

# Tax Omnibus

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Subject Omnibus Tax Bill  
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## Article 1: Federal Conformity

This article makes conforming changes to Minnesota tax law to respond to federal legislation enacted from December 16, 2016, through December 31, 2018. It adopts the Internal Revenue Code as modified by the following acts of Congress:

- Disaster Tax Relief and Airport and Airway Extension Act
- Tax Cuts and Jobs Act (TCJA)
- Bipartisan Budget Act of 2018 (BBA 2018)
- Consolidated Appropriations Act of 2018

The most important changes were made by TCJA, the major restructuring of the federal tax enacted in December 2017, and the BBA 2018, enacted in February 2018, which includes the standard package of federal “extenders”—i.e., the extension of a collection of federal tax provisions that regularly expire and are extended for one or two years by Congress.

The TCJA changes are too numerous to list, but they include both major changes in the definition of the tax base for individual income (both personal and business-related provisions) and corporate taxation. Some of the major changes—adopted by the article (because they affect the calculation of federal adjusted gross income or FAGI):

- Expanded section 179 and bonus depreciation rules apply. (The maximum section 179 amount was permanently increased to \$1 million; allowance of bonus depreciation is temporary.) The article continues the pattern under current law of allowing only 20 percent of section 179 expensing and bonus depreciation in the year made.
- The use of active losses from one business to reduce other income (e.g., wages, investment income, or income from another business) were subject to dollar limits (\$500,000, married joint filers; \$250,000 for others).
- Business interest deductions were limited to 30 percent of adjusted taxable income.
- Many more businesses will be allowed to use cash basis accounting.
- Net operating loss carrybacks are eliminated and carryovers (including those for corporations) limited to 80 percent of the loss.
- Various employee compensation costs (e.g., meals, lodging, and certain transportation costs) were disallowed as business expense deductions.
- The deduction allowed to employers who reimburse employees for moving expenses and the exclusion of those amounts from income of employees were both suspended.

The adopted federal changes generally take effect for Minnesota purposes at the same times as the federal changes take effect, although for 2018, a **special adjustment** is established for individual filers so that they will not see an increase or decrease in tax, although some exceptions apply.

BBA 2018 extended a number of provisions for one year through tax year 2017 (i.e., the tax year that had already ended for calendar years taxpayers when the extension was

enacted). The most significant provisions extended were the deductions for tuition and mortgage insurance premiums, the exclusion of discharge of indebtedness income of a principal residence, and various depreciation rules. The bill does not conform to BBA's extension of the deductions for tuition and mortgage insurance for tax year 2017.

The article changes the starting point for calculating individual income taxes for individuals from federal taxable income (FTI) to **FAGI**. The effect of this change is to make (1) itemized and standard deductions and (2) dependent exemptions a matter to be determined by Minnesota, rather than federal, law.

The article provides a **dependent exemption** amount equal to that allowed under pre-TCJA law, but eliminates the personal exemption.

The article increases the **standard deduction** allowed to match the amounts allowed federally under the TCJA. The state standard deduction amounts for tax year 2019 are \$24,400 for married couples filing joint returns, \$12,000 for singles, and \$18,350 heads of households. The additional standard deduction amounts (for age 65 or older, blind, and so forth) remain unchanged. The standard deduction is partially phased out according to the same rules that govern the partial phase-out of itemized deductions under current Minnesota law.

The article adopts Minnesota itemized deductions that parallel those under the TCJA, but retains some deductions that were repealed federally. The bill changes itemized deductions as follows:

- **Taxes paid:** The bill allows a deduction for up to \$10,000 in taxes paid, including property taxes, certain foreign taxes to the extent not reduced by the federal foreign tax credit, and certain subnational foreign taxes.
- **Charitable contributions:** Increases the 50 percent AGI limit to 60 percent
- **Interest:** Disallows the deduction for home equity interest and interest attributable to acquisition indebtedness over \$750,000 (for mortgages incurred after December 15, 2017); present law allows interest on acquisition indebtedness up to \$1 million.
- **Medical expenses:** Allows a state deduction for medical expenses in excess of 10 percent of AGI.
- **Unreimbursed employee expenses:** Allows a deduction for unreimbursed employee expenses in excess of 2 percent of AGI—this deduction was repealed federally.
- **Other miscellaneous deductions subject to the 2 percent floor:** Disallows miscellaneous itemized deductions that were subject to the 2 percent of AGI floor; this includes deductions for “other expenses” related to the costs of producing income and tax preparation services.
- **Losses:** Allows a state deduction for personal casualty and theft losses equivalent to the deduction under old federal law—TCJA limited the federal deduction to losses in disaster areas.
- **“Other miscellaneous” deductions:** Retains miscellaneous deductions not subject to the 2 percent floor. These deductions did not change under TCJA.

A taxpayer's itemized deductions are limited using the existing formula for limiting itemized deductions under Minnesota law, except that the amount of state taxes deducted federally no longer count towards the 80 percent reduction in a taxpayer's itemized deductions.

**Section Description – Article 1: Federal Conformity**

**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). Revenue recapture provides for offsetting tax refunds for various types of debts owed to government agencies (in addition to unpaid taxes). The law provides income-based exemptions from recapture of debts for medical care. The statutory dollar amounts are indexed for inflation. This section resets the dollar amounts at the 2018 levels and converts their inflation indexing to the C-CPI-U, rather than the CPI-U, as under present law.

**Background and chained CPI.** TCJA converted inflation indexing in federal tax law from the CPI-U to C-CPI-U. Chained CPI accounts for the fact that consumers often change their consumption habits when prices increase by substituting for other goods. The index does that by regularly modifying (or “reweighting”) the market basket of goods and services whose prices are used in measuring price changes. By contrast, CPI-U uses a fixed market basket of goods and services that does not regularly change. Chained CPI tends to increase more slowly than CPI-U. This means that provisions that are indexed for inflation will grow more slowly than they did under prior law.

Effective date: for adjustments beginning in tax year 2020.

**Cost of living adjustment.**

Adds a new section to chapter 270C that describes the rules for indexing for inflation the income tax and property tax refund. Specifies that both income tax and property tax refund amounts are indexed using 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.

Effective date: for adjustments beginning in tax year 2020 and property tax refunds payable in 2020.

**Internal Revenue Code.**

Updates chapter 289A for federal changes through December 31, 2018.

Effective date: the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time they became effective for federal purposes.

**Filing requirements.**

Authorizes the commissioner of revenue to establish individual income tax filing requirements that differ from federal law based on the Minnesota standard deduction and exemption amounts. Present law bases the Minnesota filing requirement on the requirement to file a federal return.

Effective date: Tax year 2019.

**Cross-reference change.**

Modifies statutory cross references in the composite return filing requirement for nonresident partners and S corporation shareholders to reflect the changes to the additions to FAGI made by the article, which both repeals and adds new additions.

Effective date: Tax year 2019.

**Conforming change.**

Changes a reference from FTI to FAGI (in the information reporting for exempt interest dividends) to reflect the article's change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

**Conforming change.**

Adds a reference to FAGI in the commissioner's assessment authority, consistent with the article's change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

**Determination of marital status.**

Adds rules governing how an individual is determined to be married for tax purposes. Adopts by cross reference the federal rules currently in effect for Minnesota purposes (because of the state's use of federal taxable income as the starting point for its income tax).

Effective date: Tax year 2019.

**Surviving spouse definition.**

Adds a definition of "surviving spouse" (linked to the federal definition) for purposes of the individual income tax chapter, since this term is used multiple times in the chapter including in the new section providing for Minnesota exemption amounts. 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 date: Tax year 2019.

**Net income definition.**

Modifies the definition of net income to provide that the starting point for computing Minnesota individual income tax will be FAGI (rather the FTI). Estates, trusts, and C corporations will continue to use FTI. The bill also updates the date of the Internal Revenue Code that is in effect for the purposes of calculating net income.

**Effective date:** The switch to FAGI as the starting point for the state's tax code is effective for tax year 2019. The update of the version of the Internal Revenue Code version is effective the day following final enactment, but changes incorporated by the federal changes are effective retroactively at the same time as they became effective for federal purposes. The effective date also specifies that the changes are subject to the special adjustment for tax year 2018 under section 290.993.

**Deferred foreign income definition.**

Defines "deferred foreign income" for purposes of the corporate and individual income taxes to be the amount required to be recognized under federal law.

Effective date: Retroactively at the same time the provisions of the TCJA became effective for federal purposes.

**Adjusted gross income definition.**

Adds a definition of "adjusted gross income" and "federal adjusted gross income" that refers to federal law to minimize the need to include repeated references to section 62 of the Internal Revenue Code. This definition also requires taxpayers to have consistent elections for federal and Minnesota purposes on items that affect computation of FAGI (e.g., the cost recovery method that businesses use to compute their income).

Effective date: Day following final enactment.

**State itemized deductions definition.**

Modifies the definition of state itemized deductions to equal the itemized deductions allowed under the bill. The deductions allowed are defined in section 16 of the bill.

Effective date: Tax year 2019.

**Chapter 290 update.**

Adopts the changes to the Internal Revenue Code made since December 16, 2016, for purposes of the individual income and corporate franchise taxes. This will adopt the changes in federal law, as described in the Overview, the most significant of which were made by TCJA and the BBA 2018.

Effective date: Day following final enactment; changes incorporated by reference to federal provisions are effective at the same time as they are effective for federal purposes. The effective date also specifies that the changes are subject to the special adjustment for tax year 2018 under section 290.993.

#### **Dependent exemption.**

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

**Subd. 2. Disallowed exemption amount.** Phases out the dependent exemption using the same rules that are in place under current law for personal and dependent exemptions. The exemption is reduced by 2 percentage points for each \$1,250 (or fractional thereof) by which the taxpayer's income exceeds the phaseout threshold. The threshold is \$291,950 for married couples filing joint returns and \$194,650 for single taxpayers.

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

#### **Itemized deductions.**

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

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

A taxpayer's itemized deductions are reduced by 3 percent of AGI in excess of the threshold amounts, but are never reduced below 20 percent of the taxpayer's total deductions. The thresholds are \$194,650 for all taxpayers except married individuals filing separate returns, for whom the threshold is one-half that amount.

The itemized deduction limitation does not apply to the deduction for investment interest, medical expenses or losses; this is consistent with current law.

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

- Up to \$10,000 of state, local, and foreign property taxes. The limitation is \$5,000 for married couples filing separately.
- Foreign income, war profits, and excess profits taxes to the extent not reduced by the federal foreign tax credit.



- Foreign subnational taxes that did not qualify for the state credit for taxes paid to another state. The amount of foreign subnational taxes is limited to the amount that qualifies for the federal foreign tax credit. This itemized deduction replaces an existing subtraction in state law.

**Subd. 4. Charitable contributions.** Allows an itemized deduction for the amount of charitable contributions allowed under federal law. The state deduction permanently adopts the TCJA’s 60 percent AGI limit for charitable contributions, which is scheduled to expire in tax year 2026. The amount of contributions eligible for a carryover corresponds to the amount allowable in Minnesota.

**Subd. 5. Interest.** Allows an itemized deduction for interest paid equal to the amount deductible under federal law. The deduction equals the amount allowed federally, but permanently adopts the TCJA’s changes to the mortgage interest deduction.

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

**Subd. 7. Unreimbursed employee expenses.** Allows an itemized deduction for unreimbursed employee expenses. The deduction is limited to expenses in excess of 2 percent of AGI. TCJA suspended this deduction, as well as other miscellaneous deductions subject to the 2 percent AGI floor.

**Subd. 8. Losses.** Allows a state itemized deduction for personal casualty and theft losses; TCJA limited the federal deduction to losses in disaster areas. The state deduction is limited to losses in excess of 10 percent of AGI, consistent with the treatment under federal law prior to the TCJA.

**Subd. 9. Miscellaneous deduction.** Allows a state itemized deduction for to federal miscellaneous deductions not subject to the 2 percent floor. These deductions were retained by TCJA, and are still allowed under current federal law.

**Federal law section      Deduction**

Section 67(d)	Impairment-related work expenses of a disabled individual
Section 691(c)	Estate taxes paid
Section 67(b)(8)	Personal property used in a short sale
Section 1341	Repayment of amounts under a claim of right if over \$3,000

Section 72(b)(3)	Endowment and life insurance contracts. If annuity payments cease by reason of the death of the annuitant, and there is an unrecovered investment in the contract, the amount of the investment is a deduction.
Section 171	Amortizable bond premiums on bonds that are not tax exempt
Section 216	Deduction of taxes, interest, and business depreciation by cooperative housing corporation tenant-stockholder
Section 67(c)(1)	Business casualty and theft losses

Effective date: Tax year 2019.

### Standard deduction amounts

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

- Married couples filing joint returns or surviving spouses: \$24,400
- Heads of household: \$18,350
- All other filers: half of the amount for married couples filing joint returns

Taxpayers who are 65 years or older, or who are blind, may claim an additional amount under subdivision 2.

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

**Subd. 2. Additional amount for senior or blind taxpayers.** Allows an additional standard deduction amount for taxpayers ages 65 or older, or who are blind. The additional amount is \$1,300 for married taxpayers and surviving spouses, and \$1,650 for other taxpayers. These amounts correspond to the amount allowed under current federal law.

**Subd. 3. Amount for dependents.** Establishes the standard deduction amount for taxpayers who are claimed as dependents on another return. The deduction for those taxpayers equals \$500 or \$250 plus the taxpayer's earned income. These rules correspond to the current federal treatment.

**Subd. 4. Deduction disallowed.** Continues the federal disallowance of the standard deduction for three categories of taxpayers:

- 1) Married separate taxpayers whose spouses itemize deductions.
- 2) Taxpayers who changed their annual accounting period and are filing a return for a period of less than 12 months.
- 3) Nonresident alien individuals, except as allowed under a United States income tax treaty.

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

A taxpayer's standard deduction is reduced by 3 percent of AGI in excess of the threshold amounts, but is never reduced below 20 percent of the taxpayer's standard deduction amount. For married couples filing joint returns who do not qualify for an additional standard deduction amount, the standard deduction reaches the 20 percent limit (\$4,880) at \$845,317 of adjusted gross income.

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

Effective date: Tax year 2019.

**Additions to income; scope.**

Modifies the scope subdivision of the section providing individual income tax additions to income to be consistent with the article's change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

**State and local income and sales taxes.**

State and local income and sales taxes. Limits the addition for state and local income taxes and sales taxes to estates and trusts, since only those entities will continue to use FTI (which incorporates the federal deduction for state and local income taxes) in calculating Minnesota tax. The limitation on the deduction to the amount of the standard deduction is repealed, since trusts and estates are not allowed to elect the standard deduction.

Effective date: Tax year 2019.

**529 plan addition.**

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

Effective date: Retroactively for tax year 2018.

**Qualified business income.**

Requires a trust or estate to add to FTI the amount it deducted as qualified business income (the 20-percent deduction allowed under TCJA).

Effective date: Retroactively for tax year 2018.

**Foreign-derived intangible income.**

Requires an individual to add-back the amount of the TCJA's foreign-derived intangible income deduction.

Effective date: Retroactively for tax year 2018.

**Subtractions from income; scope.**

Modifies the scope subdivision of the section providing individual income tax subtractions from income to be consistent with the article's change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

**Charitable contributions for nonitemizers.**

Modifies the charitable contribution deduction for nonitemizers to be based on whether the taxpayer itemizes for Minnesota purposes (rather than federal purposes as under present law).

Effective date: Tax year 2019.

**Standard or itemized deductions.**

Allows a subtraction for either the taxpayer's standard deduction amount (calculated under section 17 of the bill) or itemized deduction amount (calculated under section 16 of the bill).

Effective date: Tax year 2019.

**Dependent exemption.**

Allows a subtraction for the taxpayer's dependent exemption amount (calculated under section 15 of the bill).

Effective date: Tax year 2019.

**Conforming change.**

Changes a reference from FTI to FAGI (for the subtraction for military retirement pay) to be consistent with the article's change in the starting point for calculating the Minnesota tax.

Effective date: Tax year 2019.

**Deferred foreign income.**

Provides a subtraction under the individual income tax for the amount of deferred foreign income included in a taxpayer's net income.

Effective date: When effective for federal purposes.

**Global intangible low-taxed income; individuals.**

Provides an individual income tax subtraction for global intangible low-taxed income (GILTI).

Effective date: Retroactively to tax year 2018.

**Special deductions.**

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

Effective date: When effective for federal purposes.

**Foreign-derived intangible income.**

Requires an add-back of the foreign-derived intangible income deduction, for corporate taxpayers.

Effective date: Retroactively for tax year 2018.

**Global intangible low-taxed income; corporations.**

Provides a corporate franchise tax subtraction for the amount of global intangible low-taxed income (GILTI) included in a taxpayer's FTI (after the application of the federal section 250 deduction).

Effective date: Retroactively for tax year 2018.

**Deferred foreign income.**

Provides a subtraction under the corporate franchise tax for the amount of deferred foreign income included in a taxpayer's FTI (after the application of the federal section 965(c) deduction).

**Conforming change.**

Makes a conforming change to the lump sum tax to reflect the use of FAGI as the starting point for the tax.

Effective date: Tax year 2019.

**Taxes imposed on exempt entities.**

Excludes employee fringe benefits from the definition of unrelated business taxable income—TCJA required nonprofits to add certain employee fringe benefits to unrelated business taxable income.

Requires a nonprofit corporation required to pay UBIT to add back its federal NOL and claim a Minnesota NOL under the rules applicable to C corporations under the Minnesota tax. This prevents TCJA's rules requiring separately calculating NOLs for each activity.

Effective date: Retroactively to tax year 2018.

**Inflation adjustment of brackets.**

Makes a conforming change to reference the new inflation-indexing provision under section 2.

Effective date: Tax year 2020.

**Section 529 plan recapture.**

Excludes K-12 qualifying education expenses from the definition of "qualified higher education expenses" for the purposes of the 529 credit and subtraction recapture.

Effective date: Retroactively to tax year 2018.

**Inflation adjustment.**

Makes a conforming change to the dependent care credit statutes to reference the new inflation-indexing provision under section 2.

Effective date: Tax year 2020.

**Inflation adjustment.**

Makes a conforming change to the Working Family Credit statutes to reference the new inflation-indexing provision under section 2.

Effective date: Tax year 2020.

Modifies the long-term care insurance credit to refer to Minnesota, rather than federal, itemized deductions.

Effective date: Tax year 2019.

**Long-term care insurance credit; conforming changes.**

Changes a reference in the long-term care insurance credit from FTI to Minnesota taxable net income.

Effective date: Tax year 2019.

**Definitions; marriage credit.**

Changes a reference in the marriage credit to refer to the Minnesota standard deduction rather than the federal standard deduction.

Effective date: Tax year 2019.

**Definitions; historic structure credit.**

Updates the federal IRC reference for the state credit, which changed under the TCJA and clarifies that the credit is allocated in the year the project is placed in service. Section 44 requires this allocated credit to be paid in five equal annual installments.

Effective date: Retroactively for tax year 2018.

**Credit or grant allowed; historic structure credit.**

Conforms the state's historic structure credit to the TCJA's five year credit payment schedule by requiring the credit or grant to be payable in five equal annual installments.

Effective date: Tax year 2018.

**Historic structure credit applications.**

Conforming change to administer the changes in section 44.

Effective date: Retroactively for tax year 2018.

**Historic structure credit certificates; grants.**

Conforming change to administer the changes in section 44.

Effective date: Retroactively for tax year 2018.

Strikes a reference to the federal definition of “qualified higher education expenses,” which are now defined elsewhere.

Effective date: Day following final enactment.

**Credit allowed; inflation adjustment; 529 credit.**

Makes a conforming change to the 529 credit statutes to reference the new inflation-indexing provision under section 2.

Effective date: Tax year 2020.

**Elderly exclusion; conforming change.**

Changes a reference from FTI to FAGI (in the elderly exclusion) to reflect the article’s change in the starting point of the individual income tax.

Effective date: Tax year 2019.

**AMT definitions.**

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

Effective date: Tax year 2019.

**Individual AMT exemption amount; indexing.**

Makes conforming changes to the updated IRC while not conforming to the increased income thresholds under the TCJA. Also updates the inflation adjustment to reference the new inflation adjustment under section 2.

Effective date: Day following final enactment, except the inflation changes are effective tax year 2020.

**Corporate AMT.**

Decouples the state corporate AMT from the federal corporate AMT, which was repealed in the TCJA. The state corporate AMT will continue to reference the IRC as amended through December 16, 2016.

Effective date: Tax year 2019.



**Corporate AMT; subtractions.**

Allows a deduction for the medical cannabis subtraction, which is contained in article 2.

Effective date: Tax year 2019.

**Minimum fee.**

Makes a conforming change to the corporate minimum fee to reference the new inflation-indexing provision under section 2.

Effective date: Tax year 2020.

**Net operating losses.**

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

Effective date: Retroactively to tax year 2018.

**Allocation of trade or business income.**

Modifies the definition of "wages" for purposes of allocating trade or business income between Minnesota and non-Minnesota sources to include a reference to income from sales of section 83(i) qualified stock (provided as compensation to employees), which were authorized by TCJA.

Effective date: When effective for federal purposes.

**Controlled foreign corporations.**

Clarifies that subpart F income must be treated as dividend income, which subjects this income to the state dividend received deduction.

Effective date: When effective for federal purposes.

**Interest limitation.**

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

Effective date: Retroactively for tax year 2018.

**Wages for withholding tax.** Modifies the definition of “wages” for purposes of withholding tax to include section 83(j) qualified stock election under TCJA. The provision allows employees receiving the stock to defer when income is includible, subject to a variety of limits and conditions.

Effective date: Retroactively for tax year 2018.

**Withholding exemptions.**

Requires a taxpayer’s withholding exemptions to be calculated using the new standard deduction and dependent exemption amounts.

Effective date: Tax year 2019.

**Special limited adjustment.**

Establishes a “special limited adjustment to tax” for individual income tax filers in tax year 2018 only. The adjustment allows taxpayers in tax year 2018 to elect to itemize their deductions for state purposes, even if they claimed the federal standard deduction.

The section also establishes an adjustment to tax for tax year 2018 equal to the difference in tax between the pre-conformity and post-conformity tax calculations. This effectively means that even though the bill generally conforms to TCJA and BBA retroactively, as a general rule conformity will not affect the tax paid in tax year 2018.

However, the bill outlines a list of sections of the BBA and TCJA to which the special adjustment does not apply. Conformity to the provisions listed is retroactive and will affect the tax paid in 2018.

The list of sections that will affect tax year 2018 liability are:

- 11012 of TCJA: limitation on excess business losses for pass-through businesses;
- 13101 of TCJA: changes to section 179 expensing;
- 13201 of TCJA: changes to bonus depreciation;
- 13202 of TCJA: changes to the depreciation limitations on luxury automobiles and personal use property;
- 13203 of TCJA: changes to depreciation rules for farm property;
- 13204 of TCJA: changes to the recovery period for certain real property;
- 13205 of TCJA: alternative depreciation system for electing farm businesses;
- 13207 of TCJA: expensing of certain costs of replanting citrus plants;
- 13301 of TCJA: interest deduction limitation;
- 13302 of TCJA: modification of the NOL deduction;
- 13303 of TCJA: modifications to rules governing like kind exchanges of real property;

- 13313 of TCJA: Rollover of publicly traded securities gain into specialized small business investment companies;
- 13502 of TCJA: modifications to the definition of substantial built-in loss in the case of a transfer of partnership interest;
- 13503 of TCJA: charitable contributions and foreign taxes taken into account in determining the limitation on the allowance of a partner's share of a loss;
- 13801 of TCJA: changes to the production period for wine, beer, and distilled spirits;
- 14101 of TCJA: deduction for foreign-source dividends received by domestic corporations from controlled foreign corporations;
- 14102 of TCJA: special rules relating to sales or transfers of controlled foreign corporations;
- 14211 through 14215 of TCJA: modifications to rules for subpart F income;
- 14501 of TCJA: Restriction on insurance business exception to passive foreign investment company rules; and
- 40411 of the Bipartisan Budget Act: Extension of the phaseout of the energy credit and depreciation.

**Property tax refund income definition and exemption amounts.**

Modifies the definition of household income under the property tax refund for renters and the homestead credit refund programs to eliminate the addition for the domestic production deduction, which was repealed by the TCJA, and to include nontaxable alimony received by the claimant. The section also requires alimony to be paid to be excluded from household income.

Effective for tax year 2019, TCJA provides that alimony (paid under new agreements or orders) is no longer deductible to the payer and includible in the recipient's income.

References to the exemption amount in the definition of household income are tied to the dependent exemption amount under the Minnesota income tax.

Effective date: Refunds based on property taxes payable in 2020 and rent paid in 2019.

**Gross rent amount; indexing.**

Sets the gross rent amounts for nursing homes, foster care homes, and intermediate care facilities at the 2018 amounts and converts indexing to the C-CPI-U index.

Effective date: Refunds based on rent paid in 2019.

**PTR update.**

Updates the reference to the Internal Revenue Code for purposes of the property tax refund chapter. This will incorporate federal changes made to FAGI and TCJA's repeal of

the exemption allowance (replaced in section 65 with a reference to the Minnesota amount provided by the article).

Effective date: Refunds based on property taxes payable in 2020 and rent paid in 2019.

**PTR inflation indexing.**

Converts indexing of the HCR and PTR schedules to the C-CPI-U index.

Effective date: Adjustments for refunds based on rent paid in 2019 and property taxes payable in 2020.

**Scope; estate tax.**

Makes a conforming change to the updated IRC for the definition of “Internal Revenue Code” in the estate tax chapter.

Effective date: When effective for federal purposes.

**Sales tax exemption.**

Provides that TCJA’s change in the like-kind exchange rules (limiting them to real property) does not apply for purposes of the sales tax exemption for occasional sales. The bill makes this change by tying the statutory reference to the version of the Internal Revenue Code before the enactment of TCJA.

Effective date: Retroactively for tax year 2018.

**Sales tax exemption.**

Provides that TCJA’s change in the like-kind exchange rules (limiting them to real property) does not apply for purposes of the motor vehicle sales tax exemption. The bill makes this change by tying the statutory reference to the version of the Internal Revenue Code before the enactment of TCJA.

Effective date: Retroactively for tax year 2018.

**First-time homebuyer savings account; conforming changes.**

Changes a reference from FTI to FAGI (in the subtraction under the first-time homebuyer savings account program) to reflect the article’s change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

**First-time homebuyer savings account; conforming change.**

Changes a reference from FTI to FAGI (in the addition under the first-time homebuyer savings account program) to reflect the article’s change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

**JOBZ subtraction; conforming change.**

Changes a reference from FTI to FAGI (in the JOBZ subtraction) to reflect the article’s change in the starting point of the individual income tax from FTI to FAGI.

Effective date: Tax year 2019.

**Special provision for tax year 2017.**

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

Effective date: Tax year 2017 only.

**Revisor instruction; inflation indexing.**

Requires the Revisor of Statutes to publish the statutory year amounts in the 2019 Supplement of Minnesota Statutes. This change is part of the new inflation indexing rules in section 2.

**Repealer.**

Repeals the following provisions:

<b>Repealed section</b>	<b>Description</b>
290.0131, subd. 7	Addition for fines, fees, and penalties (individuals), which is now included federal income
290.0131, subd. 11	Addition (individuals) for domestic production activities
290.0131, subd. 12 and 13	Addition for itemized deductions and exemptions that were disallowed federally. These additions are no longer needed due to the move to FAGI as the starting point for the state’s tax.
290.0132, subdivision 8	Subtraction for subnational foreign taxes. The subtraction is allowed as an itemized deduction under the bill.
290.0133, subd. 13	Addition (corporations) for domestic production activities

290.0133, subd. 14	Addition for fines, fees, and penalties (corporations), which is now included federal income
290.10, subd. 2	Disallowance of trade or business expense for fines, fees, and penalties, which now are disallowed by federal law

## Article 2: Income, Corporate, and Estate Taxes

This article makes a variety of changes to individual and corporate income taxes, and to the estate tax, and includes the following provisions.

- Reduces the second tier income tax rate from 7.05 percent to 6.80 percent, and reduces the starting point for the fourth tier income tax bracket.
- Allocates \$10 million to the small business investment credit (aka “angel credit”) for tax year 2021 and reduces the investment threshold for certain targeted businesses.
- Modifies state subtractions by providing a subtraction for a medical cannabis manufacturer’s business expenses and increasing the Social Security subtraction.
- Increases the Working Family Credit for taxpayers without qualifying children and taxpayers with three or more qualifying children.
- Pays for 100 percent of the refundable portion of the Working Family Credit using general fund dollars, and eliminates the portion of the refunds that was paid for using federal Temporary Assistance to Needy Families (TANF) funding.

### Section Description – Article 2: Income, Corporate, and Estate Taxes

#### **Definitions; angel credit.**

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

Effective date: Tax year 2021.

#### **Certification of qualified small businesses; angel credit.**

Deletes an obsolete reference.

Effective date: Day following final enactment.

#### **Certification of qualified investors; angel credit.**

Deletes an obsolete reference.

Effective date: Day following final enactment.

**Certification of qualified funds; angel credit.**

Deletes an obsolete reference.

Effective date: Day following final enactment.

**Credit allowed; angel credit.**

Allocates \$10 million to the small business investment credit for tax year 2021.

Effective date: Tax year 2021.

**Annual reports; angel credit.**

Lowers the fine for qualified businesses, funds and investors failing to file an annual report from \$500 to \$100 but allows the commissioner to revoke the credit or trigger the credit repayment provisions if a report is not filed by April 1.

Effective date: Tax year 2021

**Sunset; angel credit.**

Modifies the sunset for the small business investment credit to conform to the allocation provided in section 5.

Effective date: Tax year 2021.

**Use of money; TANF.**

Eliminates the requirement that TANF funds must be used to pay for the refundable portion of the Working Family Credit.

Effective date: July 1, 2019.

**Innocent spouse relief.**

Allows automatic equitable relief for spouses from joint and several liability for tax deficiencies, if granted at the federal level, and strikes language related to the timeframe in which a taxpayer may apply to the commissioner of revenue to calculate a pro-rata share of a deficiency arising from a joint return under certain circumstances.

Effective date: Tax year 2019.

**Social Security subtraction.**

Increases the Minnesota Social Security subtraction by \$450 for married couples filing joint returns, and by \$360 for single and head of household taxpayers. The bill also reduces the phaseout thresholds for the subtraction such that taxpayers in the phaseout range would not receive the full amount of the increase in the maximum subtraction.

**Disallowed section 280E expenses; individuals.**

Provides an individual income tax subtraction for a medical marijuana manufacturer’s business expenses.

Effective date: Tax year 2019.

**Disallowed section 280E expenses; corporations.**

Provides a corporate franchise tax subtraction for a medical marijuana manufacturer’s business expenses.

Effective date: Tax year 2019.

**Income tax rate cut and bracket width adjustment.**

Reduces the second tier individual income tax rate from 7.05 percent to 6.80 percent.

Reduces the bracket threshold for the fourth tier (9.85 percent) income tax bracket, which has the effect of subjecting a wider range of income to the fourth tier rate rather than the third tier rate. The bracket width adjustment partially offsets the tax benefit of the second tier rate cut for taxpayers with Minnesota taxable income that is greater than the bracket width.

As an example, a married couple filing a joint return with \$275,000 in income would receive a tax cut equal to \$288 as a result of the second tier rate cut. However, under the omnibus tax bill, that couple would have an additional \$4,140 of taxable income subject to the 9.85 percent rate instead of the 7.85 percent rate, which results in about \$83 in additional tax. So the couple would receive a net tax decrease of about \$205.

**Start of Fourth Tier (TY 2019)**

**Base**

**OTB**

	Base	OTB
Married couples filing joint returns	\$273,150	\$269,010
Single	\$87,110	\$161,720
Head of Household	\$131,190	\$214,980
Married couples filing separately	\$136,580	\$134,505



The section also adjusts the numerator and denominator used to calculate an individual income taxpayer's Minnesota residency percentage to account for the changes in the conformity article.

**Working family credit.**

Expands the Working Family Credit. The bill expands the credit for taxpayers with 0, 1, and 2 children, and adds an additional tier for taxpayers with 3 or more children. The tables below show the change in the credit under the bill.

	Base 2019	OTB
<b>0 Kids</b>		
Income Eligible for Credit	6,640	7,150
Credit Rate	2.10%	3.90%
Max Credit	139	279
<b>1 Kid</b>		
Income Eligible for Credit	11,950	11,950
Credit Rate	9.35%	9.35%
Max Credit	1,117	1,117
<b>2 Kids</b>		
Income Eligible for Credit	19,600	19,600
Credit Rate	11.00%	11.00%
Max Credit	2,156	2,156
<b>3+ Kids</b>		
Income Eligible for Credit	19,600	20,000
Credit Rate	11.00%	12.50%
Max Credit	2,156	2,500
<b>0 Kids</b>		
Phaseout Threshold	8,730	8,730
Phaseout Rate	2.01%	2.00%
Fully Phased Out (Singles)	15,667	22,673
<b>1 Kid</b>		
Phaseout Threshold	22,770	22,770
Phaseout Rate	6.02%	6.00%
Fully Phased Out (Singles)	41,330	41,392

**2 Kids**

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Phaseout Threshold	27,000	27,000
Phaseout Rate	10.82%	10.50%
Fully Phased Out (Singles)	46,926	47,533

**3+ Kids**

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Phaseout Threshold	27,000	27,300
Phaseout Rate	10.82%	10.50%
Fully Phased Out (Singles)	46,926	51,110

Effective date: Tax year 2019.

**Appropriation; TANF.**

Eliminates the inclusion of TANF funds from the appropriation to pay Working Family Credit refunds.

Effective date: July 1, 2019.

**Credit allowed; 529 credit.**

Makes a technical change to the phaseout of the 529 credit for married couples filing joint returns.

Effective date: Tax year 2020.

**Determination of sales factor.**

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

Effective date: Tax year 2019.

**Dividends received from another corporation.**

Disallows the dividend received deduction on dividends received on debt-financed stock.

Effective date: Tax year 2019.

**Qualified small business property; estate tax.**

Expands the range of property eligible for the qualified small business property subtraction by allowing certain spousal property to meet the 3-year continuous ownership requirement.

Effective date: Retroactive for estates of decedents dying in 2018.

**Qualified farm property subtraction; estate tax.**

Expands the range of property eligible for the qualified small business property subtraction by allowing certain spousal property to meet the 3-year continuous ownership requirement.

Effective date: Retroactive for estates of decedents dying in 2018.

**Special waiver of penalties.**

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

**Repealer; TANF.**

Repeals the section of law requiring DOR to calculate the amount of Working Family Credit refunds that must be paid with TANF funds.

Effective date: July 1, 2019.

## **Article 3: Sales Tax**

- Modifies and clarifies the duty to collect and remit sales taxes for remote sellers and marketplace providers, post the Supreme Court *Wayfair* case.
- Provides sales tax construction exemptions for a number of local government capital projects as well as for properties related to fires in Melrose and Mazeppa.
- Provides additional sales tax exemptions for a number of nonprofit organizations, and county fairs.
- Provides a temporary sales tax exemption for film production.

<b>Section</b>	<b>Description – Article 3: Sales Tax</b>
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**Use of a portion of county fair revenue.**

Provides that a county agricultural society must use an amount equal to the forgone sales tax revenue provided by the exemption under section 10 for maintaining, improving, and expanding the society-owned fairground buildings and facilities. If the fairgrounds are owned by another entity (i.e., the county), the amount must be transferred to the owner of the fairgrounds to be used for that same purpose.

Effective July 1, 2019.

**Sales and use tax.**

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

Effective for sales and purchases made after June 30, 2019.

**Accelerated payment of June sales tax liability; penalty for underpayment.**

Modifies the safe harbor provision for underpayment of accelerated June sales tax liabilities to reflect the rate change in section 2.

Effective for sales and purchases made after June 30, 2019.

**Definitions.**

Reorganizes the definitions used in establishing the duty to collect sales and use tax in response to the *Wayfair* case.

Paragraph (a) defines a retailer or marketplace provider maintaining a place of business (physical presence) in this state.

Paragraphs (b) and (c) define a retailer or marketplace provider not maintaining a place of business in this state which, because of regular or systematic soliciting of sales in the state (economic presence) must collect and remit the sales tax. The definition of what constitutes regular or systematic soliciting of sales is identical to the language that is being repealed in subdivision 32. This language changes the current de minimis provision that requires businesses without a physical presence in the state (remote sellers and remote marketplace providers) to only collect and remit the tax to match the de minimis in the *Wayfair* case. A remote retailer must collect if they either make 200 retail sales or \$100,000 in retail sales into the state during the last 12-month period.

Paragraph (d) is the existing definition of “marketplace provider.”

Paragraph (e) is the existing definition of “destination of a sale” that used to be in paragraph (b).

Effective for sales and purchases made after September 30, 2019.

**Collection and remittance requirements for retailers and marketplace providers.**

Provides for who is responsible for collecting the tax and when remote sellers must begin collecting the tax or when they may discontinue collecting the tax.

Paragraph (a) requires all retailers with a duty to collect and remit taxes to do so on all sales except those facilitated by a marketplace provider that is collecting and remitting the sales tax.

Paragraph (b) strikes language providing a separate (lower) de minimis for retailers making sales only through marketplace providers. The de minimis in section 4 will apply to all remote entities with a duty to collect and remit the tax. Requires all marketplace providers to collect and remit tax on sales they facilitate unless:

- 4) a retailer provides the marketplace provider with a copy of its registration to collect the tax; and
- 5) the marketplace provider and retailer agree that the retailer will collect the tax on these sales.

Paragraph (c) states that nothing in paragraph (b) prohibits the retailer and marketplace providers from entering into an agreement about who will collect and remit the tax.

Paragraph (d) states that a remote retailer or marketplace provider must begin collecting and remitting the sales tax no later than 60 days after meeting the de minimis requirement and must continue to collect and remit for at least 12 months.

Paragraphs (e) and (f) outline the steps a remote retailer or marketplace provider must take in order to cease collecting the sales tax after no longer soliciting sales in this state.

Effective for sales and purchases made after September 30, 2019.

#### **Marketplace provider liability.**

Eliminates language related to when a remote seller must collect the tax. This language was moved to section 5, paragraph (b). States that a marketplace provider is subject to audit on the sales for which it must collect and remit sales tax. Limits the liability for a tax error due to incorrect or insufficient information provided to the marketplace provider by a retailer using the site.

Effective for sales and purchases made after September 30, 2019.

#### **Certain herbicides.**

Provides a sales tax exemption for herbicides used under an invasive aquatic plant management permit. Covers purchases by lakeshore property owners, an association of lakeshore property owners, or by a contractor hired to provide the invasive aquatic plant management. Only covers herbicides registered with the Department of Agriculture for use on invasive aquatic plants.

Effective for sales and purchases made after June 30, 2019.

#### **Nonprofit tickets or admissions.**

Provides a sales tax exemption on tickets or admissions to performances or events held by a nonprofit agricultural heritage organization provided that the following conditions are met:

- the nonprofit organization has premises of at least 115 acres and is organized to educate the public about rural history and farms in Minnesota;
- the event is sponsored and conducted exclusively by volunteers, employees, and board members of the nonprofit organization; and
- the performance or event is consistent with the nonprofit's tax-exempt purpose.

Effective the day after final enactment.

**Ice arenas and rinks.**

Expands the existing sales tax exemption for the nonprofit running the ice arena and rinks at the Duluth Heritage Center to include the nonprofit running the ice arena or rinks at the David M. Thaler Sports Center in Mound, Minnesota. Both facilities are used for youth and high school hockey programs.

Effective for sales and purchases made after June 30, 2019.

**County agricultural society sales at county fairs.**

Provides a sales tax exemption for all sales by the county agricultural society on the fairgrounds during its regularly scheduled county fair. Revenue equal to the savings from this exemption must be used as provided in section 1.

Effective for sales and purchases made after June 30, 2019.

**Properties destroyed by fire (Melrose).**

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

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

**Properties destroyed by a fire.**

Provides a refundable sales tax exemption for taxes paid on materials, supplies, and equipment for buildings and equipment destroyed in the March 11, 2018, fire in the city of Mazeppa. Includes durable equipment used in a restaurant for food preparation, storage, and serving in the definition of capital equipment exempt under this provision.

Effective retroactively to March 11, 2018, and applies to sales and purchases before January 1, 2022.

**Construction, certain government facilities.**

Provides a sales tax exemption for construction materials and supplies and equipment purchased for the following local government projects:

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

For all projects the tax is paid at the time of purchase and refunded as provided in sections 13 and 14.

**Tax collected.**

Provides that the sales taxes paid under sections 11 to 13 are refundable.

**Refund; eligible persons.**

Provides that the person eligible for the refund in sections 11 and 12 is the owner or developer of the project. Provides that the local government must apply for the sales tax refund under section 13.

**Effective the day following final enactment.**

**Accelerated tax payment; cigarette or tobacco products distributor.**

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

**Effective for sales and purchases made after June 30, 2019.**

**Accelerated tax penalty; payment.**

Changes the percent of the June sales tax liability paid on an accelerated basis from 81.4 percent to 87.5 percent for liquor distributors with annual liabilities of more than \$250,000 per year for the June 2020 and 2021 liabilities. The rate is reduced to 84.5 beginning with June 2022 liabilities.

**Effective for sales and purchases made after June 30, 2019.**

**Effective date (city of Melrose).**

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

**Repealer.**

Repeals a subdivision outlining what constitutes systematic solicitation when determining a remote seller's duty to collect sales tax. This language was moved to the definitions in section 4.

**Effective for sales and purchases after September 30, 2019.**

## **Article 4: Property Taxes**

This article provides a number of changes related to property tax exemptions, programs, refunds, and technical changes. The changes include:

- allowing a city or town to fund its own historical society;
- providing exemptions for agricultural historical societies and a pharmacy;
- clarifying how fractional ownership is determined for agricultural homesteads;
- allowing shareholders of manufactured home park cooperatives to treat a portion of their ground lease payments as property tax paid when applying for a refund;
- allowing agricultural classification on land used for certain environmental purposes;
- moving the application deadline for the disabled veteran homestead exclusion; and
- allowing immediate expiration of an agricultural preserve under certain conditions.

**Section Description – Article 4: Property Taxes**

**Watershed districts; construction or implementation fund; levy.**

Allows a watershed district's construction or implementation fund to receive loans or grants from the state or federal government. Under current law, the funds may receive loans from the Pollution Control Agency or the federal government.

Effective beginning with taxes payable in 2020 and thereafter.

**Project tax levy.**

Allows the watershed districts to levy for projects that receive grants or loans appropriated by law, and allows the district to levy for repayment of bonds or interest



associated with any bonds. Under current law, watershed districts can levy for projects that receive grants or loans from the Clean Water Partnership.

Effective beginning with taxes payable in 2020 and thereafter.

**County historical society tax levy.**

Allows a city or town to fund its own historical society from its property tax levy. Current law only allows them to fund the county's historical society.

Effective the day following final enactment.

**Records; data privacy.**

Authorizes county veterans' service officers to share certain data on veterans with county and local assessors for the purposes of making eligibility determinations under the disabled veterans homestead exclusion.

Effective the day following final enactment.

**Agricultural historical society property.**

Increases the amount of property that may be exempted from 20 acres to 40 acres. The deadline to apply for this exemption is extended to July 1 for applications filed in 2019 only.

Effective for assessments beginning in 2019.

**Certain property owned by an Indian tribe.**

Provides a property tax exemption for a pharmacy in the city of Minneapolis owned by a federally recognized Indian tribe. The property must have been owned by the tribe on January 1, 2016. This exemption is limited to parcels and structures that do not exceed 4,000 square feet. The exemption expires with taxes payable in 2029.

Effective for taxes payable in 2020 and thereafter.

**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 accept 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.

**Requirement (Certificates of Real Estate Value).**

Changes the threshold for filing a Certificate of Real Estate Value at consideration in excess of \$1,000 to in excess of \$3,000.

Effective for certificates of value filed after December 31, 2019.

**Manufactured home park cooperative.**

Eliminates a prohibition against ground lease payments being included as part of property taxes payable for shareholders of manufactured home park cooperatives when filing for the homestead credit refund.

Effective for taxes payable in 2020.

**Agricultural homestead classification for business entities.**

Allows agricultural homestead classification for properties owned by one business entity and operated by a separate business entity if the following requirements are met:

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

Effective beginning with assessment year 2019.

**Agricultural homesteads; special provisions.**

Eliminates language allowing certain special agricultural homesteads owned by grantor trusts to qualify for homestead property tax status. This language is moved to section 12. Adds language related to changes made in section 10.

Effective for taxes payable in 2020.

**Trust property; homestead.**

Modifies the statute that allows certain properties owned by trusts to qualify for homestead property tax treatment. This section:

- adds the language eliminated in section 11;
- defines agricultural land for agricultural homestead rules and classification statutes so that the rules requiring agricultural property to have the same ownership (e.g. when a farm is divided into multiple parcels with different owners or when there are multiple owners of a parcel) are satisfied if the properties are owned by some combination of the individual owner, the

- individual's spouse or surviving spouse, or a trust or trusts, the grantor of which is the individual, spouse, surviving spouse, or deceased spouse; and
- extends the proposed trust ownership rule to noncontiguous parcels located within four townships or cities.

Effective for taxes payable in 2020.

**Fractional homesteads.**

Requires fractional ownership of agricultural homesteads owned by tenants in common to be determined based on the ownership percentage that each owner has as per the county land records.

Effective for assessments beginning in 2019 unless the county assessor determines that a county is unable to comply with this requirement, in which case the county must implement this section beginning with assessment year 2020.

**Disclosure.**

Authorizes the county assessor to share certain data on veterans with the county veterans' service officer, for the purpose of making eligibility determinations under the disabled veterans homestead exclusion.

Effective the day following final enactment.

**Class 2 (agricultural land used for environmental purpose).**

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

Effective beginning with assessments in 2019.

**Homestead of disabled veteran or family caregiver.**

Moves the application deadline for the disabled veterans' homestead exclusion from July 1 to December 15, and eliminates the eight-year limit on the spousal benefit.

Effective for assessments beginning in 2019.

**Agricultural homestead market value credit.**

Amends the agricultural homestead credit to clarify that the maximum credit for a full agricultural homestead is \$490 and the maximum credit any owner can receive is \$490 multiplied by the owner's percentage of homestead.

Effective beginning with taxes payable in 2020.

**Report required (utility cooperative associations).**

Requires property tax data reported to the Department of Revenue by utility companies that are cooperative associations be aggregated to the unique taxing jurisdiction level. This section also requires that the data reported exclude information related to distribution line property, which is subject to in-lieu taxes rather than property taxes.

**Recommended and ordered values; state assessed property.**

Changes, from August 1<sup>st</sup> to July 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.

**Natural gas pipeline; state levy abatement.**

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

Effecting beginning with taxes payable in 2021.

**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 percent to counties and 20 percent to cities and townships.

Effective for penalties, interest, and costs collected on taxes payable in 2020 and thereafter.

**Duties of the commissioner after sale.**

Requires the commissioner of revenue to issue a deed for land sold at a tax-forfeiture sale if the county auditor has written confirmation from a closing agent that the purchase money for the deed is held in escrow.

Effective for conveyances issued by the commissioner after December 31, 2019.

Changes the minimum consideration for real property, used in calculating the deed tax, from \$500 or less to \$3,000 or less.

Effective for deeds recorded after December 31, 2019.

**Property taxes payable.**

Allows resident shareholders of manufactured home cooperatives to add 17 percent of their ground lease payments to the actual personal property tax amounts on their individual units when filing for the homestead credit refund.

This section is effective beginning with claims for tax payable in 2020.

**Initial application.**

Moves the application date for the senior deferral program from July 1 to November 1.

Effective beginning with applications submitted in 2019.

**Till expiration started.**

Authorizes a state agency or governmental unit to initiate expiration of an agricultural preserve.

Effective the day following final enactment.

**Expiration for park and trail purposes.**

Provides that an agricultural preserve expires immediately when the public entity purchases the property or acquires an easement for purposes of a trail or park. The expiration would apply only to the portion of the preserve used for trail or park purposes. The remaining portion of the agricultural preserve remains an agricultural preserve, even if the trail or park lowers the total acreage to less than 40 acres. Requires the public entity to notify the preserve authority accordingly.

Effective the day following final enactment.

**Notice to others.**

Conforming change to section 27.

Effective the day following final enactment.

**Metropolitan agricultural preserves; early termination upon approval by authority.**

Allows for early termination upon 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, 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.

**Effective date (Northwest Minnesota Multicounty Housing and Redevelopment Authority).**

Extends the levy authority of the Northwest Minnesota Multicounty Housing and Redevelopment Authority to taxes payable in 2024.

Effective beginning with taxes payable in 2019.

**Agreement (Cloquet Area Fire and Ambulance District).**

Changes the name of the Cloquet Area Fire and Ambulance Special Taxing District.

Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.

**Board (Cloquet Area Fire and Ambulance District).**

Changes the name of the Cloquet Area Fire and Ambulance Special Taxing District.

Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.

**Tax (Cloquet Area Fire and Ambulance District).**

Clarifies that the district may levy within its area for fire services or ambulance services or both.

Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.

**Public indebtedness (Cloquet Area Fire and Ambulance District).**

Clarifies the district's ability to incur debt by designating the district as a municipality, for purposes of applying chapter 475 (municipal debt) and by allowing the district to issue equipment bonds under section 412.301.

Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.

**Withdrawal (Cloquet Area Fire and Ambulance District).**

Provides that a debt levy in a municipality that wishes to withdraw from the district remains in effect until the obligations outstanding on the date of withdrawal are satisfied.

Effective upon compliance by the Cloquet Area Fire and Ambulance Special Taxing District Board with approval and filing requirements.

**Effective date; application (SFIA).**

Amends the effective date to an SFIA provision enacted in 2017 that amended the definition of forest land to include land improved with a paved trail under an easement, lease, or license to the state or political subdivision. The change to the effective date clarifies that land improved with a paved trail at the same time an SFIA enrollee submits their annual certification meets the new definition of forest land.

Effective retroactively for certifications made in 2018 and thereafter.

**Special refund provision; disabled veterans homestead exclusion.**

Allows a veteran who received a disability rating of 70 percent or more in 2016 or 2017 to apply for a refund of taxes paid in 2017 or 2018. The refund is equal to the difference between the tax paid and the tax that the veteran would have paid had they qualified for the exclusion in one or both of those years.

Effective for refund applications received in 2019, for refunds of tax paid in 2017 and 2018.

## **Article 5: Aids and Credits**

Makes changes to a number of existing aid and credit programs including:

- Increasing the school building bond agricultural credit;
- Increasing funding for city LGA and county program aid (CPA); and
- establishing an annual appropriation for the border city enterprise zones.

Provides special appropriations to Mahnomen County, Ottertail County, Wadena County, and Beltrami County, as well as to the cities of Lilydale, Austin, Flensburg, Mazeppa, and Virginia.

<b>Section</b>	<b>Description – Article 5: Aids and Credits</b>
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**Referendum equalization levy.**

Increases the second tier equalizing factor of referendum revenue from \$510,000 to \$567,000 beginning in fiscal year 2021. This lowers the referendum levy by approximately \$10 million per year.

Effective for revenue for fiscal year 2021 and later.

**Credit amount (school building bond agricultural credit).**

Increases the school building bond agricultural credit from 40 percent to 70 percent of the tax on the property attributable to school district bonded debt levies. The credit is increased to 50 percent in 2020, 55 percent in 2021, 60 percent in 2022, and 70 percent in 2023. The credit is available to all property classified as agricultural, excluding the house, garage, and surrounding one acre of land of an agricultural homestead.

Effective beginning with property taxes payable in 2020.

**Additional border city allocations.**

Provides an annual allocation of \$750,000 to be allocated on a per capita basis to cities with border city enterprise zones. The funds may be used for tax reductions currently allowed for the border cities enterprise zones.

This section is effective July 1, 2020.

**Restriction (border cities enterprise zone).**

Technical clean-up language clarifying the types of property that can qualify for border cities enterprise zone tax reductions.

Effective the day following final enactment.

**City aid distribution.**

For aids payable in 2020 only, provides that a city's 2020 aid may not be less than its 2019 aid amount. Also adjusts the cap on maximum aid losses in any year to allow for the ending of a special adjustment.

Effective for aids payable in 2020 and thereafter.

**Cities (LGA appropriation).**

The city LGA appropriation is increased by \$26 million for aids payable in 2020 with an additional \$4 million added beginning in 2021. The aid appropriation is \$564,398,012 for aids payable in 2021 and thereafter.

Effective beginning with aids payable in 2020.

**Counties (county program aid).**

Increases county program aid by \$26 million for aids payable in 2020 with an additional \$4 million added for aids payable beginning in 2021.

Effective for aids payable in calendar year 2020 and thereafter.



**City of Austin; allocation of fire state aid for firefighters.**

Allows the city to continue to allocate fire pension aid between its volunteer firefighter relief association and its municipal firefighter pension without penalty, similar to what they did under a repealed general law.

Effective until a similar general law is enacted.

**Aid penalty forgiveness; the city of Waubun.**

Allows the commissioner to pay the second 2018 LGA and small city assistance aid payments to the city Waubun by June 30, 2019, provided its 2017 financial reports are filed with the state auditor by May 31, 2019. The city lost half of its aid payments last year because it had not filed the necessary reports.

Effective the day after final enactment.

**Local government grants.**

Appropriates \$4,447,400 in fiscal year 2020 from the general fund to the commissioner of revenue for grants to be paid by August 1, 2019, and allocated as follows:

- \$3,000,000 to Beltrami County to be used by the county for out-of-home placement costs;
- \$500,000 to Mahnomen County, half of which must be used by the county for the Mahnomen Health Center and half of which must be paid to the White Earth Band of Ojibwe to reimburse for costs of delivering child welfare services;
- \$500,000 to Ottertail County to be used for debt service on a building located in the city of Fergus Falls and formerly leased by the state to provide residential treatment services;
- \$275,000 to the city of Lillydale to be used for infrastructure upgrades and associated bond payments related to the Highway 13 construction;
- \$129,000 to the city of Austin to reimburse the city for calendar year 2016 state fire aid and calendar year 2016 supplemental police and fire retirement aid;
- \$38,400 to the city of Flensburg to compensate for lost aid under the local government aid and small cities assistance programs;
- \$2,600 to the city of Mazeppa and \$2,400 to Wabasha County to be used 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;
- \$600,000 in fiscal year 2020 and \$600,000 in fiscal year 2021 for a grant to Wadena County paid on August 1, 2019, and August 1, 2020, and used by the county for costs related to providing human services; and

- \$5,400,000 in fiscal year 2022 for a grant to the city of Virginia paid by August 1, 2021, and used by the city to repay loans incurred by the city for costs related to utility relocation for the U.S. Highway 53 project.

All appropriations under this section are onetime. Effective the day following final enactment.

**Appropriation of lapsed amounts; fire remediation.**

Appropriates in fiscal year 2020 from the general fund the amount of unused remediation grants to the city of Melrose. The appropriated amount is \$634,729 and is available until June 30, 2021.

Effective the day following final enactment.

## **Article 6: Local Option Sales Tax**

Modifies the existing general law applying to the authorization of local sales tax special laws as follows:

- requires a more detailed resolution outlining and limiting the specific projects to be funded and providing more project specific costs, and documentation of a project's regional significance;
- requires the voter approval be sought only after the authority is granted and requires the voters to approve each project to be funded in a separate question with a reduction in the authority for any project that fails at the election; and
- allows cities that successfully passed a local sales tax referendum at the 2018 general election that did not get authority this year to come back and seek authority without an additional referendum provided that they meet the new resolution requirement and the projects listed in the resolution do not conflict with original referendum.

Modifies provisions for the following existing local sales taxes:

- lodging taxes for Minneapolis, St. Paul, and Two Harbors; and
- general sales tax for Cloquet.

Provides the following new or increased sales taxes:

- general local sales taxes for Duluth, Two Harbors, Avon, Blue Earth, Cambridge, Detroit Lakes, Elk River, Excelsior, Glenwood, International Falls, Perham, Sauk Centre, Scanlon, Virginia, West St. Paul, Willmar, and Worthington; and

- new local lodging taxes for Lake County, La Crescent, North Mankato, and Plymouth.

Provides that certain cities granted new local sales tax authority to pass a new resolution providing more detail on the specific projects to be funded and limiting the use of the local sales tax revenues to funding only the projects listed in the new resolution.

## **Section Description – Article 6: Local Options Sales Tax**

### **Authorization; scope.**

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

Effective the day following final enactment.

### **Requirements.**

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

### **Local resolution before application for authority.**

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

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

Effective the day following final enactment and applies to all local sales taxes not authorized by the legislature before July 1, 2019.

**Legislative authority required before voter approval; requirements for adoption, use, termination.**

Requires the political subdivision to receive authority to impose a local sales tax before seeking approval by the voters, rather than the current requirement that the referendum be held before seeking authorizing legislation.

Also requires that a separate question be held for financing each authorized project with the tax. The maximum amount raised and the termination date for the tax must be adjusted proportionately for any project that is not approved by the voters.

A city that passed a referendum at the 2018 general election but did not get special legislation enacted in 2019 will not have to go back and hold a second election if it receives authorization under special law before January 1, 2021, provided it submits a detailed resolution under subdivision 3 that does not conflict with the language in the 2018 referendum.

Adds a paragraph (f) that requires that the Department of Revenue to retain a portion of any excess revenues when a tax terminates because allowed revenues have been raised. This amount is deposited in the general fund.

Effective the day following final enactment and applies to all local sales taxes not authorized by the legislature before July 1, 2019, except that paragraph (f) applies retroactively to all currently imposed local sales taxes.

**Liquor, lodging, and restaurant taxes (Minneapolis).**

Changes the cap on this tax so that it only applies to the total city tax rate that may be imposed on lodging establishments of 50 or more rooms in the city of Minneapolis. The new cap is 6.5 percent. This eliminates reductions in this tax caused by increases in county and state tax rates.

Effective for sales and purchases made after June 30, 2019.

**Authority for taxation (St. Paul).**

Allows the city of St. Paul to increase the extra three percent local lodging tax that applies to places with 50 or more rooms from three percent to four percent. Ninety-five percent of revenues from this lodging tax must be used to fund the convention bureau and to promote tourism and the city convention center. The total lodging tax rate for larger hotels in the city would be seven percent in addition to all general state and local sales taxes.

Effective upon the city's compliance with approval and filing requirements for special laws.

**Two Harbors lodging tax.**

Adjusts the cap on the lodging tax imposed in the city of Two Harbors from three percent to five percent to account for the new county lodging tax in section 20. Currently the city may impose a one percent lodging tax under special law but this tax combined with a tax imposed under the general lodging tax law cannot exceed three percent. This change will allow the city to retain the tax under special law but not impose the tax under general law if the county imposes its four percent tax.

Effective upon the city complying with approval and notice requirements for special laws.

**Sales and use tax authorized (Two Harbors).**

Allows the city of Two Harbors to impose an additional one-half of one percent sales tax based on voter approval at the 2018 general election. This is in addition to its existing one-half of one percent sales tax. Requires the city to comply with section 34 before imposing the tax increase. Updates an obsolete cross-reference.

Effective upon the city complying with approval and notice requirements for special laws.

**Use of revenues (Two Harbors).**

Allows the city to use the revenues from the new additional sales tax rate for capital and administrative costs of water and sewer infrastructure projects, including associated street patching, property acquisition, and related construction expenses. Revenues from the current tax may be used for similar purposes (water, wastewater, and sewer projects) plus harbor refuge development projects.

Effective upon the city complying with approval and notice requirements for special laws.

**Bonding authority (Two Harbors).**

Allows the cities to issue up to \$30 million in bonds for the new projects without having an additional vote.

Effective upon the city complying with approval and notice requirements for special laws.

**Termination of taxes (Two Harbors).**

Provides a separate termination date for the additional local sales tax equal to the earlier of 25 years or when revenues are raised to pay for \$30 million plus associated bond costs the projects. The city may choose to terminate the extra tax earlier if it so chooses.

Effective upon the city complying with approval and notice requirements for special laws.

**Use of revenues (Cloquet).**

Allows the city of Cloquet to reallocate some of the \$5.8 million of local sales tax revenue currently earmarked for property development along Highway 33 and Interstate Highway 35 to the other projects that the city may already fund with its sales tax revenue (various

park improvements, or other sewer and water infrastructure improvements identified in the city comprehensive land use plan.) The total amount the city may raise from its local sales tax does not change.

Effective upon the city complying with approval and notice requirements for special laws.

**City of Avon; local sales and use tax authorized.**

Allows the city of Avon to impose a local sales tax of up to one-half of one percent to raise \$1.5 million plus associated bond costs for transportation improvement projects in the city, based on approval by the voters in the 2018 general election. Requires the city to comply with section 34 before imposing the tax. Allows the city to issue up to \$1.5 million in bonds for the projects without additional voter approval. The tax expires at the earlier of December 31, 2045, or when allowed revenues are raised.

Effective upon the city complying with approval and notice requirements for special laws.

**City of Blue Earth; sales and use tax authorized.**

Allows the city of Blue Earth to impose a local sales tax of one-half of one percent to finance \$5 million plus associated bond costs for sewer plant improvements, street reconstruction projects, and recreational amenities. Requires the city to comply with section 34 before imposing the tax. Allows the city to issue up to \$5 million in bonds for the projects without additional voter approval. The tax expires at the earlier of 25 years or when allowed revenues are raised.

Effective upon the city complying with approval and notice requirements for special laws.

**City of Cambridge; local sales and use tax authorized.**

Allows the city of Cambridge to impose a local sales tax of up to one-half of one percent to finance \$8 million plus associated bond costs, for a new library facility, and \$14 million for street improvements. Requires the city to comply with section 34 as it relates to the street improvements before imposing the tax. Allows the city to issue up to \$22 million in bonds for the project without additional voter approval. The tax expires at the earlier of December 31, 2043, or when allowed revenues are raised.

Effective upon the city complying with approval and notice requirements for special laws.

**City of Detroit Lakes; local sales and use tax authorized.**

Allows the city of Detroit Lakes to impose a local sales tax of one-half of one percent to finance \$6.7 million plus associated bond costs for a new police department facility. Allows the city to issue up to \$6.7 million in bonds for the project without additional voter approval. The tax expires at the earlier of ten years or when allowed revenues are raised.

Effective upon the city complying with approval and notice requirements for special laws.

**City of Elk River; local sales and use tax authorized.**

Allows the city of Elk River to impose a local sales tax of one-half of one percent to finance \$35 million plus associated bond costs for a number of specified park and recreational facilities, and dredging of Lake Orono. Allows the city to issue up to \$35 million in bonds for the project without additional voter approval. The tax expires at the earlier of 25 years or when allowed revenues are raised.

Effective upon the city complying with approval and notice requirements for special laws.

**City of Excelsior; local sales and use tax authorized.**

Allows the city of Excelsior to impose a local sales tax of one-half of one percent. The tax may be used to finance \$7 million plus associated bond costs for capital and administrative costs of improvements to the city commons as indicated in the Commons Master Plan adopted November 20, 2017. The tax expires at the earlier of 25 years after being imposed or when allowed revenues are raised.

Effective upon the city complying with approval and notice requirements for special laws.

**City of Glenwood; local sales and use tax authorized.**

Allows the city of Glenwood to impose a local sales tax of up to one-half of one percent to finance \$2.8 million plus associated bond costs for streets, park and recreational facility and trail improvements, and city municipal building. Requires the city to comply with section 34 before imposing the tax. Allows the city to issue up to \$2.8 million in bonds for the projects without additional voter approval. The tax expires at the earlier of 20 years or when allowed revenues are raised.

Effective upon the city complying with approval and notice requirements for special laws.

**City of International Falls; local sales and use tax authorized.**

Allows the city of International Falls to impose a local sales tax of up to one percent to raise \$30 million plus associated bond costs for transportation and other public infrastructure projects in the city. Requires the city to comply with section 34 before imposing the tax. Allows the city to issue up to \$30 million in bonds for the projects without additional voter approval. The tax expires at the earlier of 30 years or when allowed revenues are raised.

Effective upon the city complying with approval and notice requirements for special laws.

**La Crescent; local lodging tax authorized.**

Allows the city of La Crescent to impose an extra two percent local lodging tax in addition to the three percent lodging tax allowed under general law. The total tax under this law

and general law is limited to five percent. The city currently does not impose the three percent lodging tax under current law because it has no lodging within the city limits. Effective upon the city's compliance with approval and filing requirements for special laws.

**Lake County; local lodging tax authorized.**

Allows Lake County to impose up to a four percent lodging tax in the county with three-fourths of the money going for countywide marketing and one-fourth for promoting community events and festivals. The tax is in addition to any existing lodging tax imposed by a city, town, or the county in an unorganized territory under the general lodging tax statute; however no city or town may impose a new local lodging tax under the general authority while the county tax is in effect.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of North Mankato; local food and beverage tax authorized.**

Allows the city of North Mankato to impose a food and beverage tax of up to one percent in the city. The tax also applies to retail on-sale of alcoholic beverages. Revenues from the tax must be used for operation, maintenance, and capital expenses for the Casewell Regional Sporting Complex, including paying associated bonds; and for costs related to regional tourism events. Allows the city to enter into an agreement with the commissioner of revenue to collect the tax on the city's behalf.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Perham; local sales and use tax authorized.**

Allows the city of Perham to impose a local sales tax of up to one-half of one percent to raise \$5.2 million plus associated bond costs for capital costs related to the Perham Area Community Center project. Allows the city to issue up to \$5.2 million in bonds for the project without a separate referendum. The tax expires at the earlier of 20 years or when allowed revenues are raised.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Plymouth; local lodging tax authorized.**

Allows the city of Plymouth to impose an extra three percent local lodging tax for ten years, in addition to the three percent lodging tax allowed under general law. Two thirds of the revenues from this special tax must be used for capital improvements to public recreational facilities and for marketing and promotion and the remaining one-third must be used as required under general law—to fund a local convention or tourism bureau.



Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Rogers; local taxes authorized.**

Authorizes the city to impose an up to 0.25 percent tax and a \$20 motor vehicle excise tax and issue up to \$16.5 million in bonds for trail and pedestrian facilities including I-94 crossing, County Road 144 pedestrian tunnel, and other new trails and trail connections; various aquatics facilities; and various community athletic facilities. The tax would terminate at the earlier of 20 years or when sufficient revenue to pay the bonds has been raised.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Sartell; local taxes authorized.**

Authorizes the city to impose a food and beverage tax of up to 1.5 percent for capital or operational costs for new and existing recreational facilities and amenities in the city if approved by the voters at a general or special election held by the November 3, 2020, general election.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Sauk Centre; local sales and use tax and excise tax authorized.**

Allows the city of Sauk Centre to impose a local sales tax of up to one-half of one percent and an excise tax of \$20 per motor vehicle sold commercially in the city. The city may use \$10 million in revenues plus associated bond costs from the taxes to fund city infrastructure projects, related to the reconstruction of Trunk Highway 71. Allows the city to issue up to \$10 million in bonds for the project without a separate referendum. The tax expires at the earlier of December 31, 2045, or when allowed revenues are raised.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Scanlon; taxes authorized.**

Authorizes the city to impose an up to 0.5 percent tax and issue up to \$400,000 in bonds for city street improvements and utility infrastructure, including storm sewer and sanitary sewer improvements. The tax would terminate at the earlier of ten years or when sufficient revenue to pay the bonds has been raised.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Virginia; local sales and use tax authorized.**

Allows the city of Virginia to impose a local sales tax of up to one percent to fund \$30 million plus associated bond costs for renovation, reconstruction, expansion, and improvements of the Miner's Memorial recreation complex and convention center. Allows the city to issue up to \$200,000 in bonds for the project without a separate referendum. The tax expires at the earlier of 20 years or when allowed revenues are raised.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of West St. Paul; local tax authorized.**

Authorizes the city to impose a 0.5 percent tax and issue up to \$28 million in bonds for rebuilding and repair of transportation corridors and related ancillary roads in the city. The tax would terminate at the earlier of 20 years or when sufficient revenue to pay the bonds has been raised.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Willmar; local sales and use tax authorized.**

Allows the city of Willmar to impose a local sales tax of up to one-half of one percent and up to a \$20 excise tax on commercial sales of motor vehicles to finance \$30 million plus associated bond costs, for replacement of a community center, a number of enumerated recreational facilities, and a storm water management project. Allows the city to issue up to \$30 million in bonds for the projects without a separate referendum. The tax expires at the earlier of 13 years or when allowed revenues are raised.

Effective upon the city's compliance with approval and filing requirements for special laws.

**City of Worthington; local sales and use and excise taxes authorized.**

Allows the city of Worthington to impose a local sales tax of one-half of one percent to finance \$25 million plus associated bond costs for various park and recreational facility improvements, lake quality improvements, and a street plaza. Requires the city to comply with section 34 before imposing the tax. Allows the city to issue up to \$25 million in bonds for the projects without a separate referendum. The tax expires at the earlier of 15 years or when allowed revenues are raised.

Effective upon the city's compliance with approval and filing requirements for special laws.

**Resolution and public notice of specific projects to be funded with a local sales tax.**

Cities that must comply with this section must pass a new resolution before imposing or increasing a local sales tax. The resolution must list each specific project and dollar amount of each project to be funded with the sales tax revenue. Defines what qualifies as a “specific project.” The city must file an affidavit of compliance along with the required resolution with the commissioner of revenue before the tax is imposed and the resolution must be posted on the city website for the duration of the tax. Only projects listed in the new resolution may be funded with the sales tax revenues. The local sales tax authority expires January 1, 2021, if the city has not complied by the last business day before December 31, 2020.

Effective the day after final enactment.

## **Article 7: Tax Increment Financing**

Provides special tax increment financing (TIF) authority to the cities of Hopkins, Bloomington, Edina, Alexandria, Anoka, Champlin, Minneapolis, Roseville, and Duluth.

### **Section Description – Article 7: Tax Increment Financing**

**District extension (Hopkins).**

Modifies pooling authority granted under a 2003 special law for the city of Hopkins by authorizing the city to pool increment for redevelopment (blight) activities, in addition to current law administrative expenses and housing activities.

Limits the total amount of pooling authorized for the district to 25 percent.

Effective upon local approval and compliance with filing requirements for special laws.

**Bloomington tax increment financing; five-year rule.**

Modifies a 2008 special law for the city of Bloomington, which provided special rules for the city’s Bloomington Central Station TIF district.

This provision extends the five-year rule an additional six years to 21 years total.

Effective upon local approval and compliance with filing requirements for special laws.

**Authority to create districts (Edina).**

Amends a 2014 special law granting special TIF authority for the Southeast Edina Redevelopment Project Area. This provision provides authorization to create TIF districts within the project area until December 31, 2021.

Effective upon local approval and compliance with filing requirements for special laws.

**City of Alexandria; TIF District No. 50; five-year rule extension.**

Provides a three year extension of the five-year rule for the TIF District No. 50 in the city of Alexandria.

Effective upon local approval and compliance with filing requirements for special laws.

**City of Anoka; Commuter Rail Transit Village TIF district; five-year rule extension.**

Provides a three year extension of the five-year rule for the Commuter Rail Transit Village TIF district.

Effective upon local approval and compliance with filing requirements for special laws.

**City of Champlin; tax increment financing district; project requirements.**

Authorizes the following special rules for the city of Champlin's Mississippi Crossings TIF district:

- extends the five-year rule to ten years; and
- extends the district's duration an additional five years.

Effective upon city, county, and school district approval and compliance with filing requirements for special laws.

**City of Duluth; tax increment financing district; special rules authorization.**

Authorizes the city of Duluth to create one redevelopment TIF district within a project area in downtown Duluth. The following special rules would apply to any TIF district created:

- The established redevelopment districts do not have to meet the statutorily required blight findings for establishing a redevelopment district.
- Increments from the established districts would not be required to be spent on correction of blight conditions, as required by statute for redevelopment districts.

Effective upon local approval and compliance with filing requirements for special laws.

**City of Minneapolis; upper harbor terminal redevelopment project.**

Authorizes the city of Minneapolis to create redevelopment TIF districts in a project area in North Minneapolis (generally referred to as the Upper Harbor Terminal area). Under this provision, the following special rules would apply to any TIF district created:

- The established redevelopment districts do not have to meet the statutorily required blight findings for establishing a redevelopment district.

- Increments from the established districts would not be required to be spent on correction of blight conditions, as required by statute for redevelopment districts.
- The five-year rule is extended to ten years.
- The percentage pooling limitation on expenditures outside the district is increased to 35 percent so long as increment is spent within the project area described in the bill.

Effective upon local approval and compliance with filing requirements for special laws.

**Expenditure of hazardous substance subdistrict tax increment (Roseville).**

Allows the city of Roseville to use all increment collected within its Hazardous Substance Subdistrict No. 17A for the purpose of funding environmental remediation on parcels within the district. This includes increment generated but not expended within the district’s first five years after certification.

Effective upon local approval and compliance with filing requirements for special laws.

## **Article 8: Public Finance**

This bill makes a number of changes in laws relating to municipal financing and borrowing authority.

**Section Description – Article 8: Public Finance**

**Bonding authority (State Agricultural Society)**

Increases the total amount of bonds issued and outstanding by the state agricultural society from \$20 million to \$30 million.

**Interest (maximum interest rates on drainage lien).**

Increases the maximum interest rate that counties can charge on drainage lien principal to six percent. Present law sets the limit at the rate set by the State Court Administrator for interest on court judgments, a floating interest rate pegged to the rate on one-year Treasury securities.

**Bond authorization (school districts).**

Eliminates the public notice requirement for solicitation of bids to allow school districts to solicit project bids prior to involving bond counsel.

Section Description – Article 8: Public Finance

**Authorization; rates (transportation sales and use tax; authorization and rates).**

Amends current law to clarify that any county may impose a transportation sales and use tax under current law, as all counties are now defined as being outside the “metropolitan transportation area” due the disbanding of CTIB.

**Allocation; termination.**

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

**Bonds.**

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

**Municipality may file bankruptcy petition.**

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

**Public facilities project.**

Allows district heating projects owned by for-profit entities to qualify as public facilities projects under the Minnesota’s bond allocation process. Under present law, these projects must be owned by a governmental entity or a nonprofit organization to qualify for an allocation of public facilities bonding.

**Definitions (authority of towns to issue capital improvement bonds).**

Modifies the definition of “municipality” for purposes of capital improvement bonds so that any town can issue these bonds, regardless of population. This will permit a town board for the added towns to issue capital improvement bonds without holding a town meeting.

**Repealer.**

Repeals the expiration of the state agricultural society’s bonding authority.

**Effective date.**

Clarifies that the effective date for this article is July 1, 2019.

## Article 9: MinnesotaCare Tax

This article repeals the sunset of the health care provider tax and set the rate at 1.8 percent.

### Section Description – Article 9: MinnesotaCare Tax

#### **Nexus in Minnesota.**

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

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

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

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

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

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

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

#### **Hospital tax.**

Changes the tax on hospital revenues to a rate of 1.8 percent.

Effective for gross revenues received after December 31, 2019.

#### **Surgical center tax.**

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

**Section**      **Description – Article 9: MinnesotaCare Tax**

Effective for gross revenues received after December 31, 2019.

**Provider tax.**

Changes the tax on each health care provider’s revenues to a rate of 1.8 percent.

Effective for gross revenues received after December 31, 2019.

**Wholesale drug distributor.**

Changes the tax on a wholesale drug distributor’s revenues to a rate of 1.8 percent.

Effective for gross revenues received after December 31, 2019.

**Use tax; legend drugs.**

Changes a complimentary use on persons receiving legend drugs from a nontaxed source to a rate of 1.8 percent.

Effective for legend drugs received or delivered after December 31, 2019.

**Contingent reduction in tax rate.**

Corrects a cross-reference.

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

**Interest on overpayment.**

Requires that interest on an overpayment refunded or credited be paid in the manner provided in section 289A.56, subdivision 2.

Effective date. This section is effective for overpayments made on or after January 1, 2020.

**Riders.**

Corrects references.

**Repealer.**

Repeals the sunset of certain taxes.

## **Article 10: Duluth Regional Exchange District**

Establishes a regional exchange district in the city of Duluth and provides state funding to help pay for specific public infrastructure costs for development related to the two



medical centers in the region. Also requires city funding for these projects through the city utility fund, increased local sales tax revenues, and shared parking revenue.

**Section Description – Article 10: Duluth Regional Exchange District**

**Duluth regional exchange district appropriation bonds.**

Authorizes the commissioner of management and budget to sell 25-year appropriation bonds under the terms in this section when the city of Duluth requests they be sold. Provides for up to \$97.72 million to finance the public infrastructure in the city of Duluth that are listed in section 3.

Appropriates from the general fund up to \$8.1 million per year from 2022 through 2055 to pay debt service on the bonds. Debt service on these bonds is paid for from a statutory general fund appropriation that may be repealed, canceled, or unallotted. They are not backed by the full faith and credit of the state.

**Definitions.**

Defines terms used in the Duluth regional exchange district enabling statute proposed in this bill.

The medical business entity east is St. Luke’s Hospital and the medical business entity west is Essentia.

“Public infrastructure project” is defined to mean the projects listed in section 5.

Provides that a public infrastructure project is not a business subsidy.

Effective after Duluth files local approval with the secretary of state.

**Regional exchange district.**

Creates the district and defines the boundaries. States the public purpose in creating the district.

Effective after Duluth files local approval with the secretary of state.

**City powers, duties.**

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

**Subd. 2. Steel products.** Requires a public infrastructure project to use steel made from iron ore mined from the taconite assistance area if practicable and cites federal law for determining if practicable.

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

**Subd. 4. Public bidding exemption.** Exempts the city from competitive bidding for parking or other public improvements directly related to a private development in the district.

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

**Subd. 6. City utility fund contribution.** Requires the city to use the city utility fund for utility improvements. Requires that the revenue spent in the district from the utility fund plus the revenue from the local sales tax increase in section 7 equal at least \$10 million.

Effective after Duluth files local approval with the secretary of state.

**Regional exchange district public infrastructure projects.**

Lists the specific projects to be funded in the district with the proceeds from the appropriation bonds and allowed payments for each. The projects are:

- expansion of an existing medical district parking ramp and skywalk, payments limited to \$13.01 million;
- a new parking stall ramp and skywalk to serve medical entity west, payments limited to \$36.4 million;
- extension of 6<sup>th</sup> Avenue east, payments limited to \$5.9 million;
- demolition of an existing hospital structure for site reuse, payments limited to \$10 million;
- roadway, utility, and other site improvements to support a medical entity west hospital construction, payments limited to \$11.41 million;
- district energy improvements, payments limited to \$7 million; and
- a 400 space parking ramp to serve the medical east entity, payments limited to \$7 million.

Also requires that any of the above projects not let by the city must still comply with the same state and local contracting requirements that would apply if the project was let by the city.

Effective after Duluth files local approval with the secretary of state.

**State value capture.**

**Subd. 1. Definitions.** Defines terms specific to this section.

“Construction projects” means expenditures to construct, commission, furnish, and equip buildings, ancillary facilities, utilities, parking, and other improvements, public or private, in the district.

“Qualified expenditures” means total private expenditures on construction projects since January 1, 2019, and certified under subdivision 2.

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

**Subd. 3. Appropriation support payments.** Provides that public financing for construction of a parking structure is not available until the commissioner determines that the benefiting medical entity has made at least \$50 million in qualified expenditures.

No appropriation support payments may be paid before July 1, 2021. The maximum payment in fiscal year 2022 is limited to \$3.66 million and the maximum payment in fiscal year 2023 and thereafter is limited to \$8.1 million

At the city’s option, the city may receive direct annual appropriations from the general fund or it may require the state to issue state appropriation bond to finance the projects with the appropriation payment reduced by the amount of the state needs to pay the bonds.

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

**Subd. 5. Prevailing wage requirement.** Requires laborers and mechanics to be paid prevailing wage while working on district public infrastructure projects.

**Subd. 6. Termination.** Ends aid payments after fiscal year 2055.

**Subd. 7. Appropriation.** Appropriates from the general fund to the commissioner of employment and economic development the amount needed to pay the appropriation support payments in this section.

Effective after Duluth files local approval with the secretary of state.

#### **Duluth local sales tax.**

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

Requires that at least \$10 million in combined revenue from the sales tax increase or the city's utility fund must be used to fund road improvements in the regional exchange district.

Allows the city to issue bonds to fund the road projects without another referendum. Excludes the bonds from the city's debt limits. Requires the extra one-half cent to terminate at the earlier of 25 years or when revenues are sufficient to fund the allowed projects plus associated bond costs. The city council may terminate the tax early if desired.

Effective after Duluth files local approval with the secretary of state.

## **Article 11: Miscellaneous**

### **Section Description – Article 11: Miscellaneous**

#### **Disclosure; minimum wage study.**

Permits DOR to disclose tax return information to the Federal Reserve Bank of Minneapolis for the purpose of conducting an economic analysis of the minimum wage ordinances in Minneapolis and St. Paul.

Limits the scope of the data that may be shared, and the requirements for a data sharing agreement.

Requires DOR to submit a report on its compliance with the data sharing requirements to the legislative committees with jurisdiction over jobs, civil law, and data practices.

Effective the day following final enactment.

#### **Successor liability of businesses.**

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

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

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

**Qualifications.**

Provides that the commissioner cannot issue or renew a license issued to a distributor of petroleum products if the distributor has:

- unpaid tax;
- failed to file tax returns or reports; or
- had a distributor license issued by any state or Canadian province revoked within the last five years.

Effective for all licenses with an effective date after June 30, 2019.

**Issuance and renewal of license.**

Imposes the same license qualification restrictions on special fuel dealers.

Effective for all licenses with an effective date after June 30, 2019.

**Issuance and renewal of license.**

Imposes the same license qualification restrictions on bulk purchasers.

Effective for all licenses with an effective date after June 30, 2019.

**Revocation of license, permit or certificate; suspension of license.**

Allows for the suspension of a current petroleum distributor license when a distributor, fuel dealer, or bulk purchaser fails to file a tax return or report, or fails to pay a delinquent fee within five days of the commissioner providing notice of failure to file or failure to pay. A license will be suspended until the issue is remediated. A license will not be suspended if the commissioner determines failure to file or failure to pay was due to reasonable cause.

Provides a due process method for the distributor to contest the suspension of a license.

Effective July 1, 2019.

**Sale of stamps.**

Removes obsolete language relating to discounted cigarette stamps.

Effective the day following final enactment.

**Tax stamping machines.**

Removes obsolete language relating to discounted cigarette stamps.

Effective the day following final enactment.

**Guaranteed distribution.**

Guarantees the production tax distributions allocated to the Taconite Municipal Aid Account at 100 percent of the 1983 distribution and eliminates the decrease in the distribution when production falls below 42 million taxable tons. This change would reduce the amounts distributed to the Taconite Environmental Protection Fund and the Douglas J. Johnson Economic Protection Trust Fund.

Effective for distributions in 2020 and thereafter.

**Cities; towns (taconite municipal aid).**

Indexes to inflation the amount of the distribution to the Taconite Municipal Aid Account.

Effective for distributions in 2020 and thereafter.

**Remainder (taconite production tax).**

Provides that the city of Iron Junction shall receive \$5,000 annually from Taconite Railroad Aid.

Effective for distributions in 2020 and thereafter.

**Distribution of Taconite Municipal Aid Account.**

Provides that Breitung Township shall receive \$15,000 annually from the Taconite Municipal Aid Account.

Effective for distributions in 2020 and thereafter.

**Former MERF members; member and employer contributions.**

In conjunction with the section that follows, provides statutory direction that increases the state's payment to the Minneapolis Employees Retirement Fund (MERF) to \$16 million. Current law requires a \$6 million contribution to the fund in 2019 and thereafter.

Effective day following final enactment.

**State contributions; former MERF division.**

Provides statutory direction that increases the state's payment to the Minneapolis Employees Retirement Fund (MERF) to \$16 million. Current law requires a \$6 million contribution to the fund in 2019 and thereafter.

Effective day following final enactment.

**Establishment.**

Updates the name of the "Ironworld" to "Minnesota Discovery Center."

Effective following the day after timely compliance with local approval procedures.

**Members and selection.**

Amends the Sanitary Sewer District Board composition by allowing the town board of each township that joins the district to appoint one member, instead of one resident, to the sewer board. Also, the Iron Range Resources and Rehabilitation Board (IRRRB) member does not need to be a resident of the municipality, and language is added allowing members of the sewer board to also be a member of the governing body of the municipality appointing the member.

Effective retroactively from December 27, 2003, once timely compliance with local approval procedures is complete. All board appointments made since are deemed ratified and confirmed.

**Budget reserve reduction.**

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

**Appropriation; taxpayer assistance grants.**

Appropriates \$400,000 in fiscal years 2020 and 2021 for grants to nonprofit organizations that provide tax preparation services to low-income, elderly, and disadvantaged Minnesota residents. The appropriation is in addition to the \$400,000 per fiscal year that is appropriated in the omnibus state government finance bill.

Effective the day following final enactment.

**Appropriation.**

Appropriates \$3,000,000 in fiscal year 2020 and in fiscal year 2021 to the commissioner of revenue to administer this act.

Effective the day following final enactment.

**Repealer.**

Repeals obsolete language regarding the revolving account for cigarette stamp purchases.

Effective the day following final enactment.

Also repeals the requirement that licensed distributors of petroleum and other fuels furnish bonds to the commissioner of revenue to ensure payment of taxes.

Effective for all licenses issued or renewed after June 30, 2019.

## **Article 12: Department of Revenue – Individual Income and Corporate Franchise Tax – Policy**

This article provides changes to the married filing separately income tax bracket and to provisions related to accelerated installment sale receipts. This article also removes obsolete language.

### **Section Description – Article 12: DOR Individual Income and Corporate Franchise Policy**

#### **Accelerated recognition of certain installment sale gains.**

Deletes the phrase “allocable amount” which is rendered unnecessary by the changes in section 2, which will provide for the applicable standard.

Effective the day following final enactment.

#### **Schedule of rates for individuals, estates, and trusts.**

Provides for the representation of accelerated installment sale receipts in the nonresident apportionment fraction of taxpayers who pay income taxes on accelerated installment sale gains.

Also ensures the married filing separately bracket is exactly half of the married filing jointly bracket.

Adjustments made to the married filing separately bracket are effective for taxable years beginning after December 31, 2018, and adjustments made to accelerated installment sale receipts are effective the day following final enactment.

#### **Inflation adjustment of brackets.**

Ensures the married filing separately bracket is exactly half of the married filing jointly bracket.

Effective for taxable years beginning after December 31, 2018.

## **Article 13: Department of Revenue – Individual Income and Corporate Franchise Tax – Technical**

This article includes technical provisions related to individual income taxes.

### **Section Description – Article 13: DOR Ind. Income and Corporate Franchise Technical**

#### **Federal tax changes.**

Specifies that taxpayers are required to report adjustments to the department following a settlement or compromise with the IRS.



**Section Description – Article 13: DOR Ind. Income and Corporate Franchise Technical**

Effective the day following final enactment.

**Payments to horse racing license holders.**

Corrects a cross-reference that was moved in a prior session.

Effective the day following final enactment.

**Designation of a qualified beneficiary.**

Allows a taxpayer to designate the required beneficiary at the same time as they file their income tax return.

Effective the day following final enactment.

## **Article 14: Department of Revenue – Sales and Use Tax – Technical**

This article includes technical provisions related to sales taxes.

**Section Description – Article 14: DOR Sales and Use Tax - Technical**

**Ships used in interstate commerce; other vessels.**

Clarifies an ambiguity created by the chapter 297A recodification in 2000.

Effective the day following final enactment.

**Qualified data centers.**

Clarifies 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.

**Greater Minnesota business expansions.**

Clarifies 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.

**Biopharmaceutical manufacturing facility.**

Clarifies 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.

**Records must be kept.**

Clarifies language in Minn. Stat. § 297A.27, subd. 3, that was inadvertently omitted during the chapter 289A recodification in 1990.

Effective the day following final enactment.

## **Article 15: Department of Revenue – Tobacco Taxes - Technical**

This article provides technical changes to certain definitions of tobacco products to include vapor products.

<b>Section</b>	<b>Description – Article 14: DOR Tobacco Taxes – Technical</b>
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**Tobacco products.**

Amends the definition of “tobacco products” to clarify that this definition specifically includes nicotine solution products.

Effective the day following final enactment.

**Nicotine solution products.**

Amends the definition of “nicotine solutions products” to include 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 nontobacco nicotine in the definition is effective January 1, 2020.

**Wholesale sales price.**

Amends the definition of “wholesale sales price” to clarify that the definition of wholesale sales price of nicotine solution products does not include the cost of electronic pipes and cigarettes, batteries, heating elements, and other products, devices, components, parts,

and accessories sold in a kit with a package of solution containing nicotine if the taxpayer separately sells the package of solution containing nicotine and can isolate its cost.

Effective the day following final enactment.

## **Article 16: Department of Revenue – MinnesotaCare – Technical**

The article provides technical changes to certain definitions for the purposes of:

- preserving the tax base for the wholesale drug distributor tax to conform to changes in federal law;
- providing a consistent definition of “staff model health plan company”;
- clarifying included entities in the definition of “health care provider” and “patient services”; and
- clarifying certain exclusions and exemptions.

### **Section Description – Article 16: DOR MinnesotaCare - Technical**

#### **Emergency medical reasons.**

Defines the term “emergency medical reasons,” which is 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.

#### **Gross revenues.**

Replaces the term “staff model health carrier” with “staff model health plan company” to allow for consistent use of the term “staff model health plan company” throughout chapter 295.

Effective the day following final enactment.

#### **Health care provider.**

Clarifies 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.

Clarifies 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.

**Manufacturer.**

Defines the term “manufacturer,” which is 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.

**Patient services.**

Clarifies which community support programs and family community support programs are not included in patient services.

Effective the day following final enactment.

**Pharmacy benefits manager.**

Consolidates this definition with other definitions for readability.

Effective the day following final enactment.

**Third-party purchaser of health care services.**

Consolidates this definition with other definitions for readability.

Effective the day following final enactment.

**Wholesale drug distributor.**

Modifies the definition of “wholesale drug distributor,” which is 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.

**Legend drug.**

Clarifies that the definition of “legend drug” does not include blood and blood components.

Effective the day following final enactment.

**Wholesale drug distribution.**

Modifies the definition of “wholesale drug distribution,” which is 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.

**Exclusions and exemptions.**

Clarifies which clauses are exclusions and which clauses are exemptions for ease of tax administration. Also clarifies that Federal Tricare sourced funds are exempt, and deletes unnecessary language.

Effective the day following final enactment.

**Exemption for amounts paid for legend drugs.**

Clarifies an exemption for payments received for services under the federal Medicare Advantage Program.

Effective the day following final enactment.

**Tax expense transfer.**

Consolidates this definition with other definitions for readability.

Effective the day following final enactment.

## **Article 17: Department of Revenue – Property Tax – Policy**

This article includes a change related to the requirement of social security numbers on the homestead applications.

**Section Description – Article 17: DOR Property Tax Policy**

**Administration (small cities assistance).**

Provides that the commissioner of transportation will 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.

**Homestead application.**

Amends the homestead application requirement by only requiring the Social Security number of the spouse of a property owner when the property owner occupies the property.

Effective for applications for homestead filed in 2020 and thereafter.

## **Article 18: Department of Revenue – Property Tax - Technical**

This article contains technical changes relating to the implementation of the Property Records Information System of Minnesota (PRISM).

### **Section Description – Article 18: DOR Property Tax – Technical**

#### **Powers and duties.**

Amends the commissioner of revenue’s powers to administer the state’s property tax laws by clarifying that the commissioner 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 (PRISM).

Effective the day following final enactment.

#### **Initial report.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

#### **Final report.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

#### **Record of proceedings changing net tax capacity; duties of county auditor.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

#### **Additional general duties.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

#### **Training and education of property tax personnel.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

#### **Reimbursement for lost revenue.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Reimbursement for lost revenue.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Disaster or emergency area.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Reduction amounts submitted to county.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Credit reimbursements.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Credit reimbursements.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Listing, valuation, and assessment of exempt property by county auditors.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Length of session; record.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Corrected lists.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Levy amount.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Determination; payment.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Original net tax capacity.**

Conforming changes and cross-references added to the changes made by section 1.

Effective the day following final enactment.

**Repealer.**

Repeals the statute describing the abstract of tax lists, which is no longer needed due to changes made in section 1.

Effective the day following final enactment.

## **Article 19: Department of Revenue – Fire State Aid – Technical**

This article includes a recodification of provisions related to Fire State Aid. Chapter 477B is a proposed new chapter of the Minnesota Statutes where the recodified provisions of the fire state aid program will reside.

### **Section Description – Article 19: DOR Fire State Aid - Technical**

**Definitions.**

Defines various terms for purposes of the recodified fire state aid chapter.

Effective for aids payable in 2020 and thereafter.

**Qualifying for fire state aid.**

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.

**Calculation of fire state aid; appeal.**

Specifies how fire state aid is to be calculated and apportioned. Also describes the appeal process for a municipality, independent nonprofit firefighting corporation, fire relief



association, and allows the voluntary statewide volunteer retirement plan to object to the amount of fire state aid apportioned to it.

Effective for aids payable in 2020 and thereafter.

**Appropriation, payment, and administration.**

Describes the process for paying fire state aid and 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.

**Shortfall from general fund.**

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.

**Purpose.**

This is an uncodified provision that 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.

**Repealer.**

Repeals the current provisions relating to fire state aid. The language of these provisions is recodified into the new sections described above.

Effective for aids payable in 2020 and thereafter.

## **Article 20: Department of Revenue – Police State Aid – Technical**

This article includes a recodification of provisions related to police state aid. Chapter 477C is a proposed new chapter of the Minnesota Statutes where the recodified provisions of the police state aid program will reside.

**Definitions.**

Defines various terms for purposes of the recodified police state aid chapter.

Effective for aids payable in 2020 and thereafter.

**Qualifying for police state aid.**

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.

**Calculation of police state aid; appeal.**

Specifies how police state aid is to be calculated and apportioned, and describes the appeal process for a municipality to object to the amount of police state aid apportioned to it.

Effective for aids payable in 2020 and thereafter.

**Appropriation, payment, and administration.**

Describes the process of paying police state aid and the amount necessary to make the police state aid payments is appropriated to the commissioner of revenue from the general fund.

Effective for aids payable in 2020 and thereafter.

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

This article provides technical changes for the newly-recodified fire state aid and police state aid.

**Section Description – Article 21: DOR Fire and Police State Aid - Technical**

**Fire and police premium reports.**

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.

**Section Description – Article 21: DOR Fire and Police State Aid - Technical**

Effective for reports filed after December 31, 2019.

**Financial report; bond; examination.**

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.

**Authorized administrative expenses from special fund.**

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.

**Repealer.**

Repeals the current provisions relating to fire state aid and police state aid. The language of these provisions is recodified into the new sections described above.

The repeal of statutes relating to section 1 of this article is effective for reports filed after December 31, 2019. The repeal of statutes relating to sections 2-4 of this article is effective July 1, 2019.

**Article 22: Department of Revenue – Fire and Police State Aid –  
Conforming Changes – Technical**

This article provides technical changes for the newly-recodified fire state aid and police state aid.

**Section Description – Article 22: DOR Fire and Police State Aid Conforming Changes**

**- 28 Report to commissioner of revenue.**

Amends various statutes to update cross-references to the new sections created pursuant to the chapter 69 recodification.

**Repealer.**

Repeals the volunteer retention stipend aid pilot program originally created by this section sunset for aid payable after calendar year 2017.

Effective the day following final enactment.

## Article 23: Department of Revenue – Miscellaneous – Policy

This article provides changes to the statutes relating to the revocation of sales tax permits for businesses that have unpaid sales tax liabilities.

### Section Description – Article 23: DOR Miscellaneous - Policy

#### **Revocation or cancellation.**

Expands the commissioner’s authority to disclose data identifying the holder of a sales tax permit that has been canceled.

Effective the day following final enactment.

#### **Permits issued and not issued; cancellations.**

Prevents 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.

Effective for permit applications filed after December 31, 2019.

#### **Cancellation of permits.**

Provides for cancellation with notice of sales tax permits of a business or person that has an unpaid sales tax liability.

Effective for permit applications filed after December 31, 2019.

#### **Repealer.**

Repeals statute requiring a report to Explore Minnesota Tourism that will be developed through an inter-agency agreement and is no longer required to be referenced in statute.

Effective the day following final enactment.

## Article 24: Department of Revenue – Miscellaneous – Technical

This article provides technical updates to the references of persons with disabilities and married spouses throughout tax chapters. It also provides clarifications to the net proceeds tax distribution of mining taxes, and provides a technical clarification to the deadline to submit post-trial briefing materials in tax court cases.

### Section Description – Article 24: DOR Miscellaneous - Technical

#### - 5, 10, **Persons who are blind or have a disability.**

12 - 13,  
18 - 27 Amends statutes to update language for persons who are blind or have a disability.

**Section**      **Description – Article 24: DOR Miscellaneous - Technical**

Effective the day following final enactment.

- 9, 11,  
14 - 17,  
27 - 28

**Married spouses.**

Amends statutes to update gender-specific language for spouses.

Effective the day following final enactment.

**Within taconite assistance area.**

Removes reference to the July 15 net proceeds tax distribution date and add related conforming language to ensure the distributions are administrable.

Effective the day following final enactment.

**Distribution date.**

Adds a subdivision to change the net proceeds tax distribution date from July 15 to December 15 to ensure the distributions are administrable.

Effective the day following final enactment.

**Distribution of taconite municipal aid account.**

Adds a conforming paragraph related to the net proceeds tax distribution date.

Effective the day following final enactment.

**Tax court written orders.**

Updates the effective date for the change enacted regarding the period of time to file post-trial motions. After June 30, 2019, all cases will have 30 days to file post-trial motions.

Effective the day following final enactment.