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# Senate

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State of Minnesota

## **S.F. No. 5 - Omnibus Tax Bill (as proposed to be amended by the A-1 delete everything amendment)**

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### **ARTICLE 1: FEDERAL CONFORMITY**

This article makes numerous changes to the individual income and corporate franchise tax chapter in response to the changes to the federal tax code made in the Disaster Tax Relief and Airport and Airway Extension Act in September 2017, the Tax Cuts and Jobs Act (TCJA) in December 2017, the Bipartisan Budget Act in February 2018, and the Consolidated Appropriations Act in March 2018.

The provisions in the article are mostly a result of the changes made to the calculation of federal taxable income (FTI) in the TCJA. Minnesota currently references federal taxable income (FTI) as its starting point and incorporates federal deductions and exemptions. Changes to those deductions and exemptions therefore affect the calculation of Minnesota taxable income. This article decouples the calculation of Minnesota taxable income from FTI and instead uses federal adjusted gross income (FAGI) as the starting point for individual taxpayers.

The TCJA limited or repealed many federal itemized deductions. This article conforms to some of those provisions, retains some deductions by reference to a previous version of the Internal Revenue Code (IRC), and modifies the calculation of some deductions for purposes of Minnesota taxable income. The article also establishes a state standard deduction at the same amount allowed prior to TCJA. The TCJA repealed personal and dependent exemptions; this article establishes Minnesota personal and dependent exemptions at the same amount allowed prior to TCJA.

The TCJA also increased the amount and phaseout thresholds for section 179 expensing and bonus depreciation. Minnesota would conform to those increased amounts but would retain its 80% addback schedule for bonus depreciation, and for section 179 expensing for one more tax year. Minnesota would not adopt the 20% deduction for pass-through income that was included in TCJA.

The TCJA-related provisions are generally effective beginning in tax year 2019 (one year after most TCJA provisions were effective). Other provisions are effective retroactively for tax year 2017, including tax treatment of charitable contributions and certain early retirement account withdrawals made as a result of hurricane disasters that year. Other changes applicable to tax year 2017 include tax extenders that have been enacted on a year-to-year or otherwise shorter-term basis at the federal level, such as exclusion of forgiveness of indebtedness on a principal residence, a subtraction for tuition and related expenses, and various business expensing provisions.

**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.

**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.

**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 references 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. 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 9. Net income.** Specifies that the current definition of "net income" – which means federal taxable income – applies to corporations, estates, and trusts, as the calculation of taxable

income for these entities is not modified from current law. Specifies that “net income” for individuals means FAGI, as modified with Minnesota additions and subtractions. Updates the IRC reference date for purposes of the definition. Effective the day following final enactment, and changes incorporated by federal changes are effective at the same time as effective for federal purposes. Establishing FAGI as the starting point for individuals is effective beginning in tax year 2019.

**Section 10. Adjusted gross income; federal adjusted gross income.** Codifies the definition of “adjusted gross income” and “federal adjusted gross income” to reference the federal definition. The definition incorporates federal changes made through the date in **section 7**. Effective the day following final enactment.

**Section 11. Taxable net income.** Modifies the definition of taxable net income to reflect the new deductions and exemptions established in a later section. Effective beginning in tax year 2019.

**Section 12. State itemized deduction.** Modifies the definition of “state itemized deduction” to adopt federal itemized deductions effective prior to TCJA. Adds a provision allowing up to \$15,000 for state and local property taxes in the state itemized deduction to the extent those amounts were not claimed under the new pre-TCJA definition in this section. Effective beginning in tax year 2019.

**Section 13. State standard deduction.** Codifies a state standard deduction to reflect the pre-TCJA federal standard deduction amounts. The deduction amounts are adjusted by chained CPI. Effective beginning in tax year 2019.

**Section 14. Internal Revenue Code.** Updates the reference to the IRC in the income and corporate franchise chapter to reflect changes made by TCJA, except where otherwise specified. Effective the day following final enactment and applies to the tax years incorporated by federal changes, including any retroactive provisions.

**Section 15. 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 16. 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 17. Disallowed itemized deduction.** Provides for the phaseout of Minnesota itemized deductions to be consistent with how the phaseout was calculated prior to TCJA. Effective beginning in tax year 2019.

**Section 18. Disallowed personal exemption amount.** Applies the phaseout of personal exemptions to the new Minnesota personal and dependent exemption subtraction established in a later section. Effective beginning in tax year 2019.

**Section 19. 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 beginning in tax year 2019.

**Section 20. 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 21. 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 22. Charitable contributions for taxpayers who do not itemize.** 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 23. Personal and dependent exemption.** Provides a subtraction for the new state personal and dependent exemption, which is established in a later section. Effective beginning in tax year 2019.

**Section 24. 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 25. Global intangible low-taxed income.** Provides a subtraction 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 26. Deferred foreign income.** Provides a subtraction 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 27. Standard or itemized deduction.** Provides a subtraction for the amount of the state standard or itemized deduction, which are defined in an earlier section. Effective beginning in tax year 2019.

**Section 28. Foreign-derived intangible income.** Provides a subtraction for corporations for certain foreign source earnings included in federal adjusted gross income and subject to tax under TCJA. Foreign derived intangible income (FDII) is income from intangible assets (such as patents and trademarks) that U.S.-based companies earn from servicing foreign markets. Effective retroactively to tax year 2018.

**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. 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 31. Personal and dependent exemptions.** Allows a personal and dependent exemption in the amount allowed prior to enactment of the TCJA. The amount is adjusted for C-CPI-U under the rules established in **section 2**. Effective for adjustments beginning in tax year 2020.

**Section 32. Computation; lump-sum distribution tax.** Replaces the reference to federal taxable income to net taxable income. Effective beginning in tax year 2019.

**Section 33. Inflation adjustment of brackets.** Strikes the references to the IRC for the inflation adjustment for the individual income tax brackets and inserts a reference to rules established in **section 2**. Effective for adjustments beginning in tax year 2020.

**Section 34. 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 35. 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 36 and 37. Definitions; credit.** Update the reference in the long term care credit to refer to Minnesota instead of federal itemized deductions. Section 39 clarifies the term “medical care” for purposes of the amount of premiums that qualify for the credit. Effective for adjustments beginning in tax year 2020.

**Sections 38 to 41. 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 for applications for allocation certificates submitted after December 31, 2017.

**Section 42. Subtraction.** Modifies the income reference from FTI to FAGI for the elderly and disabled subtraction. Effective beginning in tax year 2019.

**Section 43. Standard or itemized deduction.** Allows an individual to claim the state standard deduction or state itemized deduction. Married separate filers must claim the same type of deduction. Allows a subtraction for the state standard or state itemized deduction. Effective beginning in tax year 2019.

**Section 44. Definitions.** Amends the Minnesota AMT calculation to require the Minnesota addition of qualified business income deducted at the federal level (commonly known as the 20% pass-through income deduction). Modifies the income calculation reference from FTI to FAGI. Allows the amount allowed to be deducted for casualty losses prior to TCJA to be included in the Minnesota AMT deduction. Effective beginning in tax year 2019.

**Section 45. Definitions.** Adds a reference to the pre-TCJA version of the IRC to retain the corporate AMT, which was repealed in the TCJA. Effective beginning in tax year 2019.

**Section 46. Alternative minimum taxable income.** Adds references in the corporate AMT calculation to the subtractions for deferred foreign income (effective retroactively to tax year 2017) and global intangible low-taxed income (effective retroactively to tax year 2018), that were added under earlier sections.

**Section 47. Income not derived from conduct of a trade or business.** Updates the definition of “wages” to correspond to a new clause of the IRC that requires wage withholding on certain

stock option elections that were not available prior to TCJA. Effective for wages paid beginning in tax year 2019.

**Section 48. Dividends received from another corporation.** Disallows a dividend-received deduction for dividends paid from stock that is debt-financed, which is disallowed under the IRC. Effective beginning in tax year 2019.

**Section 49. Insurance companies; computation of limit on interest expense.** Provides that the interest limitation for corporations that are part of an affiliated group of companies that include insurance companies (exempt from corporate franchise tax because they pay premium tax) are to be computed by including the insurance company's income in determining how the limit applies. This parallels the federal treatment, which imposes the corporate income tax on insurance companies. Effective beginning in tax year 2019.

**Section 50. Wages.** Amends the definition of wages subject to Minnesota withholding to correspond to a new IRC provision that requires federal withholding on certain stock option elections. Effective beginning in tax year 2019.

**Section 51. Income.** Modifies the calculation of income for purposes of the property tax refund to reflect that alimony received by the claimant and not already taxed must be included in the calculation. Strikes the reference to the exemption amount under a previous version of the IRC. References the definition of "exemption amount" established in an earlier section. Effective for property tax refunds based in property taxes payable in 2020 and rent paid in 2019.

**Section 52. 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 53. Internal Revenue Code.** 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 54. Inflation adjustment.** 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 2021 and rent paid in 2020.

**Section 55. Scope.** 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 56. 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 sales and purchases made after December 31, 2018.

**Section 57. 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 sales and purchases made after December 31, 2018.

**Sections 58 and 59. Subtraction; Addition.** Update the reference for the first-time homebuyer savings account from FTI to FAGI. Effective beginning in tax year 2019.

**Section 60. Application.** Updates the reference in the JOBZ chapter from FTI to FAGI. Effective beginning in tax year 2019.

**Section 61. 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 62. Repealer.** Repeals provisions obsolete with the transition from FTI to FAGI, effective beginning in tax year 2019, and repeals the section 179 additions for the individual income and corporate franchise taxes, effective beginning in tax year 2020:

- 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;
- Addition for domestic production activities for corporations;
- Addition for fines, fees, and penalties for corporations, which is now included in federal income; and
- Disallowance of trade or business expenses for fines, fees, and penalties, which were disallowed under TCJA.

## **ARTICLE 2: INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES**

**Sections 1 and 2. Angel Investment Credit.** Allocates \$7.5 million for the angel investment credit for tax year 2019. Section 2 extends 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 3. Election to file as a C corporation.** Authorizes the election for a qualifying entity (partnerships, LLCs, or S corporations) to file as a “C-option corporation.” The election may be made only by those with a more than 50 percent interest in the qualifying entity and is binding on all who have an ownership interest in the qualifying entity. A partner’s, member’s, or shareholder’s adjusted basis in the qualifying entity must be as though the C-option election was not made. The effect of the election is that the business’s income is taxed at the entity level for state purposes. Individual members, partners, and shareholders would pay state individual income tax on their share of income received from the qualifying entity, but would subtract income received from the qualifying entity for purposes of calculating federal taxable income. A qualifying entity would also claim a credit against Minnesota income tax for taxes paid to another state on its composite return. At the federal level, a qualifying entity could subtract its Minnesota taxes paid, resulting in reduced net income for the business. This reduced amount is then apportioned among members, partners, and shareholders based on their interest in the business. Effective beginning in taxable year 2019.

**Section 4. 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 for taxable years beginning after December 31, 2018.

**Section 5. Financial institution.** Makes a technical amendment to the definition of “financial institution” to strike an unnecessary reference to the insurance premium tax chapter. Effective retroactively for taxable years beginning in 2017.

**Section 6. 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 80% or more of its total premiums from its unitary business members. A captive insurance company is a disqualified captive insurance company if it meets the criteria above *and* receives less than 50% of its gross receipts from premiums, or pays less than .5% of its total premiums under state insurance premium tax or comparable tax in another state. Effective retroactively for taxable years beginning in 2017.

**Section 7. Equity and opportunity donations.** Requires individual filers to include equity and opportunity in education donations when calculating Minnesota taxable income. Because these amounts would be deducted as a charitable contribution in calculating federal taxable income, they must be added back to Minnesota taxable income for purposes of claiming the credit authorized in a later section. Effective beginning in taxable year 2019.

**Section 8. Education expenses.** Modifies a cross reference to clarify that amounts used to claim the dependent care credit and the education expense credit must not be used to claim expenses under the education expense subtraction. Adds expenses for prekindergarten educational programs to the expenses eligible for the subtraction. Effective beginning in taxable year 2020.

**Section 9. Social Security benefits.** Clarifies that the subtraction under current law applies to taxable Social Security benefits. Increases the subtraction for married joint filers from \$4,500 to \$6,150; for single or head of household filers from \$3,500 to \$4,800, and for married separate filers from \$2,250 to \$3,075, effective beginning in taxable year 2019. Strikes inflation adjustment language and adds a reference to the new inflation adjustment provision created in the general law in Article 1, effective for adjustments beginning in 2020.

**Section 10. Disallowed 280E expenses.** Allows a subtraction for the federally disallowed trade or business expenses by medical cannabis manufacturers for purposes of calculating Minnesota income tax. Effective beginning in taxable year 2019.

**Section 11. Income of partners, members, or shareholders.** Authorizes a subtraction for purposes of calculating Minnesota taxable income for net income received by a member, partner, or shareholder of a partnership, limited liability company, or S corporation for purposes of calculating federal taxable income when the entity has elected to file as a C-option corporation allowed under section 3. Effective beginning in taxable year 2019.

**Section 12. Equity and opportunity donations.** Requires corporate filers to include equity and opportunity in education donations when calculating Minnesota taxable income. Because these amounts would be deducted as a charitable contribution in calculating federal taxable income, they must be added back to Minnesota taxable income for purposes of claiming the credit authorized in a later section. Effective beginning in taxable year 2019.

**Section 13. Disallowed 280E expenses.** Allows a subtraction for the federally disallowed trade or business expenses by medical cannabis manufacturers for purposes of calculating Minnesota corporate franchise tax. Effective beginning in taxable year 2019.

**Section 14. Exempt entities.** Excludes disqualified captive insurance companies from the exemption for insurance companies for corporate franchise tax. Effective retroactively for



taxable years beginning in 2017.

**Section 15. Taxes imposed on exempt entities.** Provides for nonconformity to the Internal Revenue Code (IRC) for purposes of calculating Minnesota unrelated business income tax (UBIT). Under current federal and state law, nonprofit organizations that operate a trade or business unrelated to the organization's mission are subject to UBIT on that unrelated business income. Prior to enactment of federal Tax Cuts and Jobs Act (TCJA) in 2017, losses from an unrelated business could be used to offset gains of another member of the unitary group for purposes of a nonprofit's UBIT liability. Under TCJA, nonprofits must separately calculate each unrelated business entity's income and combine them, and the net result must not be less than zero. This change prevents nonprofits from offsetting gains with losses for purposes of UBIT liability. Minnesota would not conform to the TCJA provision that disallows offsets for purposes of calculating Minnesota UBIT liability. Prior to TCJA, nonprofits could deduct the value of certain employer provided benefits (qualified transportation fringe benefits, parking, and on-site athletic facilities) in calculating UBIT, thus offsetting gains that may have resulted from unrelated business activity of a member of its unitary group. The TCJA disallowed this deduction, so nonprofits must include the value of the benefits in their UBIT calculation. Minnesota would continue to allow nonprofits to exempt these benefits for purposes of calculating Minnesota UBIT liability. Effective retroactively tax year 2018.

**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 further reduces the rate to 6.65% beginning in tax year 2021. Modifies the cross references in the formula for apportioning nonresident income to include provisions added in other sections of the article.

**Section 17. Inflation adjustment of brackets.** Strikes language providing for inflation adjustment of the income brackets and adds a reference to the new inflation adjustment provision created in the general law in Article 1. Effective for adjustments beginning with tax year 2020.

**Section 18. Credit for taxes paid to another state.** Authorizes a qualifying entity electing to file as a C-option corporation to claim a credit for tax paid to another state on its composite return.

**Section 19. Credit allowed.** Adds expenses for prekindergarten educational programs to the expenses eligible for the education expense credit. Amounts used to claim the credit must not be used to claim the dependent care credit. Defines "prekindergarten educational program" as:

- Public school prekindergarten programs;
- Accredited preschools, nursery schools, and early childhood development programs licensed by DHS;
- Accredited or affiliated Montessori programs; and
- Child care programs provided by early childhood credentialed day care providers.

Effective beginning in tax year 2020.

**Section 20. Limitations.** Increases the income threshold at which eligibility for the K-12 credit begins to phase out from \$33,500 to \$39,000. Strikes the reference to "household" income, since "income" is defined in another subdivision within the credit. Effective beginning in tax year 2020.

**Section 21. Inflation adjustment.** Strikes language providing for inflation adjustment of the income brackets and adds a reference to the new inflation adjustment provision created in the

general law in Article 1. Effective for adjustments beginning with tax year 2021.

## **Section 22. Equity and opportunity in education tax credit.**

**Subdivision 1.** Provides definitions for the following significant terms used in the credit:

**“Eligible student”** means a student who:

- is a Minnesota resident;
- with household has annual income less than twice the income standard used to qualify for the federal reduced price lunch program or has a disability as identified under state or federal law; and
- meets one of the following criteria:
  - attended a public, nonpublic, or homeschool in the semester before receiving a scholarship;
  - is age 6 or younger and not enrolled in kindergarten or first grade in the semester before receiving a scholarship or transportation scholarship;
  - previously received a scholarship or transportation; or
  - lived in Minnesota for less than a year before receiving a scholarship or transportation scholarship.

**“Qualified charter school”** means a charter school at which at least 30 percent of students qualify for the federal reduced-price lunch program.

**“Qualified school”** means a nonpublic elementary or secondary school in Minnesota at which a student may fulfill the state’s compulsory attendance laws that is not operated for profit; adheres to federal and state equal rights laws; administers approved standardized tests for requisite grade levels and annually reports student performance on the test.

**“Qualified foundation”** means a 501(c)(3) nonprofit organization that has been approved by the commissioner.

**“Qualified grant”** means a grant from a qualified foundation to a qualified charter school for use in supporting the school's mission of educating students in academics, arts, or athletics, including transportation.

**“Qualified public school foundation”** means a qualified foundation whose primary purpose is supporting public schools or school districts in the state at which at least 30% of students qualify for the federal free or reduced price lunch program.

**“Qualified scholarship”** means a payment from a foundation to or on behalf of a parent or guardian for the cost of an eligible student’s tuition for enrollment at a qualified school, not to exceed 70 percent of average state general education revenue per pupil unit.

**“Qualified transportation scholarship”** means a means a payment from a foundation to or on behalf of a parent or guardian for the cost of an eligible

student's transportation to a qualified school, not to exceed 70 percent of average state general education revenue per pupil unit.

**Subdivision 2. Credit allowed.** Authorizes a credit of 70 percent of the donation amount made in a taxable year, up to specified amounts. The maximum annual credit is \$21,000 for married joint filers, \$10,500 for other individual filers, and \$105,000 for corporations. The credit is not allowed for taxpayers who designate a specific child as the beneficiary of a scholarship. Taxpayers must be issued a credit certificate to claim the credit. The credit is nonrefundable but may be carried forward for up to five tax years.

**Subdivision 3. Application for credit certificate.** Requires taxpayers to apply to the commissioner of revenue for a tax credit certificate in order to claim the credit. Credits must be issued on a first-come, first-served basis. The maximum amount of credits that may be allocated by the commissioner in a tax year is \$26.5 million.

**Subdivision 4. Responsibilities of qualified foundations.** Requires participating foundations that award scholarships to eligible students to: not restrict scholarships to any one qualified school; not charge fees to scholarship applicants; sign an agreement with a qualified school that the school will not use different admissions standards for students with qualified scholarships; and give priority to students in households with total income not greater than twice the income standard used to qualify for the federal reduced price lunch program.

Foundations must apply to the commissioner to be a qualified foundation. The application must document that the entity is a 501(c)(3) nonprofit and demonstrate the entity's accountability and financial viability.

Foundations must provide receipts to taxpayers who make donations and if a foundation awards scholarships, it must annually verify that each school to which it awards scholarships: complies with health and safety laws; holds a valid occupancy permit if required; certifies that it adheres to federal civil rights laws and the human rights chapter of Minnesota law; and administers standardized testing and provides the foundation with a report on student performance.

Foundations must annually report by June 1 the following: financial viability; documentation of criminal background checks of employees and board members; documentation that it has used donations to provide scholarships, transportation scholarships or grants; a list of qualified schools to which it provided scholarships, transportation scholarships, or grants; for qualified public school foundations, a list of expenditures made in support of public schools; the number and dollar amount of donations received and scholarships, transportation scholarships, and grants awarded; for public school foundations, the number and dollar amount of expenditures made in support of the mission of public schools or school districts; and the amount used for administrative expenses. Foundations may use up to 5% of donations received for administrative expenses.

**Subdivision 5. Responsibilities of commissioner.** Requires the commissioner to make applications for qualified foundations available by August 1 of each year, to approve or deny applications within 60 days and to notify foundations that submitted incomplete documentation that it may reapply within 30 days. Requires the commissioner to post a list of qualified foundations on the Department's website by November 15 of each year. Directs the commissioner to develop standard forms for use as receipts and for reporting by foundations. Authorizes the commissioner to conduct audits of foundations after finding evidence of fraud or intentional misreporting, notify a foundation that fails to submit required information, and allow for the foundation to remedy its noncompliance.

**Subdivision 6. Special education services.** Provides that a student's receipt of a scholarship or transportation scholarship does not affect eligibility for special education services.

Effective beginning in tax year 2019.

**Section 23. Definitions.** Includes the subtraction for business expenses incurred by medical cannabis manufacturers and for income received by individual partners, members, and shareholders from a C-option corporation for purposes of calculating individual alternative minimum tax. Effective beginning in tax year 2019.

**Section 24. Alternative minimum taxable income.** Includes the subtraction for business expenses incurred by medical cannabis manufacturers for purposes of calculating corporate alternative minimum tax. Effective beginning in tax year 2019.

**Section 25. Unitary business principle.** Requires that the combined report for unitary businesses exclude the income and apportionment factors of a disqualified captive insurance company. Strikes language providing that insurance companies that are part of a unitary business and not licensed in Minnesota or another state that imposes retaliatory taxes must be included on the combined report. Effective retroactively to tax year 2017.

**Section 26. Withholding by partnerships.** Exempts partnerships from withholding requirements under current law if the partnership has elected to be taxed as a C-option corporation. Effective beginning in tax year 2019.

**Section 27. Withholding by S corporations.** Exempts S corporations from withholding requirements under current law if the S corporation has elected to be taxed as a C-option corporation. Effective beginning in tax year 2019.

**Section 28 and 29. 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. Under current law, property must have been owned continuously by the decedent for three years prior to the decedent's date of death. Property is disqualified from the subtraction and recapture tax is triggered if the continuous ownership requirement is not met. Additionally, the qualified farm property subtraction also requires that the property must be classified as 2a agricultural property for three years following the decedent's death. If class 2a status is lost due to division of parcels owned in trust by the decedent and/or spouse, the property is disqualified from the subtraction and the recapture tax is triggered. These sections 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 property ownership requirement. Effective retroactively for estates of decedents dying after December 31, 2017.

**Section 30. Special waiver of income tax penalties.** Provides that the penalties for failure to remit estimated tax payments do not apply for taxpayers who expect to owe less than \$1,000 and submit a request for waiver of penalty attesting that the underpayment was due to uncertainties in tax planning due to enactment of the federal Tax Cuts and Jobs Act. The commissioner must prescribe the form and manner for requesting the waiver. For taxpayers who do not request a waiver, the penalty under current law applies. Effective the day following final enactment for tax years 2018 and 2019.

**Section 31. Application of angel tax credit for taxable year 2019.** Requires DEED to make applications for certification as a qualified small business, qualified investor, or qualified fund and for the angel investment credit available within 30 days of the day following final

enactment of an act that extends the angel credit for tax year 2019. Effective the day following final enactment.

### 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.** Exempts vendors of construction materials (defined as businesses classified in the following groups: sawmills and wood preservation; veneer, plywood, and wood products manufacturing; millwork manufacturing; cement and concrete product manufacturing; and lumber and other construction materials wholesalers) from the June accelerated remittance requirement. Vendors in these industries with liabilities of \$10,000 or more and less than \$250,000 would not be included in the exemption and would continue to remit their liabilities as under current law. Effective for sales and purchases made after June 30, 2019.

**Section 3. Ticket purchasing rights to collegiate events.** Provides that the sale of the privilege of admission does not include the amount paid for the right to purchase “preferred” seating if that amount is used entirely to pay scholarship costs; is separately stated from the admission price; and the admission price for a ticket in the preferred area is at least as much as the highest-priced ticket for the closest seat outside of the preferred area. Effective for sales and purchases made after June 30, 2019.

**Section 4. Certain herbicides.** Authorizes a sales tax exemption for purchases of herbicides by a lakeshore property owner or nonprofit association of lakeshore property owners that are used as part of an invasive aquatic plant management program. The association must have received an invasive aquatic plant management permit from the Department of Natural Resources authorizing selective control of invasive aquatic plants for purposes of reducing their abundance. Effective for sales and purchases made after June 30, 2019.

**Section 5. Nonprofit tickets or admissions.** Extends the exemption to admissions to a performance or event on the premises of a 501(c)(3) organization, if: the organization is established to preserve the state’s agricultural heritage and provides education about the state’s rural history; the organization’s premises are at least 115 acres; the event is sponsored and conducted exclusively by volunteers, employees, or board members of the organization; and the event is consistent with the organization’s charitable purposes. Effective the day following final enactment.

**Section 6. Ice arenas and rinks.** Expands the upfront sales tax exemption for sales to nonprofit organizations that operate certain ice arenas or rinks used for youth and high school programs to include entities that own the arenas or rinks and adds the David M. Thaler Sports Center as a facility included in the exemption. Effective for sales and purchases made after June 30, 2019.

**Section 7. 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 8. Properties destroyed by fire.** 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 9. Construction; certain local government facilities.** Provides a sales tax exemption for construction materials used in and equipment incorporated into the construction, reconstruction, upgrade, expansion, or remodeling of certain government-owned facilities:

- a new fire station in Monticello what would include firefighting, emergency management, public safety training, and other public safety facilities (the exemption is limited to \$850,000);
- a new fire station, including firefighting and public safety training facilities and public safety facilities, in Inver Grove Heights;
- a fire station, police station, and access roads, lighting, sidewalks, and utility components on or adjacent to the fire station or police station property in Minnetonka; and
- a school building in Independent School District No. 414 in Minneota.

The sales tax must be paid upfront and then refunded and provided in sections 10 to 12. The exemptions are effective for sales and purchases made within dates specific to each project.

**Sections 10 to 12. Tax collected; refund provisions.** Authorizes sales tax refunds for purchases of construction materials exempted under sections 8 and 9.

**Section 13. Tax must be remitted.** Exempts amounts retained under the vendor allowance authorized in **section 14** from the sales tax remittance requirement. Effective for sales taxes remitted after June 30, 2019.

**Section 14. Vendor allowance.** Authorizes qualified retailers to retain a portion of sales taxes collected for purposes of complying with the remittance requirements in the sales tax chapter. A “qualified retailer” is a retailer not subject to the June accelerated remittance requirement (i.e., vendors having a sales tax liability of \$250,000 or more during a fiscal year ending on June 30), excluding a vendor of construction materials as defined in **section 2**. Only retailers that timely collect and remit sales taxes may claim the vendor allowance. Retailers’ use taxes must not be used in calculating the vendor allowance. The allowance equals the greater of \$5 or .5% of the tax collected in the reporting period, but must not reduce tax owed to less than zero. The commissioner must calculate legacy fund revenues transferred without regard to the vendor allowance. Effective for sales taxes remitted after June 30, 2019.

## **ARTICLE 4: PROPERTY TAX**

**Section 1. 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 2. Records; data privacy.** Authorizes a county veterans’ service officer to disclose information to a county assessor necessary for determining eligibility for the disabled veterans homestead market value exclusion. Effective the day following final enactment.

**Section 3. Agricultural historical society property; exemption.** Increases, from 20 to 40 acres, the total number of 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 4. Certain property owned by an Indian tribe; exemption.** Authorizes 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 5. 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 6. Manufactured home park cooperatives.** 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 7. Agricultural homestead classification for business entities.** Allows agricultural homestead classification in situations where the business entity that owns the agricultural land is different from the business entity that actually operates the farm. Under current law, the same business entity must own and farm the land to receive agricultural homestead treatment. Effective beginning with assessment year 2019.

**Sections 8 and 9. Agricultural homestead; trust property.** Allows agricultural homestead classification in situations where properties that are required to have the same ownership structure are owned by more than one owner who are some combination of the individual owner, the individual owner’s spouse or surviving spouse, or a trust or trusts, the grantor of which is the individual, spouse, surviving spouse, or deceased spouse. Effective beginning with assessment year 2019.

**Section 10. Fractional homesteads.** Requires fractional ownership for homesteads owned by more than one person to be determined based on the ownership percentage found in the county land records. If the percentage cannot be determined, ownership percentages must be based on equal ownership shares. Effective beginning with assessment year 2019.

**Section 11. 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 12. Class 4 property.** Sets the class rate for all Class 4d properties (qualifying low income rental property) at 0.25%. Under current law, the class rate for 4d property is 0.75% for the first tier of value (first \$150,000 for assessment year 2019) and 0.25% of the value exceeding the first tier amount for each unit. Effective beginning with taxes payable in 2020.

**Section 13. 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 moves the application due date from July 1<sup>st</sup> to December 15<sup>th</sup>. Effective beginning with assessment year 2019.

**Section 14. Homestead market value exclusion.** Provides that the homestead market value exclusion for homesteads owned by more than one person shall be prorated as determined by county land records. If ownership percentages cannot be determined, the ownership percentages must be determined as if each owner owned an equal share of the property. Effective beginning with taxes payable in 2020.

**Section 15. Agricultural homestead market value exclusion.** Provides that the agricultural homestead market value exclusion for homesteads owned by multiple owners shall be prorated as determined by county land records. If ownership percentages cannot be determined, the ownership percentages must be determined as if each owner owned an equal share of the property. Effective beginning with taxes payable in 2020.

**Section 16. 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 17. Recommended and ordered values.** Changes, from August 1<sup>st</sup> to June 15<sup>th</sup>, 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 18. Notice.** Requires the commissioner of revenue to provide notice to the county auditor when an administrative appeal for state-assessed property located within the county is filed. Current law requires that notice be made only when appeals are filed in Minnesota Tax Court. Effective the day following final enactment.

**Section 19. Notification.** Requires the commissioner of revenue to develop an electronic means by which to inform each city, county, and taxing jurisdiction where state-assessed property included in an appeal is located. The notification must provide notice that an appeal was filed, a copy of the petition or appeal, notice that a final written agreement was entered into and a copy of the agreement within ten days of its signing, and any other information that provides the city, county, and taxing jurisdictions with information relative to the status of an appeal and settlement negotiations. Effective the day following final enactment.

**Section 20. State general levy; levy amount.** Reduces the state general levy amounts for both commercial-industrial property and seasonal-recreational property. 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 have provided 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. Effecting beginning with taxes payable in 2021.

**Section 22. Special taxing districts; definitions.** Adds fire protection special taxing districts to the list of special taxing districts. Effective the day following final enactment.

**Section 23. 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 24. 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 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. Fire protection special taxing districts.** Authorizes two or more political subdivisions to establish, by resolution of their governing bodies, a special taxing district to provide fire protection or emergency medical services, or both. The district shall be governed by a board consisting of representatives of each participating political subdivision in the proportions set out in the district's establishing resolution. Each representative must be an elected member of the governing body of the political subdivision he or she represents. The board may levy a tax on property in the district, not to exceed 0.096 percent of the estimated market value of the district, or \$1,100,000, whichever is less. The board may also apportion its levy under a formula based on population, number of service calls, or cost of providing service. The district may incur debt when necessary to accomplish its duties. This section also provides authority for jurisdictions to join and withdraw from the district. Effective the day following final enactment.

**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 provides 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. Placement of land into federal trust; report.** Requires each county to certify to the commissioner of revenue by October 1, 2019 the following information:

1. the parcel identification number, property classification, and parcel size for each parcel of property in the county that was placed into trust by the United States Department of the Interior Bureau of Indian Affairs between January 1, 2009, and January 1, 2019;
2. the amount of property tax paid on each parcel to each taxing jurisdiction in the county in the year prior to the parcel being placed into trust;
3. the total percentage of land in the county placed into trust as of October 1, 2019; and
4. the parcel identification number, property classification, parcel size, and amount of property tax paid for the most recent taxes payable year for each parcel of land for which an application for placement of trust was filed between January 1, 2019, and July 1, 2019.

By February 15, 2020, the commissioner of revenue must submit a report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes that includes the detailed information concerning land placed into federal trust, as certified by counties, as well as the total percentage of land placed into trust statewide as of October 1, 2019. Effective the day following final enactment.

## **ARTICLE 5: AIDS AND CREDITS**

**Section 1. Referendum equalization levy.** Increases the equalization factor for tier 1, tier 2, and tier 3 referendum levies, and provides an alternative calculation for tier 2 and tier 3 levies. Effective for revenue in fiscal year 2021.

**Section 2. Income; PTR.** Modifies the definition of household income used in determining eligibility for the homestead credit refund (PTR) and renter property tax refund by excluding nontaxable scholarships or fellowship grants or the cash value of any tuition discount provided by a postsecondary education institution. Effective beginning with refunds based on property taxes payable in 2020 and rent paid in 2019.

**Section 3. Additional border city allocation.** Provides an additional \$2 million allocation 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, for either new and expanding businesses or existing businesses. The allocations remain available until used. Effective July 1, 2019.

**Section 4. Indian Child Welfare Act (ICWA) compliance system review.** Provides that a county may dispute the determination made by the commissioner of human services regarding a county's compliance or noncompliance with the Indian Child Welfare Act and the Minnesota Indian Family Preservation Act. Under current law, the determination made by the commissioner is final, and if a county remains substantially out of compliance for a second consecutive year, the county shall be eligible for 50 percent of the aid it otherwise is entitled to receive under the reimbursement to counties and tribes for certain out-of-home placement aid program. If a county notifies the commissioner of human services that it disputes the commissioner's determination, the commissioner must initiate a contested case proceeding under chapter 14. Effective beginning with aids payable in calendar year 2020 and thereafter.

**Section 5. Appropriation; ICWA.** Increases, by \$2 million, the annual appropriation for the reimbursement to counties and tribes for certain out-of-home placement aid program. Effective beginning with aids payable in calendar year 2020 and thereafter.

**Section 6. Local government grants.** Appropriates \$1,255,000 in fiscal year 2020 only from the general fund to the commissioner of revenue for grants that shall be paid by August 1, 2019, and allocated as follows:

1. \$750,000 to Mahnomon 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;
2. \$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; and
3. \$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.

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

**Section 7. Appropriation of lapsed amounts; fire remediation grants.** Appropriates \$643,720 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. The grants shall be paid by August 1, 2019. 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.

**Section 8. Appropriation.** Appropriates \$14,850,000 in fiscal year 2021 from the general fund to the Department of Education for purposes of referendum equalization aid under Section 1. This amount is in addition to other appropriations for the same purpose. Effective the day following final enactment.

## ARTICLE 6: LOCAL SALES TAXES

**Section 1. Authorization; scope.** Prohibits political subdivisions from imposing a motor vehicle excise tax as of July 1, 2019. Clarifies that a political subdivision may only spend funds relating to imposing a local sales tax to disseminate information if the information includes a list of specific projects and the projected cost of each project to be funded by a local sales tax and provides facts and data on each project to be funded with the local sales tax. Effective the day following final enactment.

**Section 2. Requirements.** Adds a section of law to require that local sales taxes may be used instead of traditional revenues only for capital projects of clear regional benefit, and that a political subdivision must have a population of at least 1,000 to impose a local sales tax. Effective the day following final enactment.

**Section 3. Local resolution required before application for authority.** Adds several elements to the resolution required before a political subdivision seeks legislative approval of a local sales tax. The resolution must include:

- A detailed description of no more than five capital projects to be funded by the proposed tax;
- Documentation indicating the share of the benefit of each project going to persons outside of the political subdivision; and
- The amount of revenue that would be used for each project, the projected time needed to raise that revenue, and the total revenue that will be raised for all projects if all projects are funded;

Requires a political subdivision to submit the resolution and underlying documentation to the chairs of the house of representatives and senate tax committees by January 31 of the year in which it is seeking special legislation. Provides that the special legislation authorizing a local sales tax may only fund projects listed in the resolution, but is not required to 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. Requirements for adoption, use, termination.** Adds and clarifies requirements for adopting and imposing a local sales tax, effective the day following final enactment for all local sales taxes not authorized by the legislature before July 1, 2019. Requires that a referendum be conducted no more than four years before the political subdivision seeks legislative approval of the tax. Requires the ballot question to include:

- The specific project or projects to be funded with the tax;
- Amount of tax revenue used for each project and the total amount for all projects, and the estimated length of time the tax will be imposed; and
- A notice that voting “yes” on the ballot question may be voting for a property tax increase.

Requires that tax revenues to dedicated exclusively for construction and rehabilitation costs of the specific capital improvements approved by the voters, and that the tax must terminate after sufficient revenues have been raised to fund the capital improvement projects. Requires political subdivisions to remit any amount collected in excess of the average quarterly revenues over the previous 12 months to the commissioner for deposit to the state general fund. Effective the day following final enactment and applies to currently imposed local sales taxes.

**Section 5. New taxes prohibited.** Prohibits a city, county, town, or other taxing authority from increasing or imposing an excise tax on food or containers. The prohibition relating to food applies at the manufacturer, distributor, wholesale, or retail levels. The prohibition does not apply to license fees imposed by a licensing authority in the exercise of that authority to license a trade, profession, or business. Effective the day following final enactment.

**Section 6. Duluth local sales tax.** Authorizes the city to impose an additional .5% sales tax and issue bonds for street, curb, gutter, sidewalk, and bridge improvements including related lighting and signals. The tax terminates at the earlier of 25 years or when sufficient revenue to pay the bonds has been raised. Effective upon filing local approval with the secretary of state.

**Section 7. Minneapolis liquor, lodging, and restaurant taxes.** Modifies the limit on the maximum combined rate of Minneapolis lodging taxes, state general taxes, and any other local taxes to 13.875% in response to legislative changes in 2017 that affected lodging taxes in Minneapolis. Effective for sales and purchase made after June 30, 2019.

**Section 8. 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 9. 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 10 to 13. 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 filing local approval with the secretary of state.

**Section 14. 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 filing local approval with the secretary of state.

**Section 15. 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 filing local approval with the secretary of state.

**Section 16. 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 filing local approval with the secretary of state.

**Section 17. 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 filing local approval with the secretary of state.

**Section 18. 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 filing local approval with the secretary of state.

**Section 19. 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 filing local approval with the secretary of state.

**Section 20. 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 filing local approval with the secretary of state.

**Section 21. 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 filing local approval with the secretary of state.

**Section 22. 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 filing local approval with the secretary of state.

**Section 23. La Crescent lodging tax.** Authorizes the city to impose a lodging tax up to 2%, in addition to the authority to impose an up to 3% lodging tax under general law. The total lodging tax in the city must not exceed 5%. Effective upon filing local approval with the secretary of state.

**Section 24. 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, Larson, 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 filing local approval with the secretary of state.

**Section 25. 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 filing local approval with the secretary of state.

**Section 26. 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 filing local approval with the secretary of state.

**Section 27. 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 filing local approval with the secretary of state.

**Section 28. 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. The tax terminates five years after first imposed. Effective upon filing local approval with the secretary of state.

**Section 29. 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 filing local approval with the secretary of state.

**Section 30. 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 filing local approval with the secretary of state.

**Section 31. 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 filing local approval with the secretary of state.

**Section 32. 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 filing local approval with the secretary of state.

**Section 33. 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 filing local approval with the secretary of state.

**Section 34. 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 10<sup>th</sup> 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 filing local approval with the secretary of state.

## ARTICLE 7: TAX INCREMENT FINANCING

**Section 1. City of Bloomington; Bloomington Central Station.** Provides a two-year extension of the five-year rule (from 15 to 17 years) for the Bloomington Central Station Tax Increment Financing District. Effective upon approval by the city of Bloomington and compliance with filing requirements.

**Section 2. 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 3. City of Alexandria; TIF District No. 50.** Provides a three-year extension of the five-year rule 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 4. City of Anoka; Commuter Rail Transit Village.** Provides a three-year extension of the five-year rule for the Commuter Rail Transit Village Tax Increment Financing District in the city of Anoka. The district received previously received a three-year extension of the five-year rule under general law. Effective upon approval by the city of Alexandria, and compliance with filing requirements.

**Section 5. 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 6. 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 7. 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 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 8. 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 can 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. Bonds.** Allows counties that impose a transportation sales tax to issue bonds in the manner previously available for counties authorized pursuant to the Counties Transit Improvement Board (CTIB).

**Section 6. Municipality may file bankruptcy petition.** Updates a reference to the United States Bankruptcy Code.

**Section 7. 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 8. Definitions.** Modifies the definition of “municipality” for purposes of capital improvement bonds so that any town can issue bonds, regardless of its population.

**Section 9. Repealer.** Repeals the expiration of the State Agricultural Society’s bonding authority. Under current law, the authority to issue bonds expires on July 1, 2025.

## ARTICLE 9: MISCELLANEOUS

### Section 1. Private letter rulings.

**Subd. 1. Program established.** Requires the commissioner of revenue to establish a program to issue private letter rulings to taxpayers to provide guidance on how the commissioner will apply tax laws to specific situations, transactions, or arrangements that apply to the taxpayer.

**Subd. 2. Application procedure; fees.** Requires the commissioner to establish an application procedure and forms to request a private letter ruling. Authorizes the commissioner to establish a fee schedule, capped at \$1,000, to cover the department’s costs of preparing rulings. The commissioner must refund the fee if a ruling is not issued within 90 days of the taxpayer filing a complete application. Appropriates fees to a

special revenue fund to offset costs of the private letter ruling program and related administrative costs.

**Subd. 3. Effect.** Provides that a private letter ruling is binding on the commissioner if there was no misstatement or omission of material facts in the application; the facts that subsequently developed were not materially different from the facts on which the ruling was based; applicable state and federal rules and laws have not changed; and the taxpayer acted in good faith in applying for and relying on the ruling. Private letter rulings have no precedential effect and may not be relied upon by a taxpayer other than the taxpayer requesting the ruling.

**Subd. 4. Public access.** Requires the commissioner to make rulings available and searchable on the department's website. Rulings must be organized by tax type. Identifying information must be redacted.

**Subd. 5. Legislative report.** Requires the commissioner to issue a report to the legislature by January 31 of each odd-numbered year, with the first report required by January 31, 2024. The report must contain the number of applications for private letter rulings; the number of rulings issued, including the number issued within 90 days; the amount of application fees refunded by tax type; the tax types for which rulings were requested; the types and characteristics of taxpayers requesting rulings; and any other relevant information.

Effective July 1, 2021.

**Section 2. Authority to request dual examination.** Provides that a qualified taxpayer subject to on-site examination or audit under the income tax chapter or the sales tax chapter may request in writing that the commissioner conduct the audit or examination under both chapters at the same time. The request must be timely made from the date of receipt of notice of intent to conduct on-site audit or examination. If the request is timely made and the commissioner audits or examines the tax due under only one of the two chapters, the commissioner may not audit or examine the tax due by the requesting taxpayer under the other chapter for the period under which the audit or examination was conducted.

A "qualifying taxpayer" must have been issued a sales tax permit, have gross receipts below a threshold amount in the previous taxable year, was subject to audit or examination in fewer than a threshold amount of years prior to the taxable year subject to the request for dual examination, and have a determined additional tax liability of the lesser of \$1,000 or a percentage of tax liability in additional tax owed as a result of the audit or examination.

Effective for examinations and audits commenced after June 30, 2021.

**Section 3. Limitations; sales taxes.** Prohibits the commissioner from assessing additional sales taxes owed if the tax reported is consistent with the taxpayer's past reporting or other practices that were disclosed to and reviewed by the commissioner, including by audit that assessed no liability; and, for the next reporting period the statute or administrative rule on which the reporting or practice is based has not materially changed, a revenue notice has not been issued, and the commissioner has not notified the taxpayer in writing of a change in position on the reporting or practice. Effective for assessments made after June 30, 2021.

**Section 4. Limits on assessments.** Reduces or eliminates assessments issued under current authority if the amount assessed arose from the taxpayer's failure to collect or withhold a tax from another individual or entity due to reasonable cause. Reasonable cause includes lack of clarity regarding the collection or withholding requirements and failure to collect or withhold based on prior written advice of the specific question of requirement to collect or withhold.

Ignorance of the law does not constitute reasonable cause. Effective for assessments made after June 30, 2021.

**Section 5. Authority.** Allows the commissioner to abate or decline to impose penalties for underpayment of estimated individual and corporate franchise taxes. Effective July 1, 2021.

**Section 6. Time and content for administrative appeal.** Adds a description of the “reasonable cause” exception for failure to collect or withhold to the information required in an appeal of a tax due notice. Effective for assessments made after June 30, 2021.

**Section 7. Time limit; generally.** Adds language to modify the time limit for refund of tax overpayment to the later of three and one-half years from the filing due date or two years from the time the tax was paid. Limits the amount of refund based on the date the claim was filed. Effective for refund claims filed after June 30, 2021.

**Section 8. Penalty for failure to pay tax.** Provides that the penalties under current law for failure to timely pay tax do not apply if the calculated penalty is less than \$150, or for underpayment of income or sales taxes, if the liability on which the penalty is calculated is less than \$1,000 and the taxpayer filed timely returns and was not subject to other penalties for the previous three calendar years. Effective for penalties imposed after June 30, 2021.

**Sections 9 and 10. Form of application; personal liability for tax.** Provides for the commissioner to prescribe the form and manner of an application for a petroleum distributor’s license. **Section 10** amends the requirement for petroleum distributors and special fuels dealers to post or request an exemption from a bond payment to require that personal liability for the tax applies to corporate directors and officers, governors and managers of a limited liability company, or members of partnerships who, either individually or jointly, have control, supervision, or responsibility of filing returns and paying petroleum and special fuels taxes. Effective July 1, 2019.

**Section 11. Combined net receipts tax.** Modifies the tax on lawful gambling combined net receipts. The tax is imposed on the net receipts from the conduct of paper or electronic pull-tabs, tipboards, and electronic linked bingo. The provision would reduce the first tier rate from nine to eight percent; the second tier rate from 18 to 16 percent; the third tier rate from 27 to 24 percent; and the fourth tier rate from 36 to 32 percent. Strikes an obsolete requirement for the commissioner to adjust the combined net receipts rates. Effective July 1, 2019.

**Section 12. Available revenues.** Lowers the lawful gambling base amount by an amount proportionate to the reduction in the combined net receipt tax. The change holds harmless the stadium general reserve account balance. Effective the day following final enactment.

**Section 13. Occupation taxes to be apportioned; transferred.** Provides that any occupation tax proceeds that remain in the general fund after all statutory appropriations are made shall be transferred to the taconite economic development fund. The transfer is capped at \$4 million annually. If insufficient funds remain in the general fund in any year after all statutory appropriations are made, no transfer under this section will be made. Effective beginning with distributions made in 2020 and thereafter.

**Section 14. Taconite economic development fund.** Provides that the occupation tax proceeds transferred under Section 13 shall be held by the commissioner of Iron Range resources and rehabilitation in separate funds for each taconite and direct reduced ore producer. Each producer’s share of the proceeds shall be proportional to the amount of occupation tax paid by that producer each year. Effective beginning with distributions made in 2020 and thereafter.

**Section 15. 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. The star rating modifications are as follows:

- Five stars: increased from 50% to 70%
- Four stars: increased from 40% > 50% to 55% > 70%
- Three stars: increased from 30% > 40% to 40% > 55%
- Two stars: increased from 20% > 30% to 25% > 40%
- One star: less than 20%

Effective July 1, 2019.

**Section 16. 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, 2019.

**Section 17. Workforce and affordable homeownership development program.** Modifies the workforce and affordable homeownership development program to include loans, extends the program to cities and tribal governments, and modifies the date of the first report due to the legislature to include projects that received loans as well as grants. Establishes a workforce and affordable housing development account within the Housing Finance Agency, funded from mortgage registry tax and deed transfer tax revenues. The funds deposited to the account equal the amount collected during the fiscal year ending in that calendar year over that amount from the previous fiscal year. The increment must not be less than zero. Loans repaid must be deposited to the workforce and affordable housing development account within the housing development fund that exists under current law. Effective July 1, 2019.

## **ARTICLE 10: PARTNERSHIP AUDITS**

This article establishes reporting and payment requirements for partnerships whose returns have been adjusted at the federal level. The provisions are in response to federal changes to partnership audit rules recently enacted in the Internal Revenue Code for the IRS to audit, assess, and collect a determined underpayment directly from a partnership at the entity level, rather than auditing the partnership and assessing and collecting from each individual partner. All sections are effective for federal adjustments that have a final determination after June 30, 2019.

**Section 1. Enforcement; administrative order; penalties; cease and desist.** Adds a reference to the requirements of **sections 5 to 8** to the enforcement provisions of the Department of Revenue tax administration chapter.

**Section 2. Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** Provides that taxes imposed on an audited partnership electing to pay at the entity level under **section 3** are joint and several liability of the partnership and general partners, for purposes of the tax administration and compliance chapter.

**Section 3. Erroneous refunds.** Adds a reference to the calculation of assessments under **sections 5 to 8** for purposes of assessing amounts owed as a result of an erroneous refund.

**Section 4. Incorrect determination of federal adjusted gross income.** Adds a reference to **sections 5 to 8** for purposes of applying extensions resulting from incorrect determination of FAGI.

**Section 5. Definitions; partnerships; federal adjustments.** Provides definitions used in the new provisions.

**Section 6. Reporting federal adjustments; general rule.** Establishes a general rule for reporting federal adjustments. Taxpayers must:

- file a federal adjustment report with the commissioner reporting all final federal adjustments made by the IRS within 180 days of the final determination date made by the IRS;
- file a federal adjustment report with the commissioner reporting any federal adjustments the taxpayer reported to the IRS; and
- for a final federal adjustment arising from a partnership-level audit or an administrative request filed by a partnership, report adjustments as required under **section 7**.

**Section 7. Reporting payments and requirements.** Establishes reporting and payment requirements.

**Subd. 1** provides that the state partnership representative has sole authority to act on behalf of the partnership for the applicable year, and that direct and indirect partners are bound by those actions. The state partnership representative is the partnership's federal representative unless otherwise provided in a notification to the commissioner.

**Subd. 2** establishes reporting and payment requirements for partnerships and tiered partners that have final federal adjustments and do not elect to pay their assessed liability at the entity level under **subd. 3**.

**Subd. 3** allows an audited partnership to elect to pay its assessment at the entity level, provided that it files within specified time limits a completed federal adjustment report, including residency information for all individual direct partners, and other information prescribed by the commissioner; and pay a specified amount in lieu of taxes on partners. An audited partnership may not make an election to report a federal adjustment that results in unitary business income to a corporate partner required to file as a member of a combined report, or to report any final federal adjustments resulting for an administrative adjustment request. Audited partnerships not subject to reporting or payment requirements may not make this election.

**Subd. 4** requires that direct and indirect partners of an audited partnership that are tiered partners, and all partners of the tiered partners that are subject to income tax, are subject to the reporting requirements under **subd. 2**. Tiered partners may make the election under **subd. 3**. If the commissioner determines that the primary purpose of the tiered partnership was to allow an indirect individual Minnesota resident partner to avoid income tax, the partnership is disallowed from making the election under **subd. 3** and is subject to the reporting and payment requirements under **subd. 2**.

**Subd. 5** provides that the election under **subd. 3** is irrevocable unless otherwise determined by the commissioner. Amounts of properly reported and paid by audited

partnerships or tiered partners are treated in lieu of taxes owed by direct partners on the same federal adjustments to the extent practicable. Direct and indirect partners who are not resident partners are not allowed a credit, deduction, or refund for this amount. Resident direct partners may claim a credit against income taxes paid by the audited partnership or tiered partners on the resident partner's behalf to another state or local jurisdiction.

**Subd. 6** allows the commissioner to assess direct or indirect partners for taxes owed, based on the best available information, in the event that a partnership or tiered partner does not timely file report or make a payment.

**Subd. 7** allows an audited partnership or tiered partner to enter into an agreement to use an alternative reporting and payment method upon demonstration that the requested method will reasonably provide for accurate reporting and payment of taxes, penalties, and interest.

**Section 8. Assessment of tax, interest, penalties, and additional amounts.** Allows taxpayers subject to the requirements of **sections 6 and 7** to file refund claims that are related to federal adjustments made by the IRS on or before the last day for assessment under **section 4**. Allows taxpayers to make estimated payments of tax expected to result from a pending IRS audit without having to file a report with the commissioner. The estimated tax payments must be credited toward any tax due and limit further interest on the amount of estimated payment. If estimated payments exceed the amount of final tax liability and interest, a taxpayer may claim a credit or refund, provided the report or claim for refund or credit is filed under **section 9**.

**Section 9. Claims for refund or credits resulting from final federal adjustment.** Allows taxpayers subject to the requirements of **sections 6 and 7** to file refund claims that are related to federal adjustments made by the IRS on or before the last day for assessment under **section 8**.

**Section 10. Consent to extend statute.** Allows the reporting periods in **sections 6 and 7** to be extended automatically by 60 days for an audited partnership or tiered partner with 10,000 or more direct partners, if written notice is provided to the commissioner. Provides that, when a taxpayer has consented to extension of time for assessment of federal income or withholding taxes, the period for which the commissioner may recalculate tax is extended for the adjustments allowed in **section 8**.

**Section 11. Repealer.** Repeals the provisions in current law for time limitations on assessment of tax due to changes made by the IRS, failure to file a report of federal tax changes, and reporting a change or correction made to a federal return.

## **ARTICLE 11: INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAX; POLICY**

**Sections 1, 3 and 4. Married filing separately income tax bracket.** Amends Minn. Stat. § 290.0132, subd. 26, to ensure the married filing separately bracket for the social security subtraction is exactly half of the married filing jointly bracket. Amends Minn. Stat. § 290.06, subd. 2c and 2d, to ensure the general tax brackets for married filing separately are exactly half of the married filing jointly brackets. Effective for taxable years beginning after December 31, 2018.

**Sections 2 and 3. Accelerated recognition.** Amends Minn. Stat. § 290.06, subd. 2c, to provide for the representation of accelerated installment sale receipts in the nonresident apportionment

fraction of taxpayers who pay income taxes on accelerated installment sale gains under Minn. Stat. § 290.0137. Also amends Minn. Stat. § 290.0137 to delete the phrase “allocable amount” which is rendered unnecessary as the allocation rules under Minn. Stat. § 290.06, subd. 2c, will provide for the applicable standard. Effective the day following final enactment.

## **ARTICLE 12: 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 13: 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 14: 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 15: 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 16: 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 17: 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 18: 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 19: 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 20: 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 21: 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 |
|-------------------|-------------------|-------------------|

**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 22: 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 23: 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.