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H.F. No. 5 - Omnibus Tax Bill (First Special Session - 2019)

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Article 1: Federal Conformity

Section 1. Debt; debtor. Modifies the inflation indexing of the income-based exemptions for debtors with medical care debts under the revenue recapture program. Adopts the new federal indexing rules based on the Chained Consumer Price Index for Urban Consumers (C-CPI-U) instead of the Consumer Price Index for Urban Consumers (CPI-U), as under present law. Effective for adjustments beginning in tax year 2019.

Section 2. Cost of living adjustment. Adds a new section of law establishing inflation indexing for income tax provisions and the property tax refund and adopts the August-to-August change in the Chained Consumer Price Index for All Urban Consumers (C-CPI-U). Requires the Department of Revenue to annually publish the adjusted dollar amounts on its website. Sections of law that contain inflation indexing provisions are amended throughout this article and Article 2 using the reference to the new law established in this section. Effective for adjustments beginning in 2020, and for refunds based on rent paid in 2019 and property taxes payable in 2020.

Section 3. Internal Revenue Code. Updates the reference to the IRC in the administrative chapter. Effective the day following final enactment, with changes incorporated by federal changes retroactive to the same time they were effective for federal purposes.

Section 4. Generally; individuals. Requires the commissioner of revenue to determine the income levels at which individuals are required to file a tax return. Currently, individuals must file a return if they are required to file a federal return. This section provides that individuals must file a return if they are required to file a federal return or if they are so required under the income thresholds determined by the commissioner. Effective beginning in tax year 2019.

Section 5. Composite income tax returns for nonresident partners, shareholders, and beneficiaries. Modifies a cross-reference to reflect changes to other provisions in the article. Effective beginning in tax year 2019.

Section 6. Reporting exempt interest and exempt-interest dividends. Modifies the reference from FTI to FAGI for purposes of reporting exempt interest and interest-exempt dividends. Effective beginning in tax year 2019.

Section 7. Assessments on returns. Modifies the reference from FTI to FAGI for purposes of the commissioner's authority to audit and adjust returns. Effective beginning in tax year 2019.

Section 8. Determination of marital status. Adds rules governing how an individual is determined to be married for tax purposes. Adopts by cross-reference the federal rules currently in effect for Minnesota purposes. Effective date beginning in tax year 2019.

Section 9. Surviving spouse. Creates a definition of surviving spouse, referencing the federal definition, for purposes of calculations made under new provisions in the article. A surviving spouse is an unmarried individual whose spouse died in one of the two preceding tax years and who maintains a separate household. Effective beginning in tax year 2019.

Section 10. Net income definition. Modifies the definition of net income to provide that the starting point for computing Minnesota individual income tax will be FAGI (rather the FTI). Estates, trusts, and C corporations will continue to use FTI. The bill also updates the date of the Internal Revenue Code that is in effect for the purposes of calculating net income. The switch to FAGI as the starting point for the state's tax code is effective for tax year 2019. The update of the version of the Internal Revenue Code is effective the day following final enactment, but changes incorporated by the federal changes are effective retroactively at the same time as they became effective for federal purposes.

Section 11. Deferred foreign income definition. Defines "deferred foreign income" for purposes of the corporate and individual income taxes to be the amount required to be recognized under federal law. Effective date: Retroactively at the same time the provisions of the TCJA became effective for federal purposes.

Section 12. Adjusted gross income definition. Adds a definition of "adjusted gross income" and "federal adjusted gross income" that refers to federal law to minimize the need to include repeated references to section 62 of the Internal Revenue Code. Effective date: Day following final enactment.

Section 13. State itemized deductions definition. Modifies the definition of state itemized deductions to equal the itemized deductions allowed under the bill.

Section 14. Chapter 290 update. Adopts the changes to the Internal Revenue Code made since

December 16, 2016, for purposes of the individual income and corporate franchise taxes. Effective date: Day following final enactment; changes incorporated by reference to federal provisions are effective at the same time as they are effective for federal purposes. The effective date also specifies that the changes are subject to the special adjustment for tax year 2018 under the new section 290.993, created later in the article.

Section 15. Dependent exemption.

Subd. 1. Exemption Amount. Establishes a state-dependent exemption equal to \$4,250 in tax year 2019—the amount allowed under prior federal law and current Minnesota law.

Subd. 2. Disallowed exemption amount. Phases out the dependent exemption using the same rules that are in place under current law for personal and dependent exemptions.

Subd. 3. Inflation adjustment. Indexes the dependent exemption and phaseout thresholds for inflation.

Section 16. Itemized deductions.

Subd. 1. Itemized deductions. Defines a taxpayer's itemized deductions as the sum of the amount allowed under the section, reduced by the itemized deduction phaseout.

Subd. 2. Deductions limited. Reduces itemized deduction amounts using the same rules in place under current law, except that the amount of state taxes deducted federally no longer count towards the 80 percent reduction in a taxpayer's itemized deductions.

Subd. 3. Taxes paid. Allows an itemized deduction for taxes paid. The deduction equals the sum of the taxpayer's taxes in each of the following categories:

- Up to \$10,000 of state, local, and foreign property taxes. The limitation is \$5,000 for married couples filing separately.
- Foreign income, war profits, and excess profits taxes to the extent not reduced by the federal foreign tax credit.
- Foreign subnational taxes that did not qualify for the state credit for taxes paid to another state. The amount of foreign subnational taxes is limited to the amount that qualifies for the federal foreign tax credit. This itemized deduction replaces an existing subtraction in state law.

Subd. 4. Charitable contributions. Allows an itemized deduction for the amount of charitable contributions allowed under federal law.

Subd. 5. Interest. Allows an itemized deduction for interest paid equal to the amount deductible under federal law.

Subd. 6. Medical expenses. Allows an itemized for medical expenses in excess of 10 percent of AGI.

Subd. 7. Unreimbursed employee expenses. Allows an itemized deduction for unreimbursed employee expenses. The deduction is limited to expenses in excess of 2 percent of AGI.

Subd. 8. Losses. Allows a state itemized deduction for casualty and theft losses.

Subd. 9. Miscellaneous deduction. Allows a state itemized deduction for to federal miscellaneous deductions not subject to the 2 percent floor.

Section 17. Standard deduction.

Subd. 1. Standard deduction amount. Establishes a state standard deduction. The deduction amounts correspond to the amounts allowed federally, as follows:

- Married couples filing joint returns or surviving spouses: \$24,400
- Heads of household: \$18,350
- All other filers: one-half of the married filing joint standard deduction, plus an additional amount for senior or blind taxpayers under subd. 2.

The standard deduction is subject to the reduction under subdivision 5.

Subd. 2. Additional amount for senior or blind taxpayers. Allows an additional standard deduction amount for taxpayers ages 65 or older, or who are blind.

Subd. 3. Amount for dependents. Establishes the standard deduction amount for taxpayers who are claimed as dependents on another return.

Subd. 4. Deduction disallowed. Disallows the standard deduction for married separate taxpayers whose spouses itemize deductions, and for taxpayers who changed their annual accounting period and are filing a return for a period of less than 12 months.

Subd. 5. Deduction limited. Reduces a taxpayer's standard deduction if the taxpayer's income exceeds the threshold amounts. The thresholds are \$194,650 for all taxpayers except married individuals filing separate returns, for whom the threshold is one-half that amount.

Subd. 6. Inflation adjustment. Indexes for inflation the standard deduction amount, additional standard deduction amount, and phaseout thresholds.

Section 18. Definition; scope. Provides that additions to Minnesota taxable income are specific to estates and trusts, as individuals will apply Minnesota additions to FAGI. The additions apply to amounts excluded from calculating federal taxable income for trusts and estates, and FAGI for individuals. Effective beginning in tax year 2019.

Section 19. Income, sales and use, motor vehicle sales, or excise taxes paid. Provides that only trusts and estates must add back state income, sales, and other local taxes that were deducted for federal purposes. Individuals will not have to add these taxes back given the

transition to FAGI as the starting point for calculating state tax liability. Effective beginning in tax year 2019.

Section 20. 529 plan addition. Requires distributions from 529 Plans (Qualified Tuition Plans) that are used to pay for K-12 expenses to be added to FAGI. The TCJA permits taxpayers to use distributions for K-12 expenses without being subject to tax. The amount added back could not exceed the amount of “earnings” of the account that are excluded from income for the taxable. Thus, recovery of amounts contributed to the account (rather than the account’s investment returns) would not be taxed. This approach effectively treats any uses for K-12 purposes as the first use to which these investment returns or earnings are put (e.g., if distributions are also used to pay for higher education expenses). Effective retroactively to tax year 2018.

Section 21. Qualified business income addition. Requires that trusts and estates add back the 20% of pass-through income deducted under TCJA for purposes of calculating Minnesota taxable income. Effective retroactively to tax year 2018.

Section 22. Foreign-derived intangible income. Requires an addition of foreign-derived intangible income (FDII), which is a deduction for purposes of calculating federal taxable income on certain foreign-sourced income. Effective retroactively to tax year 2018.

Section 23. Definition; scope. Provides that subtractions from Minnesota taxable income are specific to estates and trusts, as individuals will apply Minnesota additions to FAGI. The subtractions apply to amounts excluded from calculating federal taxable income for trusts and estates, and FAGI for individuals. Effective beginning in tax year 2019.

Section 24. Charitable contributions for nonitemizers. Provides that taxpayers may continue to use the existing subtraction for taxpayers who do not itemize under the new state itemized deduction. The amount of qualified charitable distributions from an IRA may not count toward the amount calculated in the subtraction (as under current law). Effective beginning in tax year 2019.

Section 25. Standard or itemized deductions. Allows a subtraction for either the taxpayer’s standard deduction amount or itemized deduction amount. Effective beginning in tax year 2019.

Section 26. Dependent exemption. Allows a subtraction for the taxpayer’s dependent exemption amount (calculated under an earlier section). Effective beginning in tax year 2019.

Section 27. Military service pension; retirement pay. Corrects the reference for the military pension subtraction to reflect the shift to FAGI as the starting point for calculating Minnesota taxable income. Effective beginning in tax year 2019.

Section 28. Deferred foreign income. Provides a subtraction for corporations for foreign-source income that was not subject to tax prior to TCJA, the extent it was included in federal adjusted gross income. Under TCJA, this income is “deemed” repatriated and thus subject to tax. Effective the day following final enactment, with changes incorporated by federal changes retroactive to the same time they were effective for federal purposes.

Section 29. Global intangible low-taxed income. Provides a subtraction for corporations for

certain foreign source earnings subject to taxed under TCJA. Global intangible low-taxed income (GILTI) is income that exceeds 10% of a controlled foreign corporation's fixed assets that are depreciable as trade or business assets. Effective retroactively to tax year 2018.

Section 30. Special deductions. Eliminates the addition under the corporate franchise tax for the federal deduction under section 965. Section 965(c) of the IRC allows a deduction from FTI for deferred foreign income. Because the subtraction under section 33 only allows a subtraction for deferred foreign income after this deduction has been taken, the reference to section 965(c) in this section is not needed. Effective when effective for federal purposes.

Section 31. Foreign-derived intangible income. Requires an addition of foreign derived intangible income (FDII), which is a deduction for purposes of calculating federal taxable income on certain foreign-sourced income. Effective retroactively to tax year 2018.

Section 32. Global intangible low-taxed income. Provides a subtraction for corporations for certain foreign source earnings subject to taxed under TCJA after the IRC section 250 deduction. Global intangible low-taxed income (GILTI) is income that exceeds 10% of a controlled foreign corporation's fixed assets that are depreciable as trade or business assets. Effective retroactively to tax year 2018.

Section 33. Deferred foreign income. Provides a subtraction for corporations for foreign-source income that was not subject to tax prior to TCJA, the extent it was included in federal adjusted gross income, after application of IRC section 965(c) deduction. Under TCJA, this income is "deemed" repatriated and thus subject to tax. Effective the day following final enactment, with changes incorporated by federal changes retroactive to the same time they were effective for federal purposes.

Section 34. Computation; lump-sum distribution tax. Replaces the reference to federal taxable income to net taxable income. Effective beginning in tax year 2019.

Section 35. Taxes imposed on exempt entities. Excludes employee fringe benefits from the definition of unrelated business taxable income—TCJA required nonprofits to add certain employee fringe benefits to unrelated business taxable income. Requires a nonprofit corporation required to pay UBIT to add back its federal NOL and claim a Minnesota NOL under the rules applicable to C corporations under the Minnesota tax. This prevents TCJA's rules requiring separately calculating NOLs for each activity. Effective retroactively to tax year 2018.

Section 36. Inflation adjustment of brackets. Makes a conforming change to reference the new inflation-indexing provision under section 2. Effective beginning in tax year 2020.

Section 37. Section 529 plan recapture. Excludes K-12 qualifying education expenses from the definition of "qualified higher education expenses" for the purposes of the 529 credit and subtraction recapture. Effective retroactively to tax year 2018.

Section 38. Inflation adjustment. Strikes the references to the IRC for the inflation adjustment of income thresholds for the dependent care credit and inserts a reference to rules established in **section 2**. Effective for adjustments beginning in tax year 2020.

Section 39. Inflation adjustment. Strikes the references to the IRC for the inflation adjustment of income thresholds for the working family credit and inserts a reference to rules established in **section 2**. Effective for adjustments beginning in tax year 2020.

Sections 40 and 41. Definitions; long term care credit. Update the reference in the long term care credit to refer to Minnesota instead of federal itemized deductions. Clarifies the term “medical care” for purposes of the amount of premiums that qualify for the credit. Effective beginning in tax year 2019.

Section 42. Definitions; marriage credit. Changes a reference in the marriage credit to refer to the Minnesota standard deduction rather than the federal standard deduction. Effective beginning in tax year 2019.

Sections 43 to 46. Credit for certified historic structure rehabilitation. Update the Minnesota credit to reflect changes made in TCJA to pay the credit or grant over five taxable years instead of the single year the structure was placed in service. Effective retroactively to tax year 2018.

Section 47. Definitions; 529 credit. Strikes a reference to the federal definition of “qualified higher education expenses,” which are now defined elsewhere. Effective the day following final enactment.

Section 48. Credit allowed; inflation adjustment; 529 credit. Makes a conforming change to the 529 credit statutes to reference the new inflation indexing provision under section 2. Effective beginning in tax year 2020.

Section 49. Subtraction; elderly exclusion. Changes a reference from FTI to FAGI to reflect the article’s change in the starting point of the individual income tax. Effective beginning in tax year 2019.

Section 50. Definitions; AMT. Modifies the definition of income for purposes of the individual AMT to be consistent with other changes made by the article and to require addition of the deduction for QBI. It also allows the subtractions for the repatriation income of nonresidents, GILTI, and cannabis business expenses. The cannabis business expense subtraction is established in article 2. Effective beginning in tax year 2019.

Section 51. Individual AMT exemption amount; indexing. Makes conforming changes to the updated IRC while not conforming to the increased income thresholds under the TCJA. Also updates the inflation adjustment to reference the new inflation adjustment under section 2. Effective the day following final enactment, except the inflation changes are effective tax year 2020.

Section 52. Corporate AMT. Decouples the state corporate AMT from the federal corporate AMT, which was repealed in the TCJA. The state corporate AMT will continue to reference the IRC as amended through December 16, 2016. Effective beginning in tax year 2019.

Section 53. Corporate AMT; subtractions. Allows a deduction for the medical cannabis subtraction, which is contained in article 2. Effective beginning in tax year 2019.

Section 54. Minimum fee. Makes a conforming change to the corporate minimum fee to reference the new inflation-indexing provision under section 2. Effective date beginning in tax year 2020.

Section 55. Net operating losses. Provides that corporate NOLs may not exceed 80 percent of a taxpayer's net income. Federal rules limit NOLs to 80 percent for all taxpayers, however, NOLs generated prior to the TCJA may exceed this limit; this section would create a carryover for those federally allowed amounts. Effective retroactively to tax year 2018.

Section 56. Income not derived from conduct of a trade or business. Modifies the definition of "wages" for purposes of allocating trade or business income between Minnesota and non-Minnesota sources to include a reference to income from sales of section 83(i) qualified stock (provided as compensation to employees), which were authorized by TCJA. Effective when effective for federal purposes.

Section 57. Controlled foreign corporations. Clarifies that subpart F income must be treated as dividend income, which subjects this income to the state dividend received deduction. Effective when effective for federal purposes.

Section 58. Interest limitation. Provides that, for purposes of determining the income limit under the TCJA's interest deduction (to which the state conforms), the aggregate amount of a unitary group's income must be used, in a manner consistent with how this limit is administered for federal purposes. Effective retroactively to tax year 2018.

Section 59. Wages for withholding tax. Modifies the definition of "wages" for purposes of withholding tax to include section 83(i) qualified stock election under TCJA. The provision allows employees receiving the stock to defer when income is includible, subject to a variety of limits and conditions. Effective retroactively to tax year 2018.

Section 60. Special limited adjustment. Establishes a "special limited adjustment to tax" for individual income tax filers in tax year 2018 only. The adjustment allows taxpayers in tax year 2018 to elect to itemize their deductions for state purposes, even if they claimed the federal standard deduction. The section also establishes an adjustment to tax for tax year 2018 equal to the difference in tax between the pre-conformity and post-conformity tax calculations. This effectively means that even though the bill generally conforms to TCJA and BBA retroactively, as a general rule conformity will not affect the tax paid in tax year 2018. However, the bill outlines a list of sections of the BBA and TCJA to which the special adjustment does not apply. Conformity to the provisions listed is retroactive and will affect the tax paid in 2018. The list of sections that will affect tax year 2018 liability are:

- 11012 of TCJA: limitation on excess business losses for pass-through businesses;
- 13101 of TCJA: changes to section 179 expensing;
- 13201 of TCJA: changes to bonus depreciation;
- 13202 of TCJA: changes to the depreciation limitations on luxury automobiles and personal use property;
- 13203 of TCJA: changes to depreciation rules for farm property;

- 13204 of TCJA: changes to the recovery period for certain real property;
- 13205 of TCJA: alternative depreciation system for electing farm businesses;
- 13207 of TCJA: expensing of certain costs of replanting citrus plants;
- 13301 of TCJA: interest deduction limitation;
- 13302 of TCJA: modification of the NOL deduction;
- 13303 of TCJA: modifications to rules governing like kind exchanges of real property;
- 13313 of TCJA: Rollover of publicly traded securities gain into specialized small business investment companies;
- 13502 of TCJA: modifications to the definition of substantial built-in loss in the case of a transfer of partnership interest;
- 13503 of TCJA: charitable contributions and foreign taxes taken into account in determining the limitation on the allowance of a partner's share of a loss;
- 13801 of TCJA: changes to the production period for wine, beer, and distilled spirits;
- 14101 of TCJA: deduction for foreign-source dividends received by domestic corporations from controlled foreign corporations;
- 14102 of TCJA: special rules relating to sales or transfers of controlled foreign corporations;
- 14211 through 14215 of TCJA: modifications to rules for subpart F income;
- 14501 of TCJA: Restriction on insurance business exception to passive foreign investment company rules; and
- 40411 of the Bipartisan Budget Act: Extension of the phaseout of the energy credit and depreciation.

Section 62. Property tax refund income definition and exemption amounts. Modifies the definition of household income under the property tax refund for renters and the homestead credit refund programs to eliminate the addition for the domestic production deduction, which was repealed by the TCJA, and to include nontaxable alimony received by the claimant. The section also requires alimony to be paid to be excluded from household income. Effective for tax year 2019, TCJA provides that alimony (paid under new agreements or orders) is no longer deductible to the payer and includible in the recipient's income. References to the exemption amount in the definition of household income are tied to the dependent exemption amount under the Minnesota income tax. Effective for refunds based on property taxes payable in 2020 and rent paid in 2019.

Section 63. Gross rent. Updates the gross rent amounts for purposes of the property tax refund for nursing homes, foster care homes, and intermediate care facilities and adds a reference to rules established in **section 2** for inflation indexing of the rent amounts. Effective for adjustments beginning with refunds based on rent paid in 2019.

Section 64. Internal Revenue Code; PTR update. Updates the reference to the IRC for purposes of the property tax refund. Effective for refunds based on property taxes payable in 2020 and rent paid in 2019.

Section 65. Inflation adjustment; PTR. Strikes the references to the IRC for the inflation adjustment of income thresholds and refunds for the property tax refund. Inserts a reference to rules established in **section 2** for inflation indexing. Effective for refunds based on property taxes paid in 2020 and rent paid in 2019.

Section 66. Scope; estate tax. Updates the reference to the IRC for purposes of the estate tax chapter. Effective the day following final enactment, with changes incorporated by federal changes effective retroactively at the same time as for federal purposes.

Section 67. Sale of property used in a trade or business. Provides a past-date IRC reference for purposes of the sales tax exemption for like-kind exchanges. Under TCJA, like-kind treatment for personal property is no longer allowed. Effective retroactively for tax year 2018.

Section 68. Exemptions. Provides a past-date IRC reference for purposes of the motor vehicle sales tax exemption for like-kind exchanges. Under TCJA, like-kind treatment for personal property is no longer allowed. Effective retroactively for tax year 2018.

Sections 69 and 70. Subtraction; Addition. Update the reference for the first-time homebuyer savings account from FTI to FAGI. Effective beginning in tax year 2019.

Section 71. Application. Updates the reference in the JOBZ chapter from FTI to FAGI. Effective beginning in tax year 2019.

Section 72. Special provision for tax year 2017. For tax year 2017, does not conform retroactively to mortgage insurance premium deduction and tuition subtraction. BBA extended those two deductions federally for tax year 2017. Effective for tax year 2017 only.

Section 73. Revisor instruction. Instructs the commissioner of revenue to notify the Revisor of amended amounts that are indexed for inflation under section 2. The Revisor must publish the updated amounts in the 2019 Supplement to Minnesota Statutes.

Section 74. Repealer. Repeals the following provisions:

- Addition for fines, fees, and penalties for individuals, which is now included in federal income;
- Addition for domestic production activities for individuals;
- Additions for disallowed itemized deductions and personal exemptions;
- Subtraction for subnational foreign taxes. The subtraction is allowed as an itemized deduction under the bill;
- Addition (corporations) for domestic production activities;
- Addition for fines, fees, and penalties (corporations), which is now included federal income; and

- Disallowance of trade or business expense for fines, fees, and penalties, which now are disallowed by federal law.

Article 2: Income, Corporate Franchise, and Estate Taxes

Section 1. Definitions; angel credit. Lowers the investment threshold for qualified investments in greater Minnesota, veteran-, minority-, or women-owned businesses from \$10,000 to \$7,500.

Establishes a definition of “veteran” and “veteran-owned business.” Effective beginning in tax year 2019.

Sections 2 to 4. Certification. Delete obsolete references. Effective the day following final enactment.

Section 5. Credit allowed. Allocates \$10 million for the angel investment credit for tax years 2019 and 2021.

Section 6. Annual reports; angel credit. Lowers the fine for qualified businesses, funds, and investors failing to file an annual report from \$500 to \$100 but allows the commissioner to revoke the credit or trigger the credit repayment provisions if a report is not filed by April 1. Effective beginning in tax year 2019.

Section 7. Sunset. Modifies the sunset provisions of the credit for purposes of reporting requirements and the appropriation to DEED to administer the program. Effective beginning in tax year 2019.

Section 8. Use of money; TANF. Eliminates the requirement that TANF funds must be used to pay for the refundable portion of the working family credit. Effective July 1, 2019.

Section 9. Joint income tax returns. Modifies a provision in the tax administration chapter pertaining to joint returns by adding a reference to the Internal Revenue Code to allow automatic relief for Minnesota taxpayers who qualify for equitable innocent spouse relief at the federal level. Effective for returns first due in 2019.

Section 10. Financial institution; captive insurance companies. Eliminates the requirement that exempt insurance companies must be subject to the premiums tax. Under current law, companies that do not write coverage on Minnesota risks would be considered captives. Effective retroactively to tax year 2017.

Section 11. Disqualified captive insurance company. Establishes a definition of “captive insurance company” for purposes of determining whether the company becomes a disqualified captive insurance company and is therefore subject to corporate franchise tax. A captive insurance company is a company licensed as a captive insurance company or derives less than 50 percent of its total premiums from sources outside of the unitary business. A captive insurance company is a disqualified captive insurance company if it meets the criteria above and receives less than 50 percent of its gross receipts from premiums, or pays less than 0.5 percent of its total premiums under state insurance premium tax or comparable tax in another state. Effective retroactively to tax year 2017.

Section 12. Social Security subtraction. Increases the Minnesota Social Security subtraction by \$650 for married couples filing joint returns, and by \$520 for single and head of household taxpayers. Also reduces the phaseout thresholds for the subtraction such that taxpayers in the phaseout range would not receive the full amount of the increase in the maximum subtraction. Effective beginning in tax year 2019.

Sections 13 and 14. Disallowed 280E expenses. Allow a subtraction for individuals and corporations, respectively, for the federally disallowed trade or business expenses by medical cannabis manufacturers for purposes of calculating Minnesota income tax. Effective beginning in tax year 2019.

Section 15. Exempt entities; captive insurance companies. Incorporates the definition of disqualified captive insurance companies created in an earlier section in the definition of exempt entities. Effective retroactively to tax year 2017.

Section 16. Schedules of rates for individuals, estates, and trusts. Reduces the second tier income tax rate from 7.05% to 6.8% beginning in tax year 2019, and lowers the fourth tier bracket starting point. Modifies the cross references in the formula for apportioning nonresident income to include provisions added in other sections of the article. Effective beginning in tax year 2019.

Section 17. Working family credit. Expands credit for taxpayers with 0, 1, and 2 children, and adds an additional tier for taxpayers with 3 or more children. Effective beginning in tax year 2019.

Section 18. Appropriation; TANF. Eliminates the inclusion of TANF funds from the appropriation to pay working family credit refunds. Effective July 1, 2019.

Section 19. Credit allowed; 529 credit. Makes a technical change to the phaseout of the 529 credit for married couples filing joint returns. Effective beginning in tax year 2020.

Section 20. Unitary business principle; combined returns; captive insurance companies. Requires foreign and domestic disqualified captive insurance companies to include their income and apportionment factors in the combined report and modifies the definition of a taxable captive to conform to the changes in an earlier section. Effective retroactively to tax year 2017.

Section 21. Determination of sales factor. Amends the current provision that requires corporate mutual fund managers to apportion their sales based on the location of the fund's shareholders to include non-corporate mutual fund managers (i.e., pass-through entities). Also makes a technical change to the federal law reference to investment companies. Effective beginning in tax year 2019.

Section 22. Dividends received from another corporation. Disallows the dividend received deduction on dividends received on debt-financed stock. Effective beginning in tax year 2019.

Sections 23 and 24. Qualified small business property; qualified farm property. Modify the three-year holding period requirement for the estate tax qualified small business property and qualified farm property subtractions, respectively, to allow ownership of the property by

the decedent's spouse, or undivided or joint interest in the property between the decedent and decedent's spouse, to meet the three-year property ownership requirement prior to date of death. Effective retroactively for estates of decedents dying after December 31, 2017.

Section 25. Special waiver of penalties. Provides an exception to the penalty for underpayment of individual or corporate franchise taxes for tax years 2017 and 2018 if the tax is less than \$1,000 and the taxpayer applies for a waiver attesting that the underpayment was the result of tax planning uncertainty due to recent federal changes in the tax code. Effective the day following final enactment.

Section 26. Application of angel investment credit for tax year 2019. Creates a special provision so that the angel credit may be taken in tax year 2019 per the allocation in section 5. Effective the day following final enactment.

Section 27. Repealer; TANF. Repeals the section of law requiring DOR to calculate the amount of working family credit refunds that must be paid with TANF funds. Effective July 1, 2019.

Article 3: Sales and Use Taxes

Section 1. Use of a portion of county fair revenues. Requires a county agricultural society to annually determine the amount of sales tax savings attributable to the exemption authorized in a later section. Requires amount of the sales tax savings to be used to maintain, improve, or expand buildings and facilities on the fairgrounds. Effective July 1, 2019.

Section 2. Sales and use tax. Changes the percent of the June sales tax liability paid on an accelerated basis from 81.4 percent to 87.5 percent for vendors with annual liabilities of more than \$250,000 per year for the June 2020 and 2021 liabilities. The rate is reduced to 84.5 percent beginning with June 2022 liabilities. Effective for sales and purchases made after June 30, 2019.

Section 3. Accelerated payment of June sales tax liability; penalty for underpayment. Modifies the safe harbor provision for underpayment of accelerated June sales tax liabilities to reflect the rate change in section 2. Effective for sales and purchases made after June 30, 2019.

Section 4. Definitions. Reorganizes the definitions used in establishing the duty to collect sales and use tax in response to the Wayfair case. Paragraph (a) defines a retailer or marketplace provider maintaining a place of business (physical presence) in this state. Paragraphs (b) and (c) define a retailer or marketplace provider with economic presence that must collect and remit the sales tax. This language is identical to the language that is being repealed in subdivision 32. Changes the current de minimis provision for remote sellers and remote marketplace providers to match the de minimis in the Wayfair case (either 200 retail sales or \$100,000 in retail sales into the state during the last 12-month period). Paragraph (d) is the existing definition of "marketplace provider." Paragraph (e) is the existing definition of "destination of a sale" that used to be in paragraph (b). Effective for sales and purchases made after September 30, 2019.

Section 5. Collection and remittance requirements for retailers and marketplace providers. Provides for who is responsible for collecting the tax and when remote sellers must begin collecting the tax or when they may discontinue collecting the tax. Paragraph (a) requires

all retailers to collect and remit taxes on all sales except those facilitated by a marketplace provider that is collecting and remitting the sales tax. Paragraph (b) strikes language providing a separate (lower) de minimis for retailers making sales only through marketplace providers. Requires all marketplace providers to collect and remit tax on sales they facilitate unless: 1. a retailer provides the marketplace provider with a copy of its registration to collect the tax; and 2. the marketplace provider and retailer agree that the retailer will collect the tax on these sales. Paragraph (c) states that nothing in paragraph (b) prohibits the retailer and marketplace providers from entering into an agreement about who will collect and remit the tax. Paragraph (d) states that a remote retailer or marketplace provider must begin collecting and remitting the sales tax no later than 60 days after meeting the de minimis requirement and must continue to collect and remit for at least 12 months. Paragraphs (e) and (f) outline the steps a remote retailer or marketplace provider must take in order to cease collecting the sales tax after no longer soliciting sales in this state. Effective for sales and purchases made after September 30, 2019.

Section 6. Marketplace provider liability. Eliminates language related to when a remote seller must collect the tax. This language was moved to section 4, paragraph (b). States that a marketplace provider is subject to audit on the sales for which it must collect and remit sales tax. Limits the liability for a tax error due to incorrect or insufficient information provided to the marketplace provider by a retailer using the site. Effective for sales and purchases made after September 30, 2019.

Section 7. Certain herbicides. Provides a sales tax exemption for herbicides when purchased by lakeshore property owners, an association of lakeshore property owners, or by a contractor hired to provide the invasive aquatic plant management. Only covers herbicides: (1) labeled for use in water; (2) registered with the Department of Agriculture for use on invasive aquatic plants; and (3) listed as one of the herbicides proposed for use on the invasive aquatic plant management permit. Effective for sales and purchases made after June 30, 2019.

Section 8. Nonprofit tickets or admissions. Provides a sales tax exemption on tickets or admissions to performances or events held by a nonprofit agricultural heritage organization provided that the event is sponsored and conducted exclusively by volunteers, employees, and board members of the nonprofit organization; and the performance or event is consistent with the nonprofit's tax-exempt purpose. Effective the day after final enactment.

Section 9. Ice arenas and rinks. Expands the existing sales tax exemption for the nonprofit running the ice arena and rinks at the Duluth Heritage Center to include the nonprofit running the ice arena or rinks at the David M. Thaler Sports Center in Mound, Minnesota. Effective for sales and purchases made after June 30, 2019.

Section 10. County agricultural society sales and county fairs. Provides a sales tax exemption for sales by a county agricultural society during a regularly scheduled county fair held on the county fairgrounds. The exemption does not apply to sales or events other than a regularly scheduled county fair or to events not held on county fairgrounds. Effective for sales and purchases made after June 30, 2019.

Section 11. Properties destroyed by fire (Melrose). Requires that for the period between January 1, 2019, and July 1, 2019, the sales tax must be paid on exempt construction materials and refunded to the property owners in the same manner as was required for the time period from September 30, 2016, and July 1, 2017. The extension of the exemption is in section 18.

Effective retroactively for sales and purchases made after December 31, 2018.

Section 12. Properties destroyed by fire (Mazeppa). Provides a sales tax exemption for building materials and supplies and equipment incorporated into the construction or replacement of property, including certain capital equipment, affected by a fire in Mazeppa in 2018. Under this provision, capital equipment includes equipment used in a restaurant for food storage, preparation, and serving. The tax must be paid upfront and then refunded as provided in later sections. Effective retroactively for sales and purchases made after March 11, 2018, and before January 1, 2022.

Section 13. Construction; certain government facilities. Provides a sales tax exemption for construction materials and supplies and equipment purchased for the following local government projects:

- Monticello fire station for purchases from January 1, 2019, to January 1, 2022;
- Inver Grove Heights fire station for purchases from June 30, 2018, to January 1, 2021;
- Minnetonka fire and police station for purchases between May 23, 2019, to January 1, 2021;
- Minneota school building for purchases between January 1, 2018, to January 1, 2021;
- Mendota Heights fire station for purchases between December 31, 2018, and January 1, 2021; and
- Dakota County SMART center for purchases after June 30, 2019, and before July 1, 2021.

For all projects the tax is paid at the time of purchase and refunded as provided in sections 14 and 15.

Section 14. Tax collected. Provides that the sales taxes paid under sections 11 to 13 are refundable.

Section 15. Refund; eligible persons. Provides that the person eligible for the refund in sections 11 and 12 is the owner or developer of the project. Provides that the local government must apply for the sales tax refund under section 13. Effective the day following final enactment.

Section 16. Accelerated tax payment; cigarette or tobacco products distributor. Changes the percent of the June sales tax liability paid on an accelerated basis from 81.4 percent to 87.5 percent for vendors with annual liabilities of more than \$250,000 per year for the June 2020 and 2021 liabilities. The rate is reduced to 84.5 beginning with June 2022 liabilities. Effective for sales and purchases made after June 30, 2019.

Section 17. Accelerated tax penalty; payment. Changes the percent of the June sales tax liability paid on an accelerated basis from 81.4 percent to 87.5 percent for liquor distributors with annual liabilities of more than \$250,000 per year for the June 2020 and 2021 liabilities. The rate is reduced to 84.5 beginning with June 2022 liabilities. Effective for sales and purchases made after June 30, 2019.

Section 18. Effective date (city of Melrose). Retroactively extends the effective date for the sales tax exemption related to the fire in the city of Melrose until January 1, 2023. This expired December 31, 2018. Extends the effective date for refunds of taxes paid on these purchases under section 11.

Section 19. Repealer. Repeals a subdivision outlining what constitutes systematic solicitation when determining a remote seller's duty to collect sales tax. This language was moved to the definitions in section 4. Effective for sales and purchases after September 30, 2019.

Article 4: Property Tax

Sections 1. Watershed districts; construction or implementation fund; levy. Allows a watershed district's construction or implementation fund to receive loans or grants from the state or federal government. Under current law, the funds may receive loans from the Pollution Control Agency or the federal government. Effective beginning with taxes payable in 2020 and thereafter.

Section 2. Watershed districts; project tax levy. Allows the watershed districts to levy for projects that receive grants or loans appropriated by law, and allows the district to levy for repayment of bonds or interest associated with any bonds. Under current law, watershed districts can levy for projects that receive grants or loans from the Clean Water Partnership. Effective beginning with taxes payable in 2020 and thereafter

Section 3. County historical society; tax levy. Allows a city or town to appropriate money from its general fund to fund a city or town historical society. Current law provides that a city or town may appropriate funds for a county historical society only. Effective the day following final enactment.

Section 4. Records; data privacy. Authorizes a county veterans' service officer to disclose information to a county or local assessor necessary for determining eligibility for the disabled veterans homestead market value exclusion. Effective the day following final enactment.

Section 5. Agricultural historical society property; exemption. Increases, from 20 to 40 acres, the total number acres per owner per county that qualifies for the agricultural historical society property tax exemption. For assessment year 2019 only, an exemption application must be filed by July 1, 2019. Effective beginning with assessment year 2019.

Section 6. Certain property owned by an Indian tribe; exemption. Provides a property tax exemption for an Indian-owned pharmacy in the city of Minneapolis. The exemption is limited to parcels and structures that do not exceed 4,000 square feet, and the exemption expires with taxes payable in 2029. For assessment year 2019 only, an exemption application must be filed by July 1, 2019. Effective beginning with taxes payable in 2020 and thereafter.

Section 7. Licensed child care facility. Authorizes a property tax exemption for licensed child care facilities that are owned and operated by a 501(c)(3) nonprofit charitable organization and that accepts families participating in the CCAP child care assistance program. For assessment year 2019 only, an exemption application must be filed by July 1, 2019. Effective beginning with assessment year 2019.

Section 8. Certificates of Real Estate Value. Changes the threshold for filing a Certificate of Real Estate Value for consideration in excess of \$1,000 to in excess of \$3,000. Effective for certificates of value filed after December 31, 2019.

Section 9. Manufactured home park cooperative. Eliminates a prohibition against shareholders of manufactured home park cooperatives from including ground lease payments as part of “property taxes payable” when determining eligibility for the homestead credit refund/PTR. Effective beginning with claims for taxes payable in 2020.

Section 10 and 11. Agricultural homestead classification for business entities. Allows agricultural homestead classification for properties owned by one business entity and operated by a separate business entity if the following requirements are met:

- (1) the shareholder, member, or partner residing on and actively engaged in farming the land is a shareholder, member, or partner of the business entity that is operating the farm; and
- (2) more than half of the shareholders, members, or partners of each entity are qualifying relatives.

Effective beginning with assessment year 2019.

Sections 11 and 12. Agricultural homestead; trust property. Modifies requirements that allow for agricultural homestead classification for properties owned by trusts, by providing that rules requiring agricultural property to have the same ownership are satisfied if the properties are owned by some combination of the individual owner, the individual’s spouse or surviving spouse, or a trust or trusts, the grantor of which is the individual, spouse, surviving spouse, or deceased spouse, and extends the proposed trust ownership rule to noncontiguous parcels located within four townships or cities. Effective with taxes payable in 2020 and thereafter.

Section 13. Fractional homesteads. Provides that for agricultural property, ownership percentages for property owned by tenants in common must be based on deeded ownership amounts for each owner who homesteads the property. Effective beginning no later than assessment year 2019, but if a county assessor determines that a county is unable to comply, the county must implement this section beginning with assessment year 2020.

Section 14. Disclosure. Authorizes the county assessor to share with the county veterans’ service officer certain information used to determine eligibility for the disabled veterans homestead market value exclusion. Effective the day following final enactment.

Section 15. Class 2. Allows land to continue to qualify for agricultural classification even if up to three acres of the land is used to serve environmental purposes, such as buffer strips, old growth forest restoration or retention, or retention ponds. Effective beginning with assessment

year 2019.

Section 16. Disabled veterans homestead market value exclusion. Eliminates the eight-year carryforward limit for surviving spouses, and allows a surviving spouse to continue receiving the market value exclusion until the spouse remarries or ceases to own the property. This section also extends the application due date from July 1st to December 15th. Effective beginning with assessment year 2019.

Section 17. Agricultural homestead market value credit. Clarifies that the maximum agricultural homestead market value credit is \$490 for a full homestead, and for property owned by more than one person, the credit shall be equal to \$490 times the owner's percentage of homestead. Effective beginning with taxes payable in 2020 and thereafter.

Section 18. Report required. Provides that property tax data reported by cooperative associations must be aggregated to the unique taxing jurisdiction level and must exclude information related to property subject to payment-in-lieu taxes. Effective beginning with assessment year 2020.

Section 19. Recommended and ordered values. Changes, from August 1st to July 15th, the date by which recommended assessment values for state-assessed property must be certified by the commissioner of revenue to the county auditor. Effective beginning with assessment year 2019.

Section 20. State general levy; levy amount. Reduces the state general levy amounts for both commercial-industrial property and seasonal-recreational property by a combined \$50 million. The commercial-industrial levy amount is reduced by \$47.5 million, and the seasonal-recreational levy amount is reduced by \$2.5 million. Effective beginning with taxes payable in 2020.

Section 21. Natural gas pipeline; state levy abatement. Requires a county to abate the state general levy on personal property that is part of certain natural gas pipelines. To qualify for the abatement, construction of the intrastate natural gas transportation or distribution pipeline system must have commenced after January 1, 2018, and must provide service to an area outside the seven-county metropolitan area in which more than half of households or businesses lacked access to natural gas distribution systems as of January 1, 2018. The abatement is limited to 12 taxable years, provided that once a property no longer qualifies for the abatement, it may not subsequently qualify. Effective beginning with taxes payable in 2021.

Section 22. Distribution of penalties, interest and costs. Requires that all penalties, interest, and costs collected on the wind energy production tax and the solar energy production tax must be distributed to the same local taxing jurisdictions in the same percentage as is required for the original tax distribution: 80% to counties and 20% to cities and townships. Effective for penalties, interest, and costs collected on taxes payable in 2020 and thereafter.

Section 23. Duties of commissioner after sale. Requires the commissioner of revenue to issue a deed for land that is sold at a tax-forfeiture sale once the county auditor has written confirmation from a closing agent that purchase funds are held in escrow. The county must not record or file a conveyance under this section unless the conveyance contains a certification by the county auditor that the recorder or registrar of titles can accept the recording. Effective for

conveyances issued by the commissioner of revenue after December 31, 2019.

Section 24. Determination of tax; deed tax. Changes the minimum consideration for real property, used in calculating the deed tax, from \$500 or less to \$3,000 or less. Effective for deeds recorded after December 31, 2019.

Section 25. Property taxes payable. Allows resident shareholders of manufactured home park cooperatives to include 17% of their ground lease payments when calculating their property taxes payable for purposes of determining eligibility for the homestead credit refund/PTR. Effective beginning with claims for taxes payable in 2020.

Section 26. Senior citizen property tax deferral program; initial application. Moves the application due date for the senior citizen property tax deferral program from July 1 to November 1. Effective beginning with applications submitted in 2019.

Sections 27-29. Metropolitan agricultural preserves; early termination for park and trail purposes. Allows for immediate termination from the metropolitan agricultural preserves program when a state agency or other governmental unit purchases the property or obtains an easement over the property for the purpose of creating or expanding a public trail or public park. Immediate termination is allowed only for that portion of the property used for trail or park purposes, and any portion not used for such purpose remains an agricultural preserve even if the total acreage is reduced below the required 40 acres. Effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period has not expired.

Section 30. Metropolitan agricultural preserves; early termination upon approval by authority. Allows for early termination from the metropolitan agricultural preserves program upon a request by the landowner, and approval by a majority vote of the authority (defined as the unit of government exercising planning and zoning authority over the land.) To be eligible for early termination under this section, the land must be enrolled in the program for at least eight years, and the landowner must provide notice to the authority that contains a description of the property for which termination is desired, and the date of termination. Effective the day following final enactment and applies to any agricultural preserve where the previously required eight-year termination period has not expired.

Section 31. Effective date; Northwest Minnesota Multicounty Housing and Redevelopment Authority. Extends, by five years, the ability of the Northwest Minnesota Multicounty Housing & Redevelopment Authority to impose up to 25% of the total levy permitted for HRAs without approval of the levy by the governing bodies of the cities and counties within its jurisdiction. The authority to levy the remainder of the total levy remains subject to approval by the governing body of the city or county. Effective beginning with taxes payable in 2019.

Sections 32 to 36. Cloquet Area Fire and Ambulance Special Taxing District. Clarifies the Cloquet Area Fire and Ambulance Special Taxing District's ability to incur debt by designating the district a municipality thereby allowing the district to issue equipment bonds and bonds authorized under chapter 475. These sections also clarify that the district's tax levy is to pay the costs of providing fire or ambulance services, or both, throughout the district, and further provide that a property tax levied by the district on taxable property located in a municipality

that wishes to withdraw from the district shall remain in effect until the obligations outstanding on the date of withdrawal are satisfied. All sections are effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District with approval and filing requirements.

Section 37. Effective date; SFIA. Amends a 2017 effective date relating to changes made to the definition of “forest land” under the Sustainable Forest Incentive Act. The effective date change allows land improved with a paved trail under an easement, lease, or license to the state or political subdivision to meet the requirements under the program when a landowner submits their annual certification. Effective retroactively for certifications made in 2018 and thereafter.

Section 38. Special refund provision; disabled veterans homestead exclusion. Allows a veteran who received a disability rating of 70 percent or more in 2016 or 2017 to apply for a refund of taxes paid in 2017 or 2018. The refund is equal to the difference between the tax paid and the tax that the veteran would have paid had they qualified for the exclusion in one or both of those years. Effective for refund applications received in 2019, for refunds of tax paid in 2017 and 2018.

Article 5: Aids and Credits

Section 1. Referendum equalization levy. Increases equalization aid for current law Tier 2 referendum levies, and conforms with technical provisions in the 2019 Education Omnibus Bill that convert the board-approved portion of Tier 1 referendum revenue to the local optional program. Effective for fiscal year 2021 and later.

Section 2. School building bond agricultural credit. Increases the school building bond agricultural credit from 40 to 50 percent of the property tax attributable to school district bonded debt levies for taxes payable in 2020, and further increases the credit percentage to 55 percent for taxes payable 2021; 60 percent for taxes payable 2022; and to 70 percent for taxes payable in 2023 and thereafter. Effective beginning with property taxes payable in 2020.

Section 3. Additional border city allocation. Provides an additional \$750,000 allocation annually for border city aid. This amount is allocated among the five qualifying cities (Breckenridge, Dilworth, East Grand Forks, Moorhead, and Ortonville) on a per capita basis. The city can choose whether to use the allocation for tax reductions under the regular border city enterprise zone program or the border city development zone program. Allocations are used to provide tax reductions to businesses in the cities, either new and expanding businesses or existing businesses. The allocations remain available until used. Effective July 1, 2020.

Section 4. Border cities enterprise zone restriction. Provides technical clean-up language clarifying the types of property that can qualify for border cities enterprise zone tax reductions. Effective the day following final enactment.

Section 5. City aid distribution. Adjusts the cap on maximum aid losses in any year to allow for the ending of any adjustment, and for aids payable in 2020 only, provides that a city’s 2020 LGA cannot be less than its 2019 aid amount. Effective for aids payable in 2020 and thereafter.

Section 6. Cities LGA appropriation. The city LGA appropriation is increased by \$26 million beginning with aids payable in 2020 and by an additional \$4 million beginning with aids

payable in 2021. The permanent aid appropriation is \$564,398,012 for aids payable in 2021 and thereafter. Effective beginning with aids payable in 2020.

Section 7. County Program Aid; appropriation increase:

- \$13 million is added to the county need portion of the formula for aids payable in 2020 and an additional \$2 million is added for aids payable in 2021 and thereafter, raising that share of the appropriation to \$118,795,000.
- \$13 million is added to the county tax base equalization portion of the formula for aids payable in 2020 and an additional \$2 million is added for aids payable in 2021 and thereafter, raising that share of the appropriation to \$145,873,444.

Effective for aids payable in calendar year 2020 and thereafter.

Section 8. City of Austin; allocation of fire state aid for firefighters. Allows the city to continue to allocate fire pension aid between its volunteer firefighter relief association and its municipal firefighter pension without penalty, similar to what they did under a repealed general law. Effective until a similar general law is enacted.

Section 9. Aid penalty forgiveness; the city of Waubun. Allows the commissioner to pay the second 2018 LGA and small city assistance aid payments to the city Waubun by June 30, 2019, provided its 2017 financial reports are filed with the state auditor by May 31, 2019. Effective the day after final enactment.

Section 10. Local government grants. Appropriates \$4,447,400 in fiscal year 2020 only from the general fund to the Commissioner of Revenue for grants that shall be paid by July 15, 2019, and allocated as follows:

- \$3 million to Beltrami County to be used by the county for out-of-home placement costs;
- \$500,000 to Mahnomen County. Of this amount, \$250,000 must be used by the county for the Mahnomen Health Center, and \$250,000 must be paid from the county to the White Earth Band of Ojibwe to reimburse the band for costs of delivering child welfare services;
- \$500,000 to Otter Tail County to be used by the county for debt service on a building located in the city of Fergus Falls and formerly leased by the state to provide residential treatment services;
- \$275,000 to the city of Lilydale to be used for infrastructure upgrades and bond payments related to the Highway 13 construction;
- \$129,000 to the city of Austin to reimburse the city for 2016 state fire aid and supplemental police and fire retirement aid;
- \$38,400 to the city of Flensburg for lost LGA and small cities assistance aid; and
- \$2,600 to the city of Mazeppa and \$2,400 to Wabasha County, to be used by the city and county for property tax abatements and other costs incurred by public and private entities as a result of a fire in the city of Mazeppa on March 11, 2018.

This section also appropriates \$600,000 in fiscal year 2020 and \$600,000 in fiscal year 2021 for grants to Wadena County to be used for costs related to providing human services.

\$5.4 million in fiscal year 2022 is appropriated from the general fund for a grant to the city of Virginia to be used to repay loans for costs related to the utility relocation for the US Highway 53 project.

The appropriations under this section are onetime and are not added to the base. Effective the day following final enactment.

Section 11. Appropriation of lapsed amounts; fire remediation grants. Appropriates \$643,729 in fiscal year 2020 from the general fund to the Commissioner of Revenue for grants to the city of Melrose to remediate the effects of fires in the city on September 8, 2016. This appropriation reflects the unused amount of the original appropriation made to the city in 2017. This appropriation is onetime, and is available until June 30, 2021. Effective the day following final enactment.

Article 6: Local Sales Taxes

Section 1. Authorization; scope. Allows a local government to spend money to disseminate information on the resolution to seek a local sales tax but only if they provided a detailed list of proposed projects to be funded and each of the project's costs. Prohibits local governments from including motor vehicle excise taxes in any future local sales taxes; except as authorized for counties under section 297A.993. Effective the day following final enactment.

Section 2. Requirements. Adds a statement clarifying that the purpose of local government sales taxes is to pay for capital projects with a clear regional benefit and that using the funds for local projects increases inequities between communities and undermines state assistance provided through property tax deductions and the property tax refund system. Effective the day following final enactment.

Section 3. Local resolution before application for authority. Expands and changes the requirements for the local resolution that a political subdivision must pass prior to seeking local sales tax authority. Changes include:

- limiting the resolution to no more than five capital projects to be funded by the proposed tax;
- including more detailed information on each project including the amount to be funded from the sales tax and documentation indicating the share of the benefit of each project going to persons other than local residents;
- requiring the political subdivision to submit the resolution and underlying documentation to the chairs of the house and senate tax committee by January 31 of the year in which it is seeking special legislation; and
- stating that the special legislation granted may only fund projects listed in the resolution, although it need not allow funding of all projects listed in the resolution. Effective the day following final enactment and applies to all local sales taxes not authorized by the legislature before July 1, 2019.

Section 4. Legislative authority required before voter approval; requirements for adoption, use, termination. Requires the political subdivision to receive authority to impose a local sales tax before seeking approval by the voters, rather than the current requirement that the referendum be held before seeking authorizing legislation. Also requires that a separate question be held for financing each authorized project with the tax. The maximum amount raised and the termination date for the tax must be adjusted proportionately for any project that is not approved by the voters. A city that passed a referendum at the 2018 general election but did not get special legislation enacted in 2019 will not have to go back and hold a second election if it receives authorization under special law before January 1, 2021, provided it submits a detailed resolution under subdivision 3 that does not conflict with the language in the 2018 referendum. Adds a paragraph (f) that requires the Department of Revenue to retain a portion of any excess revenues when a tax terminates because allowed revenues have been raised. This amount is deposited in the general fund. Effective the day following final enactment and applies to all local sales taxes not authorized by the legislature before July 1, 2019, except that paragraph (f) applies retroactively to all currently imposed local sales taxes

Section 5. Minneapolis liquor, lodging, and restaurant taxes. Changes the cap on this tax so that it only applies to the total city tax rate that may be imposed on lodging establishments of 50 or more rooms in the city of Minneapolis. The new cap is 6.5 percent. This eliminates reductions in this tax caused by increases in county and state tax rates. Effective for sales and purchases made after June 30, 2019.

Section 6. St. Paul lodging tax. Increases the authorized maximum rate for the St. Paul lodging tax from 3% to 4%. Effective the first day of the calendar quarter beginning at least 30 days after filing local approval with the secretary of state.

Section 7. Two Harbors lodging tax. Provides that the authorized maximum rate for the Two Harbors lodging tax and the Lake County lodging tax authorized in a later section must not exceed 5%. Effective upon filing local approval with the secretary of state.

Sections 8 to 11. Two Harbors local sales tax. Authorizes the city to impose an additional .5% local sales tax and issue up to \$30 million in bonds for water and sewer infrastructure projects and related engineering and construction expenses. The tax expires at the earlier of 25 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 12. Cloquet local sales tax. Authorizes the city to use previously authorized revenues raised but not spent for extension of utilities and construction of improvements of property adjacent to Highway 33 and Interstate Highway 35 for various park improvement projects, and engineering and construction of infrastructure improvements. Effective upon the city complying with approval and notice requirements for special laws.

Section 13. Avon local sales tax. Authorizes the city to impose up to a .5% tax and issue up to \$1.5 million in bonds for transportation improvement projects as adopted in the city's street priority improvement plan. The tax would terminate at the earlier of December 31, 2045 or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 14. Blue Earth local sales tax. Authorizes the city to impose a .5% tax and issue up to

\$5 million in bonds for construction of sewer plant improvements, street reconstruction projects, and recreational amenities. The tax would terminate at the earlier of 25 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 15. Cambridge local sales tax. Authorizes the city to impose a .5% tax and issue up to \$22 million in bonds for construction of a new facility to house the Cambridge Public Library and the East Central Regional Library Headquarters (\$8 million) and street and outdoor park improvements (\$14 million). The tax would terminate at the earlier of December 31, 2043, or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 16. Detroit Lakes local sales tax. Authorizes the city to impose a .5% tax and issue up to \$6.7 million in bonds for construction of new police department facility. The tax would terminate at the earlier of ten years or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 17. Elk River local sales tax. Authorizes the city to impose a .5% tax and issue up to \$35 million in bonds for recreational facility and park improvements including: a multipurpose recreational facility such as an ice arena, a community meeting and activity space, and a synthetic turf field house; senior center facility improvements; Lion John Weicht Park improvements, Lions Park Center space improvements, and a community picnic pavilion addition; youth athletic complex improvements; Orono Park improvements; dredging Lake Orono; and citywide trail connection improvements. The tax would terminate at the earlier of 25 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 18. Excelsior local sales tax. Authorizes the city to impose an up to .5% tax and issue up to \$7 million in bonds for implementation of the Commons Master Plan, including improvements for walkability and accessibility, enhancement of beach area and facilities, prevention and management of shoreline erosion, redesign of the port and band shell, and improvement of playground equipment. The tax would terminate at the earlier of 25 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 19. Glenwood local sales tax. Authorizes the city to impose an up to .5% tax and issue up to \$2.8 million in bonds for Phase II and Phase III improvements to 2nd Street SE; development, expansion and improvements to city parks, trails and recreational activities; and improvements to Glenwood City Hall/Police Station. The tax would terminate at the earlier of 20 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 20. International Falls local sales tax. Authorizes the city to impose an up to 1% tax and issue up to \$30 million in bonds for transportation and other public infrastructure projects. The tax would terminate at the earlier of 30 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city complying with approval and notice requirements for special laws.

Section 21. La Crescent lodging tax. Allows the city of La Crescent to impose an extra two

percent local lodging tax in addition to the three percent lodging tax allowed under general law. The total tax under this law and general law is limited to five percent. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 22. Lake County lodging tax. Authorizes the city to impose a lodging tax up to 4% for the Lake County Event and Visitors Bureau. Seventy-five percent of revenues must be used for marketing the county and 25% must be used to fund and promote events and festivals in Fall Lake, Beaver Bay, Silver Bay, Two Harbors, Knife River, Larsmont, Finland, and Isabella. The tax under this section and the Two Harbors lodging tax must not exceed 7%. No other town or city located in the county that did not impose a lodging tax under general law prior to May 1, 2019, may impose a tax under general law while the tax under this section is imposed. The county board must annually review the Bureau's budget, and the Bureau may not receive revenues from the taxes until the board approves the budget. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 23. North Mankato food and beverage tax. Authorizes the city to impose an up to 1% food and beverage tax for operation, maintenance, and capital expenses for Caswell Park Regional Sporting Complex, and costs related to regional tourism events. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 24. Perham local sales tax. Authorizes the city to impose an up to .5% tax and issue up to \$5.2 million in bonds for preparation, redevelopment, renovation, design, construction, furnishing, and equipping of buildings, land, and infrastructure at the Perham Community Center site. The tax would terminate at the earlier of 20 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 25. City of Plymouth; local lodging tax authorized. Allows the city of Plymouth to impose an extra three percent local lodging tax for ten years, in addition to the three percent lodging tax allowed under general law. Two thirds of the revenues from this special tax must be used for capital improvements to public recreational facilities and for marketing and promotion and the remaining one-third must be used as required under general law—to fund a local convention or tourism bureau. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 26. Rogers local sales and excise taxes. Authorizes the city to impose an up to .25% tax and a \$20 motor vehicle excise tax and issue up to \$16.5 million in bonds for trail and pedestrian facilities including I-94 crossing, County Road 144 pedestrian tunnel, and other new trails and trail connections; various aquatics facilities; and various community athletic facilities. The tax would terminate at the earlier of 20 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 27. Sartell food and beverage tax. Authorizes the city to impose a tax of up to 1.5% for capital or operational costs for new and existing recreational facilities and amenities in the city, subject to voter approval. The tax terminates five years after first imposed. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 28. Sauk Centre local sales and excise taxes. Authorizes the city to impose a tax of

up to .5% and a \$20 motor vehicle excise tax and issue up to \$10 million in bonds for improvement of Trunk Highway 71 and projects in the city's capital improvement plan. The tax would terminate at the earlier of December 31, 2045, or when sufficient revenue to pay the bonds has been raised. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 29. Scanlon local sales tax. Authorizes the city to impose an up to .5% tax and issue up to \$400,000 in bonds for city street improvements and utility infrastructure, including storm sewer and sanitary sewer improvements. The tax would terminate at the earlier of ten years or when sufficient revenue to pay the bonds has been raised. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 30. Virginia local sales tax. Authorizes the city to impose an up to 1% tax and issue up to \$30 million in bonds for the renovation, reconstruction, expansion and improvements of the Miner's Memorial recreation complex and convention center. The tax would terminate at the earlier of 20 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 31. West St. Paul local sales tax. Authorizes the city to impose a .5% tax and issue up to \$28 million in bonds for rebuilding and repair of transportation corridors and related ancillary roads in the city. The tax would terminate at the earlier of 20 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 32. Willmar local sales and excise taxes. Authorizes the city to impose an up to .5% tax and an up to \$20 motor vehicle excise tax and issue up to \$30 million in bonds for the following projects: \$2 million for a community center replacement; \$6 million for new athletic fields; \$3 million for infrastructure improvements at Robins Island Regional Park; \$2 million for a new playground and spectator amenities at Swansson Field Regional Park; \$7 million for stormwater management infrastructure improvements; and \$10 million for a new recreation and event center. The city may by ordinance reallocate up to 10% of the funds designated for one or more projects to other projects. The tax would terminate at the earlier of 13 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 33. Worthington local sales tax. Authorizes the city to impose a .5% tax and issue up to \$25 million in bonds for improvements to the aquatic center; field house; ice arena; park and recreation capital projects; lake quality; and the 10th street plaza. The tax would terminate at the earlier of 15 years or when sufficient revenue to pay the bonds has been raised. Effective upon the city's compliance with approval and filing requirements for special laws.

Section 34. Resolution and public notice of specific projects to be funded with a local sales tax. Requires cities affected by this provision to pass a new resolution before imposing or increasing a local sales tax. The resolution must list each specific project and dollar amount of each project to be funded with the sales tax revenue. Defines what qualifies as a "specific project." The city must file an affidavit of compliance along with the required resolution with the commissioner of revenue before the tax is imposed and the resolution must be posted on the city website for the duration of the tax. Only projects listed in the new resolution may be funded with the sales tax revenues. The local sales tax authority expires January 1, 2021, if the

city has not complied by the last business day before December 31, 2020. Effective the day following final enactment.

Article 7: Tax Increment Financing

Section 1. City of Hopkins; TIF District No. 2-11. Modifies pooling authority under a 2003 special law for the city of Hopkins by authorizing the city to pool increment for redevelopment activities, in addition to administrative expenses and housing activities. Pooling for administrative activities is limited to ten percent and pooling for housing/redevelopment activities is limited to 20 percent. The total amount of pooling authorized for the district is 25 percent. Effective upon approval by the city, and compliance with filing requirement

Section 2. City of Bloomington; Bloomington Central Station. Provides a six-year extension of the five-year rule (from 15 to 21 years) for the Bloomington Central Station Tax Increment Financing District. Effective upon approval by the city of Bloomington and compliance with filing requirements.

Section 3. City of Edina; Southeast Edina Redevelopment Area. Extends, by two years, the authority of the city of Edina to establish housing tax increment financing districts pursuant to special legislation granted in 2014. Effective upon approval by the city of Edina, and compliance with filing requirements.

Section 4. City of Alexandria; TIF District No. 50. Provides a three-year extension of the five-year rule (from five to eight years) for Tax Increment Financing District No. 50 in the city of Alexandria. Effective upon approval by the city of Alexandria, and compliance with filing requirements.

Section 5. City of Anoka; Commuter Rail Transit Village. Provides a three-year extension of the five-year rule (from eight to 11 years) for the Commuter Rail Transit Village Tax Increment Financing District in the city of Anoka. Effective upon approval by the city of Alexandria, and compliance with filing requirements.

Section 6. City of Champlin; Mississippi Crossings. Provides a five-year extension of the five-year rule, and a five-year duration extension, for the Mississippi Crossings Tax Increment Financing District in the city of Champlin. Effective upon approval by the city of Champlin, Hennepin County, and Independent School District No. 11 (Anoka-Hennepin), and compliance with filing requirements.

Section 7. City of Duluth; Special Rules Authorization. Authorizes the city of Duluth to establish one redevelopment tax increment financing district within a defined area. If established, the district is exempt from the “blight test” requirement, and the requirement that 90% of the increment generated from the district be used to correct conditions allowing for the redevelopment district designation. Increment may also be spent on seawalls and pier facings adjacent to the boundaries of the district. Effective upon approval by the city of Duluth, and compliance with filing requirements.

Section 8. City of Minneapolis; Upper Harbor Terminal. Authorizes the city of Minneapolis to establish one or more redevelopment tax increment financing districts within a defined area. The districts are exempt from the “blight test” requirement, and the requirement that 90% of the

increment generated from the district be used to correct conditions allowing for the redevelopment district designation. The five-year rule is extended to ten years for any established district, and the city may also increase pooling by 10% on activities outside the district, but within the project area. Effective upon approval by the city of Minneapolis, and compliance with filing requirements.

Section 9. City of Roseville; Hazardous Substance Subdistrict No. 17A. Allows increment generated from Roseville's Hazardous Substance Subdistrict No. 17A to be used for financing environmental remediation pursuant to one or more response action plans on parcels within the district regardless of the date of approval of the response plan. Effective upon approval by the city of Roseville, and compliance with filing requirements.

Article 8: Public Finance

Section 1. Bonding authority; State Agricultural Society. Increases, from \$20 million to \$30 million, the maximum amount of bonds that may be issued by the State Agricultural Society (State Fair).

Section 2. Interest; drainage lien. Increases the maximum interest rate that counties may charge on drainage lien principal. Under current law, the rate may not exceed the rate determined by the state court administrator for certain judgments. This section sets the rate at the rate determined by the state court administrator, or six percent, whichever is greater.

Section 3. Bond authorization; school districts. Eliminates the public notice requirement for school districts prior to the solicitation of bids so that notice is required only before the issuance of bonds or before the final certification of levies.

Section 4. Authorization; rates. Clarifies that any county may impose a transportation sales and use tax as all counties are now defined as outside the metropolitan area after the disbanding of the Counties Transit Improvement Board (CTIB).

Section 5. Allocation; termination. Allocation; termination. Clarifies that a county may issue transportation sales tax bonds for multiple projects, and requires a public hearing on new enumerated projects.

Section 6. Bonds. Allows a county to issue bonds secured by the transportation sales and use tax. Bond issuance is subject to a public hearing, and the projects funded with the bonds must be included in a county's capital improvement plan.

Section 7. Municipality may file bankruptcy petition. Updates the reference to the United States Bankruptcy Code to reflect amendments made since 1996 and to adopt future amendments in law authorizing municipalities to file for bankruptcy.

Section 8. Public facilities project. Expands the types of district heating/cooling projects that qualify as public facilities projects under the bond allocation statute by allowing both publicly and privately owned facilities. Under current law, the facility must be either publicly owned or owned by a nonprofit organization to qualify for an allocation of public facilities bonding.

Section 9. Definitions. Modifies the definition of "municipality" for purposes of capital

improvement bonds so that any town can issue bonds, regardless of its population.

Section 10. Repealer. Repeals the expiration of the state agricultural society's bonding authority.

Section 11. Effective date. Provides that all sections are effective July 1, 2019.

Article 9: MinnesotaCare Tax

Section 1. Nexus in Minnesota. (a) Provides that a person selling legend drugs not purchased from a wholesale drug distributor and sellers or repairers of hearing aids or prescription eyewear are subject to the taxes imposed by this chapter if certain requirements are met. The requirements include maintaining an office, employing an employee or agent, owning real property, or leasing property, in this state.

(b) Provides that, unless otherwise covered by paragraph (a), a wholesale drug distributor or person selling legend drugs not purchased from a distributor are subject to the taxes imposed by this chapter if certain requirements are met. The requirements include selling or delivering legend drugs from outside the state to inside the state and surpassing limits on the number of sales, gross revenues, or prices paid for the drugs.

(c) Provides that, unless otherwise covered by paragraph (a), a person who sells or repairs hearing aids or prescription eyewear is subject to the taxes imposed by this chapter if certain requirements are met. The requirements include selling, delivering, or repairing hearing aids or prescription eyewear outside the state to inside the state and surpassing limits on the number of sales or gross revenue.

(d) Requires a taxpayer that has established a nexus with Minnesota under paragraph (b) or (c) to file an annual return and remit taxes for subsequent years. Creates a process for taxpayers who have established a nexus to cease filing returns if certain requirements are met.

(e) Requires taxpayers who have reestablished a nexus in Minnesota after ceasing to file returns to again comply with paragraph (d).

Effective date. (a) Provides that the section is effective the day following final enactment.

(b) Clarifies that Minnesota has jurisdiction over the persons described in paragraphs (b) and (c) for purposes of imposing taxes under this chapter.

Section 2. Hospital tax. Changes the tax on hospital revenues to a rate of 1.8 percent. Effective for gross revenues received after December 31, 2019. Surgical center tax. Changes the tax on surgical center revenues to a rate of 1.8 percent.

Section 3. Surgical center tax. Changes the tax on surgical center revenues to a rate of 1.8 percent.

Section 4. Provider tax. Changes the tax on each health care provider's revenues to a rate of 1.8 percent. Effective for gross revenues received after December 31, 2019.

Section 5. Wholesale drug distributor. Changes the tax on a wholesale drug distributor's revenues to a rate of 1.8 percent. Effective for gross revenues received after December 31, 2019.

Section 6. Use tax; legend drugs. Changes a complimentary use on persons receiving legend drugs from a nontaxed source to a rate of 1.8 percent. Effective for legend drugs received or delivered after December 31, 2019.

Section 7. Contingent reduction in tax rate. Corrects a cross-reference. Effective the day following final enactment.

Section 8. Interest on overpayment. Requires that interest on an overpayment refunded or credited be paid in the manner provided in section 289A.56, subdivision 2. Effective for overpayments made on or after January 1, 2020.

Section 9. Riders. Corrects references.

Section 10. Repealer. Repeals the sunset of certain taxes.

Article 10: Duluth Regional Exchange District

Section 1. Duluth regional exchange district appropriation bonds. Authorizes the commissioner of management and budget to sell 25-year appropriation bonds under the terms in this section upon request by the city of Duluth. This section also provides for up to \$97.7 million to finance public infrastructure in the city of Duluth, and appropriates, from the general fund, up to \$8.1 million per year from 2022 through 2055 to pay debt service on the bonds. Debt service on these bonds is paid for from a statutory general fund appropriation that may be repealed, canceled, or unallotted.

Section 2. Definitions. Defines terms used in the Duluth regional exchange district enabling statute. The "medical business entity east" is St. Luke's Hospital and the "medical business entity west" is Essentia. Effective upon approval by the city of Duluth and filing requirements.

Section 3. Regional exchange district. Creates the regional exchange district within a defined geographical location, and provides for the public purpose in creating the district. Effective upon approval by the city of Duluth and filing requirements

Section 4. City powers; duties.

Subd. 1. Port authority powers. Allows Duluth to exercise port authority powers to implement the development in the district.

Subd. 2. Steel products. Requires a public infrastructure project to use steel made from iron ore mined from the taconite assistance area if practicable.

Subd. 3. City contracts; construction requirements. Requires the city to use reasonable efforts to insure women and members of minority communities are hired.

Subd. 4. Public bidding exemption. Exempts the city from competitive bidding for

parking or other public improvements directly related to a private development in the district.

Subd. 5. Parking structures revenue. Requires imposing market rate fees with an exception for a church.

Subd. 6. City utility fund contribution. Requires the city to use the city utility fund for utility improvements, and requires that revenue spent in the district from the utility fund and revenue from the local sales tax increase equal at least \$10 million.

Effective upon approval by the city of Duluth and filing requirements.

Section 5. Regional exchange district public infrastructure projects. Provides for projects eligible for state appropriation support payments, upon approval by the city council. Eligible projects include: (1) two levels of expansion to an existing medical district parking ramp and skywalk replacement; (2) a ramp with up to 1,400 new parking stalls to serve the medical entity west; (3) extension of 6th Avenue East; (4) demolition of existing hospital structure; (5) roadway, utility and site improvements and capacity upgrades to support medical entity west; (6) district energy connections; and (7) a ramp for up to 400 new parking stalls to serve the medical entity east.

Section 6. State value capture.

Subd. 1. Definitions. Defines terms specific to this section. “Construction projects” means expenditures to construct, commission, furnish, and equip buildings, ancillary facilities, utilities, parking and other improvements, public or private, in the district. “Qualified expenditures” means total private expenditures on construction projects since January 1, 2019, and certified under subdivision 2.

Subd. 2. Certification of expenditures. Requires the city to certify to the commissioner of employment and economic development the qualified expenditures by May 1 annually. Requires the commissioner to approve or revise the amount by September 1.

Subd. 3. Appropriation support payments. Provides that public financing for construction of a parking structure is not available until the commissioner determines that the benefiting medical entity has made at least \$50 million in qualified expenditures. No appropriation support payments may be paid before July 1, 2021. The maximum payment in fiscal year 2022 is limited to \$3.66 million and the maximum payment in fiscal year 2023 and thereafter is limited to \$8.1 million. At the city’s option, the city may receive direct annual appropriations from the general fund or it may require the state to issue state appropriation bond to finance the projects with the appropriation payment reduced by the amount of the state needs to pay the bonds.

Subd. 4. Credit for parking revenue. Each year for 25 years after a parking facility is placed into operation in the district, 50 percent of the net revenue after operation and maintenance costs are deducted must be paid to the state and deposited in the general fund.

Subd. 5. Prevailing wage requirement. Requires laborers and mechanics to be paid

prevailing wage while working on district public infrastructure projects.

Subd. 6. Termination. Ends aid payments in 2055.

Subd. 7. Appropriation. Appropriates, from the general fund to the commissioner, the amount needed to pay the appropriation support payments in this section.

Effective upon local approval and compliance with filing requirements.

Section 7. City of Duluth; sales tax. Increases the local sales tax by one-half of one percent, in addition to its existing one percent sales tax to pay for road and bridge improvements, based on voter approval at the 2017 general election. Revenues must be used for improvements in the Duluth Street Improvement Program 2017, as of August 8, 2017. Requires the city to comply with the extra resolution requirement in section 34 of article 6 - the local tax article.

Requires that at least \$10 million in combined revenue from the sales tax increase or the city's utility fund must be used to fund road improvements in the regional exchange district. Allows the city to issue bonds to fund the road projects without another referendum. Excludes the bonds from the city's debt limits. Requires the extra one-half cent to terminate at the earlier of 25 years or when revenues are sufficient to fund the allowed projects plus associated bond costs. The city council may terminate the tax early if desired.

Effective upon local approval and compliance with filing requirements.

Article 11: Miscellaneous

Section 1. Disclosure; minimum wage study. Permits DOR to disclose tax return information to the Federal Reserve Bank of Minneapolis for the purpose of conducting an economic analysis of the minimum wage ordinances in Minneapolis and St. Paul. Limits the scope of the data that may be shared, and the requirements for a data sharing agreement. Requires DOR to submit a report on its compliance with the data sharing requirements to the legislative committees with jurisdiction over civil law and data practices and for the report on minimum wage ordinances to be provided to the legislative committees with jurisdiction over jobs. Effective the day following final enactment.

Section 2. Successor liability of businesses. Includes the tax imposed on petroleum and other fuels in the definition of "tax" under this section. Requires that when a business that has a lien for unpaid sales, withholding, or petroleum tax transfers to a successor that:

- the successor notify the commissioner of revenue of the transfer;
- the commissioner may assess liability against the successor business; and
- the commissioner may disclose to the successor that the transferring business has unpaid tax.

Effective for transfers in bulk that take place after July 31, 2019.

Section 4. Qualifications. Provides that the commissioner cannot issue or renew a license issued to a distributor of petroleum products if the distributor has unpaid tax; has failed to file

tax returns or reports; or had a distributor license issued by any state or Canadian province revoked within the last five years. Effective for all licenses with an effective date after June 30, 2019.

Section 5. Issuance and renewal of license. Imposes the same license renewal requirements qualification restrictions from section 4 on special fuels dealers. Effective for all licenses with an effective date after June 30, 2019.

Section 6. Revocation of license, permit or certificate; suspension of license. Allows for the suspension of a current petroleum distributor license when a distributor, fuel dealer, or bulk purchaser fails to file a tax return or report, or fails to pay a delinquent fee within five days of the commissioner providing notice of failure to file or failure to pay. A license will be suspended until the issue is remediated. A license will not be suspended if the commissioner determines failure to file or failure to pay was due to reasonable cause. Provides a due process method for the distributor to contest the suspension of a license. Effective July 1, 2019.

Section 7. Sale of stamps. Removes obsolete language relating to discounted cigarette stamps. Effective the day following final enactment.

Section 8. Tax stamping machines. Removes obsolete language relating to discounted cigarette stamps. Effective the day following final enactment.

Section 9. Guaranteed distribution. Guarantees the production tax distributions allocated to the Taconite Municipal Aid Account at 100 percent of the 1983 distribution and eliminates the decrease in the distribution when production falls below 42 million taxable tons. Effective for distributions in 2020 and thereafter.

Section 10. Cities; towns; taconite municipal aid. Indexes to inflation the amount of the distribution to the Taconite Municipal Aid Account. Effective for distributions in 2020 and thereafter

Section 11. Remainder; taconite production tax. Provides that the city of Iron Junction shall receive \$5,000 annually from Taconite Railroad Aid. Effective for distributions in 2020 and thereafter.

Section 12. Distribution of Taconite Municipal Aid Account. Provides that Breitung Township shall receive \$15,000 annually from the Taconite Municipal Aid Account. Effective for distributions in 2020 and thereafter.

Sections 13 and 14. Former MERF members; member and employer contributions; State contributions; former MERF division. Increase the state's payment to the Minneapolis Employees Retirement Fund (MERF) to \$16 million. Current law requires a \$6 million contribution to the fund in 2019 and thereafter. Effective day following final enactment.

Section 15. Establishment. Updates the name of the "Ironworld" to "Minnesota Discovery Center." Effective day following final enactment.

Section 16. Members and selection. Amends the Sanitary Sewer District Board composition by allowing the town board of each township that joins the district to appoint one member,

instead of one resident, to the sewer board. Also, the Iron Range Resources and Rehabilitation Board (IRRRB) member does not need to be a resident of the municipality, and language is added allowing members of the sewer board to also be a member of the governing body of the municipality appointing the member. Effective retroactively from December 27, 2003, once timely compliance with local approval procedures is complete. All board appointments made since are deemed ratified and confirmed.

Section 17. Budget reserve reduction. Reduces the balance of the budget reserve account by \$491,369,000 on July 1, 2021.

Section 18. Appropriation; taxpayer assistance grants. Appropriates \$200,000 in fiscal years 2020 and 2021 for grants to nonprofit organizations that provide tax preparation services to low-income, elderly, and disadvantaged Minnesota residents. The appropriation is in addition to the \$400,000 per fiscal year that is appropriated in the omnibus state government finance bill. Effective the day following final enactment.

Section 19. Appropriation. Appropriates \$3,000,000 in fiscal year 2020 and in fiscal year 2021 to the commissioner of revenue to administer this bill. Effective the day following final enactment.

Section 20. Repealer. Repeals obsolete language regarding the revolving account for cigarette stamp purchases. Effective the day following final enactment.

Also repeals the requirement that licensed distributors of petroleum and other fuels furnish bonds to the commissioner of revenue to ensure payment of taxes. Effective for all licenses issued or renewed after June 30, 2019.

Article 12: Individual Income and Corporate Franchise Tax; Policy

Section 1. Accelerated recognition of certain installment sale gains. Deletes the phrase “allocable amount” which is rendered unnecessary by the changes in section 2, which will provide for the applicable standard. Effective the day following final enactment.

Section 2. Schedule of rates for individuals, estates, and trusts. Provides for the representation of accelerated installment sale receipts in the nonresident apportionment fraction of taxpayers who pay income taxes on accelerated installment sale gains. Also ensures the married-filing-separately bracket is exactly half of the married-filing-jointly bracket. Adjustments made to the married-filing- separately bracket are effective for taxable years beginning after December 31, 2018, and adjustments made to accelerated installment sale receipts are effective the day following final enactment

Section 3. Inflation adjustment of brackets. Ensures the married filing separately bracket is exactly half of the married filing jointly bracket. Effective for taxable years beginning after December 31, 2018.

Article 13: Individual Income and Corporate Franchise Tax; Technical

Section 1. Federal settlements. Amends Minn. Stat. § 289A.38, subd. 7, to provide specifically that taxpayers are required to report adjustments to the department following a

settlement or compromise with the Internal Revenue Service under Internal Revenue Code §§ 7121 or 7122. Effective the day following final enactment.

Section 2. Payments to horse racing license holders. Amends Minn. Stat. § 290.92, subd. 28, to correct a cross reference that was moved in a prior session. Effective the day following final enactment.

Section 3. First time homebuyer. Amends Minn. Stat. § 462D.03, subd. 2, to allow a taxpayer to designate the required beneficiary at the same time as they file their income tax return. Effective the day following final enactment.

Article 14: Sales and Use Tax; Technical

Section 1. Ships used in interstate commerce. Amends Minn. Stat. § 297A.68, subd. 17, to clarify an ambiguity created by the chapter 297A recodification in 2000. Effective the day following final enactment.

Section 2. DEED certification of qualified data centers. Amends Minn. Stat. § 297A.68, subd. 42, to clarify that the commissioner of employment and economic development must issue a certification to the commissioner of revenue certifying a qualified data center as such, and the certification must include the date a data center first became qualified so the commissioner of revenue can determine when the data center's electricity became exempt. Effective the day following final enactment.

Section 3. DEED certification of Greater Minnesota businesses. Amends Minn. Stat. § 297A.68, subd. 44, by clarifying that the commissioner of employment and economic development must certify to the commissioner of revenue that a Greater Minnesota business is a qualifying business under Minn. Stat. § 116J.8738, and that any purchase made and delivery received was during the duration of the business subsidy agreement. Effective the day following final enactment.

Section 4. DEED certification of biopharmaceutical manufacturing facilities. Amends Minn. Stat. § 297A.71, subd. 45, to clarify that the commissioner of employment and economic development must certify to the commissioner of revenue that the biopharmaceutical manufacturing facility is qualified. Effective the day following final enactment.

Section 5. Recordkeeping requirement. Amends Minn. Stat. § 297A.77, by adding subdivision 5, which clarifies statutory language in Minn. Stat. § 297A.27, subd. 3, that was inadvertently omitted during the chapter 289A recodification in 1990. Effective the day following final enactment.

Article 15: Tobacco Taxes; Technical

Section 1. Definition of tobacco products. Amends Minn. Stat. § 297F.01, subd. 19, to clarify that this definition specifically includes nicotine solution products. Effective the day following final enactment.

Section 2. Definition of nicotine solution products. Amends Minn. Stat. § 297F.01, by adding subd. 22b, to define nicotine solution products, which includes nicotine products consumed

through a means that produces vapor or aerosol from nicotine, electronic pipes and cigarettes, batteries, heating elements, and other products, devices, components, parts and accessories sold with a solution containing nicotine. The definition also includes solutions containing nicotine produced from sources other than tobacco. Effective the day following final enactment except the inclusion of non-tobacco nicotine in the definition is effective January 1, 2020.

Section 3. Definition of wholesale sales price. Amends Minn. Stat. § 297F.01, subd. 23, to clarify that the definition of wholesale sales price of nicotine solution products does not include the cost of electronic pipes and cigarettes, batteries, heating elements, and other products, devices, components parts and accessories sold in a kit with a package of solution containing nicotine if the taxpayer separately sells the package of solution containing nicotine and can isolate its cost. Effective the day following final enactment.

Article 16: MinnesotaCare; Technical

Sections 1, 4, 8, and 10. Wholesale drug distributor. Amends Minn. Stat. § 295.50, to modify the definition of “wholesale drug distributor” in subd. 14, and to create subdivisions 2b, 7a, and 16, to define the terms “emergency medical reasons,” “manufacturer,” and “wholesale drug distribution.” These amendments are necessary to preserve the current tax base for purposes of the wholesale drug distributor tax in chapter 295 due to proposed legislation by the Pharmacy Board to amend chapter 151 to conform with federal requirements regarding drugs and licensure. Effective the day following final enactment.

Sections 2 and 9. Gross revenues and legend drug. Amends Minn. Stat. § 295.50, subd. 3, to replace the term “staff model health carrier” in clause (3) with “staff model health plan company” to allow for consistent use of the term “staff model health plan company” throughout chapter 295, and to remove language related to the term “legend drug” from the definition of “gross revenues” in clause (4) and place it in the definition of “legend drug” in Minn. Stat. § 295.50, subd. 15. Effective the day following final enactment.

Section 3. Health care provider. Amends Minn. Stat. § 295.50, subd. 4, to clarify that the definition of health care provider includes an entity, which may otherwise not be a healthcare provider, who employs or contracts with a health care provider to provide, supervise, oversee, or consult regarding patient services; to clarify that home care providers required to be licensed under chapter 144A are not health care providers as long as the home care services are provided under chapter 144A; and to conform with proposed changes to Minn. Stat. § 295.53 regarding exclusions and exemptions. Effective the day following final enactment.

Section 5. Patient services. Amends Minn. Stat. § 295.50, subd. 9b, to clarify which community support programs and family community support programs are not included in-patient services. Effective the day following final enactment.

Sections 6, 7, and 13. Tax expense transfer. Amends Minn. Stat. § 295.582, subd. 1, to reorganize it for readability and to move the definitions of “pharmacy benefits manager” and “third-party purchaser” to Minn. Stat. § 295.50 to consolidate definitions into one section with the other definitions. Effective the day following final enactment.

Sections 11 and 12. Exclusions and exemptions. Amends Minn. Stat. § 295.53, subd. 1, to clarify which clauses are exclusions and which clauses are exemptions for ease of tax

administration. This proposal also clarifies an exemption for payments received for services under the federal Medicare Advantage Program; clarifies that Federal Tricare sourced funds are exempt; deletes unnecessary language, “other than nutritional products and blood and blood components,” because those items are already excluded from the definition of legend drugs in Minn. Stat. § 295.50; and deletes reference to repealed Minn. Stat. § 256B.19, subd. 1c. Also amends statutory references in Minn. Stat. § 295.57, subd. 5, to conform to the reorganization in Minn. Stat. § 295.53. Effective the day following final enactment.

Article 17: Department Of Revenue; Property Tax; Policy

Section 1. Small cities assistance. Amends Minn. Stat. § 162.145, subdivision 3, to provide that the commissioner of transportation certify aid amounts for the Small Cities Assistance program to the commissioner of revenue by June 1. Effective for aids payable in 2019 and thereafter.

Section 2. Homestead application. Amends Minn. Stat. § 273.124, subdivision 13, by only requiring the Social Security number of the spouse of a property owner when the property owner occupies the property. Effective for applications for homestead filed in 2020 and thereafter.

Article 18: Department of Revenue; Property Taxes; Technical

Sections 1-18. Property tax data reports. Amends Minn. Stat. § 270C.85, subdivision 2, to clarify that the commissioner of revenue may collect property tax data at the parcel level or higher in the time, form, and manner as the commissioner may prescribe. This method of collection is consistent with property tax data collection under the Property Record Information System of Minnesota. Sections referencing abstract-level property tax data (see list below) are amended to cross-reference Minn. Stat. § 270C.85, subdivision 2.

270C.89, subd. 1	270C.89, subd. 2	270C.91
273.061, subd. 9	273.0755	273.113, subd. 3
273.119, subd. 2	273.1231, subd. 3	273.136, subd. 2
273.1384, subd. 3	273.1387, subd. 3	273.18
274.14 274.16	275.025, subd. 1	
290B.09, subd. 1	469.177, subd. 1	

Section 19. Repealer. Minn. Stat. § 275.29, which describes the abstract of tax lists, is repealed.

Effective date. This article is effective the day following final enactment.

Article 19: Department of Revenue; Fire State Aid; Technical Changes

Section 1. Definitions. Creates Minn. Stat. § 477B.01, which defines various terms for

purposes of chapters 477B, 423A, and 424A. Chapter 477B is a proposed new chapter of the Minnesota Statutes where the recodified provisions of the fire state aid program will reside. Effective for aids payable in 2020 and thereafter.

Section 2. Qualifying for fire state aid. Creates Minn. Stat. § 477B.02, which establishes the criteria that must be met in order for a municipality or an independent nonprofit firefighting corporation to qualify to receive fire state aid. Effective for aids payable in 2020 and thereafter.

Section 3. Calculation of fire state aid. Creates Minn. Stat. § 477B.03, which specifies how fire state aid is to be calculated and apportioned. The appeal process for a municipality, independent nonprofit firefighting, corporation, fire relief association, and the voluntary statewide volunteer retirement plan to object to the amount of fire state aid apportioned to it is also explained in this section. Effective for aids payable in 2020 and thereafter.

Section 4. Appropriation, payment, and administration. Creates Minn. Stat. § 477B.04, which describes the process for paying fire state aid. The amount necessary to make the fire state aid payments is appropriated to the commissioner of revenue from the general fund. Effective for aids payable in 2020 and thereafter.

Section 5. Shortfall from general fund. Creates Minn. Stat. § 477B.05, which provides that any volunteer firefighter relief association funding shortfall is to be paid from the state general fund to the extent there is a legislative appropriation for this purpose. Effective for aids payable in 2020 and thereafter.

Section 6. Purpose. An uncodified provision describes the purpose of the fire state aid and police state aid recodification. This provision provides that prior provisions are repealed on the effective date of the new provisions. Effective July 1, 2019.

Section 7. Repealer. Repeals Minn. Stat. §§ 69.011, 69.021, 69.031, and 69.041. The language of these provisions is recodified into new sections of the Minnesota Statutes. Effective for aids payable in 2020 and thereafter.

Article 20: Department of Revenue; Police State Aid; Technical Changes

Section 1. Definitions. Creates Minn. Stat. § 477C.01, which defines various terms for purposes of chapters 477C and 423A. Chapter 477C is a proposed new chapter of the Minnesota Statutes where the recodified provisions of the police state aid program will reside. Effective for aids payable in 2020 and thereafter.

Section 2. Qualifying for police state aid. Creates Minn. Stat. § 477C.02, which establishes the criteria that must be met in order for a municipality to qualify to receive police state aid. Effective for aids payable in 2020 and thereafter.

Section 3. Calculation of police state aid; appeal. Creates Minn. Stat. § 477C.03, which specifies how police state aid is to be calculated and apportioned. The appeal process for a municipality to object to the amount of police state aid apportioned to it is also explained in this section. Effective for aids payable in 2020 and thereafter.

Section 4. Appropriation, payment, and administration. Creates Minn. Stat. § 477C.04,

which describes the process of paying police state aid. The amount necessary to make the police state aid payments is appropriated to the commissioner of revenue from the general fund. Effective for aids payable in 2020 and thereafter.

Article 21: Department of Revenue; Fire and Police State Aid; Miscellaneous Technical Changes

Section 1. Fire and police premium reports. Creates Minn. Stat. § 297I.26, which establishes the filing requirements for the Minnesota Fire Premium Report and the Minnesota Aid to Police Premium Report. Penalties apply if a company fails to file the required report by the due date, if a person whose duty it is to file the report fails or refuses to file the report within 30 days after notification by the commissioner of revenue that the report is late, and if a company knowingly makes and files an inaccurate or false report. Effective for reports filed after December 31, 2019.

Section 2. Financial report; bond; examination. Creates Minn. Stat. § 424A.014, which establishes financial reporting requirements to the state auditor for volunteer firefighters' relief associations and each municipality with an organized fire department that does not have a relief association. Effective July 1, 2019.

Section 3. Authorized administrative expenses from special fund. Amends Minn. Stat. § 424A.05 by adding a new subdivision 3b, which provides that payment of certain necessary, reasonable, and direct expenses of maintaining, protecting, and administering the special fund constitutes authorized administrative expenses of a volunteer firefighters' relief association. Effective July 1, 2019.

Section 4. Repealer. Repeals Minn. Stat. §§ 69.33, 69.051, 69.80, and 297I.25, subdivision 2. The language of these provisions is recodified into the new provisions of chapters 297I and 424A. The repeal of sections 69.051 and 69.80 is effective July 1, 2019. The repeal of sections 69.33 and 297I.25, subdivision 2, is effective for reports filed after December 31, 2019.

Article 22: Department of Revenue; Fire and Police State Aid; Conforming Changes

Sections 1-28. Conforming changes. Amends various statutes to update cross-references to the new sections created pursuant to the chapter 69 recodification.

144E.42, subd. 2	297I.20, subd. 3	353G.01, subd. 9
353G.08, subd. 1	353G.08, subd. 1a	423A.02, subd. 1b
423A.02, subd. 3	423A.022, subd. 2	424A.016, subd. 2
424A.02, subd. 1	424A.03, subd. 2	424A.05, subd. 2
424A.07	424A.092, subd. 3	

Cross-reference amendments in the following sections are effective for aids payable in 2020 and thereafter.

6.495, subd. 3	353G.05, subd. 2	353G.17, subd. 2
356.20, subd. 4a	356.219, subd. 8	424A.016, subd. 4
424A.02, subd. 3a	424A.02, subd. 10	424A.05, subd. 3
424A.092, subd. 4	424B.09	

Cross-reference amendments in the following sections are effective July 1, 2019, except the references to chapter 477B are effective for aids payable in 2020 and thereafter.

423A.022, subd. 4	424A.091, subd. 3	424A.093, subd. 5
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Section 29. Repealer. Repeals Minn. Stat. § 69.022. The volunteer retention stipend aid pilot program originally created by this section sunsets for aid payable after calendar year 2017. The report required to the chairs and ranking minority members of the public safety and taxes legislative committees in the senate and the house of representatives was due on or before January 15, 2018. Effective the day following final enactment.

Article 23: Miscellaneous; Policy

Section 1. Disclosure. Amends Minn. Stat. § 270B.08, subd. 2, to expand the commissioner’s authority to disclose data identifying the holder of a sales tax permit that has been canceled under Minn. Stat. §§ 270C.722 or 297A.84. Effective the day following final enactment.

Sections 2 and 3. Sales tax permits. Amends Minn. Stat. § 297A.84 and § 297A.85 to prevent a business from evading a sales tax liability by prohibiting the issuance of a new sales tax permit to a business or person that has an unpaid sales tax liability not under appeal and provides for cancellation with notice. Effective for permit applications filed after December 31, 2019.

Section 4. Repealer. Repeals Minn. Stat. § 270C.131. This is a report to Explore Minnesota Tourism that will be developed through an inter-agency agreement and is no longer required to be referenced in statute. Effective the day following final enactment.

Article 24: Department Of Revenue; Miscellaneous; Technical Changes

Sections 1-5, 10, 12-13, and 18-27. Persons who are blind or have a disability. Amends the statutes listed below to update language for persons who are blind or have a disability. Effective the day following final enactment.

272.02, subd. 27	272.02, subd. 81	272.032
273.13, subd. 22	273.13, subd. 34	290.0802, subd. 2
290.091, subd. 2	290A.03, subd. 3	290A.09
297A.61, subd. 18	297A.67, subd. 6	297A.67, subd. 12

297A.70, subd. 3 297A.70, subd. 4 297A.70, subd. 16

297A.71, subd. 22 297A.75, subd. 1 297B.01, subd. 14

Sections 6-9, 11, 14-17, and 27-28. Married spouses. Amends the statutes listed below to update gender-specific language for spouses. Effective the day following final enactment.

289A.08, subd. 6 289A.25, subd. 1 289A.31, subd. 2

289A.37, subd. 6 290.0802, subd. 3 290A.03, subd. 4

290A.03, subd. 8

297B.01, subd. 14 290A.05

297B.01, subd. 16 290A.08

Sections 29, 30, and 31. Net proceeds tax distribution. Amends Minn. Stat. § 298.018, subdivision 1, to remove reference to the July 15 net proceeds tax distribution date and add related conforming language to ensure the distributions are administrable. Also amends Minn. Stat. § 298.018, by adding a subdivision to change the net proceeds tax distribution date from July 15 to December 15 to ensure the distributions are administrable. Amends Minn. Stat. § 298.282, subdivision 1, by adding a conforming paragraph related to the net proceeds tax distribution date. Effective the day following final enactment.

Section 32. Tax Court written orders. Updates the effective date for the change to Minn. Stat. § 271.08, subdivision 1, enacted in 2017 Minnesota Laws, First Special Session, Chapter 1, Article 8, Section 3, regarding the period of time to file posttrial motions. After June 30, 2019, all cases will have 30 days to file posttrial motions. Effective the day following final enactment.