

**Tax Committee Chair**  
**Senator Ann H. Rest**  
**Minnesota District 43**  
Minnesota State Capitol  
Suite 328-330  
St. Paul, Minnesota 55155



# Minnesota State Senate

To: Members of the Senate Taxes Committee

Re: Summary of major provisions adopted by the Conference Committee on HF 3669, the proposed 2022 omnibus tax bill

## **Article 2 – Income, Corporate Franchise, and Estate Taxes**

- K-12 Education Tax Credit: Phaseout \$70,000 FAGI and indexed
- Child & Dependent Care Tax Credit: increased credit and income phaseout
- Angel Tax Credit: allocation increase to \$7 million for 2022 only
- Reduce 1st bracket rate to 5.1% (from 5.35%)
- New Markets Tax Credit
- Historic Structure Rehabilitation Credit (repeal sunset)
- Pass-Through Entity (PTE) Tax; various modifications
- Beginning Farmer and Owner of Agricultural Assets Credits; modifications to eligibility and reporting requirements.
- Portability of deceased spouse unused exclusion for estate tax

## **Article 3 – Sales and Use Taxes**

- Various exemptions for construction materials: Duluth ISD 709; Ely ISD 696; misc. other school buildings projects
- Construction materials exemptions: North Metro Regional Public Safety Training Facility; City of Wayzata various projects; MSP airport;
- Exemption for suite license food and beverages; amenities included with admission
- Exemption for nonprofit animal shelters
- Exemption for polar vortex-related natural gas charges

## **Article 4 – Property Taxes**

- Education provisions; intermediate districts, local optional revenue; facility lease expenses
- Exemptions; modified existing tribal-owned property exemption; modified existing exemption for certain airport property; established exemption for parcel-specific elderly living facility; established exemption for energy storage systems
- Established affordable housing market value exclusion program
- Agricultural properties; increased first-tier valuation limit for agricultural homestead properties; expanded definition of qualified relative; added hemp to definition of 'agricultural product.'
- Community land trust property; reclassified as Class 4d(1) with .75 class rate

- Homestead market value exclusion; increased value thresholds and maximum exclusion
- Class 4d; required municipal approval, lowered class rate; required report
- Class 1c homestead resorts; modified tier-limits
- Disabled veterans homestead exclusion; changed application window for certain widows
- Cooperative electric associations; modified definition of ‘attachment and appurtenances’
- State general levy; reduced levy for both commercial and seasonal rec properties
- Senior citizen property tax deferral program; lowered maximum household income & shortened residency and occupancy requirements
- Interest rate; eliminated minimum on interest rates for delinquent property taxes & confessions of judgment
- Manufactured home parks; consolidated property classifications

#### **Article 5 – Property Tax Aids and Credits**

- Local Government Aid appropriation increase; \$30 million/year increase beginning Pay2023/FY2024; various aid penalty forgiveness provisions
- County Program Aid appropriation increase; \$30 million/year increase beginning Pay2023/FY2024
- PILT payment increase and inflation-indexed payment amounts; \$9.2 million/year increase beginning Pay2023/FY2024
- Electric Generation Transition Account; \$5.2 million one-time transfer to special revenue fund for future policy TBD
- Soil and Water Conservation District Aid; \$6 million/year new funding beginning Pay2023/FY2024
- Community Career Workforce Grants; \$24 million in FY2023 only

#### **Article 6 – Tax Increment Financing**

- State Auditor policy & technical changes
- Authorized special laws for the following cities: Fridley, Plymouth, Shakopee, Woodbury

#### **Article 7 – Local Sales Taxes**

- Various clarifying and policy changes to LST approval and enactment requirements
- Authorized the following cities to impose, extend, or modify local sales taxes, subject to voter approval: Rochester; Marshall; Edina; Moorhead; Oakdale; Waite Park; Warren; Aitkin; Blackduck; Bloomington; Brooklyn Center; East Grand Forks; Golden Valley; Henderson; Proctor; Rice County; Roseville; and Winona County
- Enacted/modified lodging tax authority for Cook County; Plymouth; Lake of the Woods County
- Temporary authority for increase in bonding authorization for pandemic-related construction costs for projects authorized in 2021

**Article 8 – Renter’s Tax Credit**

- Renters Refundable Income Tax Credit replaces Renters Credit

**Article 9 – Public Finance**

- Extended, from 10 to 20 years, the duration limit for certificates of indebtedness and capital notes issued by cities, counties, towns, and school districts.

**Article 10 - Miscellaneous; selected major provisions, general fund changes**

- Modifications to Tax Expenditure Review Commission provisions
- Struck \$50 payment requirement for entering into a tax payment agreement with DOR; modified time period in which collection action may be taken for certain underpayments of individual income taxes, including related penalties and fees
- Modified withholding requirements for certain retirement plan distributions
- Homestead Credit Refund increase; ~\$36 million/year beginning FY2024
- Homestead Market Value Exclusion threshold increase; PTR interaction -\$7.3 million/year beginning FY2025
- School district local optional revenue equalization increase; ~\$24 million/year in FY2024 and increasing in later years
- Combined net receipts tax reduction; reduce first tier rate from 9% to 5% and corresponding bracket modification; \$6.8 million/year in FY2024 and later
- Housing Development Fund, Workforce & Affordable Homeownership account; \$7.5 million/year in FY2023 and later
- Polar vortex energy rebate grants; \$14.7 million in FY2023 only
- County pandemic rental assistance payments; \$20 million in FY2023 only

**Articles 11-14 – DOR Policy and Technical provisions**

- Article 11 (Partnership Taxes): same as introduced
- Article 12 (Sales and Use Taxes and Special Taxes): same as amended in Committee (two sections deleted)
- Article 13 (Fire and Police State Aids): same as introduced
- Article 14 (Miscellaneous Tax Provisions): same as introduced, except that provision relating to taxpayer identification numbers and e-filed certificates of rent paid was carried in Article 8

Sincerely,



Tax Committee Chair Ann H. Rest  
Minnesota State Senator, District 43

3515 Hillsboro Ave. N.  
New Hope, MN 55427  
(612) 750-5425  
annr@senate.mn