subdivision 1, paragraph (c), for purposes of the credit for the sale of an agricultural asset under paragraph (a), clause (1), the family member definitional exclusions in subdivision 1, paragraph (c), clauses (4) and (5), do not apply.

(g) For a qualifying sale to a family member, to qualify for the credit under paragraph (a), clause (1), the sale price of the agricultural asset must equal or exceed the assessed value of the asset as of the date of the sale. If there is no assessed value, the sale price must equal or exceed 80 percent of the fair market value of the asset as of the date of the sale.

(h) For the purposes of this section, "qualifying sale to a family member" means a sale to a beginning farmer in which the beginning farmer or the beginning farmer's spouse is a family member of:

(1) the owner of the agricultural asset; or

(2) a partner, member, shareholder, or trustee of the owner of the agricultural asset.

(i) For a sale to a socially disadvantaged farmer or rancher, the credit rate under paragraph (a), clause (1), is ten percent rather than five percent. For the purposes of this section, "socially disadvantaged farmer or rancher" has the meaning given in United States Code, title 7, section 2279(a)(5).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 2. Minnesota Statutes 2020, section 41B.0391, subdivision 4, is amended to read:

Subd. 4. **Authority duties.** (a) The authority shall:

(1) approve and certify or recertify beginning farmers as eligible for the program under this section;

(2) approve and certify or recertify owners of agricultural assets as eligible for the tax credit under subdivision 2 subject to the allocation limits in paragraph (c);

(3) provide necessary and reasonable assistance and support to beginning farmers for qualification and participation in financial management programs approved by the authority;

(4) refer beginning farmers to agencies and organizations that may provide additional pertinent information and assistance; and

(5) notwithstanding section 41B.211, the Rural Finance Authority must share information with the commissioner of revenue to the extent necessary to administer provisions under this subdivision and section 290.06, subdivisions 37 and 38. The Rural Finance Authority must annually notify the commissioner of revenue of approval and certification or recertification of beginning farmers and owners of agricultural assets under this section. For credits under subdivision 2, the notification must include the amount of credit approved by the authority and stated on the credit certificate.

(b) The certification of a beginning farmer or an owner of agricultural assets under this section is valid for the year of the certification and the two following years, after which time the beginning farmer or owner of agricultural assets must apply to the authority for recertification.

(c) For credits for owners of agricultural assets allowed under subdivision 2, the authority must not allocate more than $5,000,000 for taxable years beginning after December 31, 2017, and before January 1, 2019, and must not allocate more than $6,000,000 for taxable years beginning after December 31, 2018. The authority must allocate credits on a first-come, first-served basis beginning on January 1 of each year, except that recertifications for the second and third years of credits under subdivision 2, paragraph (a), clauses (1) and (2), have first priority. Any amount authorized but not allocated in any taxable year does not cancel and is added to the allocation for the next taxable year.

(d) For taxable years beginning after December 31, 2020, the amount available to be allocated for the taxable year under paragraph (c) is reduced by five percent. Beginning in fiscal year 2022, an amount equal to the reduction under this paragraph is annually appropriated from the general fund to the Rural Finance Authority to develop an online application system and administer the credits under this section. The amount of the appropriation for a fiscal year must be determined based on the reduction for taxable years beginning after December 31 of the previous fiscal year and before January 1 of the fiscal year of the appropriation. The Rural Finance Authority must disregard amounts carried forward from previous taxable years when calculating the reduction under this paragraph.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 3. Minnesota Statutes 2020, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business. Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than $10,000,000 in credits to qualified investors or qualified funds for the taxable years listed in paragraph (i). For each taxable year, 50 percent must be allocated to credits for qualified investments in qualified greater Minnesota businesses and minority-owned, women-owned, or veteran-owned qualified small businesses in Minnesota. Any portion of a taxable year's credits that is reserved for qualified investments in greater Minnesota businesses and minority-owned, women-owned, or veteran-owned qualified small businesses in Minnesota that is not allocated by September 30 of the taxable year is available for allocation to other credit applications beginning on October 1. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is $250,000, and for all other filers the maximum is $125,000. The commissioner may not allocate more than a total of $1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if, at the time the investment is proposed:

(1) the investor is an officer or principal of the qualified small business; or

(2) the investor, either individually or in combination with one or more members of the investor's family, owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of the qualified small business.

A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's website by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made, and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

(1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;

(2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;

(3) the qualified small business is sold before the end of the three-year period;

(4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period; or

(5) the qualified investor dies before the end of the three-year period.

(h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

(i) The credit allowed under this subdivision is effective for each of the ~~following taxable years:~~ taxable years beginning after December 31, 2020, and before January 1, 2023.

~~(1) taxable years beginning after December 31, 2018, and before January 1, 2020; and~~

~~(2) taxable years beginning after December 31, 2020, and before January 1, 2022.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2020, section 116J.8737, subdivision 12, is amended to read:

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, ~~2021~~ 2022, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through ~~2023~~ 2024 for qualified investors and qualified funds, and through ~~2025~~ 2026 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through ~~2021~~ 2022, and the appropriation in subdivision 11 remains in effect through ~~2025~~ 2026.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. **[116U.27] FILM PRODUCTION CREDIT.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Allocation certificate" means a certificate issued by the commissioner to a taxpayer upon receipt of an initial application for a credit for a project that has not yet been completed.

(c) "Application" means the application for a credit under subdivision 4.

(d) "Commissioner" means the commissioner of employment and economic development.

(e) "Credit certificate" means a certificate issued by the commissioner upon submission of the cost verification report in subdivision 4, paragraph (e).

(f) "Eligible production costs" means eligible production costs as defined in section 116U.26, paragraph (b), clause (1), incurred in Minnesota that are directly attributable to the production of a film project in Minnesota.

(g) "Film" has the meaning given in section 116U.26, paragraph (b), clause (2).

(h) "Project" means a film:

(1) that includes the promotion of Minnesota;

(2) for which the taxpayer has expended at least $1,000,000 in the taxable year for eligible production costs; and

(3) to the extent practicable, that employs Minnesota residents.

(i) "Promotion of Minnesota" or "promotion" means visible display of a static or animated logo, approved by the commissioner and lasting approximately five seconds, that promotes Minnesota within its presentation and all promotional trailers worldwide in the end credits before the below-the-line crew crawl for the life of the project.

Subd. 2. **Credit allowed.** A taxpayer is eligible for a credit up to 25 percent of eligible production costs paid in a taxable year. A taxpayer may only claim a credit if the taxpayer was issued a credit certificate under subdivision 4.

Subd. 3. **Credit assignable.** A taxpayer who is eligible for a credit under this subdivision may assign the credit, in whole or in part, to another taxpayer, who is then allowed the credit under section 290.06, subdivision 39, or 297I.20, subdivision 4. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date that the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment. A credit must be assigned for at least 75 percent of the credit amount subject to assignment. A credit may be assigned at any time, provided that, for an assignment of a credit carryover under section 290.06, subdivision 39, paragraph (b), only the unused amount of the carryover is assigned.

Subd. 4. **Applications; allocations.** (a) To qualify for a credit under this section, a taxpayer must submit to the commissioner an initial application for a credit in the form prescribed by the commissioner, in consultation with the commissioner of revenue.

(b) Upon approving an application for a credit that meets the requirements of this section, the commissioner shall issue allocation certificates that:

(1) verify eligibility for the credit;

(2) state the amount of credit anticipated for the eligible project, with the credit amount up to 25 percent of eligible project costs; and

(3) state the taxable year in which the credit is allocated.

The commissioner must consult with Minnesota Film and Television prior to issuing an allocation certificate.

(c) The commissioner must not issue allocation certificates for more than $10,000,000 of credits each year. If the entire amount is not allocated in that taxable year, any remaining amount is available for allocation for the four following taxable years until the entire allocation has been made. The commissioner must not award any credits for taxable years beginning after December 31, 2024, and any unallocated amounts cancel on that date.

(d) The commissioner must allocate credits on a first-come, first-served basis.

(e) Upon completion of a project, the taxpayer shall submit to the commissioner a report prepared by an independent certified public accountant licensed in the state of Minnesota to verify the amount of eligible production costs related to the project. The report must be prepared in accordance with generally accepted accounting principles. Upon receipt and review of the cost verification report, the commissioner shall determine the final amount of eligible production costs and issue a credit certificate to the taxpayer. The credit may not exceed the anticipated credit amount on the allocation certificate. If the credit is less than the anticipated amount on the allocation credit, the difference is returned to the amount available for allocation under paragraph (c). To claim the credit under section 290.06, subdivision 39, or 297I.20, subdivision 4, a taxpayer must include a copy of the certificate as part of the taxpayer's return.

Subd. 5. **Report required.** By March 15, 2024, the commissioner, in consultation with the commissioner of revenue, must provide a report to the chairs and ranking minority members of the legislative committees with jurisdiction over economic development and taxes. The report must comply with sections 3.195 and 3.197, and must detail the following:

(1) the amount of credits earned in each taxable year;

(2) the number of applications received and approved for the credit;

(3) the types of projects eligible for the credit;

(4) the total economic impact of the credit in Minnesota, including the number of jobs resulting from the credit; and

(5) any other information the commissioner, in consultation with the commissioner of revenue, deems necessary for purposes of claiming and administering the credit.

Subd. 6. **Expiration.** This section expires January 1, 2025, for taxable years beginning after December 31, 2024.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020, and before January 1, 2025.

Sec. 6. Minnesota Statutes 2020, section 289A.08, subdivision 7, is amended to read:

Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. The individual's liability to pay estimated tax is, however, satisfied when the partnership pays composite estimated tax in the manner prescribed in section 289A.25.

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is only available to a partner who has no other Minnesota source income and who is either (1) a full-year nonresident individual or

(2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to 10 ~~and~~, 16, and 19 to 23, and the subtractions provided in: (1) section 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, ~~subdivision~~ subdivisions 14, 30, and 31. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020, except that the provisions relating to section 290.0131, subdivisions 20 and 21, are effective retroactively for taxable years beginning after December 31, 2017, and the provisions relating to section 290.0131, subdivision 19, and section 290.0132, subdivisions 30 and 31, are effective retroactively for taxable years beginning after December 31, 2018.

Sec. 7. Minnesota Statutes 2020, section 289A.08, is amended by adding a subdivision to read:

Subd. 7a. **Pass-through entity tax.** (a) For the purposes of this subdivision, the following terms have the meanings given:

(1) "income" has the meaning given in subdivision 7, paragraph (j), except that the provisions that apply to a partnership apply to a qualifying entity and the provisions that apply to a partner apply to a qualifying owner. The income of both a resident and nonresident qualifying owner is allocated and assigned to this state as provided for nonresident partners and shareholders under section 290.17;

(2) "qualifying owner" means a resident or nonresident individual, estate, or trust that is a partner, member, or shareholder of a qualifying entity; and

(3) "qualifying entity" means a partnership, limited liability company, or corporation organized under subchapter S of the Internal Revenue Code for federal income tax purposes, including a qualified subsidiary also organized under subchapter S of the Internal Revenue Code. Qualifying entity does not include a partnership, limited liability company, or corporation that has a partnership, limited liability company, or corporation as a partner, member, or shareholder.

(b) A qualifying entity may elect to file a return and pay the pass-through entity tax imposed under paragraph (c). The election:

(1) must be made on or before the due date or extended due date of the qualifying entity's pass-through entity tax return;

(2) may only be made by qualifying owners who hold more than a 50 percent ownership interest in a qualifying entity; and

(3) is binding on all qualifying owners who have an ownership interest in the qualifying entity.

(c) Subject to the election in paragraph (b), a pass-through entity tax is imposed on a qualifying entity in an amount equal to the sum of the tax liability of each qualifying owner.

(d) The amount of a qualifying owner's tax liability under paragraph (c) is the amount of the qualifying owner's income multiplied by the tax rates and brackets used to determine the tax liability for married individuals filing separate returns, estates, and trusts under section 290.06, subdivision 2c. When making this determination:

(1) nonbusiness deductions, standard deductions, or personal exemptions are not allowed; and

(2) a credit or deduction is allowed only to the extent allowed to the qualifying owner.

(e) The amount of each credit and deduction used to determine a qualifying owner's tax liability under paragraph (d) must also be used to determine that qualifying owner's individual income tax liability under chapter 290.

(f) This subdivision does not negate the requirement that a qualifying owner pay estimated tax if the qualifying owner's tax liability would exceed the requirements set forth in section 289A.25. The qualifying owner's liability to pay estimated tax on the qualifying owner's tax liability as determined under paragraph (d) is, however, satisfied when the qualifying entity pays estimated tax in the manner prescribed in section 289A.25 for composite estimated tax.

(g) A qualifying owner's adjusted basis in the interest in the qualifying entity, and the treatment of distributions, is determined as if the election to pay the pass-through entity tax under paragraph (b) is not made.

(h) To the extent not inconsistent with this subdivision, for purposes of this chapter, a pass-through entity tax return must be treated as a composite return and a qualifying entity filing a pass-through entity tax return must be treated as a partnership filing a composite return.

(i) The provisions of subdivision 17 apply to the election to pay the pass-through entity tax under this subdivision.

(j) If a nonresident qualifying owner of a qualifying entity making the election to file and pay the tax under this subdivision has no other Minnesota source income, filing of the pass-through entity tax return is a return for purposes of subdivision 1, provided that the nonresident qualifying owner must not have any Minnesota source income other than the income from the qualifying entity and other electing qualifying entities. If it is determined that the nonresident qualifying owner has other Minnesota source income, the inclusion of the income and tax liability for that owner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the pass-through entity tax return is allowed as a payment of the tax by the individual on the date on which the pass-through entity tax return payment was made.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 8. Minnesota Statutes 2020, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

(1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States;

(2) the date or dates of birth of the taxpayer or taxpayers;

(3) the following information:

(i) the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers; or

(ii) the individual tax identification number of the taxpayer, or taxpayers, if a Social Security number has not been issued by the United States with respect to the taxpayers, as allowed under section 290.0671; and

(4) the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

(b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 9. Minnesota Statutes 2020, section 290.01, is amended by adding a subdivision to read:

Subd. 7c. **Resident trust.** (a) "Resident trust" means a trust, except a grantor type trust, which has sufficient relevant connections with Minnesota during the applicable tax year to be permissibly taxed, consistent with due process, as a resident trust. Relevant connections with Minnesota include but are not limited to the following:

(1) one or more of the trustees, fiduciaries, nonfiduciary service providers, settlors, grantors, or beneficiaries of the trust are residents or part-year residents of Minnesota;

(2) tangible or intangible assets making up any part of the trust are located in Minnesota;

(3) any part of the administration of the trust took place in Minnesota;

(4) the laws of Minnesota are specifically made applicable to the trust or to the parties to the trust, whether by choice of law or by operation of law;

(5) the trust was created by a will of a decedent who at death was domiciled in Minnesota;

(6) the trust and the will under which it was created were probated in Minnesota or were otherwise approved or enforced by Minnesota's courts; and

(7) Minnesota's courts have a continuing supervisory or other existing relationship with the trust.

(b) The term "grantor type trust" means a trust where the income or gains of the trust are taxable to the grantor or others treated as substantial owners under sections 671 to 678 of the Internal Revenue Code.

(c) The term "administration of the trust" means the performance of any administrative function for the trust, including but not limited to the following:

(1) investing of trust assets;

(2) distributing of trust assets;

(3) conducting trust business;

(4) conducting any litigation or other legal proceedings;

(5) conducting administrative services, including but not limited to record keeping and the preparation and filing of tax returns;

(6) making fiduciary decisions, including but not limited to decisions regarding any of the administrative functions listed in this paragraph; and

(7) official keeping of books and records of the trust, including but not limited to the original minutes of trustee meetings and the original trust instruments, are located in Minnesota.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 10. Minnesota Statutes 2020, section 290.0122, subdivision 8, is amended to read:

Subd. 8. **Losses.** A taxpayer is allowed a deduction for losses~~. The deduction equals the amount~~ allowed under ~~sections 165(d) and 165(h) of the Internal Revenue Code, disregarding the limitation on personal casualty losses in paragraph (h)(5).~~ section 165(a) of the Internal Revenue Code, including the limitation provided in section 67(b)(3) of the Internal Revenue Code, for the following:

(1) losses described in paragraphs (2) and (3) of section 165(c) of the Internal Revenue Code, including the provisions of section 165(h) of the Internal Revenue Code but disregarding paragraph (h)(5); and

(2) losses described in section 165(d) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment, except that the reference to paragraph (2) of section 165(c) of the Internal Revenue Code is effective retroactively for taxable years beginning after December 31, 2018.

Sec. 11. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision to read:

Subd. 22. **Previously taxed deferred foreign income.** The amount received by a resident or part-year resident that is excluded from federal adjusted gross income or federal taxable income under section 959 of the Internal Revenue Code, because the amount was previously included under sections 951A or 965 of the Internal Revenue Code, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 12. Minnesota Statutes 2020, section 290.0131, is amended by adding a subdivision to read:

Subd. 23. **Income attributable to domestic production activities of cooperatives.** The amount of the deduction allowable under section 199A(g) of the Internal Revenue Code is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 13. Minnesota Statutes 2020, section 290.0132, subdivision 27, is amended to read:

Subd. 27. **Deferred foreign income.** The amount of deferred foreign income ~~recognized because of~~ under section 965 of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015, except the changes incorporated by federal changes are effective retroactively at the same time the changes became effective for federal purposes.

Sec. 14. Minnesota Statutes 2020, section 290.0133, subdivision 6, is amended to read:

Subd. 6. **Special deductions.** The amount of any special deductions under sections 241 to 247, and 250~~, and 965~~ of the Internal Revenue Code is an addition.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015, except that the changes incorporated by federal changes are effective retroactively at the same time the changes became effective for federal purposes.

Sec. 15. Minnesota Statutes 2020, section 290.0133, is amended by adding a subdivision to read:

Subd. 16. **Previously taxed deferred foreign income.** The amount received by a corporation that is excluded from gross income under section 959 of the Internal Revenue Code, because the amount was previously included under sections 951A or 965 of the Internal Revenue Code, is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 16. Minnesota Statutes 2020, section 290.0133, is amended by adding a subdivision to read:

Subd. 17. **Income attributable to domestic production activities of cooperatives.** The amount of the deduction allowable under section 199A(g) of the Internal Revenue Code is an addition.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 17. Minnesota Statutes 2020, section 290.0134, subdivision 18, is amended to read:

Subd. 18. **Deferred foreign income.** The amount of deferred foreign income ~~recognized because of~~ under section 965 of the Internal Revenue Code is a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 18. Minnesota Statutes 2020, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

(1) On the first ~~$38,770~~ $42,800, 5.35 percent;

(2) On all over ~~$38,770~~ $42,800, but not over ~~$154,020~~ $154,010, 6.8 percent;

(3) On all over ~~$154,020~~ $154,010, but not over ~~$269,010~~ $276,200, 7.85 percent;

(4) On all over ~~$269,010~~ $276,200, but not over $1,000,000, 9.85 percent~~.~~;

(5) On all over $1,000,000, 11.15 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

(1) On the first ~~$26,520~~ $29,270, 5.35 percent;

(2) On all over ~~$26,520~~ $29,270, but not over ~~$87,110~~ $86,620, 6.8 percent;

(3) On all over ~~$87,110~~ $86,620, but not over ~~$161,720~~ $166,040, 7.85 percent;

(4) On all over ~~$161,720~~ $166,040, but not over $500,000, 9.85 percent~~.~~;

(5) On all over $500,000, 11.15 percent.

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

(1) On the first ~~$32,650~~ $36,030, 5.35 percent;

(2) On all over ~~$32,650~~ $36,030, but not over ~~$131,190~~ $131,230, 6.8 percent;

(3) On all over ~~$131,190~~ $131,230, but not over ~~$214,980~~ $220,730, 7.85 percent;

(4) On all over ~~$214,980~~ $220,730, but not over $750,000, 9.85 percent~~.~~;

(5) On all over $750,000, 11.15 percent.

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

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by:

(i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, ~~and~~ 17, and 19 to 23, and 290.0137, paragraph (a); and reduced by

(ii) the Minnesota assignable portion of the subtraction for United States government interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132, subdivisions 9, 10, 14, 15, 17, 18, ~~and~~ 27, 30, and 31, and 290.0137, paragraph (c), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code, increased by:

(i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, ~~and~~ 17, and 19 to 23, and 290.0137, paragraph (a); and reduced by

(ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, ~~and~~ 27, 30, and 31, and 290.0137, paragraph (c).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 19. Minnesota Statutes 2020, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** The commissioner shall annually adjust the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c as provided in section 270C.22. The statutory year is taxable year ~~2019~~ 2021. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest $10 amount. If the rate bracket ends in $5, it must be rounded up to the nearest $10 amount. The commissioner shall determine the rate bracket for married filing separate returns after this adjustment is done. The rate bracket for married filing separate must be one-half of the rate bracket for married filing joint.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2021.

Sec. 20. Minnesota Statutes 2020, section 290.06, subdivision 22, is amended to read:

Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes based on net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.0131, subdivision 2, and the subtraction allowed by section 290.0132, subdivision 2, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d)(1) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter; and

(2) the allowance of the credit does not reduce the taxes paid under this chapter to an amount less than what would be assessed if the gross income earned within the other state were excluded from taxable net income.

(e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump-sum distribution defined in section 290.032, subdivision 1, includes lump-sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income. For purposes of this paragraph, "partnership" includes a limited liability company and "partner" includes a member of a limited liability company.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

(l)(1) The credit allowed to a qualifying individual under this section for tax paid to a qualifying state equals the credit calculated under paragraphs (b) and (d), plus the amount calculated by multiplying:

(i) the difference between the preliminary credit and the credit calculated under paragraphs (b) and (d), by

(ii) the ratio derived by dividing the income subject to tax in the qualifying state that consists of compensation for performance of personal or professional services by the total amount of income subject to tax in the qualifying state.

(2) If the amount of the credit that a qualifying individual is eligible to receive under clause (1) for tax paid to a qualifying state exceeds the tax due under this chapter before

the application of the credit calculated under clause (1), the commissioner shall refund the excess to the qualifying individual. An amount sufficient to pay the refunds required by this subdivision is appropriated to the commissioner from the general fund.

(3) For purposes of this paragraph, "preliminary credit" means the credit that a qualifying individual is eligible to receive under paragraphs (b) and (d) for tax paid to a qualifying state without regard to the limitation in paragraph (d), clause (2); "qualifying individual" means a Minnesota resident under section 290.01, subdivision 7, paragraph (a), who received compensation during the taxable year for the performance of personal or professional services within a qualifying state; and "qualifying state" means a state with which an agreement under section 290.081 is not in effect for the taxable year but was in effect for a taxable year beginning before January 1, 2010.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 21. Minnesota Statutes 2020, section 290.06, is amended by adding a subdivision to read:

Subd. 39. **Film production credit.** (a) A taxpayer, including a taxpayer to whom a credit has been assigned under section 116U.27, subdivision 3, may claim a credit against the tax imposed by this chapter equal to the amount certified on a credit certificate under section 116U.27, subject to the limitations in this subdivision.

(b) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a film production credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph must not exceed the taxpayer's liability for tax, less any film production credit for the taxable year.

(c) Credits allowed to a partnership, a limited liability company taxed as a partnership, or an S corporation are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each based on the partner's, member's, shareholder's, or owner's share of the entity's assets, or as specially allocated in the organizational documents or any other executed agreement, as of the last day of the taxable year.

(d) Notwithstanding the approval and certification by the commissioner of employment and economic development under section 116U.27, the commissioner may utilize any audit and examination powers under chapter 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess the amount of any improperly claimed credit. The commissioner may only assess the original recipient of the credit certificate for the amount of improperly claimed credits. The commissioner may not assess a credit certificate transferee for any amount of improperly claimed credits, and a transferee's claim for credit is not affected by the commissioner's assessment of improperly claimed credits against the transferor.

(e) This subdivision expires January 1, 2025, for taxable years beginning after December 31, 2024, except that the expiration of this section does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020, and before January 1, 2025.

Sec. 22. Minnesota Statutes 2020, section 290.06, is amended by adding a subdivision to read:

Subd. 40. **Pass-through entity tax credit.** (a) A qualifying owner of a qualifying entity that elects to pay the pass-through entity tax under section 289A.08, subdivision 7a, may claim a credit against the tax due under this chapter equal to the amount of the owner's tax liability as calculated under section 289A.08, subdivision 7a, paragraph (d).

(b) If the amount of the credit the taxpayer may claim under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer. The amount necessary to pay the claim for the refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.

(c) For purposes of this subdivision, "qualifying entity," "qualifying owner," and "tax liability" have the meanings given in section 289A.08, subdivision 7a, paragraphs (a) and (d).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 23. Minnesota Statutes 2020, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code~~, except that:~~.

(b) A taxpayer who is a resident of Minnesota and is otherwise eligible for the credit under section 32 of the Internal Revenue Code may qualify for the credit under this section under one or more of the following exceptions:

(1) ~~a taxpayer with~~ the taxpayer had no qualifying children ~~who has~~ and attained the age of 21, but not ~~attained~~ the age of 65, before the close of the taxable year ~~and is otherwise eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit~~; ~~and~~

(2) ~~a taxpayer who is otherwise eligible for a credit under section 32 of the Internal Revenue Code remains eligible for the credit even if~~ the taxpayer otherwise qualifies for a credit under this section and the taxpayer's earned income or adjusted gross income exceeds the income limitation under section 32 of the Internal Revenue Code~~.~~; or

(3) the taxpayer does not meet the requirements of section 32(m) of the Internal Revenue Code but provides an individual taxpayer identification number.

~~(b)~~ (c) For individuals with no qualifying children, the credit equals ~~3.9~~ 5 percent of the first ~~$7,150~~ $8,000 of earned income. The credit is reduced by 2.0 percent of earned income or adjusted gross income, whichever is greater, in excess of the phaseout threshold, but in no case is the credit less than zero.

~~(c)~~ (d) For individuals with one qualifying child, the credit equals 9.35 percent of the first ~~$11,950~~ $12,270 of earned income. The credit is reduced by 6.0 percent of earned income or adjusted gross income, whichever is greater, in excess of the phaseout threshold, but in no case is the credit less than zero.

~~(d)~~ (e) For individuals with two qualifying children, the credit equals 11 percent of the first ~~$19,600~~ $20,120 of earned income. The credit is reduced by 10.5 percent of earned income or adjusted gross income, whichever is greater, in excess of the phaseout threshold, but in no case is the credit less than zero.

~~(e)~~ (f) For individuals with three or more qualifying children, the credit equals 12.5 percent of the first ~~$20,000~~ $20,530 of earned income. The credit is reduced by 10.5 percent of earned income or adjusted gross income, whichever is greater, in excess of the phaseout threshold, but in no case is the credit less than zero.

~~(f)~~ <u>(g)</u> For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

~~(g)~~ <u>(h)</u> For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.0132, subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the following clauses are not considered "earned income not subject to tax under this chapter":

(1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;

(2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and

(3) income derived from an Indian reservation by an enrolled member of the reservation while living on the reservation.

~~(h)~~ <u>(i)</u> For the purposes of this section, the phaseout threshold equals:

(1) ~~$14,570~~ <u>$14,960</u> for married taxpayers filing joint returns with no qualifying children;

(2) ~~$8,730~~ <u>$8,960</u> for all other taxpayers with no qualifying children;

(3) ~~$28,610~~ <u>$29,380</u> for married taxpayers filing joint returns with one qualifying child;

(4) ~~$22,770~~ <u>$23,380</u> for all other taxpayers with one qualifying child;

(5) ~~$32,840~~ <u>$33,720</u> for married taxpayers filing joint returns with two qualifying children;

(6) ~~$27,000~~ <u>$27,720</u> for all other taxpayers with two qualifying children;

(7) ~~$33,140~~ <u>$34,030</u> for married taxpayers filing joint returns with three or more qualifying children; and

(8) ~~$27,300~~ <u>$28,030</u> for all other taxpayers with three or more qualifying children.

~~(i)~~ <u>(j)</u> The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

<u>**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2020.</u>

Sec. 24. Minnesota Statutes 2020, section 290.0671, subdivision 1a, is amended to read:

Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms ~~"Qualifying child," and~~ have the meanings given.

(b) "Earned income~~,~~" ~~have~~ has the ~~meanings~~ meaning given in section 32(c) of the Internal Revenue Code~~, and the term "adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code~~.

(c) "Earned income of the lesser-earning spouse" has the meaning given in section 290.0675, subdivision 1, paragraph (d).

(d) "Qualifying child" has the meaning given in section 32(c) of the Internal Revenue Code, except that the requirements of section 32(m) of the Internal Revenue Code do not apply for the purposes of determining a qualifying child if the taxpayer provides an individual taxpayer identification number.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 25. Minnesota Statutes 2020, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The commissioner shall annually adjust the earned income amounts used to calculate the credit and the phase-out thresholds in subdivision 1 as provided in section 270C.22. The statutory year is taxable year ~~2019~~ 2021.

Sec. 26. Minnesota Statutes 2020, section 290.0674, subdivision 2a, is amended to read:

Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the following:

(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section ~~199~~ 199A(g) of the Internal Revenue Code;

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; and

(xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A;

(5) child support payments received under a temporary or final decree of dissolution or legal separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 27. Minnesota Statutes 2020, section 290.0681, subdivision 10, is amended to read:

Subd. 10. **Sunset.** This section expires after fiscal year ~~2021~~ 2029, except that the office's authority to issue credit certificates under subdivision 4 based on allocation certificates that were issued before fiscal year ~~2022~~ 2030 remains in effect through ~~2024~~ 2032, and the reporting requirements in subdivision 9 remain in effect through the year following the year in which all allocation certificates have either been canceled or resulted in issuance of credit certificates, or ~~2025~~ 2033, whichever is earlier.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 28. Minnesota Statutes 2020, section 290.0682, is amended to read:

290.0682 STUDENT LOAN CREDIT.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Adjusted gross income" means federal adjusted gross income as defined in section 62 of the Internal Revenue Code.

(c) "Earned income" has the meaning given in section ~~32(c) of the Internal Revenue Code~~ 290.0675, subdivision 1, paragraph (b).

(d) "Eligible individual" means a resident individual with one or more qualified education loans related to an undergraduate or graduate degree program at a postsecondary educational institution.

(e) "Eligible loan payments" means the amount the eligible individual paid during the taxable year in principal and interest on qualified education loans.

(f) "Postsecondary educational institution" means a public or nonprofit postsecondary institution eligible for state student aid under section 136A.103 or, if the institution is not located in this state, a public or nonprofit postsecondary institution participating in the federal Pell Grant program under title IV of the Higher Education Act of 1965, Public Law 89-329, as amended.

(g) "Qualified education loan" has the meaning given in section 221 of the Internal Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual.

Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax due under this chapter.

(b) The credit for an eligible individual equals the least of:

(1) eligible loan payments minus ten percent of an amount equal to adjusted gross income in excess of $10,000, but in no case less than zero;

(2) the earned income for the taxable year of the eligible individual, if any;

(3) the sum of:

(i) the interest portion of eligible loan payments made during the taxable year; and

(ii) ten percent of the original loan amount of all qualified education loans of the eligible individual; or

(4) $500.

(c) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(d) In the case of a married couple, each spouse is eligible for the credit in this section. For the purposes of paragraph (b), for married taxpayers filing joint returns, each spouse's adjusted gross income equals the spouse's percentage share of the couple's earned income, multiplied by the couple's combined adjusted gross income.

Subd. 3. **Credit refundable; appropriation.** (a) If the amount of credit which a claimant is eligible to receive under this section exceeds the claimant's tax liability under this chapter, the commissioner shall refund the excess to the claimant.

(b) An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 29. Minnesota Statutes 2020, section 290.0685, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax imposed by this chapter equal to $2,000 for each ~~birth for which a certificate of birth resulting in stillbirth has been issued under section 144.2151~~ stillbirth. The credit under this section is allowed only in the taxable year in which the stillbirth occurred ~~and if the child would have been a dependent of the taxpayer as defined in section 152 of the Internal Revenue Code~~.

(b) For a ~~nonresident or~~ part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 30. Minnesota Statutes 2020, section 290.0685, is amended by adding a subdivision to read:

Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the meanings given, unless the context clearly indicates otherwise.

(b) "Certificate of birth" means the printed certificate of birth resulting in stillbirth issued under section 144.2151 or for a birth occurring in another state or country a similar certificate issued under that state's or country's law.

(c) "Eligible individual" means an individual who is:

(1)(i) a resident; or

(ii) the nonresident spouse of a resident who is a member of armed forces of the United States or the United Nations; and

(2)(i) the individual who gave birth resulting in stillbirth and is listed as a parent on the certificate of birth;

(ii) if no individual meets the requirements of clause (i) for a stillbirth that occurs in this state, then the first parent listed on the certificate of birth resulting in still birth; or

(iii) the individual who gave birth resulting in stillbirth for a birth outside of this state for which no certificate of birth was issued.

(d) "Stillbirth" means a birth for which a fetal death report would be required under section 144.222, subdivision 1, if the birth occurred in this state.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 31. Minnesota Statutes 2020, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given.

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

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

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

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

(ii) the medical expense deduction;

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

(iv) the impairment-related work expenses of a person with a disability;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the

deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

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

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.0131, subdivision 2;

(6) the amount of addition required by section 290.0131, subdivisions 9, 10, ~~and~~ 16, and 19 to 23;

(7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent not included in the addition required under clause (6); and

(8) to the extent not included in federal alternative minimum taxable income, the amount of foreign-derived intangible income deducted under section 250 of the Internal Revenue Code;

less the sum of the amounts determined under the following:

(i) interest income as defined in section 290.0132, subdivision 2;

(ii) an overpayment of state income tax as provided by section 290.0132, subdivision 3, to the extent included in federal alternative minimum taxable income;

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

(iv) amounts subtracted from federal taxable or adjusted gross income as provided by section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, ~~and~~ 26 to 29, 30, and 31;

(v) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c); and

(vi) the amount allowable as a Minnesota itemized deduction under section 290.0122, subdivision 7.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code, except alternative minimum taxable income must be increased by the addition in section 290.0131, subdivision 16.

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

(c) "Net minimum tax" means the minimum tax imposed by this section.

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

(e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020, except that the provisions relating to section 290.0131, subdivisions 20 and 21, are effective retroactively for taxable years beginning after December 31, 2017, and the provisions relating to section 290.0131, subdivision 19, and section 290.0132, subdivisions 30 and 31, are effective retroactively for taxable years beginning after December 31, 2018.

Sec. 32. Minnesota Statutes 2020, section 290.17, is amended by adding a subdivision to read:

Subd. 4a. **Controlled foreign corporations.** (a) For purposes of applying subdivision 4, a controlled foreign corporation as defined in section 957 of the Internal Revenue Code is deemed to be a domestic corporation if:

(1) a United States shareholder of a controlled foreign corporation is required for the taxable year to include in gross income the shareholder's global intangible low-taxed income under section 951A of the Internal Revenue Code; and

(2) the controlled foreign corporation is a member of a unitary group.

(b) In the event the taxpayer fails to designate the controlled foreign corporation as a member of a unitary group and the commissioner subsequently determines that the controlled foreign corporation is a member of a unitary group, the commissioner's determination is prima facie valid. The taxpayer subject to the determination has the burden of establishing the incorrectness of the determination in any related action or proceeding.

(c) For purposes of imposing a tax under this chapter, the federal taxable income of a controlled foreign corporation deemed to be a domestic corporation under this subdivision must be computed as follows:

(1) a profit and loss statement must be prepared in the currency in which the books of account of the controlled foreign corporation are regularly maintained;

(2) except as determined by the commissioner or otherwise allowed under the Internal Revenue Code, adjustments must be made to the profit and loss statement to conform the statement to the accounting principles generally accepted in the United States for the preparation of those statements;

(3) adjustments must be made to the profit and loss statement to conform it to the tax accounting standards required by the commissioner;

(4) unless otherwise authorized by the commissioner, the apportionment factors and profit and loss statement of each member of the combined group must be converted into the currency in which the parent company maintains its books and records; and

(5) the taxpayer's apportionment factors and profit and loss statement must be expressed in United States dollars.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 33. Minnesota Statutes 2020, section 290.17, is amended by adding a subdivision to read:

Subd. 4b. **Worldwide election.** (a) Taxpayer members of a unitary group, of which one or more members are deemed to be domestic corporations under subdivision 4a for the taxable year, may elect to determine each of their apportioned shares of the net business income or loss of the combined group under a worldwide election. Under the election, taxpayer members must take into account the entire income and apportionment factors of each member of the unitary group, regardless of the place where a member is incorporated or formed. Corporations or other entities incorporated or formed outside of the United States are subject to the requirements of subdivision 4a, paragraph (c), in reporting their income.

(b) A worldwide election is effective only if made on a timely filed, original return for the tax year by each member of the unitary group subject to tax under this chapter.

(c) A worldwide election is binding for and applies to the taxable year it is made and for the ten following taxable years.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 34. Minnesota Statutes 2020, section 290.17, is amended by adding a subdivision to read:

Subd. 4c. **Withdrawal; reinstitution.** (a) The election under subdivision 4b, paragraph (a), may be withdrawn:

(1) after expiration of the ten-year period in subdivision 4b, paragraph (c), provided that the withdrawal is made in writing within one year after the expiration of the election; or

(2) prior to the expiration of the ten-year period, if the taxpayer members:

(i) file a written withdrawal request with the commissioner;

(ii) demonstrate that they would experience an extraordinary financial hardship due to increased tax arising from unforeseen changes in this state's tax statutes, laws, or policies; and

(iii) receive written permission from the commissioner approving the withdrawal, which the commissioner may grant.

(b) A withdrawal made under paragraph (a) is binding for ten years. If no withdrawal is properly made under paragraph (a), clause (1), the worldwide election is binding for an additional ten taxable years. If the commissioner grants written permission to withdraw under paragraph (a), clause (2), the commissioner must impose any requirement deemed necessary to prevent evasion of tax or to clearly reflect income for the election period before or after withdrawal.

(c) Notwithstanding the requirement binding withdrawal for ten years under paragraph (b), the election may be reinstituted if the taxpayer members:

(1) file a written reinstitution request with the commissioner;

(2) demonstrate that they would experience an extraordinary hardship due to unforeseen changes in this state's tax statutes, laws, or policies; and

(3) receive written permission from the commissioner approving the reinstitution, which the commissioner may grant.

(d) A reinstitution under paragraph (c) is binding for a period of ten years. The withdrawal provisions of paragraph (a) apply to a reinstitution under paragraph (c), and the provisions of paragraph (c) apply to a reinstitution following a subsequent withdrawal.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 35. Minnesota Statutes 2020, section 290.21, subdivision 9, is amended to read:

Subd. 9. **Controlled foreign corporations.** The net income of a ~~domestic~~ corporation that is included pursuant to section 951 of the Internal Revenue Code is dividend income.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 36. Minnesota Statutes 2020, section 290.21, is amended by adding a subdivision to read:

Subd. 10. **Previously taxed deferred foreign income.** The amount included under section 290.0133, subdivision 16, is dividend income.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 37. Minnesota Statutes 2020, section 290.92, subdivision 4b, is amended to read:

Subd. 4b. **Withholding by partnerships.** (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual partners based on their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 289A.08, subdivision 7;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than $1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year;

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property; ~~or~~

(5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the Internal Revenue Code~~.~~; or

(6) the partnership has elected to pay the pass-through entity tax under section 289A.08, subdivision 7a.

(e) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an employer.

(f) To the extent that income is exempt from withholding under paragraph (d), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (d), clause (4). The lien arises under section 270C.63 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270C.67, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 38. Minnesota Statutes 2020, section 290.92, subdivision 4c, is amended to read:

Subd. 4c. **Withholding by S corporations.** (a) A corporation having a valid election in effect under section 290.9725 shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual shareholders their share of the corporation's income for the taxable year.

(b) The amount of tax withheld is determined by multiplying the amount of income allocable to Minnesota under section 290.17 by the highest rate used to determine the income tax liability of an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the shareholder submits a withholding exemption certificate under subdivision 5.

(c) Notwithstanding paragraph (a), a corporation is not required to deduct and withhold tax for a nonresident shareholder, if:

(1) the shareholder elects to have the tax due paid as part of the corporation's composite return under section 289A.08, subdivision 7;

(2) the shareholder has Minnesota assignable federal adjusted gross income from the corporation of less than $1,000; ~~or~~

(3) the corporation is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year~~.~~; or

(4) the S corporation has elected to pay the pass-through entity tax under section 289A.08, subdivision 7a.

(d) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a corporation is considered an employer.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 39. Minnesota Statutes 2020, section 290A.03, subdivision 3, is amended to read:

Subd. 3. **Income.** (a) "Income" means the sum of the following:

(1) federal adjusted gross income as defined in the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

(xiv) alimony received to the extent not included in the recipient's income;

(xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code; ~~and~~

(xvii) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code~~.~~; and

(xviii) the amount of deduction allowed under section 199A(g) of the Internal Revenue Code.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

(4) surplus food or other relief in kind supplied by a governmental agency;

(5) relief granted under this chapter;

(6) child support payments received under a temporary or final decree of dissolution or legal separation;

(7) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16; or

(8) alimony paid.

(c) The sum of the following amounts may be subtracted from income:

(1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(5) for the claimant's fifth dependent, the exemption amount; and

(6) if the claimant or claimant's spouse had a disability or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

(d) For purposes of this subdivision, the following terms have the meanings given:

(1) "exemption amount" means the exemption amount under section 290.0121, subdivision 1, paragraph (b), for the taxable year for which the income is reported;

(2) "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and

(3) "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 40. Minnesota Statutes 2020, section 297I.20, is amended by adding a subdivision to read:

Subd. 4. **Film production credit.** (a) A taxpayer may claim a credit against the premiums tax imposed under this chapter equal to the amount indicated on the credit certificate statement issued to the company under section 116U.27. If the amount of the credit exceeds the taxpayer's liability for tax under this chapter, the excess is a credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. This credit does not affect the calculation of fire state aid under section 477B.03 and police state aid under section 477C.03.

(b) This subdivision expires January 1, 2025, for taxable years beginning after and premiums received after December 31, 2024.

EFFECTIVE DATE. This section is effective for taxable years beginning after and for premiums received after December 31, 2020, and before January 1, 2025.

Sec. 41. **CLARIFICATION OF SECTION 179 EXPENSING CONFORMITY.**

For taxable years beginning after December 31, 2019, no addition is required under Minnesota Statutes, sections 290.0131, subdivision 10, and 290.0133, subdivision 12, for property placed in service in taxable years beginning before January 1, 2020, including the following:

(1) the addition for carryover amounts pursuant to section 179(b)(3) of the Internal Revenue Code for property placed in service in taxable years beginning before January 1, 2020; and

(2) the addition for property placed in service in taxable years beginning before January 1, 2020, resulting from being a shareholder or partner in an S-corporation or partnership with a taxable year that began before January 1, 2020.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2019.

Sec. 42. **REPEALER.**

(a) Minnesota Statutes 2020, sections 290.01, subdivision 19i; and 290.0131, subdivision 18, are repealed effective retroactively for taxable years beginning after December 31, 2015.

(b) Minnesota Statutes 2020, section 290.01, subdivision 7b, is repealed effective for taxable years beginning after December 31, 2020.

ARTICLE 3
PARTNERSHIP AUDITS

Section 1. Minnesota Statutes 2020, section 270C.445, subdivision 6, is amended to read:

Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The commissioner may impose an administrative penalty of not more than $1,000 per violation of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed for any conduct for which a tax preparer penalty is imposed under section 289A.60, subdivision 13. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed under this paragraph are public data.

(b) In addition to the penalty under paragraph (a), if the commissioner determines that a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may issue an administrative order to the tax preparer requiring the tax preparer to cease and desist from committing the violation. The administrative order may include an administrative penalty provided in paragraph (a).

(c) If the commissioner issues an administrative order under paragraph (b), the commissioner must send the order to the tax preparer addressed to the last known address of the tax preparer.

(d) A cease and desist order under paragraph (b) must:

(1) describe the act, conduct, or practice committed and include a reference to the law that the act, conduct, or practice violates; and

(2) provide notice that the tax preparer may request a hearing as provided in this subdivision.

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

(f) If a tax preparer does not timely request a hearing regarding an administrative order issued under paragraph (b), the order becomes a final order of the commissioner and is not subject to review by any court or agency.

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced within ten days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ten days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within five days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within 15 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

(j) The commissioner and the tax preparer requesting a hearing may by agreement lengthen any time periods prescribed in paragraphs (g) to (i).

(k) An administrative order issued under paragraph (b) is in effect until it is modified or vacated by the commissioner or an appellate court. The administrative hearing provided by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute the exclusive remedy for a tax preparer aggrieved by the order.

(l) The commissioner may impose an administrative penalty, in addition to the penalty under paragraph (a), up to $5,000 per violation of a cease and desist order issued under paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under this paragraph, the tax preparer assessed the penalty may request a hearing to review the penalty order. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The cease and desist order issued under paragraph (b) is not subject to review in a proceeding to challenge the penalty order under this paragraph. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed. If the tax preparer does not timely request a hearing, the penalty order becomes a final order of the commissioner and is not subject to review by any court or agency. A penalty imposed by the commissioner under this paragraph may be collected and enforced by the commissioner as an income tax liability. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. A penalty imposed under this paragraph is public data.

(m) If a tax preparer violates a cease and desist order issued under paragraph (b), the commissioner may terminate the tax preparer's authority to transmit returns electronically to the state. Termination under this paragraph is public data.

(n) A cease and desist order issued under paragraph (b) is public data when it is a final order.

(o) Notwithstanding any other law, the commissioner may impose a penalty or take other action under this subdivision against a tax preparer, with respect to a return, within the period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.382.

(p) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer under this subdivision, other than with respect to a return, must be taken by the commissioner within five years of the violation of statute.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 2. Minnesota Statutes 2020, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining company, and corporate franchise taxes, and interest and penalties, must be paid by the taxpayer upon whom the tax is imposed, except in the following cases:

(1) the tax due from a decedent for that part of the taxable year in which the decedent died during which the decedent was alive and the taxes, interest, and penalty due for the prior years must be paid by the decedent's personal representative, if any. If there is no personal representative, the taxes, interest, and penalty must be paid by the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive property from the decedent;

(2) the tax due from an infant or other incompetent person must be paid by the person's guardian or other person authorized or permitted by law to act for the person;

(3) the tax due from the estate of a decedent must be paid by the estate's personal representative;

(4) the tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

(5) the tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the entertainer for the amount of the payment.

(c) The taxes imposed under sections 289A.35, paragraph (b), 289A.382, subdivision 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the general partners.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 3. Minnesota Statutes 2020, section 289A.37, subdivision 2, is amended to read:

Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous refund occurs when the commissioner issues a payment to a person that exceeds the amount the person is entitled to receive under law. An erroneous refund is considered an underpayment of tax on the date issued.

(b) To the extent that the amount paid does not exceed the amount claimed by the taxpayer, an erroneous refund does not include the following:

(1) any amount of a refund or credit paid pursuant to a claim for refund filed by a taxpayer, including but not limited to refunds of claims made under section 290.06, subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068; 290.0681; or 290.0692; or chapter 290A; or

(2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a taxpayer.

(c) The commissioner may make an assessment to recover an erroneous refund at any time within two years from the issuance of the erroneous refund. If all or part of the erroneous refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

(d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be conducted under ~~section~~ sections 289A.38 to 289A.382.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of

Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 4. Minnesota Statutes 2020, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any period, as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall report the ~~change or correction or renegotiation results~~ federal adjustments in writing to the commissioner. The federal adjustments report must be submitted within 180 days after the final determination date and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal ~~determination~~ adjustment or a letter detailing how the federal ~~determination~~ adjustment is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

(b) ~~For the purposes of paragraph (a), a change or correction includes any case where a taxpayer reaches a closing agreement or compromise with the Internal Revenue Service under section 7121 or 7122 of the Internal Revenue Code.~~ In the case of a final federal adjustment arising from a partnership-level audit or an administrative adjustment request filed by a partnership under section 6227 of the Internal Revenue Code, a taxpayer must report adjustments as provided for under section 289A.382, and not this section.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 5. Minnesota Statutes 2020, section 289A.38, subdivision 8, is amended to read:

Subd. 8. **Failure to report change or correction of federal return.** If a taxpayer fails to make a federal adjustments report as required by subdivision 7 or section 289A.382, the commissioner may recompute the tax, including a refund, based on information available to the commissioner. The tax may be recomputed within six years after the federal adjustments report should have been filed, notwithstanding any period of limitations to the contrary.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 6. Minnesota Statutes 2020, section 289A.38, subdivision 9, is amended to read:

Subd. 9. **Report made of change or correction of federal return.** If a taxpayer is required to make a federal adjustments report under subdivision 7 or section 289A.382, and does report the change or files a copy of the amended return, the commissioner may recompute and reassess the tax due, including a refund (1) within one year after the federal adjustments report or amended return is filed with the commissioner, notwithstanding any period of limitations to the contrary, or (2) within any other applicable period stated in this section, whichever period is longer. The period provided for the carryback of any amount of loss or credit is also extended as provided in this subdivision, notwithstanding any law to the contrary. If the commissioner has completed a field audit of the taxpayer, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, the additional tax due or refund is limited to only those changes that are required to be made to the return which relate to the changes made on the federal return. This subdivision does not apply to sales and use tax.

For purposes of this subdivision and section 289A.42, subdivision 2, a "field audit" is the physical presence of examiners in the taxpayer's or taxpayer's representative's office conducting an examination of the taxpayer with the intention of issuing an assessment or notice of change in tax or which results in the issuing of an assessment or notice of change in tax. The examination may include inspecting a taxpayer's place of business, tangible personal property, equipment, computer systems and facilities, pertinent books, records, papers, vouchers, computer printouts, accounts, and documents.

A taxpayer may make estimated payments to the commissioner of the tax expected to result from a pending audit by the Internal Revenue Service. The taxpayer may make estimated payments prior to the due date of the federal adjustments report without the taxpayer having to file the report with the commissioner. The commissioner must credit the estimated tax payments against any tax liability of the taxpayer ultimately found to be due to the commissioner. The estimated payments limit the accrual of further statutory interest on that amount. If the estimated tax payments exceed the final tax liability plus statutory interest ultimately determined to be due, the taxpayer is entitled to a refund or credit for the excess, provided the taxpayer files a federal adjustments report, or claim for refund or credit of tax, no later than one year following the final determination date.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 7. Minnesota Statutes 2020, section 289A.38, subdivision 10, is amended to read:

Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding any other provision of this chapter, if a taxpayer whose net income is determined under section 290.01, subdivision 19, omits from income an amount that will under the Internal Revenue Code extend the statute of limitations for the assessment of federal income taxes, or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting in adjustments by the Internal Revenue Service, then the period of assessment and determination of tax will be that under the Internal Revenue Code. When a change is made to federal income during the extended time provided under this subdivision, the provisions under subdivisions 7 to 9 and section 289A.382 regarding additional extensions apply.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 8. **[289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified, the definitions in this section apply for the purposes of sections 289A.38, subdivisions 7 to 9, 289A.381, and 289A.382.

Subd. 2. **Administrative adjustment request.** "Administrative adjustment request" means an administrative adjustment request filed by a partnership under section 6227 of the Internal Revenue Code.

Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a federal adjustment resulting from a partnership-level audit.

Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax under section 290.02.

Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal ownership interest in a partnership or pass-through entity.

Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes on its net income under section 290.05, subdivision 1.

Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an item of preference, or any other item that is used by a taxpayer to compute a tax administered under this chapter for the reviewed year whether that change results from action by the Internal Revenue Service or other competent authority, including a partnership-level audit, or from the filing of an amended federal return, federal refund claim, or an administrative adjustment request by the taxpayer. A federal adjustment is positive to the extent that it increases taxable income as determined under section 290.01, subdivision 29, and is negative to the extent that it decreases taxable income as determined under section 290.01, subdivision 29.

Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method or form prescribed by the commissioner for use by a taxpayer to report federal adjustments, including an amended Minnesota tax return or a uniform multistate report.

Subd. 9. **Federal partnership representative.** "Federal partnership representative" means the person the partnership designates for the taxable year as the partnership's representative, or the person the Internal Revenue Service has appointed to act as the partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

Subd. 10. **Final determination date.** "Final determination date" means:

(1) for a federal adjustment arising from an audit by the Internal Revenue Service or other competent authority, the first day on which no federal adjustment arising from that audit remains to be finally determined, whether by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted;

(2) for a federal adjustment arising from an audit or other action by the Internal Revenue Service or other competent authority, if the taxpayer filed as a member of a combined report under section 290.17, subdivision 4, the first day on which no related federal adjustments arising from that audit remain to be finally determined as described in clause (1) for the entire combined group;

(3) for a federal adjustment arising from the filing of an amended federal return, a federal refund claim, or the filing by a partnership of an administrative adjustment request, the date on which the amended return, refund claim, or administrative adjustment request was filed; or

(4) for agreements required to be signed by the Internal Revenue Service and the taxpayer, the date on which the last party signed the agreement.

Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal adjustment after the final determination date for that federal adjustment has passed.

Subd. 12. **Indirect partner.** "Indirect partner" means either:

(1) a partner in a partnership or pass-through entity that itself holds an immediate legal ownership interest in another partnership or pass-through entity; or

(2) a partner in a partnership or pass-through entity that holds an indirect interest in another partnership or pass-through entity through another indirect partner.

Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly in a partnership or other pass-through entity.

Subd. 14. **Partnership.** "Partnership" has the meaning provided under section 7701(a)(2) of the Internal Revenue Code.

Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63, subchapter C, of the Internal Revenue Code, which results in federal adjustments and adjustments to partnership-related items.

Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a partnership, that is not subject to the tax imposed under section 290.02. The term pass-through entity includes but is not limited to S corporations, estates, and trusts other than grantor trusts.

Subd. 17. **Resident partner.** "Resident partner" means an individual, trust, or estate partner who is a resident of Minnesota under section 290.01, subdivision 7, 7a, or 7b, for the relevant tax period.

Subd. 18. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that is subject to a partnership-level audit from which federal adjustments arise.

Subd. 19. **Tiered partner.** "Tiered partner" means any partner that is a partnership or pass-through entity.

Subd. 20. **Unrelated business taxable income.** "Unrelated business taxable income" has the meaning provided under section 512 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 9. **[289A.382] REPORTING AND PAYMENT REQUIREMENTS.**

Subdivision 1. **State partnership representative.** (a) With respect to an action required or permitted to be taken by a partnership under this section, or in a proceeding under section 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the sole authority to act on behalf of the partnership, and its direct partners and indirect partners shall be bound by those actions.

(b) The state partnership representative for the reviewed year is the partnership's federal partnership representative unless the partnership, in a form and manner prescribed by the commissioner, designates another person as its state partnership representative.

Subd. 2. **Reporting and payment requirements for partnerships and tiered partners.** (a) Except for when an audited partnership makes the election in subdivision 3, and except for negative federal adjustments required under federal law taken into account by the partnership in the partnership return for the adjustment or other year, all final federal adjustments of an audited partnership must comply with paragraph (b) and each direct partner of the audited partnership, other than a tiered partner, must comply with paragraph (c).

(b) No later than 90 days after the final determination date, the audited partnership must:

(1) file a completed federal adjustments report, including all partner-level information required under section 289A.12, subdivision 3, with the commissioner;

(2) notify each of its direct partners of their distributive share of the final federal adjustments;

(3) file an amended composite report for all direct partners who were included in a composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required; and

(4) file amended withholding reports for all direct partners who were or should have been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required.

(c) No later than 180 days after the final determination date, each direct partner, other than a tiered partner, that is subject to a tax administered under this chapter, other than the sales tax, must:

(1) file a federal adjustments report reporting their distributive share of the adjustments reported to them under paragraph (b), clause (2); and

(2) pay any additional amount of tax due as if the final federal adjustment had been properly reported, plus any penalty and interest due under this chapter, and less any credit for related amounts paid or withheld and remitted on behalf of the direct partner under paragraph (b), clauses (3) and (4).

Subd. 3. **Election; partnership or tiered partners pay.** (a) An audited partnership may make an election under this subdivision to pay its assessment at the entity level. If an audited partnership makes an election to pay its assessment at the entity level it must:

(1) no later than 90 days after the final determination date:

(i) file a completed federal adjustments report, which includes the residency information for all individual, trust, and estate direct partners and information pertaining to all other direct partners as prescribed by the commissioner; and

(ii) notify the commissioner that it is making the election under this subdivision; and

(2) no later than 180 days after the final determination date, pay an amount, determined as follows, in lieu of taxes on partners:

(i) exclude from final federal adjustments the distributive share of these adjustments made to a direct exempt partner that is not unrelated business taxable income;

(ii) exclude from final federal adjustments the distributive share of these adjustments made to a direct partner that has filed a federal adjustments report and paid the applicable tax, as required under subdivision 2, for the distributive share of adjustments reported on a federal return under section 6225(c) of the Internal Revenue Code;

(iii) assign and apportion at the partnership level using sections 290.17 to 290.20 the total distributive share of the remaining final federal adjustments for the reviewed year attributed to direct corporate partners and direct exempt partners; multiply the total by the highest tax rate in section 290.06, subdivision 1, for the reviewed year; and calculate interest and penalties as applicable under this chapter;

(iv) allocate at the partnership level using section 290.17, subdivision 1, the total distributive share of all final federal adjustments attributable to individual resident direct partners for the reviewed year; multiply the total by the highest tax rate in section 290.06, subdivision 2c, for the reviewed year; and calculate interest and penalties as applicable under this chapter;

(v) assign and apportion at the partnership level using sections 290.17 to 290.20 the total distributive share of the remaining final federal adjustments attributable to nonresident individual direct partners and direct partners who are an estate or a trust for the reviewed year; multiply the total by the highest tax rate in section 290.06, subdivision 2c, for the reviewed year; and calculate interest and penalties as applicable under this chapter;

(vi) for the total distributive share of the remaining final federal adjustments reported to tiered partners:

(A) determine the amount of the adjustments that would be assigned using section 290.17, subdivision 2, paragraphs (a) to (d), excluding income or gains from intangible personal property not employed in the business of the recipient of the income or gains if the recipient of the income or gains is a resident of this state or is a resident trust or estate under section 290.17, subdivision 2, paragraph (c), or apportioned using sections 290.17, subdivision 3, 290.191, and 290.20; and then determine the portion of the amount that would be allocated to this state;

(B) determine the amount of the adjustments that are fully sourced to the taxpayer's state of residency under section 290.17, subdivision 2, paragraph (e), and income or gains from intangible personal property not employed in the business of the recipient of the income or gains if the recipient of the income or gains is a resident of this state or is a resident trust or estate under section 290.17, subdivision 2, paragraph (c);

(C) determine the portion of the amount determined in subitem (B) that can be established to be properly allocable to nonresident indirect partners or other partners not subject to tax on the adjustments; and

(D) multiply the total of the amounts determined in subitems (A) and (B) reduced by the amount determined in subitem (C) by the highest tax rate in section 290.06, subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable under this chapter; and

(vii) add the amounts determined in items (iii) to (vi), and pay all applicable taxes, penalties, and interest to the commissioner.

(b) An audited partnership may not make an election under this subdivision to report:

(1) a federal adjustment that results in unitary business income to a corporate partner required to file as a member of a combined report under section 290.17, subdivision 4; or

(2) any final federal adjustments resulting from an administrative adjustment request.

(c) An audited partnership not otherwise subject to any reporting or payment obligation to this state may not make an election under this subdivision.

Subd. 4. **Tiered partners and indirect partners.** The direct and indirect partners of an audited partnership that are tiered partners, and all the partners of the tiered partners, that are subject to tax under chapter 290 are subject to the reporting and payment requirements contained in subdivision 2, and the tiered partners are entitled to make the elections provided in subdivision 3. The tiered partners or their partners shall make required reports and payments no later than 90 days after the time for filing and furnishing of statements to tiered partners and their partners as established under section 6226 of the Internal Revenue Code.

Subd. 5. **Effects of election by partnership or tiered partner and payment of amount due.** (a) Unless the commissioner determines otherwise, an election under subdivision 3 is irrevocable.

(b) If an audited partnership or tiered partner properly reports and pays an amount determined in subdivision 3, the amount must be treated as paid in lieu of taxes owed by the partnership's direct partners and indirect partners, to the extent applicable, on the same final federal adjustments. The direct partners or indirect partners of the partnership who are not resident partners may not take any deduction or credit for this amount or claim a refund of the amount in this state.

(c) Nothing in this subdivision precludes resident direct partners from claiming a credit against taxes paid under section 290.06 on any amounts paid by the audited partnership or tiered partners on the resident partner's behalf to another state or local tax jurisdiction.

Subd. 6. **Failure of partnership or tiered partner to report or pay.** Nothing in this section prevents the commissioner from assessing direct partners or indirect partners for taxes they owe, using the best information available, in the event that, for any reason, a partnership or tiered partner fails to timely make any report or payment required by this section.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 10. Minnesota Statutes 2020, section 289A.42, is amended to read:

289A.42 CONSENT TO EXTEND STATUTE.

Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in sections 289A.38 to 289A.382 and 289A.40 for the assessment of tax or the filing of a claim for refund, both the commissioner and the taxpayer have consented in writing to the assessment or filing of a claim for refund after that time, the tax may be assessed or the claim for refund filed at any time before the expiration of the agreed-upon period. The period may be extended by later agreements in writing before the expiration of the period previously agreed upon. The taxpayer and the commissioner may also agree to extend the period for collection of the tax.

Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the assessment of federal withholding or income taxes, the period in which the commissioner may recompute the tax is also extended, notwithstanding any period of limitations to the contrary, as follows:

(1) for the periods provided in ~~section~~ sections 289A.38, subdivisions 8 and 9, and 289A.382, subdivisions 2 and 3;

(2) for six months following the expiration of the extended federal period of limitations when no change is made by the federal authority. If no change is made by the federal authority, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, and if the commissioner has completed a field audit of the taxpayer, no additional changes resulting in additional tax due or a refund may be made. For purposes of this subdivision, "field audit" has the meaning given ~~it~~ in section 289A.38, subdivision 9.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 11. Minnesota Statutes 2020, section 289A.60, subdivision 24, is amended to read:

Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to the commissioner a change or correction of the person's federal return in the manner and time prescribed in ~~section~~ sections 289A.38, subdivision 7, and 289A.382, there must be added to the tax an amount equal to ten percent of the amount of any underpayment of Minnesota tax attributable to the federal change.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 12. Minnesota Statutes 2020, section 290.31, subdivision 1, is amended to read:

Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under ~~section~~ sections 289A.35, paragraph (b), and 289A.382, subdivision 3, a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 13. Minnesota Statutes 2020, section 297F.17, subdivision 6, is amended to read:

Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the commissioner during the one-year period beginning with the timely filing of the taxpayer's federal income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section~~ sections 289A.38, subdivision 7, and 289A.382.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 14. Minnesota Statutes 2020, section 297G.16, subdivision 7, is amended to read:

Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with the commissioner within one year of the filing of the taxpayer's income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.382.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 15. Minnesota Statutes 2020, section 469.319, subdivision 4, is amended to read:

Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after becoming subject to repayment under this section. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.315.

(b) For the repayment of taxes imposed under chapter 297B, a business must pay any taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of revenue, within 30 days after becoming subject to repayment under this section.

(c) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business and to the taxpayer of record. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The business or the taxpayer of record may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(d) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraphs (a) and (b). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40. The additional tax shall bear interest from 30 days after becoming subject to repayment under this section until the date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the auditor provided the statement under paragraph (c).

(f) For determining the tax required to be repaid, a reduction of a state or local sales or use tax is deemed to have been received on the date that the good or service was purchased or first put to a taxable use. In the case of an income tax or franchise tax, including the credit payable under section 469.318, a reduction of tax is deemed to have been received for the two most recent tax years that have ended prior to the date that the business became subject to repayment under this section. In the case of a property tax, a reduction of tax is deemed to have been received for the taxes payable in the year that the business became subject to repayment under this section and for the taxes payable in the prior year.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business becomes subject to repayment under subdivision 1, or within any period of limitations for the assessment of tax under ~~section~~ sections 289A.38 to 289A.382, whichever period is later. The county auditor may send the statement under paragraph (c) any time within three years after the business becomes subject to repayment under subdivision 1.

(h) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business becomes subject to repayment under this section nor for any year thereafter. Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the property became subject to repayment under this section nor for any year thereafter. A business is not eligible for any sales tax benefits beginning with goods or services purchased or first put to a taxable use on the day that the business becomes subject to repayment under this section.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

ARTICLE 4
SALES AND USE TAXES

Section 1. Minnesota Statutes 2020, section 297A.67, is amended by adding a subdivision to read:

Subd. 38. **Season ticket purchasing rights to collegiate events.** The sale of a right to purchase the privilege of admission to a college or university athletic event in a preferred viewing location for a season of a particular athletic event is exempt provided that:

(1) the consideration paid for the right to purchase is used entirely to support student scholarships, wellness, and academic costs;

(2) the consideration paid for the right to purchase is separately stated from the admission price; and

(3) the admission price is equal to or greater than the highest priced general admission ticket for the closest seat not in the preferred viewing location.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2021.

Sec. 2. Minnesota Statutes 2020, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only to the first $20,000 of the gross annual receipts of the organization from fund-raising; ~~and~~

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2~~, or~~; and

(3) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be recorded in the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4~~.~~, unless the following conditions are both met:

(i) the sales are made for fund-raising purposes of a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports activities, educational activities, or other extracurricular activities; and

(ii) the school district reserves revenue raised for extracurricular activities, as provided in section 123B.49, subdivision 4, paragraph (e), and spends the revenue raised by a particular extracurricular activity only for that extracurricular activity.

(c) Sales of tangible personal property and services are exempt if the entire proceeds, less the necessary expenses for obtaining the property or services, will be contributed to a registered combined charitable organization described in section 43A.50, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the $20,000 limit.

EFFECTIVE DATE. This section is effective for sales and purchases made after the date of final enactment.

Sec. 3. Minnesota Statutes 2020, section 297A.70, is amended by adding a subdivision to read:

Subd. 22. **Prepared food used by certain nonprofits.** Sales of prepared food to a nonprofit organization that, as part of its charitable mission, is sponsoring and managing the provision of meals and other food through the federal Child and Adult Care Food Program or the federal Summer Food Service Program to unaffiliated centers and sites are exempt from sales tax. Only prepared food purchased from a caterer or other business under a contract with the nonprofit and used directly in the federal Child and Adult Care Food Program or the federal Summer Food Service Program qualifies for this exemption. Prepared food purchased by the nonprofit for other purposes remains taxable.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2021.

Sec. 4. Minnesota Statutes 2020, section 297A.71, subdivision 52, is amended to read:

Subd. 52. **Construction; certain local government facilities.** (a) Materials and supplies used in and equipment incorporated into the construction, reconstruction, upgrade, expansion, or remodeling of the following local government owned facilities are exempt:

(1) a new fire station, which includes firefighting, emergency management, public safety training, and other public safety facilities in the city of Monticello if materials, supplies, and equipment are purchased after January 31, 2019, and before January 1, 2022;

(2) a new fire station, which includes firefighting and public safety training facilities and public safety facilities, in the city of Inver Grove Heights if materials, supplies, and equipment are purchased after June 30, 2018, and before January 1, 2021;

(3) a fire station and police station, including access roads, lighting, sidewalks, and utility components, on or adjacent to the property on which the fire station or police station are located that are necessary for safe access to and use of those buildings, in the city of Minnetonka if materials, supplies, and equipment are purchased after May 23, 2019, and before January 1, ~~2021~~ 2022;

(4) the school building in Independent School District No. 414, Minneota, if materials, supplies, and equipment are purchased after January 1, 2018, and before January 1, 2021;

(5) a fire station in the city of Mendota Heights, if materials, supplies, and equipment are purchased after December 31, 2018, and before January 1, 2021; and

(6) a Dakota County law enforcement collaboration center, also known as the Safety and Mental Health Alternative Response Training (SMART) Center, if materials, supplies, and equipment are purchased after June 30, 2019, and before July 1, 2021.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

(c) The total refund for the project listed in paragraph (a), clause (3), must not exceed $850,000.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2020, section 297A.71, is amended by adding a subdivision to read:

Subd. 53. **Public safety facilities.** (a) Materials and supplies used or consumed in and equipment incorporated into the construction, remodeling, expansion, or improvement of a fire station or police station, including related facilities, owned and operated by a local government, as defined in section 297A.70, subdivision 2, paragraph (d), are exempt.

(b) For purposes of this subdivision, "related facilities" includes access roads, lighting, sidewalks, and utility components on or adjacent to the property on which the fire station or police station is located that are necessary for safe access to and use of those buildings.

(c) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2021.

Sec. 6. Minnesota Statutes 2020, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for veterans with a disability exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

(10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(11) materials, supplies, and equipment for construction, improvement, or expansion of a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

(13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

(14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);

(15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;

(16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivisions 49; 50, paragraph (b); and 51; ~~and~~

(17) building materials, equipment, and supplies for qualifying capital projects under section 297A.71, subdivision 52~~.~~; and

(18) building materials, equipment, and supplies for constructing, remodeling, expanding, or improving a fire station, police station, or related facilities exempt under section 297A.71, subdivision 53.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2021.

Sec. 7. Minnesota Statutes 2020, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

(2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (5), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying business;

(8) for subdivision 1, clauses (9), (10), (13), ~~and~~ (17), and (18), the applicant must be the governmental entity that owns or contracts for the project or facility; and

(9) for subdivision 1, clause (16), the applicant must be the owner or developer of the building or project.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2021.

Sec. 8. Minnesota Statutes 2020, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clauses (3) to (13) or (15) to ~~(17)~~ (18), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2021.

Sec. 9. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective date, as amended by Laws 2019, First Special Session chapter 6, article 3, section 18, is amended to read:

EFFECTIVE DATE. Paragraph (a) is effective retroactively for sales and purchases made after September 30, 2016, and before ~~January~~ July 1, 2023. Paragraph (b) is effective for sales and purchases made (1) after September 30, 2016, and before July 1, 2017; and (2) after December 31, 2018, and before July 1, 2019.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. **PROPERTIES DESTROYED OR DAMAGED BY FIRE; CITY OF ALEXANDRIA.**

(a) The sale and purchase of the following items are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if the items are used to repair, replace, clean, or otherwise remediate damage to real and personal property damaged or destroyed in the February 25, 2020, fire in the city of Alexandria, if sales and purchases are made after February 24, 2020, and before February 28, 2023:

(1) building materials and supplies used or consumed in, and equipment incorporated into the construction, replacement, or repair of real property; and

(2) durable equipment used in a restaurant for food storage, preparation, and serving.

(b) Building cleaning and disinfecting services related to mitigating smoke damage to real property are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if sales and purchases are made after February 24, 2020, and before January 1, 2021.

(c) For sales and purchases made after February 24, 2020, and before July 1, 2021, the tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the manner provided in Minnesota Statutes, section 297A.75. The amount required to pay the refunds under this section is appropriated from the general fund to the commissioner of revenue. Refunds for eligible purchases must not be issued until after June 30, 2021.

EFFECTIVE DATE. This section is effective the day following final enactment and applies retroactively to sales and purchases made after February 24, 2020.

Sec. 11. **CITY OF BUFFALO; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the construction of a new fire station, which includes firefighting, emergency management, public safety training, and other public safety facilities in the city of Buffalo, are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after March 31, 2020, and before July 1, 2021.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17). Refunds for eligible purchases must not be issued until after June 30, 2021.

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively from April 1, 2020, and applies to sales and purchases made after March 31, 2020, and before July 1, 2021.

Sec. 12. **CITY OF HIBBING; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the following projects in the city of Hibbing are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after May 1, 2019, and before January 1, 2025:

(1) the addition of an Early Childhood Family Education Center to an existing elementary school; and

(2) improvements to an existing athletic facility in Independent School District No. 701.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17). Refunds for eligible purchases must not be issued until after June 30, 2021.

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively from May 2, 2019, and applies to sales and purchases made after May 1, 2019, and before January 1, 2025.

Sec. 13. **CITY OF MAPLEWOOD; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the construction of a new fire station and emergency management operations center, including on-site infrastructure improvements of parking lot, road access, lighting, sidewalks, and utility components in the city of Maplewood are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after September 30, 2020, and before July 1, 2021.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17). Refunds for eligible purchases must not be issued until after June 30, 2021.

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively from August 1, 2020, and applies to sales and purchases made after September 30, 2020, and before July 1, 2021.

Sec. 14. **CITY OF MARSHALL; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the following projects in the city of Marshall in Independent School District No. 413 are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after May 1, 2019, and before January 1, 2022:

(1) the construction of a new elementary school; and

(2) the remodeling of existing school buildings.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17). Refunds for eligible purchases must not be issued until after June 30, 2021.

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively to May 2, 2019, and applies to materials, supplies, and equipment purchased after May 1, 2019, and before January 1, 2022.

Sec. 15. **CITY OF PLYMOUTH; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the following projects in the city of Plymouth are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after January 1, 2021, and before July 1, 2021:

(1) demolition and replacement of the existing Fire Station No. 2 on its existing site; and

(2) renovation and expansion of Fire Station No. 3.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17). Refunds for eligible purchases must not be issued until after June 30, 2021.

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively from January 2, 2021, and applies to sales and purchases made after January 1, 2021, and before July 1, 2021.

Sec. 16. **CITY OF PROCTOR; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the construction of a sand and salt storage facility in the city of Proctor are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after March 31, 2021, and before January 1, 2023.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17). Refunds for eligible purchases must not be issued until after June 30, 2021.

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively from April 1, 2021, and applies to sales and purchases made after March 31, 2021, and before January 1, 2023.

Sec. 17. **CITY OF VIRGINIA; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the construction of a regional public safety center and training facility for fire and police departments, emergency medical services, regional emergency services training, and other regional community needs are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after May 1, 2021, and before July 1, 2021.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17). Refunds for eligible purchases must not be issued until after June 30, 2021.

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively from May 2, 2021, and applies to sales and purchases made after May 1, 2021, and before July 1, 2021.

Sec. 18. **ROCK RIDGE PUBLIC SCHOOLS; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the construction of two new elementary school buildings and a new high school building in Independent School District No. 2909, Rock Ridge Public Schools, are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after May 1, 2019, and before January 1, 2024.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17). Refunds for eligible purchases must not be issued until after June 30, 2021.

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively from May 2, 2019, and applies to sales and purchases made after May 1, 2019, and before January 1, 2024.

Sec. 19. **MSP AIRPORT; SALES TAX EXEMPTION FOR CONSTRUCTION MATERIALS.**

Subdivision 1. **Exemption; refund.** (a) Materials and supplies used in and equipment incorporated into the following projects at the Minneapolis-St. Paul International Airport are exempt from sales and use tax imposed under Minnesota Statutes, chapter 297A, if materials, supplies, and equipment are purchased after June 30, 2021, and before January 1, 2024:

(1) construction of an aircraft rescue and firefighting station and associated facilities;

(2) construction of a facility for the storage of trades materials and equipment;

(3) replacement and rehabilitation of a terminal building roof;

(4) replacement, rehabilitation, and improvements of a baggage handling system; and

(5) replacement, rehabilitation, and operational improvements of Terminal 1 passenger arrivals and departures area.

(b) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the same manner provided for projects under Minnesota Statutes, section 297A.75, subdivision 1, clause (17).

Subd. 2. **Appropriation.** The amount required to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective from July 1, 2021, and applies to sales and purchases made after June 30, 2021, and before January 1, 2024.

Sec. 20. **PROPERTIES DESTROYED OR DAMAGED DURING PROTESTS AND UNREST IN MAY AND JUNE OF 2020.**

Subdivision 1. **Exemption.** (a) The sale and purchase of the following items are exempt if the items are used to repair, replace, clean, or otherwise remediate damage to real and personal property damaged or destroyed after May 24, 2020, and before June 16, 2020, resulting from protests and unrest in the cities included in the peacetime emergency declared in the governor's Executive Order No. 20-64:

(1) building materials and supplies used or consumed in, and equipment incorporated into, the construction, replacement, or repair of real property;

(2) retail fixtures, office equipment, and restaurant equipment, so long as each item has a useful life of more than one year and costs at least $5,000; and

(3) building cleaning and disinfecting services related to mitigating smoke damage and graffiti on and in impacted buildings.

(b) The exemption in this subdivision only applies to materials, supplies, and services purchased to repair, replace, clean, or otherwise remediate damage to buildings owned by a government entity or by a private owner provided the building housed one or more of the following entities at the time of the damage or destruction:

(1) a commercial establishment with an annual gross income of $30,000,000 or less in calendar year 2019;

(2) a nonprofit organization; or

(3) a low-income housing development that meets the certification requirements under Minnesota Statutes, section 273.128, whether or not the development was occupied at the time of its damage or destruction.

(c) The tax must be imposed and collected as if the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied and then refunded in the manner provided in Minnesota Statutes, section 297A.75, except that the applicant must have been an owner or occupant of the real property at the time of its destruction. The exemption under paragraph (a) applies to sales and purchases made after May 25, 2020, and before December 1, 2022. Refunds for eligible purchases must not be issued until after June 30, 2021.

(d) Both the owner and occupants of the real property at the time of the damage or destruction may apply for a refund under this subdivision but may only request a refund for the goods and services they paid for, or were contracted and paid for on their behalf. The exemption does not apply to purchases of an owner if the owner did not own the real property at the time of the damage or destruction.

Subd. 2. **Appropriation.** The amount necessary to pay the refunds under subdivision 1 is appropriated from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after May 25, 2020.

Sec. 21. **SALES TAX EXEMPTION FOR CERTAIN PURCHASES RELATED TO COVID-19.**

(a) Notwithstanding Minnesota Statutes, section 289A.50, or any law to the contrary, the sale and purchase of any materials, supplies, or equipment used in this state by a restaurant as defined in Minnesota Statutes, section 157.15, subdivision 12, to adapt to health guidelines or any executive order related to COVID-19 is exempt from sales and use taxes imposed under Minnesota Statutes, chapter 297A.

(b) The maximum refund allowed under this section is $1,000 per federal employer identification number or Minnesota sales and use tax account number, whichever number is used to file sales tax returns. A business using a consolidated return to report sales tax information from more than one restaurant location, as provided in Minnesota Statutes, section 289A.11, subdivision 1, paragraph (a), is eligible for a refund of up to $1,000, per restaurant location reported.

(c) The tax on the gross receipts from the sale of the items exempt under paragraph (a) must be imposed and collected as if the sale were taxable and the rate under Minnesota Statutes, section 297A.62, subdivision 1, applied. Refunds for eligible purchases must not be issued until after June 30, 2021.

(d) Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items or $1,000, whichever is less, must be paid to the applicant. Only the owner of the restaurant may apply for the refund. The application must include sufficient information to permit the commissioner to verify the tax paid and that the applicant is the owner of the restaurant.

EFFECTIVE DATE; APPLICATION. This section is effective retroactively from March 1, 2020, and applies to sales and purchases made after February 29, 2020, and before January 1, 2022.

ARTICLE 5

VAPOR AND TOBACCO TAXES

Section 1. Minnesota Statutes 2020, section 297F.01, is amended by adding a subdivision to read:

Subd. 7a. **Delivery sale.** "Delivery sale" has the meaning given in section 325F.781, subdivision 1.

EFFECTIVE DATE. This section is effective January 1, 2022.

Sec. 2. Minnesota Statutes 2020, section 297F.01, is amended by adding a subdivision to read:

Subd. 7b. **Heat device.** "Heat device" means any electronic heat device, heat system, or similar product or device, meant to be used with a cigarette to produce a vapor or aerosol, regardless of whether sold with a cigarette. A heat device includes any batteries, heating elements, components, parts, accessories, apparel, or other items that are packaged with, connected to, attached to, or contained within the product or device.

EFFECTIVE DATE. This section is effective January 1, 2022.

Sec. 3. Minnesota Statutes 2020, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products includes nicotine solution products and heat devices. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

EFFECTIVE DATE. This section is effective January 1, 2022.

Sec. 4. Minnesota Statutes 2020, section 297F.01, subdivision 22b, is amended to read:

Subd. 22b. **Nicotine solution products.** (a) "Nicotine solution products" means any cartridge, bottle, or other package that contains nicotine made or derived from tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor or aerosol. This paragraph expires December 31, 2019.

(b) Beginning January 1, 2020, "nicotine solution products" means any cartridge, bottle, or other package that contains nicotine, including nicotine made or derived from tobacco or sources other than tobacco, that is in a solution that is consumed, or meant to be consumed, through the use of a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means that produces vapor or aerosol.

(c) Nicotine solution products includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, electronic nicotine delivery system, electronic vaping device, electronic vape pen, electronic oral device, electronic delivery device, or similar product or device~~, and~~ meant to be used in the consumption of a solution containing nicotine regardless of whether sold with a solution containing nicotine. Nicotine solution products include any batteries, heating elements, ~~or other~~ components, parts, ~~or~~ accessories ~~sold with and meant to be used in the consumption of a solution containing nicotine~~, apparel, or other items that are packaged with, connected to, attached to, or contained within the product or device.

EFFECTIVE DATE. This section is effective January 1, 2022.

Sec. 5. Minnesota Statutes 2020, section 297F.01, subdivision 23, is amended to read:

Subd. 23. **Wholesale sales price.** (a) "Wholesale sales price" means the price at which a distributor purchases a tobacco product.

(b) When a distributor sells a cartridge, bottle, or other package of a solution containing nicotine that is part of a kit that also includes a product, device, component, part, ~~or~~ accessory ~~described in subdivision 22b:~~

~~(1)~~, or other item, the wholesale sales price is the price at which the distributor purchases the kit~~; except that~~.

~~(2) if the distributor also separately sells the same package of solution containing nicotine that is sold with the kit and can isolate the cost of the package of solution containing nicotine, then the wholesale sales price includes only the price at which the distributor separately~~

~~purchases the package of the solution containing nicotine and any taxes, charges, and costs listed in paragraph (c).~~

(c) When a distributor sells a heat device that is part of a kit that also includes a product, device, component, part, accessory, or other item, the wholesale sales price is the price at which the distributor purchases the kit.

~~(c)~~ (d) Wholesale sales price includes the applicable federal excise tax, freight charges, or packaging costs, regardless of whether they were included in the purchase price.

EFFECTIVE DATE. This section is effective for kits purchased by distributors after December 31, 2021.

Sec. 6. Minnesota Statutes 2020, section 297F.031, is amended to read:

297F.031 REGISTRATION REQUIREMENT.

Prior to making delivery sales ~~or shipping cigarettes or tobacco products in connection with any sales~~, an out-of-state retailer ~~shall~~ must file with the Department of Revenue a statement setting forth the out-of-state retailer's name, trade name, ~~and the~~ address ~~of the out-of-state retailer's~~, principal place of business, and any other place of business.

EFFECTIVE DATE. This section is effective for all delivery sales occurring after December 31, 2021.

Sec. 7. Minnesota Statutes 2020, section 297F.05, is amended by adding a subdivision to read:

Subd. 4b. **Retailer collection and remittance of use tax.** A retailer or out-of-state retailer must, for any delivery sale, collect and pay to the state any use tax imposed by this section. The retailer or out-of-state retailer must give the purchaser a receipt for the tax paid.

EFFECTIVE DATE. This section is effective for all delivery sales occurring after December 31, 2021.

Sec. 8. Minnesota Statutes 2020, section 297F.09, subdivision 3, is amended to read:

Subd. 3. **Use tax return; cigarette or tobacco products consumer and retailers making delivery sales.** (a) On or before the 18th day of each calendar month, a consumer who, during the preceding calendar month, has acquired title to or possession of cigarettes or tobacco products for use or storage in this state, upon which cigarettes or tobacco products the tax imposed by this chapter has not been paid, shall file a return with the commissioner showing the quantity of cigarettes or tobacco products so acquired. The return must be made in the form and manner prescribed by the commissioner, and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it.

(b) On or before the 18th day of each calendar month, a retailer or out-of-state retailer who, during the preceding calendar month, made delivery sales must file a return with the commissioner showing the quantity of cigarettes or tobacco products so delivered. The commissioner shall prescribe the content, format, and manner of returns pursuant to section 270C.30. The return must be accompanied by a remittance for the full unpaid tax liability.

EFFECTIVE DATE. This section is effective for all delivery sales occurring after December 31, 2021.

Sec. 9. Minnesota Statutes 2020, section 297F.09, subdivision 4a, is amended to read:

Subd. 4a. **Reporting requirements.** No later than the 18th day of each calendar month, ~~an~~ a retailer or out-of-state retailer that has made ~~a delivery of cigarettes or tobacco products or shipped or delivered cigarettes or tobacco products into the state in~~ a delivery sale in the previous calendar month shall file with the Department of Revenue ~~reports~~ a report in the form and in the manner prescribed by the commissioner of revenue that provides for each delivery sale, the name and address of the purchaser and the brand or brands and quantity of cigarettes or tobacco products sold. A ~~tobacco~~ retailer or out-of-state retailer that meets the requirements of United States Code, title 15, section 375 et seq. satisfies the requirements of this subdivision. The filing of a return under subdivision 3, paragraph (b), satisfies the requirements of this subdivision for the applicable month.

EFFECTIVE DATE. This section is effective for all delivery sales occurring after December 31, 2021.

Sec. 10. Minnesota Statutes 2020, section 297F.09, subdivision 7, is amended to read:

Subd. 7. **Electronic payment.** A cigarette ~~or~~ distributor, tobacco products distributor, retailer, or out-of-state retailer having a liability of $10,000 or more during a fiscal year ending June 30 must remit all liabilities in all subsequent calendar years by electronic means.

EFFECTIVE DATE. This section is effective for all delivery sales occurring after December 31, 2021.

Sec. 11. Minnesota Statutes 2020, section 297F.09, subdivision 10, is amended to read:

Subd. 10. **Accelerated tax payment~~; cigarette or tobacco products distributor~~.** A cigarette ~~or~~ distributor, tobacco products distributor, retailer, or out-of-state retailer having a liability of $250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of calendar years 2020 and 2021, the distributor shall remit the actual May liability and 87.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor, retailer, or out-of-state retailer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) 87.5 percent of the actual June liability for the calendar year 2020 and 2021 June liabilities and 84.5 of the actual June liability for June 2022 and thereafter; or

(2) 87.5 percent of the preceding May liability for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the preceding May liability for June 2022 and thereafter.

(c) For calendar year 2022 and thereafter, the percent of the estimated June liability the vendor must remit by two business days before June 30 is 84.5 percent.

EFFECTIVE DATE. This section is effective for all delivery sales occurring after December 31, 2021.

Sec. 12. Minnesota Statutes 2020, section 325F.781, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given, unless the language or context clearly provides otherwise.

(b) "Consumer" means an individual who purchases, receives, or possesses tobacco products for personal consumption and not for resale.

(c) "Delivery sale" means:

(1) a sale of tobacco products to a consumer in this state when:

(i) the purchaser submits the order for the sale by means of a telephonic or other method of voice transmission, the mail or any other delivery service, or the Internet or other online service; or

(ii) the tobacco products are delivered by use of the mail or other delivery service; or

(2) a sale of tobacco products that satisfies the criteria in clause (1), item (i), regardless of whether the seller is located inside or outside of the state.

A sale of tobacco products to an individual in this state must be treated as a sale to a consumer, unless the individual is licensed as a distributor or retailer of tobacco products.

(d) "Delivery service" means a person, including the United States Postal Service, that is engaged in the commercial delivery of letters, packages, or other containers.

(e) "Distributor" means a person, whether located inside or outside of this state, other than a retailer, who sells or distributes tobacco products in the state. Distributor does not include a tobacco products manufacturer, export warehouse proprietor, or importer with a valid permit under United States Code, title 26, section 5712 (1997), if the person sells or distributes tobacco products in this state only to distributors who hold valid and current licenses under the laws of a state, or to an export warehouse proprietor or another manufacturer. Distributor does not include a common or contract carrier that is transporting tobacco products under a proper bill of lading or freight bill that states the quantity, source, and destination of tobacco products, or a person who ships tobacco products through this state by common or contract carrier under a bill of lading or freight bill.

(f) "Retailer" means a person, whether located inside or outside this state, who sells or distributes tobacco products to a consumer in this state.

(g) "Tobacco products" means~~:~~ cigarettes and tobacco products as defined in section 297F.01.

~~(1) cigarettes, as defined in section 297F.01, subdivision 3;~~

~~(2) smokeless tobacco as defined in section 325F.76; and~~

~~(3) premium cigars as defined in section 297F.01, subdivision 13a.~~

EFFECTIVE DATE. This section is effective January 1, 2022.

Sec. 13. Minnesota Statutes 2020, section 325F.781, subdivision 5, is amended to read:

Subd. 5. **Registration requirement.** Prior to making delivery sales ~~or shipping tobacco products in connection with any sales~~, an out-of-state retailer must ~~meet the requirements of~~ register with the commissioner of revenue as required under section 297F.031.

EFFECTIVE DATE. This section is effective for all delivery sales occurring after December 31, 2021.

Sec. 14. Minnesota Statutes 2020, section 325F.781, subdivision 6, is amended to read:

Subd. 6. **Collection of taxes.** (a) ~~Prior to shipping any tobacco products to a purchaser in this state, the out-of-state~~ A retailer ~~shall comply with all requirements of~~ making delivery sales must file all returns and reports, collect and pay all taxes, and maintain all records required under chapter 297F ~~and shall ensure that all state excise taxes and fees that apply to such tobacco products have been collected and paid to the state and that all related state excise tax stamps or other indicators of state excise tax payment have been properly affixed to those tobacco products~~.

(b) In addition to any penalties under chapter 297F, ~~a distributor~~ a retailer making delivery sales who fails to pay any tax due ~~according to paragraph (a)~~ under chapter 297F, shall pay, in addition to any other penalty, a penalty of 50 percent of the tax due but unpaid.

EFFECTIVE DATE. This section is effective for all delivery sales occurring after December 31, 2021.

ARTICLE 6
SPECIAL TAXES

Section 1. Minnesota Statutes 2020, section 297H.04, subdivision 2, is amended to read:

Subd. 2. **Rate.** (a) Commercial generators that generate nonmixed municipal solid waste shall pay a solid waste management tax of 60 cents per noncompacted cubic yard of periodic waste collection capacity purchased by the generator, based on the size of the container for the nonmixed municipal solid waste, the actual volume, or the weight-to-volume conversion schedule in paragraph (c). However, the tax must be calculated by the waste management service provider using the same method for calculating the waste management service fee so that both are calculated according to container capacity, actual volume, or weight.

(b) Notwithstanding section 297H.02, a residential generator that generates nonmixed municipal solid waste shall pay a solid waste management tax in the same manner as provided in paragraph (a).

(c) The ~~weight-to-volume conversion schedule~~ tax for:

(1) construction debris as defined in section 115A.03, subdivision 7, is equal to 60 cents per cubic yard. The commissioner of revenue, after consultation with the commissioner of the Pollution Control Agency, shall determine and ~~may~~ publish by notice a weight-to-volume conversion schedule for construction debris;

(2) industrial waste as defined in section 115A.03, subdivision 13a, is equal to 60 cents per cubic yard. The commissioner of revenue after consultation with the commissioner of the Pollution Control Agency, shall determine~~,~~ and ~~may~~ publish by notice~~,~~ a weight-to-volume conversion schedule for various industrial wastes; and

(3) infectious waste as defined in section 116.76, subdivision 12, and pathological waste as defined in section 116.76, subdivision 14, is 150 pounds equals one cubic yard, or 60 cents per 150 pounds.

EFFECTIVE DATE. This section is effective July 1, 2021.

Sec. 2. Minnesota Statutes 2020, section 297H.05, is amended to read:

297H.05 SELF-HAULERS.

(a) A self-hauler of mixed municipal solid waste shall pay the tax to the operator of the waste management facility to which the waste is delivered at the rate imposed under section 297H.03, based on the sales price of the waste management services.

(b) A self-hauler of nonmixed municipal solid waste shall pay the tax to the operator of the waste management facility to which the waste is delivered at the rate imposed under section 297H.04.

(c) The tax imposed on the self-hauler of nonmixed municipal solid waste may be based either on the capacity of the container, the actual volume, or the weight-to-volume conversion schedule in paragraph (d). However, the tax must be calculated by the operator using the same method for calculating the tipping fee so that both are calculated according to container capacity, actual volume, or weight.

(d) The ~~weight-to-volume conversion schedule~~ tax for:

(1) construction debris as defined in section 115A.03, subdivision 7, is ~~one ton equals 3.33 cubic yards, or $2 per ton~~ equal to 60 cents per cubic yard. The commissioner of revenue, after consultation with the commissioner of the Pollution Control Agency, shall determine and publish by notice a weight-to-volume conversion schedule for construction debris;

(2) industrial waste as defined in section 115A.03, subdivision 13a, is equal to 60 cents per cubic yard. The commissioner of revenue, after consultation with the commissioner of the Pollution Control Agency, shall determine~~,~~ and ~~may~~ publish by notice~~,~~ a weight-to-volume conversion schedule for various industrial wastes; and

(3) infectious waste as defined in section 116.76, subdivision 12, and pathological waste as defined in section 116.76, subdivision 14, is 150 pounds equals one cubic yard, or 60 cents per 150 pounds.

(e) For mixed municipal solid waste the tax is imposed upon the difference between the market price and the tip fee at a processing or disposal facility if the tip fee is less than the market price and the political subdivision subsidizes the cost of service at the facility. The political subdivision is liable for the tax.

EFFECTIVE DATE. This section is effective July 1, 2021, except the new rate for construction debris applies to waste delivered after June 30, 2021.

Sec. 3. Minnesota Statutes 2020, section 297I.05, subdivision 7, is amended to read:

Subd. 7. **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus lines brokers. The rate of tax is equal to three percent of the gross premiums less return premiums paid by an insured whose home state is Minnesota.

(b) A tax is imposed on a person, firm, corporation, or purchasing group as defined in section 60E.02, or any member of a purchasing group, that procures insurance directly from a nonadmitted insurer. The rate of tax is equal to ~~two~~ three percent of the gross premiums less return premiums paid by an insured whose home state is Minnesota.

(c) No state other than the home state of an insured may require any premium tax payment for nonadmitted insurance. When Minnesota is the home state of the insured, as provided under section 297I.01, 100 percent of the gross premiums are taxable in Minnesota with no allocation of the tax to other states.

EFFECTIVE DATE. This section is effective for policies with an effective date after December 31, 2021.

Sec. 4. Minnesota Statutes 2020, section 298.001, is amended by adding a subdivision to read:

Subd. 13. **Merchantable iron ore concentrate.** "Merchantable iron ore concentrate" means iron-bearing material that has been treated in Minnesota by any means of beneficiation, separation, concentration, or refinement for the purpose of making it salable for its iron ore content.

EFFECTIVE DATE. This section is effective for taxes payable in 2022 and thereafter.

Sec. 5. Minnesota Statutes 2020, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2013, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of $2.56 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in 2014 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) The tax under paragraph (a) is also imposed upon other iron-bearing material as described in section 298.405 on the tonnage of merchantable iron ore concentrate produced therefrom. The tax on other iron-bearing material shall be imposed on the current year production. The rate of the tax imposed is the current year's tax rate.

(f) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of $2.56 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(g) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(h)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced ore in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year.

(4) Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(5) As used in this paragraph, "commercial production" means production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, and "noncommercial production" means production of 50,000 tons or less of direct reduced ore in any year.

(6) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.

EFFECTIVE DATE. This section is effective for taxes payable in 2022 and thereafter.

Sec. 6. Minnesota Statutes 2020, section 298.405, subdivision 1, is amended to read:

Subdivision 1. **Definition.** Iron-bearing material, other than taconite and semitaconite, having not more than 46.5 percent natural iron content on the average, is subject to taxation under section 298.24. The tax under that section applies to material that is~~:~~

~~(1) finer than or ground to 90 percent passing 20 mesh; and~~

~~(2)~~ treated in Minnesota for the purpose of ~~separating the iron particles from silica, alumina, or other detrimental compounds or elements unless used in a direct reduction process:~~ making the iron-bearing material merchantable by any means of beneficiation, separation, concentration, or refinement. The tax under section 298.24 does not apply to unmined iron ore and low-grade iron-bearing formations as described in section 273.13, subdivision 31, clause (1).

~~(i) by electrostatic separation, roasting and magnetic separation, or flotation;~~

~~(ii) by a direct reduction process;~~

~~(iii) by any combination of such processes; or~~

~~(iv) by any other process or method not presently employed in gravity separation plants employing only crushing, screening, washing, jigging, heavy media separation, spirals, cyclones, drying or any combination thereof.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2022 and thereafter.

ARTICLE 7
PROPERTY TAXES

Section 1. Minnesota Statutes 2020, section 270B.12, subdivision 8, is amended to read:

Subd. 8. **County assessors; homestead classification and renter credit.** The commissioner may disclose names and Social Security numbers or names and individual taxpayer identification numbers of individuals who have applied for both homestead classification under section 273.13 and a property tax refund as a renter under chapter 290A for the purpose of and to the extent necessary to administer section 290A.25.

EFFECTIVE DATE. This section is effective for allowed disclosures made in 2021 and thereafter.

Sec. 2. Minnesota Statutes 2020, section 270B.12, subdivision 9, is amended to read:

Subd. 9. **County assessors; homestead application, determination, and income tax status.** (a) If, as a result of an audit, the commissioner determines that a person is a Minnesota nonresident or part-year resident for income tax purposes, the commissioner may disclose the person's name, address, and Social Security number or the person's name, address, and individual taxpayer identification number to the assessor of any political subdivision in the state, when there is reason to believe that the person may have claimed or received homestead property tax benefits for a corresponding assessment year in regard to property apparently located in the assessor's jurisdiction.

(b) To the extent permitted by section 273.124, subdivision 1, paragraph (a), the Department of Revenue may verify to a county assessor whether an individual who is requesting or receiving a homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

EFFECTIVE DATE. This section is effective for allowed disclosures made in 2021 and thereafter.

Sec. 3. Minnesota Statutes 2020, section 272.02, is amended by adding a subdivision to read:

Subd. 104. **Certain property owned by an Indian Tribe.** (a) Property is exempt that:

(1) is located in a county with a population greater than 28,000 but less than 29,000 as of the 2010 federal census;

(2) was on January 2, 2018, and is for the current assessment owned by a federally recognized Indian Tribe or its instrumentality, that is located in Minnesota;

(3) was on January 2, 2018, erroneously treated as exempt under subdivision 7; and

(4) is used for the same purpose as the property was used on January 2, 2018.

(b) The owner of property exempt under paragraph (a) may apply to the county for a refund of any state general tax paid for property taxes payable in 2020 and 2021. The county may prescribe the form and manner of the application. The county auditor must certify to the commissioner of revenue the amount needed for refunds under this section, which the commissioner must pay to the county. An amount necessary for refunds under this paragraph is appropriated from the general fund to the commissioner of revenue in fiscal year 2022. This paragraph expires June 30, 2022.

EFFECTIVE DATE. <u>(a) The amendments in paragraph (a) are effective beginning with assessment year 2021. For assessment year 2021, an exemption application under this section must be filed with the county assessor by August 1, 2021.</u>

<u>(b) The amendments in paragraph (b) are effective the day following final enactment.</u>

Sec. 4. Minnesota Statutes 2020, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7, whenever any real estate is sold for a consideration in excess of $3,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property, and shall include any proposed change in use of the property known to the person filing the certificate that could change the classification of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. If the property is being acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2006, that must be indicated on the certificate. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. The certificate of value must include the Social Security number<u>, individual tax identification number,</u> or the federal employer identification number of the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely to release and convey their marital interest, if any, in the real property being conveyed is not a grantor for the purpose of the preceding sentence. A statement in the deed that is substantially in the following form is sufficient to allow the county auditor to accept a certificate for filing without the Social Security number<u> or individual tax identification number</u> of the named spouse: "(Name) claims no ownership interest in the real property being conveyed and is executing this instrument solely to release and convey a marital interest, if any, in that real property." The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2020, section 273.124, subdivision 1, is amended to read:

Subdivision 1. **General rule.** (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property held by a trustee under a trust is eligible for homestead classification if the requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the Department of Revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal residential recreational property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a grandchild, child, sibling, ~~or~~ parent, grandparent, stepparent, stepchild, uncle, aunt, nephew, or niece of the owner of the agricultural property or of the spouse of the owner;

(2) the owner of the agricultural property must be a Minnesota resident;

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota; and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location, or (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other.

(f) The assessor must not deny homestead treatment in whole or in part if:

(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a co-owner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

(i) If a single-family home, duplex, or triplex classified as either residential homestead or agricultural homestead is also used to provide licensed child care, the portion of the property used for licensed child care must be classified as a part of the homestead property.

EFFECTIVE DATE. This section is effective beginning with property taxes payable in 2022 and thereafter.

Sec. 6. Minnesota Statutes 2020, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), ~~item (ii),~~ and the homestead market value exclusion under section 273.13, subdivision 35, does not apply.

EFFECTIVE DATE. This section is effective beginning with property taxes payable in 2023 and thereafter.

Sec. 7. Minnesota Statutes 2020, section 273.124, subdivision 6, is amended to read:

Subd. 6. **Leasehold cooperatives.** When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, and has received public financing, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the Social Security numbers or individual tax identification numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

(a) the cooperative association must be organized under chapter 308A or 308B and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale;

(d) a minimum of 40 percent of the cooperative association's members must have incomes at or less than 60 percent of area median gross income as determined by the United States Secretary of Housing and Urban Development under section 142(d)(2)(B) of the Internal Revenue Code. For purposes of this clause, "member income" means the income of a member existing at the time the member acquires cooperative membership;

(e) if a limited partnership owns the property, it must include as the managing general partner a nonprofit organization operating under the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior to the date on which the unit became leasehold cooperative property. For purposes of the notice under this paragraph, the copies of the documents referred to in paragraph (f) may be in proposed version, provided that any subsequent material alteration of those documents made after the occupant has requested a copy shall be disclosed to any occupant who has requested a copy of the document. Copies of the articles of incorporation and certificate of limited partnership shall be filed with the secretary of state after the expiration of the 60-day period unless the change to leasehold cooperative status does not proceed;

(h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision;

(i) the public financing received must be from at least one of the following sources:

(1) tax increment financing proceeds used for the acquisition or rehabilitation of the building or interest rate write-downs relating to the acquisition of the building;

(2) government issued bonds exempt from taxes under section 103 of the Internal Revenue Code, the proceeds of which are used for the acquisition or rehabilitation of the building;

(3) programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act;

(4) rental housing program funds under Section 8 of the United States Housing Act of 1937, as amended, or the market rate family graduated payment mortgage program funds administered by the Minnesota Housing Finance Agency that are used for the acquisition or rehabilitation of the building;

(5) low-income housing credit under section 42 of the Internal Revenue Code;

(6) public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from (i) federal community development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued under chapter 474A; or

(7) other rental housing program funds provided by the Minnesota Housing Finance Agency for the acquisition or rehabilitation of the building;

(j) at the time of the initial request for homestead classification or of any transfer of ownership of the property, the governing body of the municipality in which the property is located must hold a public hearing and make the following findings:

(1) that the granting of the homestead treatment of the apartment's units will facilitate safe, clean, affordable housing for the cooperative members that would otherwise not be available absent the homestead designation;

(2) that the owner has presented information satisfactory to the governing body showing that the savings garnered from the homestead designation of the units will be used to reduce tenant's rents or provide a level of furnishing or maintenance not possible absent the designation; and

(3) that the requirements of paragraphs (b), (d), and (i) have been met.

Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

When dwelling units no longer qualify under this subdivision, the current owner must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result in the loss of benefits under this subdivision for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision" means the difference in the net tax capacity of the units which no longer qualify as computed under this subdivision and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected buildings.

EFFECTIVE DATE. This section is effective beginning with assessment year 2021 and thereafter.

Sec. 8. Minnesota Statutes 2020, section 273.124, subdivision 9, is amended to read:

Subd. 9. **Homestead established after assessment date.** Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead on December ~~1~~ 31 of a year, constitutes class 1 or class 2a.

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor under section 273.063, in writing, by December ~~15~~ 31 of the year of occupancy in order to qualify under this subdivision. The assessor must not deny full homestead treatment to a property that is partially homesteaded on January 2 but occupied for the purpose of a full homestead on December ~~1~~ 31 of a year.

The county assessor and the county auditor may make the necessary changes on their assessment and tax records to provide for proper homestead classification as provided in this subdivision.

If homestead classification has not been requested as of December ~~15~~ 31, the assessor will classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, may be entitled to receive homestead classification by proper application as provided in section 375.192.

The county assessor may publish in a newspaper of general circulation within the county a notice requesting the public to file an application for homestead as soon as practicable after acquisition of a homestead, but no later than December ~~15~~ 31.

The county assessor shall publish in a newspaper of general circulation within the county no later than December 1 of each year a notice informing the public of the requirement to file an application for homestead by December ~~15~~ 31.

In the case of manufactured homes assessed as personal property, the homestead must be established, and a homestead classification requested, by May 29 of the assessment year. The assessor may include information on these deadlines for manufactured homes assessed as personal property in the published notice or notices.

EFFECTIVE DATE. This section is effective beginning with assessments in 2021.

Sec. 9. Minnesota Statutes 2020, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) The commissioner shall prescribe the content, format, and manner of the homestead application required to be filed under this chapter pursuant to section 270C.30. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number or individual tax identification number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number or individual tax identification number of the spouse of each occupying owner. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number or individual tax identification number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number or individual tax identification number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number or individual tax identification number of each relative occupying the property and the name and Social Security number or individual tax identification number of the spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number or individual tax identification number of a relative occupying the property or the spouse of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If a homestead application has not been filed with the county by December ~~15~~ 31, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

EFFECTIVE DATE. This section is effective beginning with assessments in 2021.

Sec. 10. Minnesota Statutes 2020, section 273.124, subdivision 13a, is amended to read:

Subd. 13a. **Occupant list.** At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number or individual tax identification number of each occupant of homestead property who is the property owner, property owner's spouse, qualifying relative of a property owner, or a spouse of a qualifying relative. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

EFFECTIVE DATE. This section is effective beginning with assessment year 2021 and thereafter.

Sec. 11. Minnesota Statutes 2020, section 273.124, subdivision 13c, is amended to read:

Subd. 13c. **Property lists.** In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers, individual tax identification numbers, and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

EFFECTIVE DATE. This section is effective for homestead data provided to the commissioner of revenue in 2022 and thereafter.

Sec. 12. Minnesota Statutes 2020, section 273.124, subdivision 13d, is amended to read:

Subd. 13d. **Homestead data.** On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(1) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(2) the name and Social Security number or individual tax identification number of each occupant of homestead property who is the property owner or qualifying relative of a property owner, and the spouse of the property owner who occupies homestead property or spouse of a qualifying relative of a property owner who occupies homestead property;

(3) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(4) an indication of whether the property was classified as a homestead for taxes payable in the current year because of occupancy by a relative of the owner or by a spouse of a relative;

(5) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(6) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(7) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(8) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(9) whether there are delinquent property taxes owing on the homestead;

(10) the unique taxing district in which the property is located; and

(11) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

EFFECTIVE DATE. This section is effective for homestead data provided to the commissioner of revenue in 2022 and thereafter.

Sec. 13. Minnesota Statutes 2020, section 273.124, subdivision 14, is amended to read:

Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the Department of Natural Resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the agricultural property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner or of the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) neither the owner nor the person actively farming the agricultural property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming

the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(iii) As used in this paragraph, "agricultural property" means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph even if:

(i) the shareholder, member, or partner of that entity is actively farming the agricultural property on the shareholder's, member's, or partner's own behalf; or

(ii) the family farm is operated by a family farm corporation, joint family farm venture, partnership, or limited liability company other than the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land, provided that:

(A) the shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land who is actively farming the land is a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm; and

(B) more than half of the shareholders, members, or partners of each family farm corporation, joint family farm venture, partnership, or limited liability company are persons or spouses of persons who are a qualifying relative under section 273.124, subdivision 1, paragraphs (c) and (d).

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers or individual tax identification numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

EFFECTIVE DATE. This section is effective for applications for homestead filed in 2021 and thereafter.

Sec. 14. Minnesota Statutes 2020, section 273.1245, subdivision 1, is amended to read:

Subdivision 1. **Private or nonpublic data.** The following data are private or nonpublic data as defined in section 13.02, subdivisions 9 and 12, when they are submitted to a county or local assessor under section 273.124, 273.13, or another section, to support a claim for the property tax homestead classification under section 273.13, or other property tax classification or benefit:

(1) Social Security numbers;

(2) individual tax identification numbers;

~~(2)~~ (3) copies of state or federal income tax returns; and

~~(3)~~ (4) state or federal income tax return information, including the federal income tax schedule F.

EFFECTIVE DATE. This section is effective for applications for homestead filed in 2021 and thereafter.

Sec. 15. Minnesota Statutes 2020, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same classification rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a classification rate of 0.5 percent of market value. The remaining property over the first tier has a classification rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a classification rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. If a parcel of 20 acres or more is enrolled in the sustainable forest management incentive program under chapter 290C, the number of acres assigned to the split parcel improved with a structure that is not a minor, ancillary nonresidential structure must equal three acres or the number of acres excluded from the sustainable forest incentive act covenant due to the structure, whichever is greater. Class 2b property has a classification rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a classification rate of .65 percent, provided that the owner of the property must apply to the assessor in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local conservation program or the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural (A) under this subdivision for taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled or (B) in the year prior to its enrollment, or (ii) use of land, not to exceed three acres, to provide environmental benefits such as buffer strips, old growth forest restoration or retention, or retention ponds to prevent soil erosion. For purposes of this section, a "local conservation program" means a program administered by a town, statutory or home rule charter city, or county, including a watershed district, water management organization, or soil and water conservation district, in which landowners voluntarily enroll land and receive incentive payments equal to at least $50 per acre in exchange for use or other restrictions placed on the land. In order for property to qualify under the local conservation program provision, a taxpayer must apply to the assessor by February 1 of the assessment year and must submit the information required by the assessor, including but not limited to a copy of the program requirements, the specific agreement between the land owner and the local agency, if applicable, and a map of the conservation area. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres in size and exclusively used in the preceding year for raising or cultivating agricultural products; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage operation, or for intensive machinery or equipment storage activities used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used intensively to produce nursery stock are considered agricultural land; or

(iii) for intensive market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

(g) Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

(h) The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(i) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) aquacultural products for sale and consumption, as defined under section 17.47, if the aquaculture occurs on land zoned for agricultural use;

(3) the commercial boarding of horses, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(j) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

(k) The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

(l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under this paragraph must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of this paragraph. For purposes of this paragraph, "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

(m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a classification rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

(n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

EFFECTIVE DATE. This section is effective for assessment year 2022 and thereafter.

Sec. 16. Minnesota Statutes 2020, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a classification rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units, including property rented as a short-term rental property for more than 14 days in the preceding year, that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

For the purposes of this paragraph, "short-term rental property" means nonhomestead residential real estate rented for periods of less than 30 consecutive days.

The market value of class 4b property has a classification rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property;

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b); and

(3) a condominium-type storage unit having an individual property identification number that is not used for a commercial purpose.

Class 4bb property has the same classification rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for

classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and not used for residential purposes on either a temporary or permanent basis, provided that:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause:

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)~~(i)~~ manufactured home parks as defined in section 327.14, subdivision 3, ~~excluding~~ <u>including</u> manufactured home parks ~~described in items (ii) and (iii), (ii) manufactured home parks as defined in section 327.14, subdivision 3,~~ that are described in section 273.124, subdivision 3a~~, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision 13~~;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under item (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5)~~, item (i), have the same classification rate as class 4b property, the market value of manufactured home parks assessed under clause (5), item (ii), have a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, and class I manufactured home parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0~~ have a classification rate of 0.75 percent, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification rate of one percent for the first $500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent, (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a classification rate of 1.25 percent, and (vii) property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

(f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is ~~$100,000~~ $174,000 for assessment year ~~2014~~ 2022 and assessment year 2023. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest $1,000, provided, however, that the limit may never be less than $100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

EFFECTIVE DATE; APPLICATION. (a) The amendment to paragraph (d) is effective beginning with property taxes payable in 2023 and thereafter.

(b) The amendment to paragraph (f) is effective beginning with assessment year 2022.

Sec. 17. Minnesota Statutes 2020, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of veteran with a disability or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, $150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, $300,000 of market value is excluded.

(c) If a veteran with a disability qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, except as otherwise provided in paragraph (n). Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, except as otherwise provided in paragraph (n).

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by December ~~15~~ 31 of the first assessment year for which the exclusion is sought. ~~For an application received after December 15, the exclusion shall become effective for the following assessment year.~~ Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit under paragraph (b), clause (2), until the spouse remarries or sells, transfers, or otherwise disposes of the property, except as otherwise provided in paragraph (n), if:

(1) the spouse files a first-time application within two years of the death of the service member or by June 1, 2019, whichever is later;

(2) upon the death of the veteran, the spouse holds the legal or beneficial title to the homestead and permanently resides there;

(3) the veteran met the honorable discharge requirements of paragraph (a); and

(4) the United States Department of Veterans Affairs certifies that:

(i) the veteran met the total (100 percent) and permanent disability requirement under paragraph (b), clause (2); or

(ii) the spouse has been awarded dependency and indemnity compensation.

(l) The purpose of this provision of law providing a level of homestead property tax relief for veterans with a disability, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

(m) By July 1, the county veterans service officer must certify the disability rating and permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

(n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds the legal or beneficial title to the property may continue to receive the exclusion for a property other than the property for which the exclusion was initially granted until the spouse remarries or sells, transfers, or otherwise disposes of the property, provided that:

(1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed under this paragraph;

(2) the spouse holds the legal or beneficial title to the property for which the continuation of the exclusion is sought under this paragraph, and permanently resides there;

(3) the estimated market value of the property for which the exclusion is sought under this paragraph is less than or equal to the estimated market value of the property that first received the exclusion, based on the value of each property on the date of the sale of the property that first received the exclusion; and

(4) the spouse has not previously received the benefit under this paragraph for a property other than the property for which the exclusion is sought.

EFFECTIVE DATE. This section is effective beginning with assessments in 2021.

Sec. 18. Minnesota Statutes 2020, section 273.1315, subdivision 2, is amended to read:

Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file with the county assessor a class 1b homestead declaration, on a form prescribed by the commissioner of revenue. The declaration must contain the following information:

(1) the information necessary to verify that, on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for class 1b classification; and

(2) any additional information prescribed by the commissioner.

(b) The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The Social Security numbers, individual tax identification numbers, and income and medical information received from the property owner pursuant to this subdivision are private data on individuals as defined in section 13.02. If approved by the assessor, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the assessor within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13b, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

EFFECTIVE DATE. This section is effective for applications for homestead filed in 2021 and thereafter.

Sec. 19. Minnesota Statutes 2020, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy for commercial-industrial property is ~~$737,090,000~~ $716,990,000 for taxes payable in ~~2020~~ 2022 and thereafter. The state general levy for seasonal-recreational property is $41,690,000 for taxes payable in 2020 and thereafter. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than $100,000.

EFFECTIVE DATE. This section is effective beginning with property taxes payable in 2022 and thereafter.

Sec. 20. Minnesota Statutes 2020, section 275.025, subdivision 2, is amended to read:

Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, excluding:

(1) the tax capacity attributable to the first ~~$100,000~~ $150,000 of market value of each parcel of commercial-industrial property as defined under section 273.13, subdivision 24, clauses (1) and (2);

(2) electric generation attached machinery under class 3; and

(3) property described in section 473.625.

County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F. For purposes of this subdivision, the procedures for determining eligibility for tier 1 under section 273.13, subdivision 24, clauses (1) and (2), shall apply in determining the portion of a property eligible to be considered within the first ~~$100,000~~ $150,000 of market value.

EFFECTIVE DATE. This section is effective beginning with property taxes payable in 2022 and thereafter.

Sec. 21. Minnesota Statutes 2020, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 30, each county, home rule charter or statutory city, town, and special taxing district, excluding the Metropolitan Council and the Metropolitan Mosquito Control Commission, shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. For towns, the final certified levy shall also be considered the proposed levy.

(b) Each county and city with a population of at least 500 must annually notify the public of its revenue, expenditures, fund balances, and other relevant budget information that is used to establish the proposed property tax levy. Each county and city with a population of at least 500 must hold a public meeting on the budget and proposed levy. The meeting must be held at least seven days prior to the day that the proposed levy under this subdivision is certified, the public must be allowed to speak at the meeting, and the meeting must not begin before 6:00 p.m.

~~(b)~~ (c) Notwithstanding any law or charter to the contrary, on or before September 15, the Metropolitan Council and the Metropolitan Mosquito Control Commission shall adopt and certify to the county auditor a proposed property tax levy for taxes payable in the following year.

~~(c)~~ (d) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. Each school district that has agreed with its home county to delay the certification of its proposed property tax levy must certify its proposed property tax levy for the following year no later than October 7. The school district shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies; or

(2) the maximum levy limitation certified by the commissioner of education according to section 126C.48, subdivision 1.

~~(d)~~ (e) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by the date specified in paragraph (a), the city shall be deemed to have certified its levies for those taxing jurisdictions.

~~(e)~~ (f) For purposes of this section, "special taxing district" means a special taxing district as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.445, and Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

~~(f)~~ (g) At the meeting at which a taxing authority, other than a town, adopts its proposed tax levy under this subdivision, the taxing authority shall announce the time and place of any subsequent regularly scheduled meetings at which the budget and levy will be discussed and at which the public will be allowed to speak. The time and place of those meetings must be included in the proceedings or summary of proceedings published in the official newspaper of the taxing authority under section 123B.09, 375.12, or 412.191.

EFFECTIVE DATE. This section is effective for property taxes payable in 2022 and thereafter.

Sec. 22. Minnesota Statutes 2020, section 275.065, subdivision 3, is amended to read:

Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer, the treasurer may send the notice in electronic form or by ~~electronic mail~~ e-mail instead of on paper or by ordinary mail.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. The notice must clearly state for each ~~city that has a population over 500, county, school district,~~ regional library authority established under section 134.201, ~~and~~ metropolitan taxing districts as defined in paragraph (i), and fire protection special taxing districts established under section 299O.01, the time and place of a meeting for each taxing authority in which the budget and levy will be discussed and public input allowed, prior to the final budget and levy determination. ~~The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1.~~ The public must be allowed to speak at that meeting, which must occur after November 24 and must not be held before 6:00 p.m. The notice must state for each city that has a population over 500, county, and school district, the time and place of the meeting to be held pursuant to subdivision 11. The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1. It must provide a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice and an address where comments will be received by mail, except that no notice required under this section shall be interpreted as requiring the printing of a personal telephone number or address as the contact information for a taxing authority. If a taxing authority does not maintain public offices where telephone calls can be received by the authority, the authority may inform the county of the lack of a public telephone number and the county shall not list a telephone number for that taxing authority.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, agricultural homestead credit under section 273.1384, school building bond agricultural credit under section 273.1387, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year; and

(ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision and subdivision 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy.

(j) The governing body of a county, city, or school district may, with the consent of the county board, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

(1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;

(2) population growth and decline;

(3) state or federal government action; and

(4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

EFFECTIVE DATE. This section is effective for property taxes payable in 2022 and thereafter.

Sec. 23. Minnesota Statutes 2020, section 275.065, is amended by adding a subdivision to read:

Subd. 3b. **Notice of proposed property taxes required supplemental information.** (a) The county auditor must prepare a separate statement to be delivered with the notice of proposed taxes described in subdivision 3. The statement must fit on one sheet of paper and contain for each parcel:

(1) for the county, city or township, and school district in which the parcel lies, the certified levy for the current taxes payable year, the proposed levy for taxes payable in the following year, and the increase or decrease between these two amounts, expressed as a percentage;

(2) summary budget information listed in paragraph (b); and

(3) information on how to access each taxing authority's website where the taxpayer can find the proposed budget and information on how to participate in person and remotely in the Minnesota Property Taxpayer's Day meetings, held pursuant to subdivision 11.

(b) Summary budget information must contain budget data from the county, city, and school district that proposes a property tax levy on the parcel for taxes payable the following year. For the school district, the summary budget data must include the information provided to the public under section 123B.10, subdivision 1, paragraph (b), for the current year and prior year. For the county and city, the reported summary budget data must contain the same information, in the same categories, and in the same format as provided to the Office of the State Auditor as required by section 6.745. The statement must provide the governmental revenues and current expenditures information in clauses (1) and (2) for the taxing authority's budget for taxes payable the following year and the taxing authority's budget from taxes payable in the current year, as well as the percent change between the two years. The city must provide the county auditor with the summary budget data at the same time as the information required under subdivision 3. Only cities with a population of at least 500 are required to report the data described in this paragraph. If a city with a population over 500 fails to report the required information to the county auditor, the county auditor must list the city as "budget information not reported" on the portion of the statement dedicated to the city's budget information. The statement may take the same format as the annual summary budget report for cities and counties issued by the Office of the State Auditor. The summary budget data must include:

(1) a governmental revenues category, including and separately stating:

(i) "property taxes" defined as property taxes levied on an assessed valuation of real property and personal property, if applicable, by the city and county, including fiscal disparities;

(ii) "special assessments" defined as levies made against certain properties to defray all or part of the costs of a specific improvement, such as new sewer and water mains, deemed to benefit primarily those properties;

(iii) "state general purpose aid" defined as aid received from the state that has no restrictions on its use, including local government aid, county program aid, and market value credits; and

(iv) "state categorical aid" defined as revenues received for a specific purpose, such as streets and highways, fire relief, and flood control, including but not limited to police and fire state aid and out-of-home placement aid; and

(2) a current expenditures category, including and separately stating:

(i) "general government" defined as administration costs of city or county governments, including salaries of officials and maintenance of buildings;

(ii) "public safety" defined as costs related to the protection of persons and property, such as police, fire, ambulance services, building inspections, animal control, and flood control;

(iii) "streets and highways" defined as costs associated with the maintenance and repair of local highways, streets, bridges, and street equipment, such as patching, seal coating, street lighting, street cleaning, and snow removal;

(iv) "sanitation" defined as costs of refuse collection and disposal, recycling, and weed and pest control;

(v) "human services" defined as activities designed to provide public assistance and institutional care for individuals economically unable to provide for themselves;

(vi) "health" defined as costs of the maintenance of vital statistics, restaurant inspection, communicable disease control, and various health services and clinics;

(vii) "culture and recreation" defined as costs of libraries, park maintenance, mowing, planting, removal of trees, festivals, bands, museums, community centers, cable television, baseball fields, and organized recreation activities;

(viii) "conservation of natural resources" defined as the conservation and development of natural resources, including agricultural and forestry programs and services, weed inspection services, and soil and water conservation services;

(ix) "economic development and housing" defined as costs for development and redevelopment activities in blighted or otherwise economically disadvantaged areas, including low-interest loans, cleanup of hazardous sites, rehabilitation of substandard housing and other physical facilities, and other assistance to those wanting to provide housing and economic opportunity within a disadvantaged area; and

(x) "all other current expenditures" defined as costs not classified elsewhere, such as airport expenditures, cemeteries, unallocated insurance costs, unallocated pension costs, and public transportation costs.

(c) If a taxing authority reporting this data does not have revenues or expenditures in a category listed in paragraph (b), then the taxing authority must designate the amount as "0" for that specific category.

(d) The supplemental statement provided under this subdivision must be sent in electronic form or by e-mail if the taxpayer requests an electronic version the notice of proposed property taxes under subdivision 3, paragraph (a).

EFFECTIVE DATE. This section is effective for property taxes payable in 2022 and thereafter.

Sec. 24. Minnesota Statutes 2020, section 275.065, is amended by adding a subdivision to read:

Subd. 11. **Minnesota Property Taxpayer's Day.** (a) Notwithstanding any other provision of law, on the first Wednesday following the first Monday in December, each county, city with a population of at least 500, and each school district must annually hold a meeting to discuss each taxing authority's budget and levy, prior to the final budget and levy determination. The meeting shall be known as "Minnesota Property Taxpayer's Day."

(b) Counties must begin a meeting at 6:00 p.m. and discuss the county's budget and levy. The public must be allowed to speak no later than 20 minutes after the start of the meeting. Cities must begin a meeting to discuss their budget and levy at 7:00 p.m. and must allow the public to speak no later than 20 minutes after the start of the meeting. School districts must begin a meeting to discuss their budget and levy at 8:00 p.m. and must allow the public to speak no later than 20 minutes after the start of the meeting.

(c) Each taxing jurisdiction must broadcast the meeting virtually and provide a method for the public to participate in person and remotely. Information about the meeting, including instructions on how to participate remotely, must be posted on the website of each taxing jurisdiction required to hold a meeting under this subdivision by November 10.

EFFECTIVE DATE. This section is effective July 1, 2021.

Sec. 25. Minnesota Statutes 2020, section 275.066, is amended to read:

275.066 SPECIAL TAXING DISTRICTS; DEFINITION.

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

(1) watershed districts under chapter 103D;

(2) sanitary districts under sections 442A.01 to 442A.29;

(3) regional sanitary sewer districts under sections 115.61 to 115.67;

(4) regional public library districts under section 134.201;

(5) park districts under chapter 398;

(6) regional railroad authorities under chapter 398A;

(7) hospital districts under sections 447.31 to 447.38;

(8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;

(9) Duluth Transit Authority under sections 458A.21 to 458A.37;

(10) regional development commissions under sections 462.381 to 462.398;

(11) housing and redevelopment authorities under sections 469.001 to 469.047;

(12) port authorities under sections 469.048 to 469.068;

(13) economic development authorities under sections 469.090 to 469.1081;

(14) Metropolitan Council under sections 473.123 to 473.549;

(15) Metropolitan Airports Commission under sections 473.601 to 473.679;

(16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;

(17) Morrison County Rural Development Financing Authority under Laws 1982, chapter 437, section 1;

(18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;

(19) East Lake County Medical Clinic District under Laws 1989, chapter 211, sections 1 to 6;

(20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article 5, section 39;

(21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241;

(22) emergency medical services special taxing districts under section 144F.01;

(23) a county levying under the authority of section 103B.241, 103B.245, or 103B.251;

(24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home under Laws 2003, First Special Session chapter 21, article 4, section 12;

(25) an airport authority created under section 360.0426; ~~and~~

(26) fire protection special taxing districts under section 299O.01; and

(27) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 26. Minnesota Statutes 2020, section 290A.25, is amended to read:

290A.25 VERIFICATION OF SOCIAL SECURITY NUMBERS.

Annually, the commissioner of revenue shall furnish a list to the county assessor containing the names ~~and~~, Social Security numbers, and individual tax identification numbers of persons who have applied for both homestead classification under section 273.13 and a property tax refund as a renter under this chapter.

Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was improperly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that has been improperly allowed. For the purpose of this section, "homestead benefits" has the meaning given in section 273.124, subdivision 13b. The county auditor shall send a notice to persons who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination with the Minnesota

Tax Court within 60 days of the date of the notice from the county as provided in section 273.124, subdivision 13b.

If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided for delinquent personal property taxes for the period beginning 60 days after demand for payment was made until payment. If the person notified is the current owner of the property, the treasurer may add the total amount of benefits, penalty, interest, and costs to the real estate taxes otherwise payable on the property in the following year. If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property for taxes payable in the following year to the extent that the current owner agrees in writing.

Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

<u>**EFFECTIVE DATE.**</u> <u>This section is effective for lists furnished by the commissioner of revenue to county assessors in 2021 and thereafter.</u>

Sec. 27. <u>**[299O.01] FIRE PROTECTION SPECIAL TAXING DISTRICTS.**</u>

<u>Subdivision 1.</u> <u>**Definitions.**</u> <u>(a) For purposes of this section, the following terms have the meanings given unless the context clearly indicates otherwise.</u>

<u>(b) "City" means a statutory or home rule charter city.</u>

(c) "Governing body" means for a city, the city council; for a county, the county board; and for a town, the board of supervisors.

(d) "Political subdivision" means a county, city, or township organized to provide town government.

Subd. 2. **Authority to establish.** (a) Two or more political subdivisions may establish, by resolution of their governing bodies, a special taxing district to provide fire protection or emergency medical services or both in the area of the district, comprising the jurisdiction of each of the political subdivisions forming the district. For a county that participates in establishing a district, the county's jurisdiction comprises the unorganized territory of the county that it designates in its resolution for inclusion in the district. The area of the special taxing district does not need to be contiguous or its boundaries continuous.

(b) Before establishing a district under this section, the participating political subdivisions must enter an agreement that specifies how any liabilities, other than debt issued under subdivision 6, and assets of the district will be distributed if the district is dissolved. The agreement may also include other terms, including a method for apportioning the levy of the district among participating political subdivisions under subdivision 4, paragraph (b), as the political subdivisions determine appropriate. The agreement must be adopted no later than upon passage of the resolution establishing the district under paragraph (a), but may be later amended by agreement of each of the political subdivisions participating in the district.

(c) If the special taxing district includes the operation of a fire department, the resolution under paragraph (a) or agreement under paragraph (b) must specify which, if any, volunteer firefighter pension plan is associated with the district. A special taxing district that operates a fire department under this section may be associated with only one volunteer firefighting relief association or one account in the voluntary statewide volunteer firefighting retirement plan at one time.

(d) If the special taxing district includes the operation of a fire department, it must file its resolution establishing the fire protection special taxing district, and any agreements required for the establishment of the special taxing district, with the commissioner of revenue, including any amendments to those documents. If the resolution or agreement does not include sufficient information defining the fire department service area of the fire protection special taxing district, the secretary of the district board must file a written statement with the commissioner defining the fire department service area.

Subd. 3. **Board.** The special taxing district established under this section is governed by a board made up initially of representatives of each participating political subdivision in the proportions set out in the establishing resolution, subject to change as provided in the district's charter, if any, or in the district's bylaws. Each participating political subdivision's representative must be an elected member of the governing body of the political subdivision and serves at the pleasure of that participant's governing body.

Subd. 4. **Property tax levy.** (a) The board may levy a tax on the taxable real and personal property in the district. The proceeds of the levy must be used as provided in subdivision 5. The board shall certify the levy at the times provided under section 275.07. The board shall provide the county with whatever information is necessary to identify the property that is located within the district. If the boundaries include a part of a parcel, the entire parcel is included in the district. The county auditor must spread, collect, and distribute the proceeds of the tax at the same time and in the same manner as provided by law for all other property taxes.

(b) As an alternative to paragraph (a), the board may apportion its levy among the political subdivisions that are members of the district under a formula or method, such as population, number of service calls, cost of providing service, the market value of improvements, or other measure or measures, that was approved by the governing body of each of the political subdivisions that is a member of the district. The amount of the levy allocated to each political subdivision must be added to that political subdivision's levy and spread at the same time and in the same manner as provided by law for other taxes. The proceeds of the levy must be collected and remitted to the district and used as provided in subdivision 5.

Subd. 5. **Use of levy proceeds.** The proceeds of property taxes levied under this section must be used to provide fire protection or emergency medical services to residents of the district and property located in the district, as well as to pay debt issued under subdivision 6. Services may be provided by employees of the district or by contracting for services provided by other governmental or private entities.

Subd. 6. **Debt.** (a) The district may incur debt under chapter 475 when the board determines doing so is necessary to accomplish its duties.

(b) In addition, the board of the district may issue certificates of indebtedness or capital notes under section 412.301 to purchase capital equipment. In applying section 412.301, paragraph (e), to the district the following rules apply:

(1) the taxable property of the entire district must be used to calculate the percent of estimated market value; and

(2) "the number of voters at the last municipal election" means the sum of the number of voters at the last municipal election for each of the cities that is a member of the district plus the number of registered voters in each town that is a participating member of the district.

Subd. 7. **Powers.** (a) In addition to authority expressly granted in this section, a special taxing district may exercise any power that may be exercised by any of its participating political subdivisions and that is necessary or reasonable to support the services set out in subdivision 5. The district may only levy the taxes authorized in subdivision 4. These powers include, without limitation, the authority to participate in state programs and to enforce or carry out state laws related to fire protection or emergency medical services, including programs providing state aid, reimbursement or funding of employee benefits, authorizing local enforcement of state standards, and similar, to the extent the special taxing district meets the qualification criteria and requirements of a program. These include but are not limited to fire protection related programs and political subdivision powers or responsibilities under chapters 299A, 424A, and 477B; sections 6.495, 353.64, and 423A.022; and any administrative rules related to the fire code.

(b) To the extent that the district's authority under this subdivision overlaps with or may conflict with the authority of the participating political subdivision, the agreement under subdivision 2, paragraph (b), must provide for allocation of those powers or responsibilities between the participating political subdivisions and the district and may provide for resolution of conflicts in the exercise of those powers.

Subd. 8. **Additions and withdrawals.** (a) The board of the district may add additional eligible political subdivisions to a special taxing district under this section. The governing body of the proposed eligible political subdivision must agree to the addition in a resolution of its governing body. No political subdivision may be added to the district if it would cause the district to be out of compliance with subdivision 2, paragraph (c).

(b) A political subdivision may withdraw from a special taxing district under this section by resolution of its governing body. The political subdivision must notify the board of the special taxing district of the withdrawal by providing a copy of the resolution at least two years in advance of the proposed withdrawal. The taxable property of the withdrawing member is subject to the property tax levy under subdivision 4 for the two taxes payable years following the notice of the withdrawal, unless the board and the withdrawing member agree otherwise by a resolution adopted by each of their governing bodies. If a political subdivision withdraws from a district for which debt was issued under subdivision 6 when the political subdivision was a participating member of the district and which is outstanding when the political subdivision withdraws from the district, the taxable property of the withdrawing political subdivision remains subject to the special taxing district debt levy until that outstanding debt has been paid or defeased. If the district's property levy to repay the debt was apportioned among the political subdivisions under an alternative formula or method under subdivision 4, paragraph (b), the withdrawing political subdivision is subject to the same percentage of the debt levy as applied in the taxes payable year immediately before its withdrawal from the district.

(c) Notwithstanding subdivision 2, a special taxing district comprised of two political subdivisions continues to exist even if one of the political subdivisions withdraws.

Subd. 9. **Dissolution.** The special taxing district may be dissolved by resolution approved by majority vote of the board. If the special taxing district is dissolved, the assets and liabilities may be assigned to a successor entity, if any, or otherwise disposed of for public purposes as provided in the agreement adopted under subdivision 2, paragraph (b), or otherwise agreed to by the participating political subdivisions. A district may not be dissolved until all debt issued under subdivision 6 has been paid or defeased.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 28. Minnesota Statutes 2020, section 429.021, subdivision 1, is amended to read:

Subdivision 1. **Improvements authorized.** The council of a municipality shall have power to make the following improvements:

(1) To acquire, open, and widen any street, and to improve the same by constructing, reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking strips of any material, or by grading, graveling, oiling, or otherwise improving the same, including the beautification thereof and including storm sewers or other street drainage and connections from sewer, water, or similar mains to curb lines.

(2) To acquire, develop, construct, reconstruct, extend, and maintain storm and sanitary sewers and systems, including outlets, holding areas and ponds, treatment plants, pumps, lift stations, service connections, and other appurtenances of a sewer system, within and without the corporate limits.

(3) To construct, reconstruct, extend, and maintain steam heating mains.

(4) To install, replace, extend, and maintain street lights and street lighting systems and special lighting systems.

(5) To acquire, improve, construct, reconstruct, extend, and maintain water works systems, including mains, valves, hydrants, service connections, wells, pumps, reservoirs, tanks, treatment plants, and other appurtenances of a water works system, within and without the corporate limits.

(6) To acquire, improve and equip parks, open space areas, playgrounds, and recreational facilities within or without the corporate limits.

(7) To plant trees on streets and provide for their trimming, care, and removal.

(8) To abate nuisances and to drain swamps, marshes, and ponds on public or private property and to fill the same.

(9) To construct, reconstruct, extend, and maintain dikes and other flood control works.

(10) To construct, reconstruct, extend, and maintain retaining walls and area walls.

(11) To acquire, construct, reconstruct, improve, alter, extend, operate, maintain, and promote a pedestrian skyway system. Such improvement may be made upon a petition pursuant to section 429.031, subdivision 3.

(12) To acquire, construct, reconstruct, extend, operate, maintain, and promote underground pedestrian concourses.

(13) To acquire, construct, improve, alter, extend, operate, maintain, and promote public malls, plazas or courtyards.

(14) To construct, reconstruct, extend, and maintain district heating systems.

(15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire protection systems in existing buildings, but only upon a petition pursuant to section 429.031, subdivision 3.

(16) To acquire, construct, reconstruct, improve, alter, extend, and maintain highway sound barriers.

(17) To improve, construct, reconstruct, extend, and maintain gas and electric distribution facilities owned by a municipal gas or electric utility.

(18) To purchase, install, and maintain signs, posts, and other markers for addressing related to the operation of enhanced 911 telephone service.

(19) To improve, construct, extend, and maintain facilities for Internet access and other communications purposes, if the council finds that:

(i) the facilities are necessary to make available Internet access or other communications services that are not and will not be available through other providers or the private market in the reasonably foreseeable future; and

(ii) the service to be provided by the facilities will not compete with service provided by private entities.

(20) To assess affected property owners for all or a portion of the costs agreed to with an electric utility, telecommunications carrier, or cable system operator to bury or alter a new or existing distribution system within the public right-of-way that exceeds the utility's design and construction standards, or those set by law, tariff, or franchise, but only upon petition under section 429.031, subdivision 3.

(21) To assess affected property owners for repayment of voluntary energy improvement financings under section 216C.436, subdivision 7, or 216C.437, subdivision 28.

(22) To construct, reconstruct, alter, extend, operate, maintain, and promote energy improvement projects in existing buildings, provided that:

(i) a petition for the improvement is made by a property owner under section 429.031, subdivision 3;

(ii) the municipality funds and administers the energy improvement project;

(iii) project funds are only used for the installation of improvements to heating, ventilation, and air conditioning equipment and building envelope and for the installation of renewable energy systems;

(iv) each property owner petitioning for the improvement receives notice that free or low-cost energy improvements may be available under federal, state, or utility programs;

(v) for energy improvement projects on residential property, only residential property with five or more units may obtain financing for projects under this clause; and

(vi) prior to financing an energy improvement project or imposing an assessment for a project, written notice is provided to the mortgage lender of any mortgage encumbering or otherwise secured by the property proposed to be improved.

EFFECTIVE DATE. This section is effective for special assessments payable in 2022 and thereafter.

Sec. 29. Minnesota Statutes 2020, section 429.031, subdivision 3, is amended to read:

Subd. 3. **Petition by all owners.** Whenever all owners of real property abutting upon any street named as the location of any improvement shall petition the council to construct the improvement and to assess the entire cost against their property, the council may, without a public hearing, adopt a resolution determining such fact and ordering the improvement. The validity of the resolution shall not be questioned by any taxpayer or property owner or the municipality unless an action for that purpose is commenced within 30 days after adoption of the resolution as provided in section 429.036. Nothing herein prevents any property owner from questioning the amount or validity of the special assessment against the owner's property pursuant to section 429.081. In the case of a petition for the municipality to own and install a fire protection system, energy improvement projects, a pedestrian skyway system, or on-site water contaminant improvements, the petition must contain or be accompanied by an undertaking satisfactory to the city by the petitioner that the petitioner will grant the municipality the necessary property interest in the building to permit the city to enter upon the property and the building to construct, maintain, and operate the fire protection system, energy improvement projects, pedestrian skyway system, or on-site water contaminant improvements. In the case of a petition for the installation of a privately owned fire protection system, energy improvement projects, a privately owned pedestrian skyway system, or privately owned on-site water contaminant improvements, the petition shall contain the plans and specifications for the improvement, the estimated cost of the improvement and a statement indicating whether the city or the owner will contract for the construction of the improvement. If the owner is contracting for the construction of the improvement, the city shall not approve the petition until it has reviewed and approved the plans, specifications, and cost estimates contained in the petition. The construction cost financed under section 429.091 shall not exceed the amount of the cost estimate contained in the petition. In the case of a petition for the installation of a fire protection system, energy improvement projects, a pedestrian skyway system, or on-site water contaminant improvements, the petitioner may request abandonment of the improvement at any time after it has been ordered pursuant to subdivision 1 and before contracts have been awarded for the construction of the improvement under section 429.041, subdivision 2. If such a request is received, the city council shall abandon the proceedings but in such case the petitioner shall reimburse the city for any and all expenses incurred by the city in connection with the improvement.

EFFECTIVE DATE. This section is effective for special assessments payable in 2022 and thereafter.

Sec. 30. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws 2013, chapter 143, article 4, section 37, and Laws 2019, First Special Session chapter 6, article 4, section 34, is amended to read:

Subd. 3. **Tax.** The district board may impose a property tax on taxable property as provided in this subdivision to pay the costs of providing fire or ambulance services, or both, throughout the district. The board shall annually determine the total amount of the levy that is attributable to the cost of providing fire services and the cost of providing ambulance services within the primary service area. ~~For those municipalities that only receive ambulance services, the costs for the provision of ambulance services shall be levied against taxable property within those municipalities at a rate necessary not to exceed 0.019 percent of the estimated market value. For those municipalities that receive both fire and ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent of estimated market value.~~

When a member municipality opts to receive fire service from the district or an additional municipality becomes a member of the district, the cost of providing fire services to that community shall be determined by the board ~~and added to the maximum levy amount~~.

Each county auditor of a county that contains a municipality subject to the tax under this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District. The district may also impose other fees or charges as allowed by law for the provision of fire and ambulance services.

EFFECTIVE DATE. This section is effective the day after the governing body of the Cloquet Area Fire and Ambulance Special Taxing District and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 31. **SUSTAINABLE FOREST INCENTIVE ACT; VIOLATIONS.**

Land that was split-classified under Minnesota Statutes 2018, section 273.13, subdivision 23, paragraph (c), while enrolled in the sustainable forest incentive act management program under Minnesota Statutes, chapter 290C, is not in violation of the conditions of enrollment under Minnesota Statutes, sections 290C.03 and 290C.11, if, at the time of enrollment, a structure that is not a minor, ancillary nonresidential structure, or an excluded area three acres or larger that now contains a structure that is not a minor, ancillary nonresidential structure, was identified on the covenant required under Minnesota Statutes, section 290C.04, and appropriate acreage was excluded in accordance with Minnesota Statutes, section 290C.03.

EFFECTIVE DATE. This section is effective for determinations of violations of the conditions of enrollment after June 30, 2021.

Sec. 32. **REPEALER.**

Minnesota Statutes 2020, sections 327C.01, subdivision 13; and 327C.16, are repealed.

EFFECTIVE DATE. This section is effective beginning with property taxes payable in 2023.

ARTICLE 8

AIDS AND CREDITS

Section 1. Minnesota Statutes 2020, section 477A.013, subdivision 13, is amended to read:

Subd. 13. **Certified aid adjustments.** ~~(a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased by an amount equal to $150,000 for aids payable in 2014 through 2018.~~

~~(b)~~ (a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased by an amount equal to $160,000 for aids payable in 2014 and thereafter.

~~(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (o), shall have its total aid under subdivision 9 increased by an amount equal to $1,000,000 for aids payable in 2014 only.~~

(b) The city of Floodwood shall have its total aid under subdivision 9 increased by $250,000 for aids payable in 2022 through 2026.

(c) The city of Staples shall have its total aid under subdivision 9 increased by $320,000 for aids payable in 2022 through 2026.

(d) The city of Warren shall have its total aid under subdivision 9 increased by $320,000 for aids payable in 2022 through 2026.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2022 and thereafter.

Sec. 2. Minnesota Statutes 2020, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** ~~For aids payable in 2016 and 2017, the total aid paid under section 477A.013, subdivision 9, is $519,398,012. For aids payable in 2018 and 2019, the total aid paid under section 477A.013, subdivision 9, is $534,398,012. For aids payable in 2020, the total aid paid under section 477A.013, subdivision 9, is $560,398,012.~~ For aids payable in 2021 ~~and thereafter~~, the total aid payable under section 477A.013, subdivision 9, is $564,398,012. For aids payable in 2022 through 2026, the total aid payable under section 477A.013, subdivision 9, is $565,288,012. For aids payable in 2027 and thereafter, the total aid payable under section 477A.013, subdivision 9, is $564,398,012.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2022 and thereafter.

Sec. 3. Minnesota Statutes 2020, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in 2018 and 2019, the total aid payable under section 477A.0124, subdivision 3, is $103,795,000, of which $3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2020, the total aid payable under section 477A.0124, subdivision 3, is $116,795,000, of which $3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2021 through 2024, the total aid payable under section 477A.0124, subdivision 3, is $118,795,000, of which $3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2025 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is $115,795,000. ~~Each calendar year~~ On or before the first installment date provided in section 477A.015, paragraph (a), $500,000 of this appropriation shall be ~~retained~~ transferred each year by the commissioner of revenue to ~~make reimbursements to the commissioner of management and budget~~ the Board of Public Defense for ~~payments made~~ the payment of services under section 611.27. ~~The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27.~~ Any ~~retained~~ transferred amounts not ~~used for reimbursement in a year~~ expended or encumbered in a fiscal year shall be certified by the board of public defense to the commissioner of revenue on or before October 1 and shall be included in the next ~~distribution~~ certification of county need aid ~~that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year~~.

(b) For aids payable in 2018 and 2019, the total aid under section 477A.0124, subdivision 4, is $130,873,444. For aids payable in 2020, the total aid under section 477A.0124, subdivision 4, is $143,873,444. For aids payable in 2021 and thereafter, the total aid under section 477A.0124, subdivision 4, is $145,873,444. The commissioner of revenue shall transfer to the commissioner of management and budget $207,000 annually for the cost of preparation of local impact notes as required by section 3.987, and other local government activities. The commissioner of revenue shall transfer to the commissioner of education $7,000 annually for the cost of preparation of local impact notes for school districts as required by section 3.987. The commissioner of revenue shall deduct the amounts transferred under this paragraph from the appropriation under this paragraph. The amounts transferred are appropriated to the commissioner of management and budget and the commissioner of education respectively.

Sec. 4. **[477A.30] LOCAL HOMELESS PREVENTION AID.**

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given:

(1) "city" means a statutory or home rule charter city;

(2) "distribution factor" means the total number of students experiencing homelessness in a county in the current school year and the previous two school years divided by the total number of students experiencing homelessness in all counties in the current school year and the previous two school years; and

(3) "families" means families and persons 24 years of age or younger.

Subd. 2. **Purpose.** The purpose of this section is to help local governments ensure no child is homeless within a local jurisdiction by keeping families from losing housing and helping those experiencing homelessness find housing.

Subd. 3. **Distribution.** The money appropriated to local homeless prevention aid under this section must be allocated to counties by multiplying each county's distribution factor by the total distribution available under this section. Distribution factors must be based on the most recent counts of students experiencing homelessness in each county, as certified by the commissioner of education to the commissioner of revenue by July 1 of the year the aid is certified to the counties under subdivision 5.

Subd. 4. **Use of proceeds.** (a) Counties that receive a distribution under this section must use the proceeds to fund new or existing family homeless prevention and assistance projects or programs. These projects or programs may be administered by a county, a group of contiguous counties jointly acting together, a city, a group of contiguous cities jointly acting together, a Tribe, a group of Tribes, or a community-based nonprofit organization. Each project or program must include plans for:

(1) targeting families with children who are eligible for a prekindergarten through grade 12 academic program and are:

(i) living in overcrowded conditions in their current housing;

(ii) paying more than 50 percent of their income for rent; or

(iii) lacking a fixed, regular, and adequate nighttime residence;

(2) targeting unaccompanied youth in need of an alternative residential setting;

(3) connecting families with the social services necessary to maintain the families' stability in their homes, including but not limited to housing navigation, legal representation, and family outreach; and

(4) one or more of the following:

(i) providing rental assistance for a specified period of time which may exceed 24 months; or

(ii) providing support and case management services to improve housing stability, including but not limited to housing navigation and family outreach.

(b) Counties may choose not to spend all or a portion of the distribution under this section. Any unspent funds must be returned to the commissioner of revenue by December 31 of the year following the year that the aid was received. Any funds returned to the commissioner under this paragraph must be added to the overall distribution of aids certified under this section in the following year. Any unspent funds returned to the commissioner after the expiration under subdivision 8 are canceled to the general fund.

Subd. 5. **Payments.** The commissioner of revenue must compute the amount of local homeless prevention aid payable to each county under this section. On or before August 1 of each year, the commissioner shall certify the amount to be paid to each county in the following year. The commissioner shall pay local homeless prevention aid annually at the times provided in section 477A.015.

Subd. 6. **Appropriation.** $25,000,000 is annually appropriated from the general fund to the commissioner of revenue to make payments required under this section.

Subd. 7. **Report.** (a) No later than January 15, 2024, the commissioner of revenue must produce a report on projects and programs funded by counties under this section. The report must include a list of the projects and programs, the number of people served by each, and an assessment of how each project and program impacts people who are currently experiencing homelessness or who are at risk of experiencing homelessness, as reported by the counties to the commissioner by December 31 each year on a form prescribed by the commissioner. The commissioner must provide a copy of the report to the chairs and ranking minority members of the legislative committees with jurisdiction over property taxes and services for persons experiencing homelessness.

(b) The report in paragraph (a) must be updated every two years and the commissioner of revenue must provide copies of the updated reports to the chairs and ranking minority members of the legislative committees with jurisdiction over property taxes and services for persons experiencing homelessness by January 15 of the year the report is due. Report requirements under this subdivision expire following the report which includes the final distribution preceding the expiration in subdivision 8.

Subd. 8. **Expiration.** Distributions under this section expire after aids payable in 2029 have been distributed.

EFFECTIVE DATE. This section is effective beginning with aids payable in 2022 and thereafter.

Sec. 5. **COUNTY RELIEF GRANTS TO LOCAL BUSINESSES; APPROPRIATION.**

Subdivision 1. **Appropriation.** (a) $69,750,000 in fiscal year 2022 is appropriated from the general fund to the commissioner of revenue for payments to counties for relief grants under this section. This is a onetime appropriation. The appropriation under this section must be used for the following purposes:

(1) $63,000,000 must be used for grants under subdivision 2;

(2) $2,000,000 must be used for grants under subdivision 3; and

(3) $4,750,000 must be used for grants under subdivision 4.

(b) Each county may use the greater of $6,250 or 2.5 percent of the total amount received under subdivisions 1 and 2 for administrative costs incurred from making grants under this section. A county may contract with a third party to administer the grant program on behalf of the county.

Subd. 2. **Business relief grants.** (a) From the amount appropriated under subdivision 1, paragraph (a), clause (1), each county shall be issued a payment in the amount of $100,000 or a per capita amount determined by reference to the population of each county according to the most recently available 2019 population estimate from the state demographer as of December 1, 2020, whichever is greater.

(b) Counties shall use the funds under this subdivision to make grants to individual businesses, nonprofits, and establishments operated by congressionally chartered veterans' organizations that, to the extent it is feasible for the county to determine:

(1) are located in the applicable county in the state, in a county with which there is a collaborative agreement under paragraph (g), or on adjacent Tribal land;

(2) have no current tax liens on record with the secretary of state as of the time of application for a grant under this section; and

(3) were impacted by an executive order related to the COVID-19 pandemic.

(c) A county shall determine grant recipients and the grant amount awarded per grant. A county may award a grant to a business that is owned by a Tribal government and located on Tribal land if the business has voluntarily complied with Executive Order No. 20-99. Nonprofits, including nonprofit arts organizations, museums, and fitness centers, that earn revenue similar to businesses, including but not limited to ticket sales and membership fees, are eligible for grants under this section.

(d) Grant funds must be used by an eligible business or nonprofit for operating expenses incurred during the COVID-19 pandemic.

(e) Grants under this subdivision must be awarded by July 31, 2021.

(f) Grants and the process of making grants under this subdivision are exempt from the following statutes and related policies: Minnesota Statutes, sections 16A.15, subdivision 3; 16B.97; and 16B.98, subdivisions 5, 7, and 8. A county opting to use a third party to administer grants is exempt from Minnesota Statutes, section 471.345, in the selection of the third-party administrator. The exemptions under this paragraph expire July 31, 2021.

(g) Two or more counties may enter into a collaborative agreement and combine payments received under paragraph (a). These combined funds must be used to make grants as allowed by this subdivision.

(h) By January 31, 2022, the commissioner of employment and economic development shall report to the legislative committees with jurisdiction over economic development policy and finance on the grants provided under this subdivision.

(i) Any amount from the appropriation in subdivision 1, paragraph (a), clause (1), unexpended after August 15, 2021, is canceled.

Subd. 3. **Northwest Angle grants.** (a) Lake of the Woods County shall be issued a payment equal to the amount appropriated under subdivision 1, paragraph (a), clause (2), to make grants to individual businesses, nonprofits, and establishments operated by congressionally chartered veterans' organizations that, to the extent it is feasible for the county to determine:

(1) are located in Angle Township; and

(2) have no current tax liens on record with the secretary of state as of the time of application for a grant under this section.

(b) The county shall determine grant recipients and the grant amount awarded per grant.

(c) Grants under this subdivision must be awarded by July 31, 2021.

(d) Grants and the process of making grants under this subdivision are exempt from the following statutes and related policies: Minnesota Statutes, sections 16A.15, subdivision 3; 16B.97; and 16B.98, subdivisions 5, 7, and 8. A county opting to use a third party to administer grants is exempt from Minnesota Statutes, section 471.345, in the selection of the third-party administrator. The exemptions under this paragraph expire July 31, 2021.

(e) By January 31, 2022, the commissioner of employment and economic development shall report to the legislative committees with jurisdiction over economic development policy and finance on the grants provided under this subdivision.

(f) Any amount from the appropriation in subdivision 1, paragraph (a), clause (2), unexpended after August 15, 2021, is canceled.

Subd. 4. **Damage remediation grants.** (a) Hennepin County shall be issued a payment equal to the amount appropriated under subdivision 1, paragraph (a), clause (3), for grants to remediate the effects of fires and vandalism that occurred due to the unrest in the city of Minneapolis and surrounding communities after May 24, 2020, and before June 16, 2020.

(b) A grant recipient must use the money issued under this subdivision for remediation costs, including disaster recovery, infrastructure, reimbursement for emergency personnel costs, reimbursement for equipment costs, and reimbursement for property tax abatements, incurred by public or private entities as a result of the fires and vandalism. This appropriation under subdivision 1, paragraph (a), clause (3), is available until June 30, 2023.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 9
LOCAL TAXES

Section 1. Laws 2019, First Special Session chapter 6, article 6, section 25, is amended to read:

Sec. 25. **CITY OF PLYMOUTH; LOCAL LODGING TAX AUTHORIZED.**

(a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city council for the city of Plymouth may impose by ordinance a tax of up to three percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and the total tax imposed under that section and this provision must not exceed six percent.

(b) Two-thirds of the revenue from the tax imposed under this section must be dedicated and used for capital improvements to public recreational facilities and marketing and promotion of the community, and the remaining one-third of the revenue must be used for the same purposes as a tax imposed under Minnesota Statutes, section 469.190.

(c) The tax imposed under this authority terminates ~~at the earlier of: (1) ten years after the tax is first imposed; or (2) December 31, 2030~~ when the city council determines that the amount received from the tax is sufficient to retire bonds issued before January 1, 2022, for capital improvements under paragraph (b), plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Laws 2019, First Special Session chapter 6, article 6, section 27, is amended to read:

Sec. 27. **CITY OF SARTELL; LOCAL TAXES AUTHORIZED.**

Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota Statutes, section 297A.99 or 477A.016, or any ordinance or other provision of law, and if approved by voters at ~~the November 3, 2020,~~ a general ~~election,~~ or ~~at a~~ special election held ~~before November 3, 2020~~ pursuant to a resolution adopted by its governing body, the city of Sartell may, by ordinance, impose a sales tax of up to 1-1/2 percent on the gross receipts of all food and beverages sold by a restaurant or place of refreshment, as defined by ordinance of the city, that is located within the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds from authorized taxes.** The proceeds of the taxes imposed under subdivision 1 must be used by the city to fund capital or operational costs for new and existing recreational facilities and related amenities within the city. Authorized expenses include securing or paying debt service on bonds or other obligations issued to finance construction and improvement projects.

~~Subd. 3. **Termination of taxes.** The tax imposed under subdivision 1 expires five years after the tax is first imposed.~~

Subd. 4. **Collection, administration, and enforcement.** The city may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes under subdivision 1. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, sections 270C.171 and 297A.99, related to collection, administration, and enforcement apply.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Sartell and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 3. **CARLTON COUNTY; LOCAL SALES AND USE TAX AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, sections 297A.99, subdivision 2, paragraph (b), and 477A.016, or any other law or ordinance, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, Carlton County may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by Carlton County to pay the costs of collecting and administering the tax, and to finance up to $60,000,000 for the construction of a new law enforcement center and jail serving a regional female offender program. Authorized costs include related parking, design, construction, reconstruction, mechanical upgrades, and engineering costs, as well as the associated bond costs for any bonds issued under subdivision 3.

Subd. 3. **Bonding authority.** (a) Carlton County may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $60,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the county, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the county. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 30 years after the tax is first imposed; or (2) when the county determines that it has received from this tax $60,000,000 to fund the project listed in subdivision 2, plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the county's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the county determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of Carlton County and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 4. **CITY OF CLOQUET; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Cloquet may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Cloquet to pay the costs of collecting and administering the tax and the capital and administrative costs of any or all of the projects listed in this subdivision. The amount spent on each project is limited to the amount set forth below plus an amount equal to interest on and the costs of issuing any bonds:

(1) construction, reconstruction, expansion, or improvement related to the Pine Valley Regional Park Project, including ski jump repairs, chalet replacement, and parking and lighting improvements, in an amount not to exceed $2,124,700; and

(2) restoration, repair, and upgrading of the Cloquet Ice Arena in an amount not to exceed $6,025,500.

Subd. 3. **Bonding authority.** (a) The city of Cloquet may issue bonds under Minnesota Statutes, chapter 475, to finance up to $8,150,200 of the portion of the costs of the facilities authorized in subdivision 2 and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed $8,150,200 plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Cloquet, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Cloquet, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 10 years after the tax is first imposed, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for projects approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 5. **CITY OF EDINA; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Edina may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Edina to pay the costs of collecting and administering the tax and paying for the following projects in the city, including securing and paying debt service on bonds issued to finance all or part of the following projects:

(1) $17,700,000 plus associated bonding costs for development of Fred Richards Park as identified in the Fred Richards Park Master Plan; and

(2) $21,600,000 plus associated bonding costs for improvements to Braemar Park as identified in the Braemar Park Master Plan.

Subd. 3. **Bonding authority.** (a) The city of Edina may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2 and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed: (1) $17,700,000 for the project listed in subdivision 2, clause (1), plus an amount to be applied to the payment of the costs of issuing the bonds; and (2) $21,600,000 for the project listed in subdivision 2, clause (2), plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Edina, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Edina, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 19 years after the tax is first imposed, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for projects approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, must be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Edina and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 6. **CITY OF FERGUS FALLS; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax; authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, the city of Fergus Falls may, if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Fergus Falls to pay the costs of collecting and administering the tax and for the following projects in the city, including securing and paying debt service, on bonds issued to finance all or part of the following projects:

(1) $7,800,000 for an aquatics center; and

(2) $5,200,000 for the DeLagoon Improvement Project.

Subd. 3. **Bonding authority.** (a) The city of Fergus Falls may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2, and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed:

(1) $7,800,000 for the project listed in subdivision 2, clause (1), plus an amount needed to pay capitalized interest and an amount to be applied to the payment of the costs of issuing the bonds; and

(2) $5,200,000 for the project listed in subdivision 2, clause (2), plus an amount needed to pay capitalized interest and an amount to be applied to the payment of the costs of issuing the bonds.

(b) The bonds may be paid from or secured by any funds available to the city of Fergus Falls, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city of Fergus Falls, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) December 31, 2037, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for projects approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Fergus Falls and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. **CITY OF GRAND RAPIDS; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Grand Rapids may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Grand Rapids to pay the costs of collecting and administering the tax including securing and paying debt service on bonds issued and to finance up to $5,980,000 for reconstruction, remodeling, and upgrades to the Grand Rapids IRA Civic Center. Authorized costs include design, construction, reconstruction, mechanical upgrades, and engineering costs, as well as the associated bond costs for any bonds issued under subdivision 3.

Subd. 3. **Bonding authority.** (a) The city of Grand Rapids may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $5,980,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Grand Rapids, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Grand Rapids, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) seven years after the tax is first imposed; or (2) when the city council determines that $5,980,000, plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds, has been received from the tax to pay the costs of the project authorized under subdivision 2, and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city, except for funds required to be retained in the state general fund under Minnesota Statutes, section 297A.99, subdivision 3. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Grand Rapids and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. **CITY OF HERMANTOWN; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Hermantown may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Hermantown to pay the costs of collecting and administering the tax and paying for the following projects in the city related to a Community Recreational Initiative, including securing and paying debt service on bonds issued to finance all or part of the following projects:

(1) $10,840,000 for an addition of a second ice sheet with locker rooms and other facilities and upgrades to the Hermantown Hockey Arena; and

(2) $4,570,000 for construction of the Hermantown-Proctor trail running from the Essentia Wellness Center to the border with Proctor and eventually connecting to the Munger Trail.

Subd. 3. **Bonding authority.** (a) The city of Hermantown may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2 and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed: (1) $10,840,000 for the project listed in subdivision 2, clause (1), plus an amount to be applied to the payment of the costs of issuing the bonds; and (2) $4,570,000 for the project listed in subdivision 2, clause (2), plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Hermantown, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Hermantown, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 16 years after being first imposed, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for projects approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Hermantown and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 9. **ITASCA COUNTY; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law or ordinance and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, Itasca County may impose by ordinance a sales and use tax of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by Itasca County to pay the costs of collecting and administering the tax and paying for up to $75,000,000 for new construction of or upgrades to correctional facilities, new construction of or upgrades to court facilities including ancillary support accommodations, and new construction of or upgrades to county offices, plus an amount needed for securing and paying debt service on bonds issued for the project.

Subd. 3. **Bonding authority.** (a) Itasca County may issue bonds under Minnesota Statutes, chapter 475, to finance the costs of the facility authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $75,000,000 for the project listed in subdivision 2, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the county, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the county, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 30 years after the tax is first imposed, or (2) when the county board determines that the amount received from the tax is sufficient to pay $75,000,000 in project costs authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the county. The tax imposed under subdivision 1 may expire at an earlier time if the county so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of Itasca County and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 10. **CITY OF LITCHFIELD; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Litchfield may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Litchfield to pay the costs of collecting and administering the tax and for up to $10,000,000 for the cost of constructing a community wellness/recreation center that will include a gymnasium and general fitness spaces, a dedicated walking section, a community room, and any locker rooms and mechanical equipment needed for future additions to the facility.

Subd. 3. **Bonding authority.** (a) The city of Litchfield may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2 and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed $10,000,000 for the project listed in subdivision 2 plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Litchfield, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Litchfield and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 20 years after being first imposed, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for projects approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Litchfield and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. **CITY OF LITTLE FALLS; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Little Falls may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Little Falls to pay the costs of collecting and administering the tax and for up to $17 million for the cost of constructing a community recreational facility that includes a gymnasium with an indoor track, multipurpose rooms for meeting and educational spaces, office and storage space, and outdoor recreational facilities for aquatic recreation with a master plan to incorporate future additions to the facility.

Subd. 3. **Bonding authority.** (a) The city of Little Falls may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2 and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed $17,000,000 for the project listed in subdivision 2 plus an amount needed to pay capitalized interest and an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Little Falls, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Little Falls, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 30 years after being first imposed, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for the project if approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Little Falls and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. **CITY OF MAPLE GROVE; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Maple Grove may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Maple Grove to pay the costs of collecting and administering the tax, and to finance up to $90,000,000 for the expansion and renovation of the Maple Grove Community Center, plus an amount needed for securing and paying debt service on bonds issued to finance the project.

Subd. 3. **Bonding authority.** (a) The city of Maple Grove may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2, and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed $90,000,000, plus an amount applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for the project approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Maple Grove and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. **COUNTY OF MILLE LACS; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law or ordinance, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, Mille Lacs County may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by Mille Lacs County to pay the costs of collecting and administering the tax, and to finance up to $10,000,000 for the construction of a public works building in Mille Lacs County, plus an amount needed for securing and paying debt service on bonds issued to finance the project.

Subd. 3. **Bonding authority.** (a) Mille Lacs County may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2, and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed $10,000,000, plus an amount applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the county, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the county. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) eight years after the tax is first imposed; or (2) when the county board determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for the project approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the county. The tax imposed under subdivision 1 may expire at an earlier time if the county so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of Mille Lacs County and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. **CITY OF MOORHEAD; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Moorhead may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Moorhead to pay the costs of collecting and administering the tax, and to finance up to $31,590,000 for the construction of a regional library and community center in the city of Moorhead, plus an amount needed for securing and paying debt service on bonds issued to finance the project.

Subd. 3. **Bonding authority.** (a) The city of Moorhead may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2, and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed $31,590,000, plus an amount applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 22 years after the tax is first imposed; or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for the project approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Moorhead and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. **CITY OF OAKDALE; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other ordinance or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Oakdale may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Oakdale to pay the costs of collecting and administering the tax and paying for the following projects in the city, including securing and paying debt service on bonds issued to finance all or part of the following projects:

(1) $22,000,000 plus associated bonding costs for construction of a new public works facility; and

(2) $15,000,000 plus associated bonding costs for expansion of the police department facility.

Subd. 3. **Bonding authority.** (a) The city of Oakdale may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed: (1) $22,000,000 for the project listed in subdivision 2, clause (1), plus an amount applied to the payment of costs of issuing the bonds; and (2) $15,000,000 for the projects listed in subdivision 2, clause (2), plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Oakdale, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines that the city has received from this tax $37,000,000 to fund the projects listed in subdivision 2 plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Except as otherwise provided under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Oakdale and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. **CITY OF ST. CLOUD; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of St. Cloud may impose, by ordinance, a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of St. Cloud to pay the costs of collecting and administering the tax, including securing and paying debt service on bonds issued, and to finance up to $21,100,000 plus associated bonding costs for expansion and improvement of St. Cloud's Municipal Athletic Complex.

Subd. 3. **Bonding authority.** (a) The city of St. Cloud may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $21,100,000 plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of St. Cloud, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) five years after the tax is first imposed; or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2, and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 17. **CITY OF ST. PETER; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of St. Peter may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of St. Peter to pay the costs of collecting and administering the tax and paying for up to $9,121,000 for construction of a new fire station, plus an amount needed for securing and paying debt service on bonds issued to finance the project.

Subd. 3. **Bonding authority.** (a) The city of St. Peter may issue bonds under Minnesota Statutes, chapter 475, to finance the costs of the facility authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $9,121,000 for the project listed in subdivision 2, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of St. Peter, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of St. Peter; and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 40 years after the tax is first imposed, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the $9,121,000 in project costs authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of St. Peter and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 18. **CITY OF WADENA; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Wadena may impose, by ordinance, a sales and use tax of one-quarter of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Wadena to pay the costs of collecting and administering the tax and to finance up to $3,000,000, plus associated bonding costs including securing and paying debt service on bonds issued, for the Wadena Library Rehabilitation Project.

Subd. 3. **Bonding authority.** (a) The city of Wadena may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the project authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed $3,000,000, plus an amount applied to the payment of costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Wadena, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city. Any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the earlier of: (1) 20 years after the tax is first imposed; or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2, and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, plus an amount sufficient to pay costs, including interest costs, related to the issuance of the bonds authorized in subdivision 3. Any funds remaining after payment of the allowed costs due to timing of the termination under Minnesota Statutes, section 297A.99, shall be placed in the city's general fund. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Wadena and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 19. **CITY OF WAITE PARK; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other law, ordinance, or city charter, and if approved by the voters at a general election as required under Minnesota Statutes, section 297A.99, subdivision 3, the city of Waite Park may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. The tax imposed under this subdivision is in addition to any local sales and use tax imposed under any other special law.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of Waite Park to pay the costs of collecting and administering the tax and for the following projects in the city, including securing and paying debt service on bonds issued to finance all or part of the following projects:

(1) up to $7,500,000 plus associated bonding costs for regional trail connections; and

(2) up to $20,000,000 plus associated bonding costs for construction and equipping of a public safety facility.

Subd. 3. **Bonding authority.** (a) The city of Waite Park may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2 and approved by the voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a). The aggregate principal amount of bonds issued under this subdivision may not exceed:

(1) $7,500,000 for the project listed in subdivision 2, clause (1), plus an amount needed to pay capitalized interest and an amount to be applied to the payment of the costs of issuing the bonds; and

(2) $20,000,000 for the project listed in subdivision 2, clause (2), plus an amount needed to pay capitalized interest and an amount to be applied to the payment of the costs of issuing the bonds.

The bonds may be paid from or secured by any funds available to the city of Waite Park, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of Waite Park, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** Subject to Minnesota Statutes, section 297A.99, subdivision 12, the tax imposed under subdivision 1 expires at the earlier of (1) 19 years after the tax is first imposed, or (2) when the city council determines that the amount received from the tax is sufficient to pay for the project costs authorized under subdivision 2 for projects approved by voters as required under Minnesota Statutes, section 297A.99, subdivision 3, paragraph (a), plus an amount sufficient to pay the costs related to issuance of any bonds authorized under subdivision 3, including interest on the bonds. Except as otherwise provided in Minnesota Statutes, section 297A.99, subdivision 3, paragraph (f), any funds remaining after payment of the allowed costs due to the timing of the termination of the tax under Minnesota Statutes, section 297A.99, subdivision 12, shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Waite Park and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 10
TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 2020, section 469.176, is amended by adding a subdivision to read:

Subd. 4n. **Temporary use of increment authorized.** (a) Notwithstanding any other provision of this section or any other law to the contrary, except the requirements to pay bonds to which increments are pledged, the authority may elect by resolution to transfer unobligated increments from a district either (1) to the municipality for deposit into the municipality's general fund upon the request of the municipality, or (2) to provide improvements, loans, interest rate subsidies, or assistance in any form to businesses impacted by COVID-19. The authority may transfer increments under this subdivision after the spending plan and public hearing requirements under paragraph (c) are met. The municipality may expend transferred increments under clause (1) for any purpose permitted under the municipality's general fund.

(b) For each calendar year for which transfers are permitted under this subdivision, the maximum transfer equals the excess of the district's unobligated increments which includes any increment not required for payments of obligations due during the six months following the transfer on outstanding bonds, binding contracts, and other outstanding financial obligations of the district to which the district's increments are pledged.

(c) The authority may transfer increments permitted under this subdivision after creating a written spending plan that authorizes the authority to take the action described in paragraph (a) and details the use of transferred increments. Additionally, the municipality must approve the authority's spending plan after holding a public hearing. The municipality must publish notice of the hearing in a newspaper of general circulation in the municipality and on the municipality's public website at least ten days, but not more than 30 days, prior to the date of the hearing.

(d) Increment that is improperly retained, received, spent, or transferred is not eligible for a transfer under this subdivision.

(e) An authority making a transfer under this subdivision must provide to the Office of the State Auditor a copy of the spending plan approved and signed by the municipality.

(f) The authority to transfer increments under this subdivision expires on December 31, 2022. All transferred increments must be spent by December 31, 2022. If the municipality cannot spend the transferred increments by December 31, 2022, the municipality must adopt a spending plan that details the use of transferred increments, and must provide a copy of this spending plan to the Office of the State Auditor.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies to increments from any district that are unobligated as of the date of final enactment regardless of when the authority made a request for certification.

Sec. 2. Minnesota Statutes 2020, section 469.1763, subdivision 2, is amended to read:

Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenues derived from tax increments paid by properties in the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, ~~a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.~~ the following are considered to be activities in the district:

(1) a housing project, as defined in section 469.174, subdivision 11; and

(2) a transfer of increments to an affordable housing trust fund established pursuant to section 462C.16, for expenditures made in conformity with the political subdivision's ordinance and policy establishing the trust fund. Any transfers made pursuant to this clause are not subject to the annual reporting requirements imposed by section 469.175, subdivision 6, except that the amount of any transfer must be reported.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ~~ten~~ 25 percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used ~~exclusively~~ to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code, or to assist owner-occupied housing that meets the requirements of section 469.1761; ~~and~~

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:

(A) 150 percent of the average market value of single-family homes in that municipality; or

(B) $200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or $125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period has expired.

(e) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2020, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments paid by properties in the district are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

(c) For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are extended to ten years after certification of the district. For a redevelopment district certified after April 20, 2009, and before June 30, 2012, the five-year periods described in paragraph (a) are extended to eight years after certification of the district. This extension is provided primarily to accommodate delays in development activities due to unanticipated economic circumstances.

(d) For a redevelopment district that was certified after December 31, 2017, the five-year periods described in paragraph (a) are extended to ten years after certification of the district.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2020, section 469.1763, subdivision 4, is amended to read:

Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the sixth year following certification of the district, or beginning with the 11th year following certification of the district for districts whose five-year rule is extended to ten years under subdivision 3, paragraph (d), if the applicable in-district percent of the revenues derived from tax increments paid by properties in the district exceeds the amount of expenditures that have been made for costs permitted under subdivision 3, an amount equal to the difference between the in-district percent of the revenues derived from tax increments paid by properties in the district and the amount of expenditures that have been made for costs permitted under subdivision 3 must be used and only used to pay or defease the following or be set aside to pay the following:

(1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

(2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4);

(3) credit enhanced bonds to which the revenues derived from tax increments are pledged, but only to the extent that revenues of the district for which the credit enhanced bonds were issued are insufficient to pay the bonds and to the extent that the increments from the applicable pooling percent share for the district are insufficient; or

(4) the amount provided by the tax increment financing plan to be paid under subdivision 2, paragraphs (b), (d), and (e).

(b) The district must be decertified and the pledge of tax increment discharged when the outstanding bonds have been defeased and when sufficient money has been set aside to pay, based on the increment to be collected through the end of the calendar year, the following amounts:

(1) contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and (4);

(2) the amount specified in the tax increment financing plan for activities qualifying under subdivision 2, paragraph (b), that have not been funded with the proceeds of bonds qualifying under paragraph (a), clause (1); and

(3) the additional expenditures permitted by the tax increment financing plan for housing activities under an election under subdivision 2, paragraph (d), that have not been funded with the proceeds of bonds qualifying under paragraph (a), clause (1).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. **CITY OF BLOOMINGTON; TIF AUTHORITY; AMERICAN BOULEVARD.**

Subdivision 1. **Establishment.** Pursuant to the special rules established in subdivision 2, the housing and redevelopment authority of the city of Bloomington or the city of Bloomington may establish a redevelopment district within the city of Bloomington, limited to the following parcels, identified by tax identification numbers, together with adjacent roads and rights-of-way: 04-027-24-11-0032, 04-027-24-11-0033, and 04-027-24-11-0034.

Subd. 2. **Special rules.** If the city or authority establishes a tax increment financing district under this section, the following special rules apply:

(1) the district meets all the requirements of Minnesota Statutes, section 469.174, subdivision 10;

(2) expenditures incurred in connection with the development of the property described in subdivision 1 meet the requirements of Minnesota Statutes, section 469.176, subdivision 4j; and

(3) increments generated from the district may be expended on undergrounding or overhead power lines, transformers, and related utility infrastructure within the project area and all such expenditures are deemed expended on activities within the district for purposes of Minnesota Statutes, section 469.1763.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Bloomington and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 6. **CITY OF BLOOMINGTON; TIF AUTHORITY; 98TH & ALDRICH.**

Subdivision 1. **Establishment.** Pursuant to the special rules established in subdivision 2, the housing and redevelopment authority of the city of Bloomington or the city of Bloomington may establish a redevelopment district within the city of Bloomington, limited to the following parcels, identified by tax identification numbers, together with adjacent roads and rights-of-way: 16-027-24-41-0010, 16-027-24-41-0011, and 16-027-24-41-0012.

Subd. 2. **Special rules.** If the city or authority establishes a tax increment financing district under this section, the following special rules apply:

(1) the district meets all the requirements of Minnesota Statutes, section 469.174, subdivision 10; and

(2) expenditures incurred in connection with the development of the property described in subdivision 1 meet the requirements of Minnesota Statutes, section 469.176, subdivision 4j.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Bloomington and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. **CITY OF BURNSVILLE; TIF AUTHORITY.**

Subdivision 1. **Establishment.** Under the special rules established in subdivision 2, the economic development authority of the city of Burnsville or the city of Burnsville may establish one or more redevelopment districts located wholly within the area of the city of Burnsville, Dakota County, Minnesota, limited to the parcels comprising the Burnsville Center mall together with adjacent roads and rights-of-way.

Subd. 2. **Special rules.** If the city or authority establishes a tax increment financing district under this section, the following special rules apply:

(1) the districts are deemed to meet all the requirements of Minnesota Statutes, section 469.174, subdivision 10;

(2) expenditures incurred in connection with the development of the property described in subdivision 1 are deemed to meet the requirements of Minnesota Statutes, section 469.176, subdivision 4j; and

(3) increments generated from the districts may be expended for the construction and acquisition of property for a bridge, tunnel, or other connector from the property described in subdivision 1 across adjacent roads and rights-of-way and all such expenditures are deemed expended on activities within the district for purposes of Minnesota Statutes, section 469.1763.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Burnsville and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 8. **CITY OF FRIDLEY; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

Subdivision 1. **Housing program uses.** Notwithstanding Minnesota Statutes, section 469.176, subdivision 4j, or 469.1763, subdivision 2, or any law to the contrary, the governing body of the city of Fridley or its development authority may elect to spend tax increments from Tax Increment Financing District No. 20 on housing programs outside of the district. The authorized housing programs include but are not limited to:

(1) the revolving rehab loan program;

(2) the multifamily improvement loan program;

(3) the mobile home improvement loan program;

(4) the last resort emergency deferred loan program;

(5) the senior deferred loan program;

(6) the down payment assistance loan program;

(7) the residential major project grant program;

(8) the residential paint rebate grant program; and

(9) the front door grant program.

Subd. 2. **Decertification.** The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, and the use of revenues for decertification in Minnesota Statutes, section 469.1763, subdivision 4, do not apply to Tax Increment Financing District No. 20.

Subd. 3. **Expiration.** The authority to make the election under this section expires December 31, 2023.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Fridley and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 9. **CITY OF MINNETONKA; USE OF INCREMENT AUTHORIZED.**

(a) Notwithstanding Minnesota Statutes, section 469.1763, or any law to the contrary, tax increments from any redevelopment tax increment financing district in the city of Minnetonka may be used to assist affordable housing development that meets the requirements of Minnesota Statutes, section 469.1761, subdivision 2 or 3.

(b) The city of Minnetonka, or its economic development authority, is authorized to transfer tax increments from tax increment districts in the city of Minnetonka to the affordable housing trust fund established by the city of Minnetonka pursuant to Minnesota Statutes, section 462C.16, for expenditures made in conformity with the city ordinance establishing the trust fund. Transfers made pursuant to this paragraph are in addition to tax increment expenditures under Minnesota Statutes, section 469.1763, subdivision 2, paragraph (d). Any transfers made pursuant to this paragraph are not subject to the annual reporting requirements imposed by Minnesota Statutes, section 469.175, subdivision 6, except that the amount of any transfer must be reported.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Minnetonka and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 10. **CITY OF MOUNTAIN LAKE; TIF DISTRICT NO. 1-8; FIVE-YEAR RULE EXTENSION.**

(a) The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is extended by a five-year period for Tax Increment Financing District No. 1-8, administered by the city of Mountain Lake or its economic development authority.

(b) The requirement of Minnesota Statutes, section 469.1763, subdivision 4, relating to the use of increment after the expiration of the five-year period in Minnesota Statutes, section 469.1763, subdivision 3, is extended to the district's 11th year.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Mountain Lake and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. **CITY OF RICHFIELD; USE OF TAX INCREMENT AUTHORIZED.**

(a) Notwithstanding Minnesota Statutes, section 469.1763, or any law to the contrary, tax increments from any tax increment financing district in the city of Richfield may be used to assist affordable housing development that meets the requirements of Minnesota Statutes, section 469.1761, subdivision 2 or 3.

(b) The city of Richfield, or its housing and redevelopment authority, is authorized to transfer up to 15 percent of tax increments from redevelopment tax increment districts in the city of Richfield, including amounts previously accumulated, to the Affordable Housing Trust Fund established by the city of Richfield pursuant to Minnesota Statutes, section 462C.16, for expenditures made in conformity with the city ordinance establishing the trust fund. Transfers made pursuant to this paragraph are in addition to tax increment expenditures under Minnesota Statutes, section 469.1763, subdivision 2, paragraph (d). Any transfers made pursuant to this paragraph are not subject to the annual reporting requirements imposed by Minnesota Statutes, section 469.175, subdivision 6, except that the amount of any transfer must be reported.

(c) The authority to make transfers of tax increments pursuant to this section expires December 31, 2030.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Richfield and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. **CITY OF ST. LOUIS PARK; USE OF INCREMENT AUTHORIZED.**

(a) Notwithstanding Minnesota Statutes, section 469.1763, subdivision 2, paragraph (d), or any law to the contrary, tax increment from any district for which the economic development authority of St. Louis Park has elected to increase the permitted amount of expenditures for activities located outside the district's area, as allowed by Minnesota Statutes, section 469.1763, subdivision 2, paragraph (d), clause (1), must be used exclusively to assist housing development that meets either the requirements of Minnesota Statutes, section 469.1761, subdivision 2, or Minnesota Statutes, section 469.1763, subdivision 2, paragraph (d), clauses (1) to (3).

(b) The economic development authority of St. Louis Park is authorized to make permanent transfers of tax increments accumulated for housing development pursuant to either Minnesota Statutes, section 469.1763, subdivision 2, paragraph (b) or (d), from the tax increment accounts to the Affordable Housing Trust Fund established by the city of St. Louis Park pursuant to Minnesota Statutes, section 462C.16, for expenditures made in conformity with the city ordinance and policy establishing such trust fund. Any transfers made pursuant to this paragraph are not subject to the annual reporting requirements imposed by Minnesota Statutes, section 469.175, subdivision 6, except that the amount of any transfer must be reported.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of St. Louis Park and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. **CITY OF WAYZATA; TIF DISTRICT NO. 6.**

Notwithstanding Minnesota Statutes, section 469.1763, subdivision 2, the city of Wayzata may expend increments generated from Tax Increment Financing District No. 6 for the design and construction of the lakefront pedestrian walkway and community transient lake public access infrastructure related to the Panoway on Wayzata Bay project, and all such expenditures are deemed expended on activities within the district.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Wayzata and its chief clerical officer comply with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. **CITY OF WINDOM; TIF DISTRICT 1-22; FIVE-YEAR RULE EXTENDED.**

(a) The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for Tax Increment Financing District 1-22, administered by the city of Windom or its economic development authority, if activities are undertaken within ten years of the district's certification.

(b) The requirement of Minnesota Statutes, section 469.1763, subdivision 4, relating to the use of increment after the expiration of the five-year period in Minnesota Statutes, section 469.1763, subdivision 3, is extended to the district's 11th year.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Windom and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. **CITY OF WINDOM; TIF DISTRICT 1-22; DURATION EXTENSION.**

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Windom or its economic development authority may elect to extend the duration limit of Tax Increment Financing District 1-22 by five years.

EFFECTIVE DATE. This section is effective upon compliance by the city of Windom, Cottonwood County, and Independent School District No. 177 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivisions 2 and 3.

ARTICLE 11
PUBLIC FINANCE

Section 1. Minnesota Statutes 2020, section 297A.993, subdivision 2, is amended to read:

Subd. 2. **Allocation; termination.** The proceeds of the taxes must be dedicated exclusively to: (1) payment of the capital cost of a specific transportation project or improvement; (2) payment of the costs, which may include both capital and operating costs, of a specific transit project or improvement; (3) payment of the capital costs of a safe routes to school program under section 174.40; ~~or~~ (4) payment of transit operating costs; or (5) payment of the capital cost of constructing buildings and other facilities for maintaining transportation or transit projects or improvements. The transportation or transit project or improvement must be designated by the board of the county, or more than one county acting under a joint powers agreement. Except for taxes for operating costs of a transit project or improvement, or for transit operations, the taxes must terminate when revenues raised are sufficient to finance the project. Nothing in this subdivision prohibits the exclusive dedication of the proceeds of the taxes to payments for more than one project or improvement. After a public hearing a county may, by resolution, dedicate the proceeds of the tax for a new enumerated project.

Sec. 2. Minnesota Statutes 2020, section 453A.04, subdivision 21, is amended to read:

Subd. 21. ~~**All other powers**~~ **Exercising powers of a municipal power agency.** ~~It may exercise all other powers not inconsistent with the Constitution of the state of Minnesota or the United States Constitution, which powers may be reasonably necessary or appropriate for or incidental to the effectuation of its authorized purposes or to the exercise of any of the powers enumerated in this section, and generally may exercise in connection with its property and affairs, and in connection with property within its control, any and all powers which might be exercised by a natural person or a private corporation in connection with similar property and affairs.~~ It may exercise the powers of a municipal power agency under chapter 453, for the limited purpose of engaging in tax-exempt prepayments and related transactions as described in section 148(b)(4) of the Internal Revenue Code of 1986, as amended, and the Code of Federal Regulations, title 26, part 1, section 1.148-1(e)(2)(iii), both as may be amended from time to time, or as may otherwise be authorized by statute or the Commissioner of Internal Revenue.

Sec. 3. Minnesota Statutes 2020, section 453A.04, is amended by adding a subdivision to read:

Subd. 22. **All other powers.** It may exercise all other powers not inconsistent with the Constitution of the state of Minnesota or the United States Constitution, which powers may be reasonably necessary or appropriate for or incidental to the effectuation of its authorized purposes or to the exercise of any of the powers enumerated in this section, and generally may exercise in connection with its property and affairs, and in connection with property within its control, any and all powers which might be exercised by a natural person or a private corporation in connection with similar property and affairs.

Sec. 4. Minnesota Statutes 2020, section 465.71, is amended to read:

465.71 INSTALLMENT, LEASE PURCHASE; CITY, COUNTY, TOWN, SCHOOL.

A home rule charter city, statutory city, county, town, or school district may purchase personal property under an installment contract, or lease real or personal property with an option to purchase under a lease-purchase agreement, by which contract or agreement title is retained by the seller or vendor or assigned to a third party as security for the purchase price, including interest, if any, but such purchases are subject to statutory and charter provisions applicable to the purchase of real or personal property. For purposes of the bid requirements contained in section 471.345, "the amount of the contract" shall include the total of all lease payments for the entire term of the lease under a lease-purchase agreement. The obligation created by an installment contract or a lease-purchase agreement for personal property, or an installment contract or a lease-purchase agreement for real property if the amount of the contract for purchase of the real property is less than $1,000,000, shall not be included in the calculation of net debt for purposes of section 475.53, and shall not constitute debt under any other statutory provision. No election shall be required in connection with the execution of an installment contract or a lease-purchase agreement authorized by this section. The city, county, town, or school district must have the right to terminate a lease-purchase agreement at the end of any fiscal year during its term.

Sec. 5. Minnesota Statutes 2020, section 475.56, is amended to read:

475.56 INTEREST RATE.

(a) Any municipality issuing obligations under any law may issue obligations bearing interest at a single rate or at rates varying from year to year which may be lower or higher in later years than in earlier years. ~~Such higher rate for any period prior to maturity may be represented in part by separate coupons designated as additional coupons, extra coupons, or B coupons, but the~~ The highest aggregate rate of interest contracted to be so paid for any period shall not exceed the maximum rate authorized by law~~. Such higher rate may also be represented in part by the issuance of additional obligations of the same series, over and above but not exceeding two percent of the amount otherwise authorized to be issued, and the amount of such additional obligations shall not be included in the amount required by section 475.59 to be stated in any bond resolution, notice, or ballot, or in the sale price required by section 475.60 or any other law to be paid; but if the principal amount of the entire series exceeds its cash sale price, such excess shall not, when added to the total amount of interest payable on all obligations of the series to their stated maturity dates, cause~~ and the average annual rate of such interest ~~to~~ may not exceed the maximum rate authorized by law. This section does not authorize a provision in any such obligations for the payment of a higher rate of interest after maturity than before.

(b) Any municipality issuing obligations under any law may sell original issue discount or premium obligations ~~having a stated principal amount in excess of the authorized amount and the sale price, provided that:~~. To determine the average annual rate of interest on the obligations, any discount shall be added to, and any premium subtracted from, the total amount of interest on the obligations to their stated maturity dates.

~~(1) the sale price does not exceed by more than two percent the amount of obligations otherwise authorized to be issued;~~

~~(2) the underwriting fee, discount, or other sales or underwriting commission does not exceed two percent of the sale price; and~~

~~(3) the discount rate necessary to present value total principal and interest payments over the term of the issue to the sale price does not exceed the lesser of the maximum rate permitted by law for municipal obligations or ten percent.~~

(c) Any obligation may bear interest at a rate varying periodically at the time or times and on the terms, including convertibility to a fixed rate of interest, determined by the governing body of the municipality, but the rate of interest for any period shall not exceed any maximum rate of interest for the obligations established by law. For purposes of section 475.61, subdivisions 1 and 3, the interest payable on variable rate obligations for their term shall be determined as if their rate of interest is the lesser of the maximum rate of interest payable on the obligations in accordance with their terms or the rate estimated for such purpose by the governing body, but if the interest rate is subsequently converted to a fixed rate the levy may be modified to provide at least five percent in excess of amounts necessary to pay principal of and interest at the fixed rate on the obligations when due. For purposes of computing debt service or interest pursuant to section 475.67, subdivision 12, interest throughout the term of bonds issued pursuant to this subdivision is deemed to accrue at the rate of interest first borne by the bonds. The provisions of this paragraph do not apply to general obligations issued by a statutory or home rule charter city with a population of less than 7,500, as defined in section 477A.011, subdivision 3, or to general obligations that are not rated A or better, or an equivalent subsequently established rating, by Standard and Poor's Corporation, Moody's Investors Service or other similar nationally recognized rating agency, except that any statutory or home rule charter city, regardless of population or bond rating, may issue variable rate obligations as a participant in a bond pooling program established by the League of Minnesota Cities that meets this bond rating requirement.

Sec. 6. Minnesota Statutes 2020, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. **Street reconstruction and bituminous overlays.** (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction or bituminous overlays, if the following conditions are met:

(1) the streets are reconstructed or overlaid under a street reconstruction or overlay plan that describes the street reconstruction or overlay to be financed, the estimated costs, and any planned reconstruction or overlay of other streets in the municipality over the next five years, and the plan and issuance of the obligations has been approved by a vote of a two-thirds majority of the members of the governing body present at the meeting following a public hearing for which notice has been published in the official newspaper at least ten days but not more than 28 days prior to the hearing; and

(2) if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the last municipal general election and is filed with the municipal clerk within 30 days of the public hearing, the municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the obligations. If the municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

(b) Obligations issued under this subdivision are subject to the debt limit of the municipality and are not excluded from net debt under section 475.51, subdivision 4.

(c) For purposes of this subdivision, street reconstruction and bituminous overlays ~~includes~~ include but are not limited to: utility replacement and relocation and other activities incidental to the street reconstruction~~,~~; the addition or reconstruction of turn lanes, bicycle lanes, sidewalks, paths, and other improvements having a substantial public safety function~~,~~; realignments~~,~~ and other modifications to intersect with state and county roads~~,~~; and the local share of state and county road projects. For purposes of this subdivision, "street reconstruction" includes expenditures for street reconstruction that have been incurred by a municipality before approval of a street reconstruction plan, if such expenditures are included in a street reconstruction plan approved on or before the date of the public hearing under paragraph (a), clause (1), regarding issuance of bonds for such expenditures.

(d) Except in the case of turn lanes, bicycle lanes, sidewalks, paths, and other safety improvements~~,~~; realignments~~,~~; intersection modifications~~,~~; and the local share of state and county road projects, street reconstruction and bituminous overlays does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 7. Minnesota Statutes 2020, section 475.60, subdivision 1, is amended to read:

Subdivision 1. **Advertisement.** All obligations shall be negotiated and sold by the governing body, except when authority therefor is delegated by the governing body or by the charter of the municipality to a board, department, or officers of the municipality. ~~Except as provided in section 475.56, obligations shall be sold at not less than par value plus accrued interest to date of delivery and not greater than two percent greater than the amount authorized to be issued plus accrued interest.~~ Except as provided in subdivision 2 all obligations shall be sold at competitive sale after notice given as provided in subdivision 3.

Sec. 8. Minnesota Statutes 2020, section 475.67, subdivision 8, is amended to read:

Subd. 8. **Escrow account securities.** Securities purchased for the escrow account shall be limited to:

(1) general obligations of the United States, securities whose principal and interest payments are guaranteed by the United States, including but not limited to Resolution Funding Corporation Interest Separate Trading of Registered Interest and Principal of Securities and United States Agency for International Development Bonds, and securities issued by ~~the following agencies of the United States: Banks for Cooperatives,~~ United States government-sponsored enterprises including but not limited to Federal Home Loan Banks, ~~Federal Intermediate Credit Banks, Federal Land Banks, and~~ the Federal Farm Credit System, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation; or

(2) obligations issued or guaranteed by any state or any political subdivision of a state, which at the date of purchase are rated in the highest or the next highest rating category by Standard and Poor's Corporation, Moody's Investors Service, or a similar nationally recognized rating agency, but not less than the rating on the refunded bonds immediately prior to the refunding.

"Rating category," as used in this subdivision, means a generic securities rating category, without regard in the case of a long-term rating category to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

Sec. 9. <u>**REPEALER.**</u>

<u>Minnesota Statutes 2020, section 469.055, subdivision 7, is repealed.</u>

ARTICLE 12
TAX EXPENDITURE REVIEW

Section 1. Minnesota Statutes 2020, section 3.192, is amended to read:

3.192 REQUIREMENTS FOR NEW OR RENEWED TAX EXPENDITURES.

<u>(a)</u> Any bill that creates, renews, or continues a tax expenditure must include a statement of intent that clearly provides the purpose of the tax expenditure and a standard or goal against which its effectiveness may be measured.

<u>(b)</u> For purposes of this section, "tax expenditure" has the meaning given in section 270C.11, subdivision 6.

<u>(c) Any bill that creates a new tax expenditure or continues an expiring tax expenditure must include an expiration date for the tax expenditure that is no more than eight years from the day the provision takes effect.</u>

<u>**EFFECTIVE DATE.**</u> <u>This section is effective beginning with the 2022 legislative session.</u>

Sec. 2. Minnesota Statutes 2020, section 3.8853, subdivision 2, is amended to read:

Subd. 2. **Director; staff.** <u>(a)</u> The Legislative Budget Office Oversight Commission must appoint a director and establish the director's duties. The director may hire staff necessary to do the work of the office. The director serves in the unclassified service for a term of six years and may not be removed during a term except for cause after a public hearing.

<u>(b) The director and staff hired under this section must provide professional and technical assistance to the Tax Expenditure Review Commission under section 3.8855.</u>

Sec. 3. <u>**[3.8855] TAX EXPENDITURE REVIEW COMMISSION.**</u>

<u>Subdivision 1.</u> <u>**Establishment.**</u> <u>The Tax Expenditure Review Commission is created to review Minnesota's tax expenditures and evaluate their effectiveness and fiscal impact.</u>

Subd. 2. **Definitions.** For the purposes of this section, "significant tax expenditure," "tax," and "tax expenditure" have the meanings given in section 270C.11, subdivision 6.

Subd. 3. **Membership.** (a) The commission consists of:

(1) two senators appointed by the senate majority leader;

(2) two senators appointed by the senate minority leader;

(3) two representatives appointed by the speaker of the house;

(4) two representatives appointed by the minority leader of the house of representatives; and

(5) the commissioner of revenue or the commissioner's designee.

(b) Each appointing authority must make appointments by January 31 of the regular legislative session in the odd-numbered year.

(c) If the chair of the house or senate committee with primary jurisdiction over taxes is not an appointed member, the chair is an ex officio, nonvoting member of the commission.

Subd. 4. **Duties.** (a) In the first three years after the commission is established, the commission must complete an initial review of the state's tax expenditures. The initial review must identify the purpose of each of the state's tax expenditures, if none was identified in the enacting legislation in accordance with section 3.192. The commission may also identify metrics for evaluating the effectiveness of an expenditure.

(b) In each year following the initial review under paragraph (a), the commission must review and evaluate Minnesota's tax expenditures on a regular, rotating basis. The commission must establish a review schedule that ensures each tax expenditure will be reviewed by the commission at least once every ten years. The commission may review expenditures affecting similar constituencies or policy areas in the same year, but the commission must review a subset of the tax expenditures within each tax type each year. To the extent possible, the commission must review a similar number of tax expenditures within each tax type each year. The commission may decide not to review a tax expenditure that is adopted by reference to federal law.

(c) Before December 1 of the year a tax expenditure is included in a commission report, the commission must hold a public hearing on the expenditure, including but not limited to a presentation of the review components in subdivision 5.

Subd. 5. **Components of review.** (a) When reviewing a tax expenditure, the commission must at a minimum:

(1) provide an estimate of the annual revenue lost as a result of the expenditure;

(2) identify the purpose of the tax expenditure if none was identified in the enacting legislation in accordance with section 3.192;

(3) estimate the measurable impacts and efficiency of the tax expenditure in accomplishing the purpose of the expenditure;

(4) compare the effectiveness of the tax expenditure and a direct expenditure with the same purpose;

(5) identify potential modifications to the tax expenditure to increase its efficiency or effectiveness;

(6) estimate the amount by which the tax rate for the relevant tax could be reduced if the revenue lost due to the tax expenditure were applied to a rate reduction;

(7) if the tax expenditure is a significant tax expenditure, estimate the incidence of the tax expenditure and the effect of the expenditure on the incidence of the state's tax system;

(8) consider the cumulative fiscal impacts of other state and federal taxes providing benefits to taxpayers for similar activities; and

(9) recommend whether the expenditure be continued, repealed, or modified.

(b) The commission may omit a component in paragraph (a) if the commission determines it is not feasible due to the lack of available data, third-party research, staff resources, or lack of a majority support for a recommendation.

Subd. 6. **Department of Revenue; research support.** (a) The research division of the Department of Revenue must provide the commission with the data required to complete the review components in subdivision 5, paragraph (a), clauses (1), (6), (7), and (8).

(b) At the request of the commission, the research division of the Department of Revenue must provide the commission with summary data on a tax expenditure in support of a review.

(c) Data shared under this section must comply with the rules governing statistical studies under section 270B.04.

Subd. 7. **Report to legislature.** (a) By December 15 of each year, the commission must submit a written report to the legislative committees with jurisdiction over tax policy. The report must detail the results of the commission's review of tax expenditures in the previous calendar year, including the review components detailed in subdivision 5.

(b) Notwithstanding paragraph (a), during the period of initial review under subdivision 4, the report may be limited to the purpose statements and metrics for evaluating the effectiveness of expenditures, as identified by the commission. The report may also include relevant publicly available data on an expenditure.

(c) The report may include any additional information the commission deems relevant to the review of an expenditure.

(d) The legislative committees with jurisdiction over tax policy must hold a public hearing on the report during the regular legislative session in the year following the year in which the report was submitted.

Subd. 8. **Terms; vacancies.** (a) Members of the commission serve a term beginning upon appointment and ending at the beginning of the regular legislative session in the next odd-numbered year. The appropriate appointing authority must fill a vacancy for a seat of a current legislator for the remainder of the unexpired term. Members may be removed or replaced at the pleasure of the appointing authority.

(b) If a commission member ceases to be a member of the legislative body from which the member was appointed, the member vacates membership on the commission.

Subd. 9. **Officers.** The commission shall elect a chair and vice-chair as presiding officers. The chair and vice-chair must alternate every two years between members of the house of representatives and senate. The chair and vice-chair may not be from the same legislative chamber.

Subd. 10. **Staff.** Legislative Budget Office staff hired under section 3.8853, subdivision 2, must provide professional and technical assistance to the commission as the commission deems necessary, including assistance with the report under subdivision 7.

Subd. 11. **Expenses.** The members of the commission and its staff shall be reimbursed for all expenses actually and necessarily incurred in the performance of their duties. Reimbursement for expenses incurred shall be made in accordance with policies adopted by the Legislative Coordinating Commission.

EFFECTIVE DATE; SPECIAL PROVISIONS. (a) This section is effective the day following final enactment.

(b) Appointing authorities for the commission must make initial appointments by January 15, 2022. The speaker of the house must designate one member of the commission to convene the first meeting of the commission by July 1, 2022. The first report of the commission under Minnesota Statutes, section 3.8855, subdivision 7, is due on December 15, 2022.

Sec. 4. Minnesota Statutes 2020, section 270B.14, is amended by adding a subdivision to read:

Subd. 22. **Tax Expenditure Review Commission.** The commissioner must disclose to the Tax Expenditure Review Commission the data required under section 3.8855, subdivision 6.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2020, section 270C.11, subdivision 2, is amended to read:

Subd. 2. **Preparation; submission.** The commissioner shall prepare a tax expenditure budget for the state. The tax expenditure budget report shall be submitted to the legislature by ~~February~~ November 1 of each even-numbered year.

EFFECTIVE DATE. This section is effective for tax expenditure budgets due on or after November 1, 2023.

Sec. 6. Minnesota Statutes 2020, section 270C.11, subdivision 4, is amended to read:

Subd. 4. **Contents.** (a) The report shall detail for each tax expenditure item:

(1) the amount of tax revenue forgone~~,~~;

(2) a citation of the statutory or other legal authority for the expenditure~~, and~~;

(3) the year in which it was enacted or the tax year in which it became effective~~.~~;

(4) the purpose of the expenditure, as identified in the enacting legislation in accordance with section 3.192 or by the Tax Expenditure Review Commission;

(5) the incidence of the expenditure, if it is a significant sales or income tax expenditure; and

(6) the revenue-neutral amount by which the relevant tax rate could be reduced if the expenditure were repealed.

(b) The report may contain additional information which the commissioner considers relevant to the legislature's consideration and review of individual tax expenditure items. This may include~~,~~ but is not limited to~~, statements of the intended purpose of the tax expenditure,~~ analysis of whether the expenditure is achieving that objective~~,~~ and the effect of the expenditure ~~device~~ on the ~~distribution of the tax burden and~~ administration of the tax system.

EFFECTIVE DATE. This section is effective for tax expenditure budgets due on or after November 1, 2023.

Sec. 7. Minnesota Statutes 2020, section 270C.11, subdivision 6, is amended to read:

Subd. 6. **Definitions.** For purposes of this section, the following terms have the meanings given:

(1) "business tax credit" means:

(i) a credit against the corporate franchise tax claimed by a C corporation; or

(ii) a credit against the individual or fiduciary income tax claimed by a pass-through entity that is allocated to its partners, members, or shareholders;

(2) "pass-through entity" means a partnership, limited liability corporation, or S corporation;

(3) "significant tax expenditure" means a tax expenditure, but excluding any tax expenditure that:

(i) is incorporated into state law by reference to a federal definition of income;

(ii) results in a revenue reduction of less than $10,000,000 per biennium; or

(iii) is a business tax credit;

(4) "tax expenditure" means a tax provision which provides a gross income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue, but excludes provisions used to mitigate tax pyramiding; ~~and~~

~~(2)~~ (5) "tax" means any tax of statewide application or any tax authorized by state law to be levied by local governments generally. It does not include a special local tax levied pursuant to special law or to a special local tax levied pursuant to general authority that is no longer applicable to local governments generally~~.~~; and

(6) "tax pyramiding" means imposing sales taxes under chapter 297A on intermediate business-to-business transactions rather than sales to final consumers.

EFFECTIVE DATE. This section is effective for tax expenditure budgets due on or after November 1, 2023.

Sec. 8. Minnesota Statutes 2020, section 270C.13, subdivision 1, is amended to read:

Subdivision 1. **Biennial report.** (a) The commissioner shall report to the legislature ~~by March 1 of each odd-numbered year~~ on the overall incidence of the income tax, sales and excise taxes, and property tax.

(b) The commissioner must submit the report:

(1) by March 1, 2021; and

(2) by March 1, 2024, and each even-numbered year thereafter.

(c) The report shall present information on the distribution of the tax burden as follows: (1) for the overall income distribution, using a systemwide incidence measure such as the Suits index or other appropriate measures of equality and inequality; (2) by income classes, including at a minimum deciles of the income distribution; and (3) by other appropriate taxpayer characteristics.

EFFECTIVE DATE. This section is effective for tax incidence reports due on or after March 1, 2021.

Sec. 9. **STATEMENT OF INTENT; TAX EXPENDITURE PURPOSE STATEMENTS.**

The intent of sections 10 to 15 is to identify purpose statements for the tax expenditures identified, in accordance with Minnesota Statutes, section 3.192. The purpose statements in this act for previously enacted expenditures were included in proposed legislation, but were omitted from the legislation that enacted the expenditures. The provisions of this act are intended to provide context for evaluating the effectiveness of the tax expenditures referenced and are not intended to have a substantive effect on the meaning or administration of the laws referenced.

Sec. 10. **PURPOSE STATEMENTS; 2021 OMNIBUS TAX BILL.**

Subdivision 1. **Intent.** In accordance with the requirements in Minnesota Statutes, section 3.192, the purpose and goals for the tax expenditures in this act are listed in this section.

Subd. 2. **Sales tax purpose statements.** (a) The purpose of the exemption in article 4, section 1, is to create parity between the purchase of season tickets in a preferred viewing location for a college sporting event with the purchase of suite licenses in a stadium for an amusement or athletic event. The standard against which effectiveness is to be measured is the increase in the number of college sporting event season tickets purchased.

(b) The purpose of the exemption in article 4, section 2, is to allow student groups to make fund-raising sales without the requirement of collecting sales tax and to restore the exemption that existed prior to a 2019 law change that imposed the requirement for student groups to collect sales tax on fund-raising sales when the proceeds are deposited into a school district account. The standard against which effectiveness is to be measured is the amount of time school districts spent collecting and filing sales tax and to increase the amount raised by school groups.

(c) The purpose of the exemption in article 4, section 3, is to reduce the cost to nonprofit organizations for providing prepared food through their charitable missions. The standard against which effectiveness is to be measured is the number of meals nonprofit organizations provided to those in need.

(d) The purpose of the exemptions in article 4, sections 4, 5, and 11 to 19, is to reduce the cost of constructions of public safety facilities and other publicly owned buildings. The standard against which effectiveness is to be measured is the decrease in the growth in local property taxes and services in these communities.

(e) The purpose of the exemptions in article 4, sections 9, 10, and 20, is to encourage rebuilding in the damaged area of each city. The standard against which effectiveness is to be measured is whether these properties returned to the tax rolls at the same or greater value.

(f) The purpose of the exemption in article 4, section 21, is to reduce the cost to restaurants for purchasing items that adapt the building to health guidelines surrounding COVID-19. The standard against which effectiveness is to be measured is the profitability of restaurants affected by the peacetime health emergency.

Subd. 3. **Income and corporate franchise tax purpose statements.** (a) The purpose of the tax expenditure in article 2, sections 2 and 3, extending the sunset date for the small business investment credit is to encourage investment in innovative small businesses in Minnesota. The standard against which effectiveness is to be measured is the increase in the number of these businesses in the state, the number of people employed by these businesses in the state, the productivity of these businesses, or the sales of these businesses.

(b) The purpose of the tax expenditure in article 2, sections 5, 21, and 40, establishing the film production credit is to encourage investment in Minnesota film productions. The standard against which effectiveness is to be measured is the increase in the number of these productions and people employed in the state's film industry.

(c) The purpose of the tax expenditure in article 2, section 27, extending the sunset date for the credit for historic structure rehabilitation is to encourage investment in rehabilitating historic buildings. The standard against which effectiveness is to be measured is the increase in the number of historic rehabilitation projects in the state.

(d) The purpose of the tax expenditures in article 1, sections 1, 2, 3, 13, and 14, conforming Minnesota individual income, corporate franchise, and estate taxes to changes in federal law through December 31, 2020, is to simplify compliance with and administration of those taxes. The standard against which effectiveness is to be measured is the reduction in the number of income tax forms and text in the instructions for taxpayers resulting from this provision.

(e) The purpose of the tax expenditure in article 1, section 17, providing a subtraction for a portion of unemployment compensation is to provide financial support to unemployed persons and to encourage economic activity in the state. The standard against which effectiveness is to be measured is the increase in after-tax income of unemployed persons and gross state product.

(f) The purpose of the tax expenditure in article 1, section 15, subdivisions 2 and 3, providing a subtraction for gross income related to the federal employer credits for paid family and medical leave is to provide financial support to businesses in Minnesota. The standard against which effectiveness is to be measured is the amount of tax paid by small businesses receiving the federal credits and the number of individuals employed by businesses receiving the federal credits.

(g) The purpose of the tax expenditure in article 1, section 15, subdivisions 4 and 5, providing a subtraction for wages used to claim the federal employee retention credit is to encourage businesses to retain their employees. The standard against which effectiveness is to be measured is the employment rate in Minnesota and the number of individuals employed by businesses receiving the federal credits.

Subd. 4. **Property tax purpose statements.** (a) The provision in article 7, section 3, creating a property tax exemption for certain property owned by an Indian Tribe is intended to reduce the tax burden on Tribe-owned property that fails to qualify for an exemption under Minnesota Statutes, section 272.02, subdivision 7, because the Tribe is not exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code. The standard against which effectiveness is to be measured is the reduction in property tax levied on Tribe-owned property.

(b) The provision in article 7, section 16, which sets the classification rate of all manufactured home park property at 0.75 percent is intended to reduce the tax burden on manufactured home parks and preserve manufactured home parks as an affordable housing option in Minnesota. The standard against which effectiveness is to be measured is the reduction in property tax burden on manufactured home parks and the number of manufactured home parks in Minnesota.

Sec. 11. **PURPOSE STATEMENTS; 2019 OMNIBUS TAX BILL.**

Subdivision 1. **Source of purpose statements.** The purpose statements in this section were originally included in the 2019 bill styled as House File 2125, the third engrossment, in the 91st Legislature. The tax expenditures referenced were enacted in Laws 2019, First Special Session chapter 6.

Subd. 2. **Sales tax purpose statements.** (a) The purpose of the exemption in Minnesota Statutes, section 297A.67, subdivision 37, is to level the playing field for costs between local governments and private entities of managing invasive species in lakes. The goal is an increase in the number of lakes where invasive species are being controlled.

(b) The purpose of the exemption in Minnesota Statutes, section 297A.70, subdivision 10, paragraph (c), is to reduce the cost of providing education on the state's farming history. The goal is to decrease the public cost of access to this facility.

(c) The purpose of the exemption in Minnesota Statutes, section 297A.70, subdivision 20, is to decrease maintenance costs for the ice arena. The goal is to increase local recreation opportunities and reduce local participation costs.

(d) The purpose of the exemption in Minnesota Statutes, section 297A.70, subdivision 21, is to help county agricultural societies maintain county fairgrounds. The goal is to increase spending on fairground maintenance and capital improvements.

(e) The purpose of the exemptions in Minnesota Statutes, section 297A.71, subdivision 50, is to encourage rebuilding in the damaged area of each city. The goal is to have these properties returned to the tax rolls at the same or greater value.

(f) The purpose of the exemptions in Minnesota Statutes, section 297A.71, subdivision 51, is to encourage rebuilding in the damaged area of each city. The goal is to have these properties returned to the tax rolls at the same or greater value.

(g) The purpose of the exemption in Minnesota Statutes, section 297A.71, subdivision 52, is to reduce the cost of providing local public services in these communities. The goal is to decrease the growth in local property taxes and service fees in these communities.

Subd. 3. **Income and corporate franchise tax purpose statements.** (a) The purpose and goal of the tax expenditure under Minnesota Statutes, sections 290.0132, subdivision

29; 290.0134, subdivision 18; 290.0921, subdivisions 2 and 3; relating to disallowed expenses under section 280E of the Internal Revenue Code, is to provide equitable state tax treatment between medical cannabis manufacturers that are not allowed to deduct their business expenses under the Internal Revenue Code and manufacturers of other goods who may deduct these expenses.

(b) The purpose of the tax expenditures under Minnesota Statutes, section 116J.8737, subdivision 1, relating to the minimum qualified investment threshold for minority-, veteran-, or women-owned businesses; subdivision 5, relating to the $10,000,000 allocation for taxable years beginning after December 31, 2018, and before January 1, 2020, and beginning after December 31, 2020, and before January 1, 2022; and subdivision 12, relating to the extension of the sunset date; is to encourage investment in innovative small businesses in Minnesota and the goal of the these expenditures is to increase the number of these businesses in the state, the number of people employed by these businesses in the state, the productivity of these businesses, or the sales of these businesses.

Sec. 12. **PURPOSE STATEMENTS; 2017 OMNIBUS TAX BILL.**

Subdivision 1. **Source of purpose statements.** The purpose statements in this section were originally included in the 2015 bill styled as House File 848, the third engrossment, in the 89th Legislature. The tax expenditures referenced were enacted in Laws 2017, First Special Session chapter 1.

Subd. 2. **Sales tax purpose statements.** (a) The provision of Minnesota Statutes, section 297A.67, subdivision 34, is intended to provide equitable tax treatment for different types of investments. The standard against which effectiveness is to be measured is the increase in precious metal bullion sold in the state and in number of coin and precious metal trade shows held in the state.

(b) The provisions of Minnesota Statutes, section 297A.70, subdivision 14, are intended to increase the ability of the nonprofit to provide opportunities for educating the public on the history of farming. The standard against which effectiveness is to be measured is an increase in the percent of the organization's budget being used for direct spending for its mission.

Subd. 3. **Income and corporate franchise tax purpose statements.** (a) The provisions of Minnesota Statutes, section 290.0132, subdivision 26, are intended to attract to Minnesota recipients of Social Security benefits and to retain those already present, by providing a phased-in subtraction of Social Security benefits. The standard against which effectiveness is to be measured is the change over time in the number of Social Security recipients in Minnesota, after adjusting for demographic changes.

(b) The provisions of Minnesota Statutes, section 290.0132, subdivision 23, and Minnesota Statutes, section 290.0684, are intended to increase saving for higher education expenses. The standard against which effectiveness is to be measured is the change over time, as tracked by the Minnesota Office of Higher Education, in: (1) the estimated number of Minnesota residents making contributions to the Minnesota College Savings Plan, and (2) the amount contributed.

(c) The modifications to Minnesota Dependent Care Credit amending Minnesota Statutes, section 290.067, subdivision 1, and repealing Minnesota Statutes, section 290.067, subdivision 2, modifying the limitations for claiming the credit, are intended to simplify the dependent care credit by tying it more closely to the federal credit and to recognize an increased burden in dependent care expenses as a cost of workforce participation for parents. The standard against which effectiveness is to be measured is the change in the error rate on claims for dependent care credits and the change in the average credit amount claimed by parents in the income range eligible for the credit under present law.

(d) The provisions of Minnesota Statutes, section 290.0686, are intended to improve the quality of teaching in Minnesota kindergarten through grade 12 schools by encouraging teachers to obtain master's degrees in the subject areas they teach. The standard against which effectiveness is to be measured is the change over time in the number of kindergarten through grade 12 classroom teachers with master's degrees in the subject area that they teach.

(e) The provisions of Minnesota Statutes, section 290.0682, are intended to reduce the debt burden of recent graduates of higher education programs and to reduce and potentially reverse the current net demographic loss of young adults in Minnesota. The standard against which effectiveness is to be measured is the change over time in the number of young adults choosing to move to or remain in Minnesota, as measured by the state demographer.

(f) The purpose of the tax expenditures under Minnesota Statutes, sections 290.01, subdivision 19; 289A.02, subdivision 7; 290.01, subdivision 31; and 290A.03, subdivision 15; conforming Minnesota individual income, corporate franchise, and estate taxes to changes in federal law through December 16, 2016, are intended to simplify compliance with and administration of those taxes. The standard against which effectiveness is to be measured is the reduction in the number of income tax forms and text in the instructions for taxpayers resulting from this provision.

Subd. 4. **Other purpose statements.** (a) The provisions in Minnesota Statutes, section 290.06, subdivision 38, are intended to reduce the effect of school bond referenda on owners of agricultural property. The standard against which the effectiveness of the credit is to be measured is the amount of property tax reductions provided to owners of agricultural land.

(b) The provisions in Minnesota Statutes, section 298.24, subdivision 1, are intended to encourage the production of direct reduced ore and the establishment of more direct reduced ore production facilities in Minnesota. The standard against which this effectiveness is to be measured is the amount of direct reduced ore produced and the number of producers of direct reduced ore before and after enactment.

Sec. 13. **PURPOSE STATEMENTS; 2017 TAX CONFORMITY BILL.**

Subdivision 1. **Source of purpose statements.** The purpose statements in this section were originally included in the 2015 bill styled as House File 848, the third engrossment, in the 89th Legislature. The tax expenditure referenced was enacted in Laws 2017, chapter 1.

Subd. 2. **Income and corporate franchise tax purpose statements.** The purpose of the tax expenditures under Minnesota Statutes, sections 290.01, subdivision 19; 289A.02, subdivision 7; 290.01, subdivision 31; and 290A.03, subdivision 15; conforming Minnesota individual income, corporate franchise, and estate taxes to changes in federal law through December 16, 2016, are intended to simplify compliance with and administration of those taxes. The standard against which effectiveness is to be measured is the reduction in the number of income tax forms and text in the instructions for taxpayers resulting from this provision.

Sec. 14. **PURPOSE STATEMENTS; 2016 OMNIBUS SUPPLEMENTAL SPENDING BILL.**

Subdivision 1. **Source of purpose statements.** The purpose statements in this section were originally included in the 2015 bill styled as House File 848, the third engrossment, in the 89th Legislature. The tax expenditure referenced was enacted in Laws 2016, chapter 189.

Subd. 2. **Income and corporate franchise tax purpose statements.** The provisions of Minnesota Statutes, section 290.0132, subdivision 21, are intended to attract to Minnesota military retirees, and to retain those already present, by allowing a subtraction from income tied to the number of years of military service provided. The standard against which effectiveness is to be measured is the change over time in the number of military retirees in Minnesota.

Sec. 15. **PURPOSE STATEMENTS; 2014 OMNIBUS TAX BILL.**

Subdivision 1. **Source of purpose statements.** The purpose statements in this section were originally included in the 2014 bill styled as House File 3167, the third engrossment, in the 89th Legislature. The tax expenditures referenced were enacted in Laws 2014, chapter 308.

Subd. 2. **Sales tax purpose statements.** (a) The provision of Minnesota Statutes, section 297A.68, subdivision 3a, defining certain coin-operated amusement devices as sales for resale is intended to reduce tax pyramiding by exempting an input to a taxable service.

(b) The provision of Minnesota Statutes, section 297A.70, subdivision 2, paragraph (b), clause (5), modifying the sales tax on certain local government purchases is intended to reduce the cost of providing local government services, remove a barrier for intergovernmental cooperation, and reduce existing compliance and administration costs for local governments.

(c) The provisions of Minnesota Statutes, section 297A.70, subdivision 13, raising the limit on tax exempt fund-raising by nonprofit organizations are intended to reflect the impact on inflation over time on the limit and reduce compliance costs for groups that exceed the limit.

(d) The provision of Minnesota Statutes, section 297G.03, subdivision 5, allowing a microdistillery credit is to relieve small distillers of the burden of paying excise tax on the distribution of free samples of their products and to encourage the development and marketing of products by niche distillers in the state.

Subd. 3. **Income and corporate franchise tax purpose statements.** The modifications to the National Guard subtraction contained in Laws 2014, chapter 308, article 4, section 12, are intended to provide equitable tax treatment to Minnesota residents who are members of the National Guard and serve full time in Active Guard/Reserve status by allowing an income tax subtraction for military pay equivalent to that allowed under Minnesota Statutes 2014, section 290.01, subdivision 19b, clause (11), now codified as Minnesota Statutes, section 290.0132, subdivision 11, for Minnesota residents who serve full time in the armed forces of the United States.

Subd. 4. **Other purpose statements.** The purpose of the tax expenditure under Minnesota Statutes, section 291.005, subdivision 1, clause (8), subclause (iii), deeming certain qualified art on loan to Minnesota nonprofit entities as property with a situs outside Minnesota under the estate tax is intended to prevent the Minnesota estate tax from discouraging nonresident owners of art from loaning it to Minnesota nonprofit museums.

Sec. 16. **APPROPRIATION; TAX EXPENDITURE REVIEW.**

(a) $36,000 in fiscal year 2022 and $766,000 in fiscal year 2023 are appropriated from the general fund to the Legislative Coordinating Commission for the Tax Expenditure Review Commission under Minnesota Statutes, section 3.8855. The base for this appropriation is $745,000 in fiscal year 2024 and $796,000 in fiscal year 2025.

(b) $148,000 in fiscal year 2023 is appropriated from the general fund to the commissioner of revenue to provide research support to the Tax Expenditure Review Commission under Minnesota Statutes, section 3.8855.

ARTICLE 13
MISCELLANEOUS TAX PROVISIONS

Section 1. **[16A.067] TAXPAYER RECEIPT.**

(a) The commissioner, in consultation with the commissioner of revenue, must develop and publish on the Department of Management and Budget's website an interactive taxpayer receipt in accordance with this section. The receipt must describe the share of state general fund expenditures represented by major expenditure categories in the most recent fiscal year for which data is available. The receipt must show the approximate allocation of motor vehicle fuel taxes among eligible transportation purposes.

(b) For each expenditure category, the receipt must include select data on the performance goals and outcomes for the category, based on the goals and outcomes data required under section 16A.10, subdivision 1b.

(c) The website must allow a user to input an income amount, and must estimate the amount of major state taxes paid by the user. The website must allocate the user's estimated state tax liability to each major expenditure category based on the category's percentage share of total state general fund spending. For the purposes of this section, "major state taxes" means income, sales, alcohol, tobacco, and motor vehicle fuels taxes.

(d) Using the income amount entered by the user, the website must estimate the amount of income and direct sales taxes paid based upon the taxpayer's income. The website must allow a user to indicate whether the user used tobacco, consumed alcohol, or purchased motor vehicle fuel in the previous year, and provide a corresponding estimate of the cigarette, alcohol, and motor vehicle fuel taxes paid by the user.

(e) The commissioner, in consultation with the commissioner of revenue, must update the receipt by December 31 of each year, and must annually promote to the public the availability of the website.

Sec. 2. Minnesota Statutes 2020, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of management and budget determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of management and budget must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches $350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches $1,596,522,000;

(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve;

(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, by the same amount;

~~(5) the clean water fund established in section 114D.50 until $22,000,000 has been transferred into the fund; and~~

~~(6)~~ (5) the amount necessary to increase the Minnesota 21st century fund by not more than the difference between $5,000,000 and the sum of the amounts credited and canceled to it in the previous 12 months under Laws 2020, chapter 71, article 1, section 11, until the sum of all transfers under this section and all amounts credited or canceled under Laws 2020, chapter 71, article 1, section 11, equals $20,000,000~~.~~; and

(6) for a forecast in November only, the amount necessary to reduce the percentage of accelerated June liability tax payments required under sections 289A.20, subdivision 4, paragraph (b); 297F.09, subdivision 10; and 297G.09, subdivision 9, until the percentage

equals zero, rounded to the nearest tenth of a percent with any remaining funds deposited in the budget reserve.By March 15 following the November forecast, the commissioner must provide the commissioner of revenue with the percentage of accelerated June liability owed based on the reduction required by this clause. By April 15 each year, the commissioner of revenue must certify that percentage to qualifying vendors and distributors.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) The commissioner of management and budget shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

~~(d) Paragraph (a), clause (5), expires after the entire amount of the transfer has been made.~~

EFFECTIVE DATE. This section is effective July 1, 2021.

Sec. 3. Minnesota Statutes 2020, section 270A.03, subdivision 2, is amended to read:

Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city, including a city that is presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a hospital district, ~~a private nonprofit hospital that leases its building from the county or city in which it is located,~~ any ambulance service licensed under chapter 144E, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2020, section 289A.08, is amended by adding a subdivision to read:

Subd. 18. **Taxpayer receipt.** (a) The commissioner must offer all individual income taxpayers the opportunity to elect to receive information about a taxpayer receipt via e-mail or United States mail. In the manner selected by the taxpayer, the commissioner must provide the taxpayer with information about how to access the taxpayer receipt website established under section 16A.067. The commissioner must allow a taxpayer to elect not to receive information about the receipt.

(b) Both the long and short forms described in subdivision 13 must include the opportunity to elect to receive information about the receipt.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 5. Minnesota Statutes 2020, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of $250,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of calendar year 2020 and 2021, the vendor must remit 87.5 percent of the estimated June liability to the commissioner. Two business days before June 30 of calendar year 2022 and thereafter, the vendor must remit 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) $10,000 or more, but less than $250,000, during a fiscal year ~~ending June 30, 2013, and fiscal years thereafter,~~ must remit by electronic means all liabilities on returns due for periods beginning in all subsequent calendar years on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) $250,000 or more~~,~~ during a fiscal year ~~ending June 30, 2013, and fiscal years thereafter,~~ must remit by electronic means all liabilities in the manner provided in paragraph (a) on returns due for periods beginning in the subsequent calendar year, except for ~~90 percent of~~ the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

(e) Paragraph (b) expires after the percentage of estimated payment is reduced to zero in accordance with section 16A.152, subdivision 2, paragraph (a), clause (6).

EFFECTIVE DATE. This section is effective for estimate payments required to be made after July 1, 2021.

Sec. 6. Minnesota Statutes 2020, section 289A.60, subdivision 15, is amended to read:

Subd. 15. **Accelerated payment of June sales tax liability; penalty for underpayment.** (a) For payments made after December 31, 2019 and before December 31, 2021, if a vendor is required by law to submit an estimation of June sales tax liabilities and 87.5 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of 87.5 percent of the preceding May's liability or 87.5 percent of the average monthly liability for the previous calendar year.

(b) For payments made after December 31, 2021, the penalty must not be imposed if the amount remitted in June equals the lesser of 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the preceding May's liability or 84.5 percent of the average monthly liability for the previous calendar year.

(c) This subdivision expires after the percentage of estimated payment is reduced to zero in accordance with section 16A.152, subdivision 2, paragraph (a), clause (6).

EFFECTIVE DATE. This section is effective for estimate payments required to be made after July 1, 2021.

Sec. 7. Minnesota Statutes 2020, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

~~Household Income~~	~~Percent of Income~~	~~Percent Paid by Claimant~~	~~Maximum State Refund~~
~~$0 to 1,739~~	~~1.0 percent~~	~~15 percent~~	~~$ 2,770~~
~~1,740 to 3,459~~	~~1.1 percent~~	~~15 percent~~	~~$ 2,770~~
~~3,460 to 5,239~~	~~1.2 percent~~	~~15 percent~~	~~$ 2,770~~
~~5,240 to 6,989~~	~~1.3 percent~~	~~20 percent~~	~~$ 2,770~~
~~6,990 to 8,719~~	~~1.4 percent~~	~~20 percent~~	~~$ 2,770~~
~~8,720 to 12,219~~	~~1.5 percent~~	~~20 percent~~	~~$ 2,770~~
~~12,220 to 13,949~~	~~1.6 percent~~	~~20 percent~~	~~$ 2,770~~
~~13,950 to 15,709~~	~~1.7 percent~~	~~20 percent~~	~~$ 2,770~~
~~15,710 to 17,449~~	~~1.8 percent~~	~~20 percent~~	~~$ 2,770~~
~~17,450 to 19,179~~	~~1.9 percent~~	~~25 percent~~	~~$ 2,770~~
~~19,180 to 24,429~~	~~2.0 percent~~	~~25 percent~~	~~$ 2,770~~
~~24,430 to 26,169~~	~~2.0 percent~~	~~30 percent~~	~~$ 2,770~~
~~26,170 to 29,669~~	~~2.0 percent~~	~~30 percent~~	~~$ 2,770~~
~~29,670 to 41,859~~	~~2.0 percent~~	~~35 percent~~	~~$ 2,770~~
~~41,860 to 61,049~~	~~2.0 percent~~	~~35 percent~~	~~$ 2,240~~
~~61,050 to 69,769~~	~~2.0 percent~~	~~40 percent~~	~~$ 1,960~~
~~69,770 to 78,499~~	~~2.1 percent~~	~~40 percent~~	~~$ 1,620~~
~~78,500 to 87,219~~	~~2.2 percent~~	~~40 percent~~	~~$ 1,450~~
~~87,220 to 95,939~~	~~2.3 percent~~	~~40 percent~~	~~$ 1,270~~
~~95,940 to 101,179~~	~~2.4 percent~~	~~45 percent~~	~~$ 1,070~~
~~101,180 to 104,689~~	~~2.5 percent~~	~~45 percent~~	~~$ 890~~
~~104,690 to 108,919~~	~~2.5 percent~~	~~50 percent~~	~~$ 730~~
~~108,920 to 113,149~~	~~2.5 percent~~	~~50 percent~~	~~$ 540~~

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
$0 to 1,820	1.0 percent	15 percent	$ 3,150
1,820 to 3,630	1.1 percent	15 percent	$ 3,150
3,630 to 5,490	1.2 percent	15 percent	$ 3,150
5,490 to 7,330	1.3 percent	20 percent	$ 3,150
7,330 to 9,140	1.4 percent	20 percent	$ 3,150
9,140 to 12,810	1.5 percent	20 percent	$ 3,150
12,810 to 14,630	1.6 percent	20 percent	$ 3,150
14,630 to 16,470	1.7 percent	20 percent	$ 3,150
16,470 to 18,300	1.8 percent	20 percent	$ 3,150
18,300 to 20,110	1.9 percent	25 percent	$ 3,150
20,110 to 25,620	2.0 percent	25 percent	$ 3,150
25,620 to 27,440	2.0 percent	30 percent	$ 3,150
27,440 to 31,110	2.0 percent	30 percent	$ 3,150
31,110 to 43,890	2.0 percent	35 percent	$ 3,150
43,890 to 64,020	2.0 percent	35 percent	$ 2,600
64,020 to 73,160	2.0 percent	40 percent	$ 2,310
73,160 to 82,320	2.1 percent	40 percent	$ 1,950
82,320 to 91,460	2.2 percent	40 percent	$ 1,770
91,460 to 100,600	2.3 percent	40 percent	$ 1,580
100,600 to 106,100	2.4 percent	45 percent	$ 1,320
106,100 to 109,780	2.5 percent	45 percent	$ 1,080
109,780 to 114,210	2.5 percent	50 percent	$ 870
114,210 to 118,650	2.5 percent	50 percent	$ 620

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~$113,150~~ $118,650 or more.

EFFECTIVE DATE. This section is effective for refunds based on property taxes payable after December 31, 2021.

Sec. 8. Minnesota Statutes 2020, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

~~Household Income~~	~~Percent of Income~~	~~Percent Paid by Claimant~~	~~Maximum State Refund~~
~~$0 to 5,269~~	~~1.0 percent~~	~~5 percent~~	~~$ 2,150~~
~~5,270 to 6,999~~	~~1.0 percent~~	~~10 percent~~	~~$ 2,150~~
~~7,000 to 8,749~~	~~1.1 percent~~	~~10 percent~~	~~$ 2,090~~
~~8,750 to 12,269~~	~~1.2 percent~~	~~10 percent~~	~~$ 2,040~~
~~12,270 to 15,779~~	~~1.3 percent~~	~~15 percent~~	~~$ 1,980~~
~~15,780 to 17,519~~	~~1.4 percent~~	~~15 percent~~	~~$ 1,930~~
~~17,520 to 19,259~~	~~1.4 percent~~	~~20 percent~~	~~$ 1,880~~
~~19,260 to 22,779~~	~~1.5 percent~~	~~20 percent~~	~~$ 1,820~~
~~22,780 to 24,529~~	~~1.6 percent~~	~~20 percent~~	~~$ 1,770~~
~~24,530 to 26,279~~	~~1.7 percent~~	~~25 percent~~	~~$ 1,770~~
~~26,280 to 29,789~~	~~1.8 percent~~	~~25 percent~~	~~$ 1,770~~
~~29,790 to 31,529~~	~~1.9 percent~~	~~30 percent~~	~~$ 1,770~~
~~31,530 to 36,789~~	~~2.0 percent~~	~~30 percent~~	~~$ 1,770~~
~~36,790 to 42,039~~	~~2.0 percent~~	~~35 percent~~	~~$ 1,770~~
~~42,040 to 49,059~~	~~2.0 percent~~	~~40 percent~~	~~$ 1,770~~
~~49,060 to 50,799~~	~~2.0 percent~~	~~45 percent~~	~~$ 1,610~~
~~50,800 to 52,559~~	~~2.0 percent~~	~~45 percent~~	~~$ 1,450~~
~~52,560 to 54,319~~	~~2.0 percent~~	~~45 percent~~	~~$ 1,230~~
~~54,320 to 56,059~~	~~2.0 percent~~	~~50 percent~~	~~$ 1,070~~
~~56,060 to 57,819~~	~~2.0 percent~~	~~50 percent~~	~~$ 970~~
~~57,820 to 59,569~~	~~2.0 percent~~	~~50 percent~~	~~$ 540~~
~~59,570 to 61,319~~	~~2.0 percent~~	~~50 percent~~	~~$ 210~~

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
$0 to 5,530	1.0 percent	5 percent	$ 2,250
5,530 to 7,340	1.0 percent	5 percent	$ 2,250
7,340 to 9,180	1.1 percent	5 percent	$ 2,190
9,180 to 12,870	1.2 percent	5 percent	$ 2,140
12,870 to 16,550	1.3 percent	10 percent	$ 2,080
16,550 to 18,370	1.4 percent	10 percent	$ 2,020
18,370 to 20,200	1.4 percent	15 percent	$ 1,970
20,200 to 23,890	1.5 percent	15 percent	$ 1,910

23,890 to 25,720	1.6 percent	15 percent	$ 1,860
25,720 to 27,560	1.7 percent	20 percent	$ 1,860
27,560 to 31,240	1.8 percent	20 percent	$ 1,860
31,240 to 33,060	1.9 percent	25 percent	$ 1,860
33,060 to 38,580	2.0 percent	25 percent	$ 1,860
38,580 to 44,080	2.0 percent	30 percent	$ 1,860
44,080 to 51,440	2.0 percent	30 percent	$ 1,860
51,440 to 53,270	2.0 percent	30 percent	$ 1,690
53,270 to 55,100	2.0 percent	30 percent	$ 1,520
55,100 to 56,960	2.0 percent	30 percent	$ 1,290
56,960 to 58,780	2.0 percent	35 percent	$ 1,120
58,780 to 60,630	2.0 percent	35 percent	$ 1,020
60,630 to 62,470	2.0 percent	35 percent	$ 570
62,470 to 64,300	2.0 percent	35 percent	$ 220

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~$61,320~~ $64,300 or more.

EFFECTIVE DATE. This section is effective for refunds based on rent paid after December 31, 2020.

Sec. 9. Minnesota Statutes 2020, section 297E.021, subdivision 4, is amended to read:

Subd. 4. **Appropriation; general reserve account.** To the extent the commissioner determines that revenues are available under subdivision 3 for the fiscal year, those amounts are appropriated from the general fund for deposit in a general reserve account established by order of the commissioner of management and budget until the amount in the reserve is equal to $100,000,000. Amounts in this reserve are appropriated as necessary for application against any shortfall in the amounts deposited to the general fund under section 297A.994 or, after consultation with the Legislative Commission on Planning and Fiscal Policy, amounts in this reserve are appropriated to the commissioner of management and budget for other uses related to the stadium authorized under section 473J.03, subdivision 8, that the commissioner deems financially prudent including but not limited to reimbursements for capital and operating costs relating to the stadium, refundings, and prepayment of debt. In no event, shall available revenues be pledged, nor shall the appropriations of available revenues made by this section constitute a pledge of available revenues as security for the prepayment of principal and interest on the appropriation bonds under section 16A.965.

Sec. 10. Minnesota Statutes 2020, section 297F.09, subdivision 10, is amended to read:

Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A cigarette or tobacco products distributor having a liability of $250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of calendar ~~years 2020 and~~ year 2021, the distributor shall remit the actual May liability and 87.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner. Two business days before June 30 of calendar year 2022 and each calendar year thereafter, the distributor must remit the actual May liability and 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) for calendar year 2021, 87.5 percent of the actual June liability for ~~the~~ that calendar year ~~2020 and 2021 June liabilities and 84.5 of the actual June liability for June 2022 and thereafter~~ or 87.5 percent of the May liability for that calendar year; or

(2) ~~87.5 percent of the preceding May liability for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the preceding May liability for June 2022 and thereafter.~~ for calendar year 2022 and each calendar year thereafter, 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the actual June liability for that calendar year or 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the May liability for that calendar year.

(c) ~~For calendar year 2022 and thereafter, the percent of the estimated June liability the vendor must remit by two business days before June 30 is 84.5 percent.~~ This subdivision expires after the percentage of estimated payment is reduced to zero in accordance with section 16A.152, subdivision 2, paragraph (a), clause (6).

EFFECTIVE DATE. This section is effective for estimate payments required to be made after July 1, 2021.

Sec. 11. Minnesota Statutes 2020, section 297F.10, subdivision 1, is amended to read:

Subdivision 1. **Tax and use tax on cigarettes.** Revenue received from cigarette taxes, as well as related penalties, interest, license fees, and miscellaneous sources of revenue shall be deposited by the commissioner in the state treasury and credited as follows:

(1) $22,250,000 each year must be credited to the Academic Health Center special revenue fund hereby created and is annually appropriated to the Board of Regents at the University of Minnesota for Academic Health Center funding at the University of Minnesota; and

(2) $3,937,000 each year must be credited to the medical education and research costs account hereby created in the special revenue fund and is annually appropriated to the commissioner of health for distribution under section 62J.692, subdivision 4; and

(3) $15,000,000 each year must be credited to the tobacco use prevention and cessation account hereby created in the special revenue fund and is annually appropriated to the commissioner of health for tobacco use prevention and cessation projects consistent with the duties specified in section 144.392; a public information program under section 144.393; the development of health promotion and health education materials about tobacco use prevention and cessation; tobacco use prevention activities under section 144.396; and statewide tobacco cessation services under section 144.397. In activities funded under this clause, the commissioner of health must prioritize preventing youth use of commercial tobacco and electronic delivery devices, must promote racial and health equity, and must use strategies that are evidence-based or based on promising practices. For purposes of this clause, "tobacco" and "electronic delivery device" have the meanings given in section 609.685, subdivision 1. This clause expires after the deposit made in fiscal year 2029; and

~~(3)~~ (4) the balance of the revenues derived from taxes, penalties, and interest (under this chapter) and from license fees and miscellaneous sources of revenue shall be credited to the general fund.

EFFECTIVE DATE. This section is effective for revenue received after June 30, 2021.

Sec. 12. Minnesota Statutes 2020, section 297G.09, subdivision 9, is amended to read:

Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this chapter having a liability of $250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of calendar ~~years 2020 and~~ year 2021, the taxpayer shall remit the actual May liability and 87.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner. Two business days before June 30 of calendar year 2022 and each calendar year thereafter, the distributor must remit the actual May liability and 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) for calendar year 2021, 87.5 percent of the actual June liability for ~~the~~ that calendar year ~~2020 and 2021 June liabilities and 84.5 percent of the actual June liability for June 2022 and thereafter~~ or 87.5 percent of the May liability for that calendar year; or

(2) ~~87.5 percent of the preceding May liability for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the preceding May liability for June 2022 and thereafter.~~ for calendar year 2022 and thereafter, 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the actual June liability for that calendar year or 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the May liability for that calendar year.

(c) ~~For calendar year 2022 and thereafter, the percent of the estimated June liability the vendor must remit by two business days before June 30 is 84.5 percent.~~ This subdivision expires after the percentage of estimated payment is reduced to zero in accordance with section 16A.152, subdivision 2, paragraph (a), clause (6).

EFFECTIVE DATE. This section is effective for estimate payments required to be made after July 1, 2021.

Sec. 13. **[428B.01] DEFINITIONS.**

Subdivision 1. **Applicability.** As used in sections 428B.01 to 428B.09, the terms in this section have the meanings given them.

Subd. 2. **Activity.** "Activity" means but is not limited to all of the following:

(1) promotion of tourism within the district;

(2) promotion of business activity, including but not limited to tourism, of businesses subject to the service charge within the tourism improvement district;

(3) marketing, sales, and economic development; and

(4) other services provided for the purpose of conferring benefits upon businesses located in the tourism improvement district that are subject to the tourism improvement district service charge.

Subd. 3. **Business.** "Business" means the type or class of lodging business that is described in the municipality's ordinance, which benefits from district activities, adopted under section 428B.02.

Subd. 4. **Business owner.** "Business owner" means a person recognized by a municipality as the owner of a business.

Subd. 5. **City.** "City" means a home rule charter or statutory city.

Subd. 6. **Clerk.** "Clerk" means the chief clerical officer of the municipality.

Subd. 7. **Governing body.** "Governing body" means, with respect to a city, a city council or other governing body of a city. With respect to a town, governing body means a town board or other governing body of a town. With respect to a county, governing body means a board of commissioners or other governing body of a county.

Subd. 8. **Impacted business owners.** "Impacted business owners" means a majority of business owners located within a tourism improvement district.

Subd. 9. **Municipality.** "Municipality" means a county, city, or town.

Subd. 10. **Tourism improvement association.** "Tourism improvement association" means a new or existing and tax-exempt nonprofit corporation, entity, or agency charged with promoting tourism within the tourism improvement district and that is under contract with the municipality to administer the tourism improvement district and implement the activities and improvements listed in the municipality's ordinance.

Subd. 11. **Tourism improvement district.** "Tourism improvement district" means a tourism improvement district established under this chapter.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 14. **[428B.02] ESTABLISHMENT OF TOURISM IMPROVEMENT DISTRICT.**

Subdivision 1. **Ordinance.** (a) Upon a petition by impacted business owners, a governing body of a municipality may adopt an ordinance establishing a tourism improvement district after holding a public hearing on the district. The ordinance must include:

(1) a map that identifies the tourism improvement district boundaries in sufficient detail to allow a business owner to reasonably determine whether a business is located within the tourism improvement district boundaries;

(2) the name of the tourism improvement association designated to administer the tourism improvement district and implement the approved activities and improvements;

(3) a list of the proposed activities and improvements in the tourism improvement district;

(4) the time and manner of collecting the service charge and any interest and penalties for nonpayment;

(5) a definition describing the type or class of businesses to be included in the tourism improvement district and subject to the service charge;

(6) the rate, method, and basis of the service charge for the district, including the portion dedicated to covering expenses listed in subdivision 4, paragraph (b); and

(7) the number of years the service charge will be in effect.

(b) If the boundaries of a proposed tourism improvement district overlap with the boundaries of an existing special service district, the tourism improvement district ordinance may list measures to avoid any impediments on the ability of the special service district to continue to provide its services to benefit its property owners.

Subd. 2. **Notice.** A municipality must provide notice of the hearing by publication in at least two issues of the official newspaper of the municipality. The two publications must be two weeks apart and the municipality must hold the hearing at least three days after the last publication. Not less than ten days before the hearing, the municipality must mail notice to the business owner of each business subject to the proposed service charge by the tourism improvement district. The notice must include:

(1) a map showing the boundaries of the proposed district;

(2) the time and place of the public hearing;

(3) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding the proposed service charge; and

(4) a brief description of the proposed activities, improvements, and service charge.

Subd. 3. **Business owner determination.** A business must provide ownership information to the municipality. A municipality has no obligation to obtain other information regarding the ownership of businesses, and its determination of ownership shall be final for the purposes of this chapter. If this chapter requires the signature of a business owner, the signature of the authorized representative of a business owner is sufficient.

Subd. 4. **Service charges; relationship to services.** (a) A municipality may impose a service charge on a business pursuant to this chapter for the purpose of providing activities and improvements that will provide benefits to a business that is located within the tourism improvement district and subject to the tourism improvement district service charge. Each business paying a service charge within a district must benefit directly or indirectly from improvements provided by a tourism improvement association, provided, however, the business need not benefit equally. Service charges must be based on a percent of gross business revenue, a fixed dollar amount per transaction, or any other reasonable method based upon benefit and approved by the municipality.

(b) Service charges may be used to cover the costs of collections, as well as other administrative costs associated with operating, forming, or maintaining the district.

Subd. 5. **Public hearing.** At the public hearing regarding the adoption of the ordinance establishing a tourism improvement district, business owners and persons affected by the proposed district may testify on issues relevant to the proposed district. The hearing may be adjourned from time to time. The ordinance establishing the district may be adopted at any time within six months after the date of the conclusion of the hearing by a vote of the majority of the governing body of the municipality.

Subd. 6. **Appeal to district court.** Within 45 days after the adoption of the ordinance establishing a tourism improvement district, a person aggrieved, who is not precluded by failure to object before or at the public hearing, may appeal to the district court by serving a notice on the clerk of the municipality or governing body. The validity of the tourism improvement district and the service charge imposed under this chapter shall not be contested in an action or proceeding unless the action or proceeding is commenced within 45 days after the adoption of the ordinance establishing a tourism improvement district. The petitioner must file notice with the court administrator of the district court within ten days after its service. The clerk of the municipality must provide the petitioner with a certified copy of the findings and determination of the governing body. The court may affirm the action objected to or, if the petitioner's objections have merit, modify or cancel it. If the petitioner does not prevail on the appeal, the costs incurred shall be taxed to the petitioner by the court and judgment entered for them. All objections shall be deemed waived unless presented on appeal.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 15. **[428B.03] SERVICE CHARGE AUTHORITY; NOTICE; HEARING REQUIREMENT.**

Subdivision 1. **Authority.** A municipality may impose service charges authorized under section 428B.02, subdivision 4, to finance an activity or improvement in the tourism improvement district that is provided by the municipality if the activity or improvement is provided in the tourism improvement district at an increased level of service. The service charges may be imposed in the amount needed to pay for the increased level of service provided by the activity or improvement.

Subd. 2. **Annual hearing requirement; notice.** Beginning one year after the establishment of the tourism improvement district, the municipality must hold an annual hearing regarding continuation of the service charges in the tourism improvement district. The municipality must provide notice of the hearing by publication in the official newspaper at least seven days before the hearing. The municipality must mail notice of the hearing to business owners subject to the service charge at least seven days before the hearing. At the public hearing, a person affected by the proposed district may testify on issues relevant to the proposed district. Within six months of the public hearing, the municipality may adopt a resolution to continue imposing service charges within the district not exceeding the amount or rate expressed in the notice. For purposes of this section, the notice must include:

(1) a map showing the boundaries of the district;

(2) the time and place of the public hearing;

(3) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding the proposed service charge;

(4) a brief description of the proposed activities and improvements;

(5) the estimated annual amount of proposed expenditures for activities and improvements;

(6) the rate of the service charge for the district during the year and the nature and character of the proposed activities and improvements for the district during the year in which service charges are collected;

(7) the number of years the service charge will be in effect; and

(8) a statement that the petition requirement of section 428B.07 has either been met or does not apply to the proposed service charge.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 16. **[428B.04] MODIFICATION OF ORDINANCE.**

Subdivision 1. **Adoption of ordinance; request for modification.** Upon written request of the tourism improvement association, the governing body of a municipality may adopt an ordinance to modify the district after conducting a public hearing on the proposed modifications. If the modification includes a change to the rate, method, and basis of imposing the service charge or the expansion of the tourism improvement district's geographic boundaries, a petition as described in section 428B.07 must be submitted by impacted business owners to initiate proceedings for modification.

Subd. 2. **Notice of modification.** A municipality must provide notice of the hearing by publication in at least two issues of the municipality's official newspaper. The two publications must be two weeks apart and the municipality must hold a hearing at least three days after the last publication. Not less than ten days before the hearing, the municipality must mail notice to the business owner of each business subject to the service charge by the tourism improvement district. The notice must include:

(1) a map showing the boundaries of the district;

(2) the time and place of the public hearing;

(3) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding the proposed service charge; and

(4) a brief description of the proposed modification to the ordinance.

Subd. 3. **Hearing on modification.** At the public hearing regarding modification to the ordinance, a person affected by the proposed modification may testify on issues relevant to the proposed modification. Within six months after the conclusion of the hearing, the municipality may adopt the ordinance modifying the district by a vote of the majority of the governing body in accordance with the request for modification by the tourism improvement association and as described in the notice.

Subd. 4. **Objection.** If the modification of the ordinance includes the expansion of the tourism improvement district's geographic boundaries, the ordinance modifying the district may be adopted after following the notice and veto requirements in section 428B.08;

however, a successful objection will be determined based on a majority of business owners who will pay the service charge in the expanded area of the district. For all other modifications, the ordinance modifying the district may be adopted following the notice and veto requirements in section 428B.08.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 17. **[428B.05] COLLECTION OF SERVICE CHARGES; PENALTIES.**

The service charges imposed under this chapter may be collected by the municipality, tourism improvement association, or other designated agency or entity. Collection of the service charges must be made at the time and in the manner set forth in the ordinance. The entity collecting the service charges may charge interest and penalties on delinquent payments for service charges imposed under this chapter as set forth in the municipality's ordinance.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 18. **[428B.06] TOURISM IMPROVEMENT ASSOCIATION.**

Subdivision 1. **Composition and duties.** The tourism improvement association must be designated in the municipality's ordinance. The tourism improvement association shall appoint a governing board or committee composed of a majority of business owners who pay the tourism improvement district service charge, or the representatives of those business owners. The governing board or committee must manage the funds raised by the tourism improvement district and fulfill the obligations of the tourism improvement district. A tourism improvement association has full discretion to select the specific activities and improvements that are funded with tourism improvement district service charges within the authorized activities and improvements described in the ordinance.

Subd. 2. **Annual report.** The tourism improvement association must submit to the municipality an annual report for each year in which a service charge is imposed. The report must include a financial statement of revenue raised by the district. The municipality may also, as part of the enabling ordinance, require the submission of other relevant information related to the association.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 19. **[428B.07] PETITION REQUIRED.**

A municipality may not establish a tourism improvement district under section 428B.02 unless impacted business owners file a petition requesting a public hearing on the proposed action with the clerk of the municipality.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 20. **[428B.08] VETO POWER OF OWNERS.**

Subdivision 1. **Notice of right to file objections.** The effective date of an ordinance or resolution adopted under this chapter must be at least 45 days after it is adopted by the municipality. Within five days after the municipality adopts the ordinance or resolution, the municipality must mail a summary of the ordinance or resolution to each business owner subject to the service charge within the tourism improvement district in the same manner that notice is mailed under section 428B.02. The mailing must include a notice that business owners subject to the service charge have the right to veto, by a simple majority, the ordinance or resolution by filing the required number of objections with the clerk of the municipality before the effective date of the ordinance or resolution and include notice that a copy of the ordinance or resolution is available for public inspection with the clerk of the municipality.

Subd. 2. **Requirements for veto.** If impacted business owners file an objection to the ordinance or resolution before the effective date of the ordinance or resolution, the ordinance or resolution does not become effective.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 21. **[428B.09] DISESTABLISHMENT.**

Subdivision 1. **Procedure for disestablishment.** An ordinance adopted under this chapter must provide a 30-day period each year in which business owners subject to the service charge may request disestablishment of the district. Beginning one year after establishment of the tourism improvement district, an annual 30-day period of disestablishment begins with the anniversary of the date of establishment. Upon submission of a petition from impacted business owners, the municipality may disestablish a tourism improvement district by adopting an ordinance after holding a public hearing on the disestablishment. Prior to the public hearing, the municipality must publish notice of the public hearing on disestablishment in at least two issues of the municipality's official newspaper. The two publications must be two weeks apart and the municipality must hold the hearing at least three days after the last publication. Not less than ten days before the hearing, the municipality must mail notice to the business owner of each business subject to the service charge. The notice must include:

(1) the time and place of the public hearing;

(2) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding disestablishment;

(3) the reason for disestablishment; and

(4) a proposal to dispose of any assets acquired with the revenues of the service charge imposed under the tourism improvement district.

Subd. 2. **Objection.** An ordinance disestablishing the tourism improvement district becomes effective following the notice and veto requirements in section 428B.08.

Subd. 3. **Refund to business owners.** (a) Upon the disestablishment of a tourism improvement district, any remaining revenues derived from the service charge, or any revenues derived from the sale of assets acquired with the service charge revenues, shall be refunded to business owners located and operating within the tourism improvement district in which service charges were imposed by applying the same method and basis that was used to calculate the service charges levied in the fiscal year in which the district is disestablished.

(b) If the disestablishment occurs before the service charge is imposed for the fiscal year, the method and basis that was used to calculate the service charge imposed in the immediate prior fiscal year shall be used to calculate the amount of a refund, if any.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 22. **[428B.10] COORDINATION OF DISTRICTS.**

If a county establishes a tourism improvement district in a city or town under this chapter, a city or town may not establish a tourism improvement district in the part of the city or town located in the county-established district. If a city or town establishes a tourism improvement district under this chapter, a county may not establish a tourism improvement district in the part of the city or town located in the city- or town-established district.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 23. Minnesota Statutes 2020, section 462A.38, is amended to read:

462A.38 WORKFORCE AND AFFORDABLE HOMEOWNERSHIP DEVELOPMENT PROGRAM.

Subdivision 1. **Establishment.** A workforce and affordable homeownership development program is established to award homeownership development grants and loans to cities, counties, Tribal governments, nonprofit organizations, cooperatives created under chapter 308A or 308B, and community land trusts created for the purposes outlined in section 462A.31, subdivision 1, for development of workforce and affordable homeownership projects. The purpose of the program is to increase the supply of workforce and affordable, owner-occupied multifamily or single-family housing throughout Minnesota.

Subd. 2. **Use of funds.** (a) Grant funds and loans awarded under this program may be used for:

(1) development costs;

(2) rehabilitation;

(3) land development; and

(4) residential housing, including storm shelters and related community facilities.

(b) A project funded through ~~the grant~~ this program shall serve households that meet the income limits as provided in section 462A.33, subdivision 5, unless a project is intended for the purpose outlined in section 462A.02, subdivision 6.

Subd. 3. **Application.** The commissioner shall develop forms and procedures for soliciting and reviewing applications for grants and loans under this section. The commissioner shall consult with interested stakeholders when developing the guidelines and procedures for the program. In making grants and loans, the commissioner shall establish semiannual application deadlines in which grants and loans will be authorized from all or part of the available appropriations.

Subd. 4. **Awarding grants and loans.** Among comparable proposals, preference must be given to proposals that include contributions from nonstate resources for the greatest portion of the total development cost.

Subd. 5. **Statewide program.** The agency shall attempt to make grants and loans in approximately equal amounts to applicants outside and within the metropolitan area, as defined in section 473.121, subdivision 2.

Subd. 6. **Report.** Beginning January 15, ~~2018~~ 2022, the commissioner must annually submit a report to the chairs and ranking minority members of the senate and house of representatives committees having jurisdiction over housing and workforce development specifying the projects that received grants and loans under this section and the specific purposes for which the grant or loan funds were used.

Subd. 7. **Workforce and affordable homeownership development account.** A workforce and affordable homeownership development account is established in the housing development fund. Money in the account, including interest, is appropriated to the commissioner of the Housing Finance Agency for the purposes of this section. The amount appropriated under this section must supplement traditional sources of funding for this purpose and must not be used as a substitute or to pay debt service on bonds.

Subd. 8. **Deposits; funding amount.** (a) In fiscal years 2022 to 2029, an amount equal to $15,000,000 of the state's portion of the proceeds derived from the mortgage registry tax imposed under section 287.035 and the deed tax imposed under section 287.21 is appropriated from the general fund to the commissioner of the Housing Finance Agency to transfer to the housing development fund for deposit into the workforce and affordable homeownership development account. The appropriation must be made annually by September 15.

(b) All loan repayments received under this section are to be deposited into the workforce and affordable homeownership development account in the housing development fund.

(c) This subdivision expires September 16, 2028.

EFFECTIVE DATE. This section is effective July 1, 2021.

Sec. 24. **4D AFFORDABLE HOUSING PROGRAMS REPORT.**

(a) No later than January 15, 2022, the commissioner of revenue, in consultation with the Minnesota Housing Finance Agency, must produce a report on class 4d property, as defined in Minnesota Statutes, section 273.13, subdivision 25, and on local 4d affordable housing programs. The commissioner must provide a copy of the report to the chairs and ranking minority members of the legislative committees with jurisdiction over property taxation. The report must comply with the requirements of Minnesota Statutes, sections 3.195 and 3.197. The report must include the following to the extent available:

(1) for properties classified in part or in whole as 4d qualifying under Minnesota Statutes, section 273.128, subdivision 1, clauses (1) to (4), with separate amounts given for properties under each clause:

(i) the number of units classified as 4d in each property in the previous assessment year as reported by each county;

(ii) the number of units not classified as 4d in each property in the previous assessment year;

(iii) the property tax paid in 2021;

(iv) the property tax reduction in 2021 resulting from the property being classified as 4d rather than 4a; and

(v) the total number of 4d units in each of the last ten years; and

(2) for properties classified in part or in whole as 4d qualifying under Minnesota Statutes, section 273.128, subdivision 1, clauses (1) to (4):

(i) the percent change in each political subdivision's net tax capacity if the first-tier class rate of the 4d classification was reduced from 0.75 percent to 0.25 percent;

(ii) the number of 4d properties located within tax increment financing districts, and the impact on increment generation in those districts as a result of these properties being classified as 4d rather than 4a;

(iii) the impact that a 4d class rate reduction from 0.75 percent to 0.25 percent for the entire valuation would have on the property tax burden for homestead property;

(iv) the total number of 4d units whose value qualifies for the second tier in each year since 2019;

(v) the impact that a reduction of the 4d class rate from 0.75 percent to 0.25 percent for the entire valuation would have on property tax refunds received by renters and on property tax refunds received by homeowners in jurisdictions that contain 4d property; and

(vi) a profile of income limits and area median incomes used in Minnesota by the United States Department of Housing and Urban Development to determine the eligibility for assisted housing programs.

(b) Counties must report to the commissioner of revenue any data required by paragraph (a), clauses (1) and (2), by November 1, 2021.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 25. **BUDGET RESERVE REDUCTION.**

On July 1, 2021, the balance of the budget reserve account established in Minnesota Statutes, section 16A.152, subdivision 1a, is reduced by $150,000,000. This reduction is in addition to the reduction authorized in Laws 2019, First Special Session chapter 6, article 11, section 17.

Sec. 26. **APPROPRIATIONS; FIRE REMEDIATION GRANTS.**

Subdivision 1. **City of Melrose.** $643,729 in fiscal year 2022 is appropriated from the general fund to the commissioner of revenue for a grant to the city of Melrose to remediate the effects of fires in the city on September 8, 2016. This appropriation represents the amounts that lapsed by the terms of the appropriation in Laws 2017, First Special Session chapter 1, article 4, section 31. The commissioner of revenue must remit the funds to the city of Melrose by July 20, 2021. The city must use the funds to administer grants to public or private entities for use in accordance with subdivision 3.

Subd. 2. **City of Alexandria.** $120,000 in fiscal year 2022 is appropriated from the general fund to the commissioner of revenue for a grant to the city of Alexandria to remediate the effects of the fire in the city on February 25, 2020. The commissioner of revenue must remit the funds to the city of Alexandria by July 20, 2021. The city must use the funds to administer grants to public or private entities for use in accordance with subdivision 3.

Subd. 3. **Allowed use.** A grant recipient must use the money appropriated under this section for remediation costs, including disaster recovery, infrastructure, reimbursement for emergency personnel costs, reimbursement for equipment costs, and reimbursements for property tax abatements, incurred by public or private entities as a result of the fires. These appropriations are onetime and are available until June 30, 2023.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 27. **DEPARTMENT OF REVENUE FREE FILING REPORT.**

Subdivision 1. **Report required.** (a) By February 15, 2022, the commissioner of revenue must provide a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes. The report must comply with the requirements of Minnesota Statutes, sections 3.195 and 3.197, and must also provide information on free electronic filing options for preparing and filing Minnesota individual income tax returns.

(b) The commissioner must survey tax preparation software vendors for information on a free electronic preparation and filing option for taxpayers to file Minnesota individual income tax returns. The survey must request information from vendors that addresses the following concerns:

(1) system development, capability, security, and costs for consumer-based tax filing software;

(2) costs per return that would be charged to the state of Minnesota to provide an electronic individual income tax return preparation, submission, and payment remittance process;

(3) providing customer service and issue resolution to taxpayers using the software;

(4) providing and maintaining an appropriate link between the Department of Revenue and the Internal Revenue Service Modernized Electronic Filing Program;

(5) ensuring that taxpayer return information is maintained and protected as required by Minnesota Statutes, chapters 13 and 270B, Internal Revenue Service Publication 1075, and any other applicable requirements; and

(6) current availability of products for the free filing and submitting of both Minnesota and federal returns offered to customers and the income thresholds for using those products.

(c) The report by the commissioner must include at a minimum:

(1) a review of options that other states use for state electronic filing;

(2) an assessment of taxpayer needs for electronic filing, including current filing practices;

(3) an analysis of alternative options to provide free filing, such as tax credits, vendor incentives, or other benefits; and

(4) an analysis of the Internal Revenue Service Free File Program usage.

Subd. 2. **Appropriation.** $175,000 in fiscal year 2022 is appropriated from the general fund to the commissioner of revenue for the free filing report required under this section. This is a onetime appropriation.

Sec. 28. **APPROPRIATION; TAXPAYER RECEIPT.**

(a) $100,000 in fiscal year 2022 is appropriated from the general fund to the commissioner of management and budget to develop and publish the taxpayer receipt under Minnesota Statutes, section 16A.067. The base funding for this program is $47,000 in fiscal year 2023 and thereafter.

(b) $19,000 in fiscal year 2022 is appropriated from the general fund to the commissioner of revenue to coordinate with the commissioner of management and budget to provide information that meets the requirements of the taxpayer receipt under Minnesota Statutes, section 16A.067. The base funding is $8,000 in fiscal year 2023 and thereafter.

ARTICLE 14

DEPARTMENT OF REVENUE POLICY AND TECHNICAL: INCOME AND CORPORATE FRANCHISE TAXES

Section 1. Minnesota Statutes 2020, section 289A.08, subdivision 7, is amended to read:

Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to file a composite return and to pay the tax on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, Social Security numbers, income allocation, and tax liability for the nonresident partners electing to be covered by the composite return.

(b) The computation of a partner's tax liability must be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners. The requesting partnership must file a composite return in the form prescribed by the commissioner of revenue. The filing of a composite return is considered a request to use the composite return filing method.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The tax paid for the individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return is a return for purposes of subdivision 1.

(e) This subdivision does not negate the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 289A.25. The individual's liability to pay estimated tax is, however, satisfied when the partnership pays composite estimated tax in the manner prescribed in section 289A.25.

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under this subdivision, the tax liability is zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is only available to a partner who has no other Minnesota source income and who is either (1) a full-year nonresident individual or (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the Internal Revenue Code.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this paragraph. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to the shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of the estates or trusts may make an election under this paragraph. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to the beneficiary.

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to 10 ~~and~~, 16, and 17, and the subtractions provided in: (1) section 290.0132, ~~subdivision~~ subdivisions 9, 27, and 28, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2015.

Sec. 2. Minnesota Statutes 2020, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding ~~exemption~~ allowance, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of $600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner must be filed with the commissioner on or before January 31 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner. The commissioner shall prescribe the content, format, and manner of the statement pursuant to section 270C.30.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 3. Minnesota Statutes 2020, section 290.0121, subdivision 3, is amended to read:

Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31, 2019, the commissioner must adjust for inflation the exemption amount in subdivision 1, paragraph (b), and the threshold amounts in subdivision 2, as provided in section 270C.22. The statutory year is taxable year 2019. The amounts as adjusted must be rounded down to the nearest $50 amount. ~~If the amount ends in $25, the amount is rounded down to the nearest $50 amount.~~ The threshold amount for married individuals filing separate returns must be one-half of the adjusted amount for married individuals filing joint returns.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2020, section 290.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages" means the same as that term is defined in section 3401(a), (f), and (i) of the Internal Revenue Code.

(2) **Payroll period.** For purposes of this section the term "payroll period" means a period for which a payment of wages is ordinarily made to the employee by the employee's employer, and the term "miscellaneous payroll period" means a payroll period other than a daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll period.

(3) **Employee.** For purposes of this section the term "employee" means any resident individual performing services for an employer, either within or without, or both within and without the state of Minnesota, and every nonresident individual performing services within the state of Minnesota, the performance of which services constitute, establish, and determine the relationship between the parties as that of employer and employee. As used in the preceding sentence, the term "employee" includes an officer of a corporation, and an officer, employee, or elected official of the United States, a state, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing.

(4) **Employer.** For purposes of this section the term "employer" means any person, including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies, and corporations transacting business in or deriving any income from sources within the

state of Minnesota for whom an individual performs or performed any service, of whatever nature, as the employee of such person, except that if the person for whom the individual performs or performed the services does not have control of the payment of the wages for such services, the term "employer," except for purposes of paragraph (1), means the person having control of the payment of such wages. As used in the preceding sentence, the term "employer" includes any corporation, individual, estate, trust, or organization which is exempt from taxation under section 290.05 and further includes, but is not limited to, officers of corporations who have control, either individually or jointly with another or others, of the payment of the wages.

(5) **Number of withholding ~~exemptions~~ allowances claimed.** For purposes of this section, the term "number of withholding ~~exemptions~~ allowances claimed" means the number of withholding ~~exemptions~~ allowances claimed in a withholding ~~exemption~~ allowances certificate in effect under subdivision 5, except that if no such certificate is in effect, the number of withholding ~~exemptions~~ allowances claimed shall be considered to be zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 5. Minnesota Statutes 2020, section 290.92, subdivision 2a, is amended to read:

Subd. 2a. **Collection at source.** (1) **Deductions.** Every employer making payment of wages shall deduct and withhold upon such wages a tax as provided in this section.

(2) **Withholding on payroll period.** The employer shall withhold the tax on the basis of each payroll period or as otherwise provided in this section.

(3) **Withholding tables.** Unless the amount of tax to be withheld is determined as provided in subdivision 3, the amount of tax to be withheld for each individual shall be based upon tables to be prepared and distributed by the commissioner. The tables shall be computed for the several permissible withholding periods and shall take account of ~~exemptions~~ allowances allowed under this section; and the amounts computed for withholding shall be such that the amount withheld for any individual during the individual's taxable year shall approximate in the aggregate as closely as possible the tax which is levied and imposed under this chapter for that taxable year, upon the individual's salary, wages, or compensation for personal services of any kind for the employer.

(4) **Miscellaneous payroll period.** If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and

holidays, equal to the number of days in the period with respect to which such wages are paid.

(5) **Miscellaneous payroll period.** (a) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

(b) In any case in which the period, or the time described in clause (a), in respect of any wages is less than one week, the commissioner, under rules prescribed by the commissioner, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

(6) **Wages computed to nearest dollar.** If the wages exceed the highest bracket, in determining the amount to be deducted and withheld under this subdivision, the wages may, at the election of the employer, be computed to the nearest dollar.

(7) **Rules on withholding.** The commissioner may, by rule, authorize employers:

(a) to estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) to determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and

(c) to deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this paragraph (7).

(8) **Additional withholding.** The commissioner is authorized to provide by rule for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests the changes. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this section.

(9) **Tips.** In the case of tips which constitute wages, this subdivision shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant

to section 6053 of the Internal Revenue Code and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is furnished, from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code to which subdivision 1 is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under the employer's control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of employment by such employer is less than $20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds as are under the control of the employer minus any tax required by other provisions of state or federal law to be collected from such wages and funds.

(10) **Vehicle fringe benefits.** An employer shall not deduct and withhold any tax under this section with respect to any vehicle fringe benefit provided to an employee if the employer has so elected for federal purposes and the requirement of and the definition contained in section 3402(s) of the Internal Revenue Code are complied with.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 6. Minnesota Statutes 2020, section 290.92, subdivision 3, is amended to read:

Subd. 3. **Withholding, irregular period.** If payment of wages is made to an employee by an employer

(a) With respect to a payroll period or other period, any part of which is included in a payroll period or other period with respect to which wages are also paid to such employees by such employer, or

(b) Without regard to any payroll period or other period, but on or prior to the expiration of a payroll period or other period with respect to which wages are also paid to such employee by such employer, or

(c) With respect to a period beginning in one and ending in another calendar year, or

(d) Through an agent, fiduciary, or other person who also has the control, receipt, custody, or disposal of or pays, the wages payable by another employer to such employee.

The manner of withholding and the amount to be deducted and withheld under subdivision 2a shall be determined in accordance with rules prescribed by the commissioner under which the withholding ~~exemption~~ allowance allowed to the employee in any calendar year shall approximate the withholding ~~exemption~~ allowance allowable with respect to an annual payroll period, except that if supplemental wages are not paid concurrent with a payroll period the employer shall withhold tax on the supplemental payment at the rate of 6.25 percent as if no ~~exemption~~ allowance had been claimed.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 7. Minnesota Statutes 2020, section 290.92, subdivision 4b, is amended to read:

Subd. 4b. **Withholding by partnerships.** (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual partners based on their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the partner submits a withholding ~~exemption~~ allowance certificate under subdivision 5.

(c) The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 289A.08, subdivision 7;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than $1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year;

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property; or

(5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the Internal Revenue Code.

(e) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an employer.

(f) To the extent that income is exempt from withholding under paragraph (d), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (d), clause (4). The lien arises under section 270C.63 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270C.67, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 8. Minnesota Statutes 2020, section 290.92, subdivision 4c, is amended to read:

Subd. 4c. **Withholding by S corporations.** (a) A corporation having a valid election in effect under section 290.9725 shall deduct and withhold a tax as provided in paragraph (b) for nonresident individual shareholders their share of the corporation's income for the taxable year.

(b) The amount of tax withheld is determined by multiplying the amount of income allocable to Minnesota under section 290.17 by the highest rate used to determine the income tax liability of an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the commissioner if the shareholder submits a withholding ~~exemption~~ allowance certificate under subdivision 5.

(c) Notwithstanding paragraph (a), a corporation is not required to deduct and withhold tax for a nonresident shareholder, if:

(1) the shareholder elects to have the tax due paid as part of the corporation's composite return under section 289A.08, subdivision 7;

(2) the shareholder has Minnesota assignable federal adjusted gross income from the corporation of less than $1,000; or

(3) the corporation is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year.

(d) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2, paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a corporation is considered an employer.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 9. Minnesota Statutes 2020, section 290.92, subdivision 5, is amended to read:

Subd. 5. ~~**Exemptions**~~ **Allowances.** (1) ~~**Entitlement.**~~ An employee receiving wages shall on any day be entitled to claim withholding ~~exemptions~~ allowances in a number not to exceed the number of withholding ~~exemptions~~ allowances that the employee claims and that are allowable pursuant to section 3402(f)(1)~~, (m), and (n)~~ of the Internal Revenue Code for federal withholding purposes, except:

(i) the standard deduction amount for the purposes of section 3402(f)(1)(E) of the Internal Revenue Code shall be the amount calculated under section 290.0123~~, subdivision 1~~;~~ and~~

(ii) the ~~exemption~~ allowance amount for the purposes of section 3402(f)(1)(A) of the Internal Revenue Code shall be the amount calculated under section 290.0121, subdivision 1~~.~~;

(iii) withholding allowances under sections 3402(f)(1)(C) and (D) of the Internal Revenue Code are not allowed;

(iv) estimated itemized deductions allowable under section 290.0122, but only if the employee's spouse does not have in effect a withholding certificate electing this allowance; and

(v) any additional allowances, at the discretion of the commissioner, that are in the best interests of determining the proper amount to withhold for the payment of taxes under this chapter.

(2) **Withholding ~~exemption~~ allowance certificate.** The provisions concerning ~~exemption~~ allowance certificates contained in section 3402(f)(2) and (3) of the Internal Revenue Code shall apply.

(3) **Form of certificate.** Withholding ~~exemption~~ allowance certificates shall be in such form and contain such information as the commissioner may by rule prescribe.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 10. Minnesota Statutes 2020, section 290.92, subdivision 5a, is amended to read:

Subd. 5a. **Verification of withholding ~~exemptions~~ allowances; appeal.** (a) An employer shall submit to the commissioner a copy of any withholding ~~exemption~~ allowance certificate or any affidavit of residency received from an employee on which the employee claims any of the following:

(1) a total number of withholding ~~exemptions~~ allowances in excess of ten or a number prescribed by the commissioner, or

(2) a status that would exempt the employee from Minnesota withholding, including where the employee is a nonresident exempt from withholding under subdivision 4a, clause (3), except where the employer reasonably expects, at the time that the certificate is received, that the employee's wages under subdivision 1 from the employer will not then usually exceed $200 per week, or

(3) any number of withholding ~~exemptions~~ allowances which the employer has reason to believe is in excess of the number to which the employee is entitled.

(b) Copies of ~~exemption~~ allowance certificates and affidavits of residency required to be submitted by paragraph (a) shall be submitted to the commissioner within 30 days after receipt by the employer unless the employer is also required by federal law to submit copies to the Internal Revenue Service, in which case the employer may elect to submit the copies to the commissioner at the same time that the employer is required to submit them to the Internal Revenue Service.

(c) An employer who submits a copy of a withholding ~~exemption~~ allowance certificate in accordance with paragraph (a) shall honor the certificate until notified by the commissioner that the certificate is invalid. The commissioner shall mail a copy of any such notice to the employee. Upon notification that a particular certificate is invalid, the employer shall not honor that certificate or any subsequent certificate unless instructed to do so by the commissioner. The employer shall allow the employee the number of ~~exemptions~~ allowances and compute the withholding tax as instructed by the commissioner in accordance with paragraph (d).

(d) The commissioner may require an employee to verify entitlement to the number of ~~exemptions~~ allowances or to the exempt status claimed on the withholding ~~exemption~~ allowance certificate or, to verify nonresidency. The employee shall be allowed at least 30 days to submit the verification, after which time the commissioner shall, on the basis of the best information available to the commissioner, determine the employee's status and allow the employee the maximum number of withholding ~~exemptions~~ allowances allowable under this chapter. The commissioner shall mail a notice of this determination to the employee at the address listed on the ~~exemption~~ allowance certificate in question or to the last known address of the employee. Pursuant to section 270B.06, the commissioner may notify the employer of this determination and instruct the employer to withhold tax in accordance with the determination.

However, where the commissioner has reasonable grounds for believing that the employee is about to leave the state or that the collection of any tax due under this chapter will be jeopardized by delay, the commissioner may immediately notify the employee and the employer, pursuant to section 270B.06, that the certificate is invalid, and the employer must not honor that certificate or any subsequent certificate unless instructed to do so by the commissioner. The employer shall allow the employee the number of ~~exemptions~~ allowances and compute the withholding tax as instructed by the commissioner.

(e) The commissioner's determination under paragraph (d) shall be appealable to Tax Court in accordance with section 271.06, and shall remain in effect for withholding tax purposes pending disposition of any appeal.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 11. Minnesota Statutes 2020, section 290.92, subdivision 19, is amended to read:

Subd. 19. **Employees incurring no income tax liability.** Notwithstanding any other provision of this section, except the provisions of subdivision 5a, an employer is not required to deduct and withhold any tax under this chapter from wages paid to an employee if:

(1) the employee furnished the employer with a withholding ~~exemption~~ allowance certificate that:

(i) certifies the employee incurred no liability for income tax imposed under this chapter for the employee's preceding taxable year;

(ii) certifies the employee anticipates incurring no liability for income tax imposed under this chapter for the current taxable year; and

(iii) is in a form and contains any other information prescribed by the commissioner; or

(2)(i) the employee is not a resident of Minnesota when the wages were paid; and

(ii) the employer reasonably expects that the employer will not pay the employee enough wages assignable to Minnesota under section 290.17, subdivision 2, paragraph (a)(1), to meet the nonresident requirement to file a Minnesota individual income tax return for the taxable year under section 289A.08, subdivision 1, paragraph (a).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 12. Minnesota Statutes 2020, section 290.92, subdivision 20, is amended to read:

Subd. 20. ~~**Voluntary withholding agreements**~~ **Miscellaneous withholding arrangements.** (a) For purposes of this section, any payment ~~of an annuity to an individual, if at the time the payment is made a request that such annuity be subject to withholding under this section is in effect,~~ or distribution to an individual as defined under section 3405(e)(2) or (3) of the Internal Revenue Code shall be treated as if it were a payment of wages by an employer to an employee for a payroll period. Any payment to an individual of sick pay which does not constitute wages, determined without regard to this subdivision, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period, if, at the time the payment is made a request that such sick pay be subject to withholding under this section is in effect. Sick pay means any amount which:

(1) is paid to an employee pursuant to a plan to which the employer is a party, and

(2) constitutes remuneration or a payment in lieu of remuneration for any period during which the employee is temporarily absent from work on account of sickness or personal injuries.

(b) A request for withholding, the amount withheld, and sick pay paid pursuant to certain collective bargaining agreements shall conform with the provisions of section 3402(o)(3), (4), and (5) of the Internal Revenue Code.

(c) The commissioner is authorized by rules to provide for withholding:

(1) from remuneration for services performed by an employee for the employer which, without regard to this subdivision, does not constitute wages, and

(2) from any other type of payment with respect to which the commissioner finds that withholding would be appropriate under the provisions of this section, if the employer and the employee, or in the case of any other type of payment the person making and the person receiving the payment, agree to such withholding. Such agreement shall be made in such form and manner as the commissioner may by rules provide. For purposes of this section remuneration or other payments with respect to which such agreement is made shall be treated as if they were wages paid by an employer to an employee to the extent that such remuneration is paid or other payments are made during the period for which the agreement is in effect.

(d) An individual receiving a payment or distribution under paragraph (a) may elect to have paragraph (a) not apply to the payment or distribution as follows.

(1) For payments defined under section 3405(e)(2) of the Internal Revenue Code, an election remains in effect until revoked by such individual.

(2) For distributions defined under section 3405(e)(3) of the Internal Revenue Code, the election is on a distribution-by-distribution basis.

EFFECTIVE DATE. This section is effective for payments and distributions made after December 31, 2021.

Sec. 13. Minnesota Statutes 2020, section 290.923, subdivision 9, is amended to read:

Subd. 9. **Payees incurring no income tax liability.** Notwithstanding any other provision of this section a payor shall not be required to deduct and withhold any tax under this chapter upon a payment of royalties to a payee if there is in effect with respect to the payment a withholding ~~exemption~~ allowance certificate, in the form and containing the information prescribed by the commissioner, furnished to the payor by the payee certifying that the payee:

(1) incurred no liability for income tax imposed under this chapter for the payee's preceding taxable year; and

(2) anticipates incurring no liability for income tax under this chapter for the current taxable year.

The commissioner shall provide by rule for the coordination of the provisions of this subdivision with the provisions of subdivision 4.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020.

Sec. 14. Minnesota Statutes 2020, section 290.993, is amended to read:

290.993 SPECIAL LIMITED ADJUSTMENT.

(a) For an individual ~~income taxpayer subject to tax under section 290.06, subdivision 2c~~, estate, or trust, or a partnership that elects to file a composite return under section 289A.08, subdivision 7, for taxable years beginning after December 31, 2017, and before January 1, 2019, the following special rules apply:

(1) an individual income taxpayer may: (i) take the standard deduction; or (ii) make an election under section 63(e) of the Internal Revenue Code to itemize, for Minnesota individual income tax purposes, regardless of the choice made on their federal return; and

(2) there is an adjustment to tax equal to the difference between the tax calculated under this chapter using the Internal Revenue Code as amended through December 16, 2016, and the tax calculated under this chapter using the Internal Revenue Code amended through December 31, 2018, before the application of credits. The end result must be zero additional tax due or refund.

(b) The adjustment in paragraph (a), clause (2), does not apply to any changes due to sections 11012, 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13301, 13302, 13303, 13313, 13502, 13503, 13801, 14101, 14102, 14211 through 14215, and 14501 of Public Law 115-97; and section 40411 of Public Law 115-123.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2017, and before January 1, 2019.

ARTICLE 15

DEPARTMENT OF REVENUE POLICY AND TECHNICAL: PROPERTY TAXES AND LOCAL GOVERNMENT AIDS

Section 1. Minnesota Statutes 2020, section 270.41, subdivision 3a, is amended to read:

Subd. 3a. **Report on disciplinary actions.** ~~Each odd-numbered year,~~ When issuing the report required under section 214.07, the board must ~~publish a report detailing~~ include the number and types of disciplinary actions recommended by the commissioner of revenue under section 273.0645, subdivision 2, and the disposition of those recommendations by the board. The report must be presented to the house of representatives and senate committees with jurisdiction over property taxes ~~by February 1 of each odd-numbered year~~ in addition to the recipients required under section 214.07.

EFFECTIVE DATE. This section is effective for reports issued in 2022 and thereafter.

Sec. 2. Minnesota Statutes 2020, section 270.44, is amended to read:

270.44 CHARGES FOR COURSES, EXAMINATIONS OR MATERIALS.

The board shall charge the following fees:

(1) $150 for a senior accredited Minnesota assessor license;

(2) $125 for an accredited Minnesota assessor license;

(3) $95 for a certified Minnesota assessor specialist license;

(4) $85 for a certified Minnesota assessor license;

(5) $85 for a temporary license;

(6) $50 for a trainee registration;

(7) $80 for grading a form appraisal;

(8) $140 for grading a narrative appraisal; and

(9) $50 for reinstatement~~; and~~.

~~(10) $20 for record retention.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2020, section 272.029, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same 12-month period as the wind energy conversion system; and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

<u>For the purposes of making a determination under this paragraph, the original construction date of an existing wind energy conversion system is not changed if the system is replaced, repaired, or otherwise maintained or altered.</u>

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2020, section 272.0295, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the term "solar energy generating system" means a set of devices whose primary purpose is to produce electricity by means of any combination of collecting, transferring, or converting solar generated energy.

(b) The total size of a solar energy generating system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of a solar energy generating system shall be combined with the nameplate capacity of any other solar energy generating system that:

(1) is constructed within the same 12-month period as the solar energy generating system; and

(2) exhibits characteristics of being a single development, including but not limited to ownership structure, an umbrella sales arrangement, shared interconnection, revenue-sharing arrangements, and common debt or equity financing.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system and shall draw all reasonable inferences in favor of combining the systems.

For the purposes of making a determination under this paragraph, the original construction date of an existing solar energy conversion system is not changed if the system is replaced, repaired, or otherwise maintained or altered.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two solar energy generating systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Solar energy generating systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2020, section 272.0295, subdivision 5, is amended to read:

Subd. 5. **Notification of tax.** (a) On or before February 28, the commissioner of revenue shall notify the owner of each solar energy generating system of the tax due to each county for the current year and shall certify to the county auditor of each county in which the system is located the tax due from each owner for the current year.

(b) If the commissioner of revenue determines that the amount of production tax has been erroneously calculated, the commissioner may correct the error. The commissioner must notify the owner of the solar energy generating system of the correction and the amount of tax due to each county and must certify the correction to the county auditor of each county in which the system is located on or before April 1 of the current year. The commissioner may correct errors that are clerical in nature until December 31.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2020, section 273.063, is amended to read:

273.063 APPLICATION; LIMITATIONS.

The provisions of sections 272.161, 273.061, 273.062, 273.063, 273.072, 273.08, 273.10, 274.01, and 375.192 shall apply to all counties except Ramsey County. The following limitations shall apply as to the extent of the county assessors jurisdiction:

In counties having a city of the first class, the powers and duties of the county assessor within such city shall be performed by the duly appointed city assessor. In all other cities having a population of 30,000 persons or more, according to the last preceding federal census, except in counties having a county assessor on January 1, 1967, the powers and duties of the county assessor within such cities shall be performed by the duly appointed city assessor, provided that the county assessor shall retain the supervisory duties contained in section 273.061, subdivision 8. For purposes of this section, "powers and duties" means the powers and duties identified in section 273.061, subdivision 8, clauses (5) to (16).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2020, section 273.0755, is amended to read:

273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, ~~2000~~ 2020, every person licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete ~~a weeklong Minnesota laws course~~ 30 hours of educational coursework on Minnesota laws, assessment administration, and administrative procedures sponsored by the Department of Revenue ~~at least once~~ in every four-year period. ~~An assessor need not attend the course if they successfully pass the test for the course.~~

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have (1) a person on the assessor's staff who is certified by the Department of Revenue in sales ratio calculations, (2) an officer or employee who is certified by the Department of Revenue in tax calculations, and (3) an officer or employee who is certified by the Department of Revenue in the proper preparation of information reported to the commissioner under section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after four years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

(d) When the commissioner of revenue determines that an individual or board that performs functions related to property tax administration has performed those functions in a manner that is not uniform or equitable, the commissioner may require that the individual or members of the board complete supplemental training. The commissioner may not require that an individual complete more than 32 hours of supplemental training pursuant to this paragraph. If the individual is required to complete supplemental training due to that individual's membership on a local or county board of appeal and equalization, the commissioner may not require that the individual complete more than two hours of supplemental training.

EFFECTIVE DATE. This section is effective retroactively for the four-year licensing period starting on July 1, 2020, and thereafter.

Sec. 8. Minnesota Statutes 2020, section 273.124, subdivision 14, is amended to read:

Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the Department of Natural Resources on which in lieu taxes are paid under sections 477A.11 to 477A.14 or section 477A.17;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the agricultural property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner or of the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;

(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(5) neither the owner nor the person actively farming the agricultural property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(iii) As used in this paragraph, "agricultural property" means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.

(c) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in

verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

(2) a shareholder, member, or partner of that entity is actively farming the agricultural property;

(3) that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

(4) neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(5) that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph even if:

(i) the shareholder, member, or partner of that entity is actively farming the agricultural property on the shareholder's, member's, or partner's own behalf; or

(ii) the family farm is operated by a family farm corporation, joint family farm venture, partnership, or limited liability company other than the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land, provided that:

(A) the shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that owns the land who is actively farming the land is a shareholder, member, or partner of the family farm corporation, joint family farm venture, partnership, or limited liability company that is operating the farm; and

(B) more than half of the shareholders, members, or partners of each family farm corporation, joint family farm venture, partnership, or limited liability company are persons or spouses of persons who are a qualifying relative under section 273.124, subdivision 1, paragraphs (c) and (d).

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

(h) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2020, section 273.18, is amended to read:

273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY BY COUNTY AUDITORS.

(a) In every sixth year after the year 2010, the county auditor shall enter the description of each tract of real property exempt by law from taxation, with the name of the owner, and the assessor shall value and assess the same in the same manner that other real property is valued and assessed, and shall designate in each case the purpose for which the property is used.

(b) The county auditor shall include in the exempt property information that the commissioner may require under section 270C.85, subdivision 2, clause (4), the total number of acres of all natural resources lands for which in lieu payments are made under sections 477A.11 to 477A.14 and 477A.17. The assessor shall estimate its market value, provided that if the assessor is not able to estimate the market value of the land on a per parcel basis, the assessor shall furnish the commissioner of revenue with an estimate of the average value per acre of this land within the county.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2020, section 287.04, is amended to read:

287.04 EXEMPTIONS.

The tax imposed by section 287.035 does not apply to:

~~(a)~~ (1) a decree of marriage dissolution or an instrument made pursuant to it~~.~~;

~~(b)~~ (2) a mortgage given to correct a misdescription of the mortgaged property~~.~~;

~~(c)~~ (3) a mortgage or other instrument that adds additional security for the same debt for which mortgage registry tax has been paid~~.~~;

~~(d)~~ (4) a contract for the conveyance of any interest in real property, including a contract for deed~~.~~;

~~(e)~~ (5) a mortgage secured by real property subject to the minerals production tax of sections 298.24 to 298.28~~.~~;

~~(f) The principal amount of~~ (6) a mortgage loan made under a low and moderate income housing program, or other affordable housing program, if: (i) the mortgagee is a federal, state, or local government agency~~.~~; or (ii) the assignee is a federal, state, or local government agency;

~~(g)~~ (7) mortgages granted by fraternal benefit societies subject to section 64B.24~~.~~;

~~(h)~~ (8) a mortgage amendment or extension, as defined in section 287.01~~.~~;

~~(i)~~ (9) an agricultural mortgage if the proceeds of the loan secured by the mortgage are used to acquire or improve real property classified under section 273.13, subdivision 23, paragraph (a) or (b)~~.~~; and

~~(j)~~ (10) a mortgage on an armory building as set forth in section 193.147.

EFFECTIVE DATE. This section is effective for mortgages recorded after June 30, 2021.

Sec. 11. Minnesota Statutes 2020, section 477A.10, is amended to read:

477A.10 NATURAL RESOURCES LAND PAYMENTS IN LIEU; PURPOSE.

The purposes of sections 477A.11 to 477A.14 and 477A.17 are:

(1) to compensate local units of government for the loss of tax base from state ownership of land and the need to provide services for state land;

(2) to address the disproportionate impact of state land ownership on local units of government with a large proportion of state land; and

(3) to address the need to manage state lands held in trust for the local taxing districts.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 16

DEPARTMENT OF REVENUE POLICY AND TECHNICAL: SALES AND USE TAXES

Section 1. Minnesota Statutes 2020, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of $250,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of calendar year 2020 and 2021, the vendor must remit 87.5 percent of the estimated June liability to the commissioner. Two business days before June 30 of calendar year 2022 and thereafter, the vendor must remit 84.5 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) $10,000 or more, but less than $250,000 during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in all subsequent calendar years on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) $250,000 or more, during a fiscal year ending June 30, 2013, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a) on returns due for periods beginning in the subsequent calendar year, except for ~~90 percent~~ the percentage of the estimated June liability, as provided in paragraph (b), clause (1), which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2020, section 295.75, subdivision 2, is amended to read:

Subd. 2. **Gross receipts tax imposed.** A tax is imposed on each liquor retailer equal to 2.5 percent of gross receipts from retail sales in Minnesota of liquor. The liquor retailer may, but is not required to, collect the tax from the purchaser. If separately stated on the invoice, bill of sale, or similar document given to the purchaser, the tax is excluded from the sales price for purposes of the tax imposed under chapter 297A.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2020, section 297A.66, subdivision 3, is amended to read:

Subd. 3. **Marketplace provider liability.** (a) A marketplace provider is deemed the retailer or seller for all retail sales it facilitates, and is subject to audit on the retail sales it facilitates if it is required to collect sales and use taxes and remit them to the commissioner under subdivision 2, paragraphs (b) and (c).

(b) A marketplace provider is not liable for failing to file, collect, and remit sales and use taxes to the commissioner if the marketplace provider demonstrates that the error was due to incorrect or insufficient information given to the marketplace provider by the retailer. This paragraph does not apply if the marketplace provider and the marketplace retailer are related as defined in subdivision 4, paragraph (b).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 4. **REPEALER.**

Minnesota Statutes 2020, section 270C.17, subdivision 2, is repealed.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 17

DEPARTMENT OF REVENUE POLICY AND TECHNICAL: SPECIAL TAXES

Section 1. Minnesota Statutes 2020, section 296A.06, subdivision 2, is amended to read:

Subd. 2. **Suspension of license.** (a) Notwithstanding subdivision 1, the license of a distributor, special fuel dealer, or bulk purchaser that has not filed a tax return or report or paid a delinquent tax or fee within five days after notice and demand by the commissioner is suspended. The suspension remains in effect until the demanded tax return or report has been filed and the tax and fees shown on that return or report have been paid. If the commissioner determines that the failure to file or failure to pay is due to reasonable cause, then a license must not be suspended, or if suspended, must be reinstated.

(b) A licensee whose license is suspended under this subdivision may request a contested case hearing under chapter 14. Any such hearing must be held within 20 days of the issuance of the notice and demand issued under paragraph (a), unless the parties agree to a later hearing date. The administrative law judge's report must be issued within 20 days after the close of the hearing record, unless the parties agree to a later report issuance date. The commissioner must issue a final decision within 30 days after receipt of the report of the administrative law judge and subsequent exceptions and argument under section 14.61. The suspension imposed under paragraph (a) remains in effect during any contested case hearing process requested pursuant to this paragraph.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2020, section 297F.04, subdivision 2, is amended to read:

Subd. 2. **Refusal to issue or renew; revocation.** The commissioner must not issue or renew a license under this chapter, and may revoke a license under this chapter, if the applicant or licensee:

(1) owes $500 or more in delinquent taxes as defined in section 270C.72, subdivision 2;

(2) after demand, has not filed tax returns required by the commissioner;

(3) had a cigarette or tobacco license revoked by the commissioner within the past two years;

(4) had a sales and use tax permit revoked by the commissioner within the past two years; or

(5) has been convicted of a crime involving cigarettes or tobacco products, including but not limited to: selling stolen cigarettes or tobacco products, receiving stolen cigarettes or tobacco products, or involvement in the smuggling of cigarettes or tobacco products.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2020, section 297F.09, subdivision 10, is amended to read:

Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A cigarette or tobacco products distributor having a liability of $250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of calendar ~~years 2020 and~~ year 2021, the distributor shall remit the actual May liability and 87.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner. Two business days before June 30 of calendar year 2022 and each calendar year thereafter, the distributor must remit the actual May liability and 84.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals ~~the lesser of~~:

(1) for calendar year 2021, the lesser of 87.5 percent of the actual June liability for ~~the~~ that calendar year ~~2020 and 2021 June liabilities and 84.5 of the actual June liability for June 2022 and thereafter~~ or 87.5 percent of the May liability for that calendar year; or

(2) ~~87.5~~ for calendar year 2022 and each calendar year thereafter, the lesser of 84.5 percent of the ~~preceding~~ actual June liability for that calendar year or 84.5 percent of the May liability ~~for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the preceding May liability for June 2022 and thereafter~~ for that calendar year.

~~(c) For calendar year 2022 and thereafter, the percent of the estimated June liability the vendor must remit by two business days before June 30 is 84.5 percent.~~

EFFECTIVE DATE. This section is effective for estimated payments required to be made after the date following final enactment.

Sec. 4. Minnesota Statutes 2020, section 297F.13, subdivision 4, is amended to read:

Subd. 4. **Retailer and subjobber to preserve purchase invoices.** Every retailer and subjobber shall procure itemized invoices of all cigarettes or tobacco products purchased.

The retailer and subjobber shall preserve a legible copy of each invoice for one year from the date of the invoice or as long as the cigarette or tobacco product listed on the invoice is available for sale or in their possession, whichever period is longer. The retailer and subjobber shall preserve copies of the invoices at each retail location or at a central location provided that the invoice must be produced and made available at a retail location within one hour when requested by the commissioner or duly authorized agents and employees. Copies should be numbered and kept in chronological order.

To determine whether the business is in compliance with the provisions of this chapter, at any time during usual business hours, the commissioner, or duly authorized agents and employees, may enter any place of business of a retailer or subjobber without a search warrant and inspect the premises, the records required to be kept under this chapter, and the packages of cigarettes, tobacco products, and vending devices contained on the premises.

EFFECTIVE DATE. This section is effective for all cigarette and tobacco products available for sale or in a retailer or subjobber's possession after December 31, 2021.

Sec. 5. Minnesota Statutes 2020, section 297F.17, subdivision 1, is amended to read:

Subdivision 1. **General rule.** Except as otherwise provided in this chapter, the amount of any tax due must be assessed within 3-1/2 years after a return is filed. ~~The taxes are considered assessed within the meaning of this section when the commissioner has prepared a notice of tax assessment and mailed it to the person required to file a return to the post office address given in the return. The notice of tax assessment must be sent by mail to the post office address given in the return and the record of the mailing is presumptive evidence of the giving of such notice, and such records must be preserved by the commissioner.~~

EFFECTIVE DATE. This section is effective for notices of tax assessment issued after the date of final enactment.

Sec. 6. Minnesota Statutes 2020, section 297G.09, subdivision 9, is amended to read:

Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this chapter having a liability of $250,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of calendar ~~years 2020 and~~ year 2021, the taxpayer shall remit the actual May liability and 87.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner. Two business days before June 30 of calendar year 2022 and each calendar year thereafter, the distributor must remit the actual May liability and 84.5 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals ~~the lesser of~~:

(1) for calendar year 2021, the lesser of 87.5 percent of the actual June liability for ~~the~~ that calendar year ~~2020 and 2021 June liabilities and 84.5 percent of the actual June liability for June 2022 and thereafter~~ or 87.5 percent of the May liability for that calendar year; or

(2) ~~87.5~~ for calendar year 2022 and each calendar year thereafter, the lesser of 84.5 percent of the ~~preceding~~ actual June liability for that calendar year or 84.5 percent of the May liability ~~for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the preceding May liability for June 2022 and thereafter~~ for that calendar year.

~~(c) For calendar year 2022 and thereafter, the percent of the estimated June liability the vendor must remit by two business days before June 30 is 84.5 percent.~~

EFFECTIVE DATE. This section is effective for estimated payments required to be made after the date following final enactment.

Sec. 7. Minnesota Statutes 2020, section 609B.153, is amended to read:

609B.153 CIGARETTE AND TOBACCO DISTRIBUTOR OR SUBJOBBER LICENSE; SUSPENSION OR REVOCATION.

Under section 297F.04, the commissioner of revenue must not issue or renew a license issued under chapter 297F, and may revoke a license issued under chapter 297F, if the applicant has been convicted of a crime involving cigarettes or tobacco products.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 18

DEPARTMENT OF REVENUE POLICY AND TECHNICAL: MISCELLANEOUS

Section 1. Minnesota Statutes 2020, section 270C.22, subdivision 1, is amended to read:

Subdivision 1. **Adjustment; definition; period; rounding.** (a) The commissioner shall annually make a cost of living adjustment to the dollar amounts noted in sections that reference this section. The commissioner shall adjust the amounts based on the index as provided in this section. For purposes of this section, "index" means the Chained Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics. The values of the index used to determine the adjustments under this section are the latest published values when the Bureau of Labor Statistics publishes the initial value of the index for August of the year preceding the year to which the adjustment applies.

(b) For the purposes of this section, "statutory year" means the year preceding the first year for which dollar amounts are to be adjusted for inflation under sections that reference this section. For adjustments under chapter 290A, the statutory year refers to the year in which a taxpayer's household income used to calculate refunds under chapter 290A was earned and not the year in which refunds are payable. For all other adjustments, the statutory year refers to the taxable year unless otherwise specified.

(c) To determine the dollar amounts for taxable year 2020, the commissioner shall determine the percentage change in the index for the 12-month period ending on August 31, 2019, and increase each of the unrounded dollar amounts in the sections referencing this section by that percentage change. For each subsequent taxable year, the commissioner shall increase the dollar amounts by the percentage change in the index from August 31 of the year preceding the statutory year to August 31 of the year preceding the taxable year.

(d) To determine the dollar amounts for refunds payable in 2020 under chapter 290A, the commissioner shall determine the percentage change in the index for the 12-month period ending on August 31, 2019, and increase each of the unrounded dollar amounts in the sections referencing this section by that percentage change. For each subsequent year, the commissioner shall increase the dollar amounts by the percentage change in the index from August 31 of the ~~year preceding the~~ statutory year to August 31 of the year preceding the year in which refunds are payable.

(e) Unless otherwise provided, the commissioner shall round the amounts as adjusted to the nearest $10 amount. If an amount ends in $5, the amount is rounded up to the nearest $10 amount.

EFFECTIVE DATE. This section is effective retroactively for property tax refunds based on property taxes payable in 2020, and rent paid in 2019.

Sec. 2. Minnesota Statutes 2020, section 270C.445, subdivision 3, is amended to read:

Subd. 3. **Standards of conduct.** No tax preparer shall:

(1) without good cause fail to promptly, diligently, and without unreasonable delay complete a client's return;

(2) obtain the signature of a client to a return or authorizing document that contains blank spaces to be filled in after it has been signed;

(3) fail to sign a client's return when compensation for services rendered has been made;

(4) fail to provide on a client's return the preparer tax identification number when required under section 6109(a)(4) of the Internal Revenue Code or section 289A.60, subdivision 28;

(5) fail or refuse to give a client a copy of any document requiring the client's signature within a reasonable time after the client signs the document;

(6) fail to retain for at least four years a copy of a client's returns;

(7) fail to maintain a confidential relationship with clients or former clients;

(8) fail to take commercially reasonable measures to safeguard a client's nonpublic personal information;

(9) make, authorize, publish, disseminate, circulate, or cause to make, either directly or indirectly, any false, deceptive, or misleading statement or representation relating to or in connection with the offering or provision of tax preparation services;

(10) require a client to enter into a loan arrangement in order to complete a client's return;

(11) claim credits or deductions on a client's return for which the tax preparer knows or reasonably should know the client does not qualify;

(12) report a household income on a client's claim filed under chapter 290A that the tax preparer knows or reasonably should know is not accurate;

(13) engage in any conduct that is subject to a penalty under section 289A.60, subdivision 13, 20, 20a, 26, or 28;

(14) whether or not acting as a taxpayer representative, fail to conform to the standards of conduct required by Minnesota Rules, part 8052.0300, subpart 4;

(15) whether or not acting as a taxpayer representative, engage in any conduct that is incompetent conduct under Minnesota Rules, part 8052.0300, subpart 5;

(16) whether or not acting as a taxpayer representative, engage in any conduct that is disreputable conduct under Minnesota Rules, part 8052.0300, subpart 6;

(17) charge, offer to accept, or accept a fee based upon a percentage of an anticipated refund for tax preparation services;

(18) under any circumstances, withhold or fail to return to a client a document provided by the client for use in preparing the client's return;

(19) ~~establish~~ take control or ownership of a client's refund by any means, including:

(i) directly or indirectly endorsing or otherwise negotiating a check or other refund instrument, including an electronic version of a check;

(ii) directing an electronic or direct deposit of the refund into an account unless the client's name is on the account; and

(iii) establishing or using an account in the preparer's name to receive a client's refund through a direct deposit or any other instrument unless the client's name is also on the account, except that a taxpayer may assign the portion of a refund representing the Minnesota education credit available under section 290.0674 to a bank account without the client's name, as provided under section 290.0679;

(20) fail to act in the best interests of the client;

(21) fail to safeguard and account for any money handled for the client;

(22) fail to disclose all material facts of which the preparer has knowledge which might reasonably affect the client's rights and interests;

(23) violate any provision of section 332.37;

(24) include any of the following in any document provided or signed in connection with the provision of tax preparation services:

(i) a hold harmless clause;

(ii) a confession of judgment or a power of attorney to confess judgment against the client or appear as the client in any judicial proceeding;

(iii) a waiver of the right to a jury trial, if applicable, in any action brought by or against a debtor;

(iv) an assignment of or an order for payment of wages or other compensation for services;

(v) a provision in which the client agrees not to assert any claim or defense otherwise available;

(vi) a waiver of any provision of this section or a release of any obligation required to be performed on the part of the tax preparer; or

(vii) a waiver of the right to injunctive, declaratory, or other equitable relief or relief on a class basis; or

(25) if making, providing, or facilitating a refund anticipation loan, fail to provide all disclosures required by the federal Truth in Lending Act, United States Code, title 15, in a form that may be retained by the client.

EFFECTIVE DATE. This section is effective the day following final enactment.

270C.17 COMMISSIONER TO COLLECT CERTAIN LOCAL TAXES.

Subd. 2. **Development costs.** If the commissioner determines that a new computer system will be required to collect the local taxes, the costs of development of the system will be charged to the first local units of government to be included in the system. Any additional local units of government that by agreement are added to the system will be charged for a share of the development costs. The charge will be determined by the commissioner who shall then refund to the original local units of government their portion of the development costs recovered from the additional users.

290.01 DEFINITIONS.

Subd. 7b. **Resident trust.** (a) Resident trust means a trust, except a grantor type trust, which either (1) was created by a will of a decedent who at death was domiciled in this state or (2) is an irrevocable trust, the grantor of which was domiciled in this state at the time the trust became irrevocable. For the purpose of this subdivision, a trust is considered irrevocable to the extent the grantor is not treated as the owner thereof under sections 671 to 678 of the Internal Revenue Code. The term "grantor type trust" means a trust where the income or gains of the trust are taxable to the grantor or others treated as substantial owners under sections 671 to 678 of the Internal Revenue Code. This paragraph applies to trusts, except grantor type trusts, that became irrevocable after December 31, 1995, or are first administered in Minnesota after December 31, 1995.

(b) This paragraph applies to trusts, except grantor type trusts, that are not governed under paragraph (a). A trust, except a grantor type trust, is a resident trust only if two or more of the following conditions are satisfied:

(1) a majority of the discretionary decisions of the trustees relative to the investment of trust assets are made in Minnesota;

(2) a majority of the discretionary decisions of the trustees relative to the distributions of trust income and principal are made in Minnesota;

(3) the official books and records of the trust, consisting of the original minutes of trustee meetings and the original trust instruments, are located in Minnesota.

(c) For purposes of paragraph (b), if the trustees delegate decisions and actions to an agent or custodian, the actions and decisions of the agent or custodian must not be taken into account in determining whether the trust is administered in Minnesota, if:

(1) the delegation was permitted under the trust agreement;

(2) the trustees retain the power to revoke the delegation on reasonable notice; and

(3) the trustees monitor and evaluate the performance of the agent or custodian on a regular basis as is reasonably determined by the trustees.

Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of a domestic corporation that is included in net income under section 965 of the Internal Revenue Code.

290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subd. 18. **Special deductions.** For trusts and estates, the amount of any special deduction under section 250 or 965 of the Internal Revenue Code is an addition, to the extent not included in taxable income.

327C.01 DEFINITIONS.

Subd. 13. **Class I manufactured home park.** A "class I manufactured home park" means a park that complies with the provisions of section 327C.16.

327C.16 CLASS I MANUFACTURED HOME PARK.

Subdivision 1. **Qualifications.** (a) To qualify as a class I manufactured home park, as defined in section 327C.01, subdivision 13, a park owner, or on-site attendant as an employee of the manufactured home park, must satisfy 12 hours of qualifying education courses every three years, as prescribed in this subdivision. Park owners or on-site attendants may begin accumulating qualifying hours to qualify as a class I manufactured home park beginning in 2017.

(b) The qualifying education courses required for classification under this subdivision must be continuing education courses approved by the Department of Labor and Industry or the Department of Commerce for:

(1) continuing education in real estate; or

(2) continuing education for residential contractors and manufactured home installers.

(c) The qualifying education courses must include:

(1) two hours on fair housing, approved for real estate licensure or residential contractor licensure;

(2) one hour on the Americans with Disabilities Act, approved for real estate licensure or residential contractor licensure;

(3) four hours on legal compliance related to any of the following: landlord/tenant, licensing requirements, or home financing under chapters 58, 327, 327B, 327C, and 504B, and Minnesota Rules, chapter 1350 or 4630;

(4) three hours of general education approved for real estate, residential contractors, or manufactured home installers; and

(5) two hours of HUD-specific manufactured home installer courses as required under section 327B.041.

(d) If the qualifying owner or employee attendant is no longer the person meeting the requirements under this subdivision, but did qualify during the current assessment year, then the manufactured home park shall still qualify for the class rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (iii).

Subd. 2. **Proof of compliance.** (a) A park owner that has met the requirements of subdivision 1 shall provide an affidavit to the park owner's county assessor certifying that the park owner, corporate officer, or on-site attendant has complied with subdivision 1 and that the park meets the definition of a class I manufactured home park as defined in this section, and is entitled to the property tax classification rate for class I manufactured home parks in section 273.13, subdivision 25. The park owner shall retain the original course completion certificates issued by the course sponsor under this section for three years and, upon written request for verification, provide these to the county assessor within 30 days.

(b) A park owner must provide the county assessor written notice of any change in compliance status of the manufactured home park no later than December 15 of the assessment year.

469.055 POWERS AND DUTIES.

Subd. 7. **Sale of realty.** The authority may sell, convey, and exchange any real or personal property owned or held by it in any manner and on any terms it wishes. Real property owned by the authority must not be sold, be exchanged, or have its title transferred without approval of two-thirds of the commissioners. All commissioners must have ten days' written notice of a regular or special meeting at which a sale, conveyance, exchange, or transfer of property is to be voted on. The notice must contain a complete description of the affected real estate. The resolution authorizing the real estate transaction is not effective unless a quorum is present.