S.F. No. 3843 - Tax Provisions (as proposed to be amended by the A-5 delete-everything amendment)

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Date: April 25, 2020

Article 1 – Property Taxes and Aids and Credits

Section 1. Referendum equalization levy. Increases the equalization factors for tier 1 and tier 2 referendum equalization levies. Provides an alternative calculation for tier 1 and tier 2 referendum equalization levies based on the district’s adjusted pupil units (the sum of the resident and nonresident pupils being served by the district) rather than the district’s resident pupil units. Effective for school district revenue in fiscal year 2022 and thereafter.

Section 2. Class 4d. Sets the class rate for all class 4d properties (qualifying low-income rental property) at 0.25%. Under current law, the class rate is 0.75% on the first tier of value (first $162,000 for assessment year 2020) and 0.25% of the value exceeding the first tier amount for each unit. The first-tier limit is adjusted annually. Effective beginning with taxes payable in 2021.

Section 3. Extension of property tax due date; state general tax. Provides a 60-day extension of the due date for the first-half payment of the state general tax for taxes payable in 2020 only. With the extension, the first-half tax payment must be paid on or before July 15, 2020. Counties must make full settlement of all state general tax receipts from the date of the last settlement up to and including July 15, 2020, and transmit the receipts to the commissioner of revenue by July 30, 2020. Effective upon final enactment.

Section 4. Moratorium on changes in assessment; short-term rental properties. Requires that short-term rental properties receive the same property classification for assessment years
2020 and 2021 as the property received for assessment year 2019, except when a reclassification is necessary due to a change in the property’s primary use, or to correct a clerical error. Effective upon final enactment.

**Article 2 – Individual Income, Business, and Miscellaneous Taxes**

**Section 1. Angel investment credit.** Removes the sunset on the angel investment credit so that the current $10 million allocation would be ongoing. Effective the day following final enactment.

**Sections 2 and 4. Section 179 expensing.** Remove the 80% addback requirement for Section 179 expensing for individual filers and corporations. Effective retroactively to tax year 2018.

**Section 3. Charitable contributions for non-itemizers.** Expands the subtraction allowed under current law for taxpayers who do not itemize. The contribution threshold amount at which the subtraction applies is reduced from $500 to $300 and the percentage of the contribution allowed to count toward the subtraction is increased from 50% to 60% of the amount over the threshold. Effective beginning in tax year 2020.

**Section 5. K-12 credit; income limitation.** Under current law, the K-12 credit phases out for claimants with household income over $33,500. Household income is defined as adjusted gross income (AGI) with a number of nontaxable and other income sources added back. This section modifies the income threshold by: 1) referencing only AGI; and 2) allowing the threshold to be the greater of $33,500 or the household income threshold for reduced-price lunch as determined under federal law for a taxable year. For example, for the 2020-2021 school year the income threshold is $48,470 for a household size of four. The bill also defines “household” for purposes of calculating the income threshold. Effective beginning in tax year 2020.

**Section 6. Combined net receipts tax.** Reduces the tax rates on the lawful gambling combined net receipts tax, which is on the net receipts from the conduct of paper or electronic pull-tabs, tipboards, and electronic linked bingo. Strikes an obsolete requirement for the commissioner to adjust the combined net receipts rates. Effective July 1, 2020.

**Section 7. Determination of revenue increase.** Modifies the lawful gambling base amount by an amount proportionate to the reduction in the combined net receipt tax rates. The change holds harmless the stadium general reserve account balance. Effective the day following final enactment.

**Section 8. Expenditure restrictions, requirements, and civil penalties.** Modifies the star rating thresholds for licensed charitable gambling organizations, which are evaluated every July 1 for the percentage of lawful purpose expenditures made compared to available gross profits. Increases the probation thresholds for minimum expenditures for lawful purposes from 20% to 25% for organizations that conduct lawful gambling in a location where the primary business is bingo and from 30% to 40% for all other organizations. Effective July 1, 2020.

**Section 9. Powers and duties.** Modifies the annual reporting requirement for the Gambling Control Board’s report to the governor and legislature to include a tabulation of the number of compliance reviews completed, the percentage of organizations reviewed, an average of the number of months between reviews, the number, location and organization of site inspections, the number of allegations awaiting investigation by the board. Effective July 1, 2020.

**Section 10. Extension for filing and paying 2019 taxes; eliminating certain penalties and interest.**
Subd. 1. Filing and payment; individual income taxes. Codifies the commissioner’s extension of the filing and payment deadline for individual income taxpayers to July 15, 2020. Requires that penalties and interest must only be applied to the amounts due and not paid by July 15, 2020.

Subd. 2. Filing of returns; other entities. Extends the return filing deadline for 2019 taxes to the later of July 15, 2020, or an extension granted by the IRS for fiduciaries; partnerships, including composite filers; S corporations; and corporations. Extends the filing deadline for estate tax returns due before July 15, 2020 to the later of July 15, 2020, or an extension granted by the IRS. Specifies that these dates apply for purposes of imposing late filing penalties.

Subd. 3. Payment of taxes; other entities. Extends the tax payment deadline for 2019 taxes to the later of July 15, 2020, or an extension granted by the IRS for fiduciaries; partnerships, including composite filers; S corporations; and corporations. Extends the payment deadline for estate taxes due before July 15, 2020 to the later of July 15, 2020, or an extension granted by the IRS. Specifies that these dates apply for purposes of imposing late payment penalties.

Subd. 4. Abatement; other penalties. Provides that the commissioner is not limited in otherwise abating, reducing, or refunding penalties or interest.

Effective the day following final enactment for returns and payments due and penalties and interest applied for the 2019 taxable year, and to estate tax returns and payments otherwise due by July 15, 2020, or an extension granted by the IRS.

Section 11. Section 179 expensing subtractions. Provides that the 20% subtraction taken under current law for qualifying property placed in service after 2017 must be added back, given the effect of the retroactive repeal of the 80% addback in sections 2 and 4. This prevents a subtraction of more than 100% from being claimed on 2018 and 2019 returns. Effective the day following final enactment for property placed in service beginning in tax year 2018.

Section 12. Special penalty exception. Provides that current law penalties and interest do not apply for late tax payments resulting from assessments of additional income tax on gains resulting from like-kind exchanges for tax year 2018 (the TCJA repealed like-kind treatment for personal property, so the gain from these exchanges is now treated as income). The penalty and interest forgiveness applies only to taxpayers who were subject to retroactive application of the TCJA treatment of like-kind exchanges for Minnesota purposes and whose tax liability increased at least 12% due to the retroactive application. Requires the commissioner to refund interest and penalties incurred within 60 days of the date of enactment. Effective the day following final enactment for interest and penalties on assessments ordered after June 1, 2019.


- For calendar year filers, the estimated payment for tax year 2020 due April 15, 2020, must be submitted by July 15, 2020; the estimated payment for tax year 2020 due June 15, 2020, may be submitted with the September 15, 2020, estimated payment installment.

- For fiscal year and corporate filers, estimated payments are due on a quarterly basis for the filer’s taxable year. Filers with taxable year 2019 or 2020 payments due May 15, 2020, may submit that payment with the August 15, 2020, installment; filers with taxable year 2019 or 2020 payments due June 15, 2020, may submit that payment with the September 15, 2020, installment.
Penalties and interest do not apply for payments made within the specified timeframes. Provides that the commissioner is not limited in otherwise abating, reducing, or refunding penalties or interest applied to other filings or payments. For calendar year filers, the section is effective retroactively for the taxable year 2020 installment due April 15th, 2020, and for the taxable year 2020 installment due June 15, 2020, only. For fiscal year filers, the section is effective for the taxable year 2019 or 2020 installments due May 15, 2020, and June 15, 2020, only.

Section 14. Temporary suspension of certain June accelerated sales tax remittances. Provides that the accelerated payment of June liabilities due June 20, 2020, may be remitted on July 20, 2020. The temporary suspension applies to remittances of sales and use, local sales and use, and liquor gross receipts taxes. Requires that penalties and interest must not apply to any payments made on or before July 15, 2020. Provides that the commissioner is not otherwise limited in abating, reducing, or refunding penalties or interest. Effective for payments of taxes collected in June 2020.

Section 15. Repealer. Repeals the definition of “income” used in the K-12 credit, since the revisions to the credit in section 3 provide a new definition, effective beginning in tax year 2020. Repeals the sunset provisions for the angel investment credit, effective the day following final enactment.