

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1285

02/18/2021 Authored by Marquart and Youakim
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; making various policy and technical changes to individual
1.3 income and corporate franchise taxes, property taxes, sales and use taxes, special
1.4 taxes, and other miscellaneous taxes and tax provisions; amending Minnesota
1.5 Statutes 2020, sections 270.41, subdivision 3a; 270.44; 270C.22, subdivision 1;
1.6 270C.445, subdivisions 3, 6; 272.029, subdivision 2; 272.0295, subdivisions 2, 5;
1.7 273.063; 273.0755; 273.124, subdivision 14; 273.18; 287.04; 289A.08, subdivision
1.8 7; 289A.09, subdivision 2; 289A.20, subdivision 4; 289A.31, subdivision 1;
1.9 289A.37, subdivision 2; 289A.38, subdivisions 7, 8, 9, 10; 289A.42; 289A.60,
1.10 subdivision 24; 290.0121, subdivision 3; 290.0122, subdivision 8; 290.31,
1.11 subdivision 1; 290.92, subdivisions 1, 2a, 3, 4b, 4c, 5, 5a, 19, 20; 290.923,
1.12 subdivision 9; 290.993; 295.75, subdivision 2; 296A.06, subdivision 2; 297A.66,
1.13 subdivision 3; 297F.04, subdivision 2; 297F.09, subdivision 10; 297F.13,
1.14 subdivision 4; 297F.17, subdivisions 1, 6; 297G.09, subdivision 9; 297G.16,
1.15 subdivision 7; 469.319, subdivision 4; 477A.10; 609B.153; proposing coding for
1.16 new law in Minnesota Statutes, chapter 289A; repealing Minnesota Statutes 2020,
1.17 section 270C.17, subdivision 2.

1.18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.19 ARTICLE 1
1.20 INCOME AND CORPORATE FRANCHISE TAXES

1.21 Section 1. Minnesota Statutes 2020, section 289A.08, subdivision 7, is amended to read:

1.22 Subd. 7. Composite income tax returns for nonresident partners, shareholders, and
1.23 beneficiaries. (a) The commissioner may allow a partnership with nonresident partners to
1.24 file a composite return and to pay the tax on behalf of nonresident partners who have no
1.25 other Minnesota source income. This composite return must include the names, addresses,
1.26 Social Security numbers, income allocation, and tax liability for the nonresident partners
1.27 electing to be covered by the composite return.

2.1 (b) The computation of a partner's tax liability must be determined by multiplying the
2.2 income allocated to that partner by the highest rate used to determine the tax liability for
2.3 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
2.4 deductions, or personal exemptions are not allowed.

2.5 (c) The partnership must submit a request to use this composite return filing method for
2.6 nonresident partners. The requesting partnership must file a composite return in the form
2.7 prescribed by the commissioner of revenue. The filing of a composite return is considered
2.8 a request to use the composite return filing method.

2.9 (d) The electing partner must not have any Minnesota source income other than the
2.10 income from the partnership and other electing partnerships. If it is determined that the
2.11 electing partner has other Minnesota source income, the inclusion of the income and tax
2.12 liability for that partner under this provision will not constitute a return to satisfy the
2.13 requirements of subdivision 1. The tax paid for the individual as part of the composite return
2.14 is allowed as a payment of the tax by the individual on the date on which the composite
2.15 return payment was made. If the electing nonresident partner has no other Minnesota source
2.16 income, filing of the composite return is a return for purposes of subdivision 1.

2.17 (e) This subdivision does not negate the requirement that an individual pay estimated
2.18 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
2.19 The individual's liability to pay estimated tax is, however, satisfied when the partnership
2.20 pays composite estimated tax in the manner prescribed in section 289A.25.

2.21 (f) If an electing partner's share of the partnership's gross income from Minnesota sources
2.22 is less than the filing requirements for a nonresident under this subdivision, the tax liability
2.23 is zero. However, a statement showing the partner's share of gross income must be included
2.24 as part of the composite return.

2.25 (g) The election provided in this subdivision is only available to a partner who has no
2.26 other Minnesota source income and who is either (1) a full-year nonresident individual or
2.27 (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the
2.28 Internal Revenue Code.

2.29 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
2.30 make an election under this paragraph. The provisions covering the partnership apply to
2.31 the corporation and the provisions applying to the partner apply to the shareholder.

2.32 (i) Estates and trusts distributing current income only and the nonresident individual
2.33 beneficiaries of the estates or trusts may make an election under this paragraph. The

3.1 provisions covering the partnership apply to the estate or trust. The provisions applying to
 3.2 the partner apply to the beneficiary.

3.3 (j) For the purposes of this subdivision, "income" means the partner's share of federal
 3.4 adjusted gross income from the partnership modified by the additions provided in section
 3.5 290.0131, subdivisions 8 to 10 ~~and~~ 16, and 17, and the subtractions provided in: (1) section
 3.6 290.0132, ~~subdivision~~ subdivisions 9, 27, and 28, to the extent the amount is assignable or
 3.7 allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The
 3.8 subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite
 3.9 tax computation to the extent the electing partner would have been allowed the subtraction.

3.10 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 3.11 after December 31, 2015.

3.12 Sec. 2. Minnesota Statutes 2020, section 289A.09, subdivision 2, is amended to read:

3.13 Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from
 3.14 an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or
 3.15 who would have been required to deduct and withhold a tax under section 290.92, subdivision
 3.16 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined
 3.17 without regard to section 290.92, subdivision 19, if the employee or payee had claimed no
 3.18 more than one withholding ~~exemption~~ allowance, or who paid wages or made payments
 3.19 not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision
 3.20 2, to an employee or person receiving royalty payments in excess of \$600, or who has
 3.21 entered into a voluntary withholding agreement with a payee under section 290.92,
 3.22 subdivision 20, must give every employee or person receiving royalty payments in respect
 3.23 to the remuneration paid by the person to the employee or person receiving royalty payments
 3.24 during the calendar year, on or before January 31 of the succeeding year, or, if employment
 3.25 is terminated before the close of the calendar year, within 30 days after the date of receipt
 3.26 of a written request from the employee if the 30-day period ends before January 31, a written
 3.27 statement showing the following:

3.28 (1) name of the person;

3.29 (2) the name of the employee or payee and the employee's or payee's Social Security
 3.30 account number;

3.31 (3) the total amount of wages as that term is defined in section 290.92, subdivision 1,
 3.32 paragraph (1); the total amount of remuneration subject to withholding under section 290.92,
 3.33 subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal

4.1 Revenue Code; and the amount of royalties subject to withholding under section 290.923,
4.2 subdivision 2; and

4.3 (4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a
4.4 or 3, or 290.923, subdivision 2.

4.5 (b) The statement required to be furnished by paragraph (a) with respect to any
4.6 remuneration must be furnished at those times, must contain the information required, and
4.7 must be in the form the commissioner prescribes.

4.8 (c) The commissioner may prescribe rules providing for reasonable extensions of time,
4.9 not in excess of 30 days, to employers or payers required to give the statements to their
4.10 employees or payees under this subdivision.

4.11 (d) A duplicate of any statement made under this subdivision and in accordance with
4.12 rules prescribed by the commissioner must be filed with the commissioner on or before
4.13 January 31 of the year after the payments were made.

4.14 (e) If an employer cancels the employer's Minnesota withholding account number required
4.15 by section 290.92, subdivision 24, the information required by paragraph (d), must be filed
4.16 with the commissioner within 30 days of the end of the quarter in which the employer
4.17 cancels its account number.

4.18 (f) The employer must submit the statements required to be sent to the commissioner.
4.19 The commissioner shall prescribe the content, format, and manner of the statement pursuant
4.20 to section 270C.30.

4.21 (g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph
4.22 (a), clause (2), must submit the returns required by this subdivision and subdivision 1,
4.23 paragraph (a), with the commissioner by electronic means.

4.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.25 31, 2020.

4.26 Sec. 3. Minnesota Statutes 2020, section 290.0121, subdivision 3, is amended to read:

4.27 Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31, 2019,
4.28 the commissioner must adjust for inflation the exemption amount in subdivision 1, paragraph
4.29 (b), and the threshold amounts in subdivision 2, as provided in section 270C.22. The statutory
4.30 year is taxable year 2019. The amounts as adjusted must be rounded down to the nearest
4.31 \$50 amount. ~~If the amount ends in \$25, the amount is rounded down to the nearest \$50~~

5.1 ~~amount.~~ The threshold amount for married individuals filing separate returns must be one-half
5.2 of the adjusted amount for married individuals filing joint returns.

5.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.4 Sec. 4. Minnesota Statutes 2020, section 290.0122, subdivision 8, is amended to read:

5.5 Subd. 8. **Losses.** A taxpayer is allowed a deduction for losses. ~~The deduction equals the~~
5.6 ~~amount~~ allowed under ~~sections 165(d) and~~ section 165(a) of the Internal Revenue Code,
5.7 including the limitation provided by section 67(b)(3) of the Internal Revenue Code, for the
5.8 following:

5.9 (1) losses described in section 165(c)(3) of the Internal Revenue Code, including the
5.10 provisions of section 165(h) of the Internal Revenue Code, but disregarding the limitation
5.11 on personal casualty losses in paragraph (h)(5); and

5.12 (2) losses described in section 165(d) of the Internal Revenue Code.

5.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.14 Sec. 5. Minnesota Statutes 2020, section 290.92, subdivision 1, is amended to read:

5.15 Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages"
5.16 means the same as that term is defined in section 3401(a), (f), and (i) of the Internal Revenue
5.17 Code.

5.18 (2) **Payroll period.** For purposes of this section the term "payroll period" means a period
5.19 for which a payment of wages is ordinarily made to the employee by the employee's
5.20 employer, and the term "miscellaneous payroll period" means a payroll period other than a
5.21 daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll
5.22 period.

5.23 (3) **Employee.** For purposes of this section the term "employee" means any resident
5.24 individual performing services for an employer, either within or without, or both within and
5.25 without the state of Minnesota, and every nonresident individual performing services within
5.26 the state of Minnesota, the performance of which services constitute, establish, and determine
5.27 the relationship between the parties as that of employer and employee. As used in the
5.28 preceding sentence, the term "employee" includes an officer of a corporation, and an officer,
5.29 employee, or elected official of the United States, a state, or any political subdivision thereof,
5.30 or the District of Columbia, or any agency or instrumentality of any one or more of the
5.31 foregoing.

6.1 (4) **Employer.** For purposes of this section the term "employer" means any person,
 6.2 including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies,
 6.3 and corporations transacting business in or deriving any income from sources within the
 6.4 state of Minnesota for whom an individual performs or performed any service, of whatever
 6.5 nature, as the employee of such person, except that if the person for whom the individual
 6.6 performs or performed the services does not have control of the payment of the wages for
 6.7 such services, the term "employer," except for purposes of paragraph (1), means the person
 6.8 having control of the payment of such wages. As used in the preceding sentence, the term
 6.9 "employer" includes any corporation, individual, estate, trust, or organization which is
 6.10 exempt from taxation under section 290.05 and further includes, but is not limited to, officers
 6.11 of corporations who have control, either individually or jointly with another or others, of
 6.12 the payment of the wages.

6.13 (5) **Number of withholding ~~exemptions~~ allowances claimed.** For purposes of this
 6.14 section, the term "number of withholding ~~exemptions~~ allowances claimed" means the number
 6.15 of withholding ~~exemptions~~ allowances claimed in a withholding ~~exemption~~ allowances
 6.16 certificate in effect under subdivision 5, except that if no such certificate is in effect, the
 6.17 number of withholding ~~exemptions~~ allowances claimed shall be considered to be zero.

6.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 6.19 31, 2020.

6.20 Sec. 6. Minnesota Statutes 2020, section 290.92, subdivision 2a, is amended to read:

6.21 Subd. 2a. **Collection at source. (1) Deductions.** Every employer making payment of
 6.22 wages shall deduct and withhold upon such wages a tax as provided in this section.

6.23 (2) **Withholding on payroll period.** The employer shall withhold the tax on the basis
 6.24 of each payroll period or as otherwise provided in this section.

6.25 (3) **Withholding tables.** Unless the amount of tax to be withheld is determined as
 6.26 provided in subdivision 3, the amount of tax to be withheld for each individual shall be
 6.27 based upon tables to be prepared and distributed by the commissioner. The tables shall be
 6.28 computed for the several permissible withholding periods and shall take account of
 6.29 ~~exemptions~~ allowances allowed under this section; and the amounts computed for withholding
 6.30 shall be such that the amount withheld for any individual during the individual's taxable
 6.31 year shall approximate in the aggregate as closely as possible the tax which is levied and
 6.32 imposed under this chapter for that taxable year, upon the individual's salary, wages, or
 6.33 compensation for personal services of any kind for the employer.

7.1 (4) **Miscellaneous payroll period.** If wages are paid with respect to a period which is
7.2 not a payroll period, the amount to be deducted and withheld shall be that applicable in the
7.3 case of a miscellaneous payroll period containing a number of days, including Sundays and
7.4 holidays, equal to the number of days in the period with respect to which such wages are
7.5 paid.

7.6 (5) **Miscellaneous payroll period.** (a) In any case in which wages are paid by an
7.7 employer without regard to any payroll period or other period, the amount to be deducted
7.8 and withheld shall be that applicable in the case of a miscellaneous payroll period containing
7.9 a number of days equal to the number of days, including Sundays and holidays, which have
7.10 elapsed since the date of the last payment of such wages by such employer during the
7.11 calendar year, or the date of commencement of employment with such employer during
7.12 such year, or January 1 of such year, whichever is the later.

7.13 (b) In any case in which the period, or the time described in clause (a), in respect of any
7.14 wages is less than one week, the commissioner, under rules prescribed by the commissioner,
7.15 may authorize an employer to determine the amount to be deducted and withheld under the
7.16 tables applicable in the case of a weekly payroll period, in which case the aggregate of the
7.17 wages paid to the employee during the calendar week shall be considered the weekly wages.

7.18 (6) **Wages computed to nearest dollar.** If the wages exceed the highest bracket, in
7.19 determining the amount to be deducted and withheld under this subdivision, the wages may,
7.20 at the election of the employer, be computed to the nearest dollar.

7.21 (7) **Rules on withholding.** The commissioner may, by rule, authorize employers:

7.22 (a) to estimate the wages which will be paid to any employee in any quarter of the
7.23 calendar year;

7.24 (b) to determine the amount to be deducted and withheld upon each payment of wages
7.25 to such employee during such quarter as if the appropriate average of the wages so estimated
7.26 constituted the actual wages paid; and

7.27 (c) to deduct and withhold upon any payment of wages to such employee during such
7.28 quarter such amount as may be necessary to adjust the amount actually deducted and withheld
7.29 upon wages of such employee during such quarter to the amount required to be deducted
7.30 and withheld during such quarter without regard to this paragraph (7).

7.31 (8) **Additional withholding.** The commissioner is authorized to provide by rule for
7.32 increases or decreases in the amount of withholding otherwise required under this section

8.1 in cases where the employee requests the changes. Such additional withholding shall for
8.2 all purposes be considered tax required to be deducted and withheld under this section.

8.3 (9) **Tips.** In the case of tips which constitute wages, this subdivision shall be applicable
8.4 only to such tips as are included in a written statement furnished to the employer pursuant
8.5 to section 6053 of the Internal Revenue Code and only to the extent that the tax can be
8.6 deducted and withheld by the employer, at or after the time such statement is so furnished
8.7 and before the close of the calendar year in which such statement is furnished, from such
8.8 wages of the employee (excluding tips, but including funds turned over by the employee to
8.9 the employer for the purpose of such deduction and withholding) as are under the control
8.10 of the employer; and an employer who is furnished by an employee a written statement of
8.11 tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code
8.12 to which subdivision 1 is applicable may deduct and withhold the tax with respect to such
8.13 tips from any wages of the employee (excluding tips) under the employer's control, even
8.14 though at the time such statement is furnished the total amount of the tips included in
8.15 statements furnished to the employer as having been received by the employee in such
8.16 calendar month in the course of employment by such employer is less than \$20. Such tax
8.17 shall not at any time be deducted and withheld in an amount which exceeds the aggregate
8.18 of such wages and funds as are under the control of the employer minus any tax required
8.19 by other provisions of state or federal law to be collected from such wages and funds.

8.20 (10) **Vehicle fringe benefits.** An employer shall not deduct and withhold any tax under
8.21 this section with respect to any vehicle fringe benefit provided to an employee if the employer
8.22 has so elected for federal purposes and the requirement of and the definition contained in
8.23 section 3402(s) of the Internal Revenue Code are complied with.

8.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.25 31, 2020.

8.26 Sec. 7. Minnesota Statutes 2020, section 290.92, subdivision 3, is amended to read:

8.27 Subd. 3. **Withholding, irregular period.** If payment of wages is made to an employee
8.28 by an employer

8.29 (a) With respect to a payroll period or other period, any part of which is included in a
8.30 payroll period or other period with respect to which wages are also paid to such employees
8.31 by such employer, or

9.1 (b) Without regard to any payroll period or other period, but on or prior to the expiration
 9.2 of a payroll period or other period with respect to which wages are also paid to such employee
 9.3 by such employer, or

9.4 (c) With respect to a period beginning in one and ending in another calendar year, or

9.5 (d) Through an agent, fiduciary, or other person who also has the control, receipt, custody,
 9.6 or disposal of or pays, the wages payable by another employer to such employee.

9.7 The manner of withholding and the amount to be deducted and withheld under subdivision
 9.8 2a shall be determined in accordance with rules prescribed by the commissioner under which
 9.9 the withholding ~~exemption~~ allowance allowed to the employee in any calendar year shall
 9.10 approximate the withholding ~~exemption~~ allowance allowable with respect to an annual
 9.11 payroll period, except that if supplemental wages are not paid concurrent with a payroll
 9.12 period the employer shall withhold tax on the supplemental payment at the rate of 6.25
 9.13 percent as if no ~~exemption~~ allowance had been claimed.

9.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 9.15 31, 2020.

9.16 Sec. 8. Minnesota Statutes 2020, section 290.92, subdivision 4b, is amended to read:

9.17 Subd. 4b. **Withholding by partnerships.** (a) A partnership shall deduct and withhold
 9.18 a tax as provided in paragraph (b) for nonresident individual partners based on their
 9.19 distributive shares of partnership income for a taxable year of the partnership.

9.20 (b) The amount of tax withheld is determined by multiplying the partner's distributive
 9.21 share allocable to Minnesota under section 290.17, paid or credited during the taxable year
 9.22 by the highest rate used to determine the income tax liability for an individual under section
 9.23 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the
 9.24 commissioner if the partner submits a withholding ~~exemption~~ allowance certificate under
 9.25 subdivision 5.

9.26 (c) The commissioner may reduce or abate the tax withheld under this subdivision if the
 9.27 partnership had reasonable cause to believe that no tax was due under this section.

9.28 (d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold
 9.29 tax for a nonresident partner if:

9.30 (1) the partner elects to have the tax due paid as part of the partnership's composite return
 9.31 under section 289A.08, subdivision 7;

10.1 (2) the partner has Minnesota assignable federal adjusted gross income from the
10.2 partnership of less than \$1,000; or

10.3 (3) the partnership is liquidated or terminated, the income was generated by a transaction
10.4 related to the termination or liquidation, and no cash or other property was distributed in
10.5 the current or prior taxable year;

10.6 (4) the distributive shares of partnership income are attributable to:

10.7 (i) income required to be recognized because of discharge of indebtedness;

10.8 (ii) income recognized because of a sale, exchange, or other disposition of real estate,
10.9 depreciable property, or property described in section 179 of the Internal Revenue Code;
10.10 or

10.11 (iii) income recognized on the sale, exchange, or other disposition of any property that
10.12 has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of
10.13 the Internal Revenue Code

10.14 to the extent that the income does not include cash received or receivable or, if there is cash
10.15 received or receivable, to the extent that the cash is required to be used to pay indebtedness
10.16 by the partnership or a secured debt on partnership property; or

10.17 (5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the
10.18 Internal Revenue Code.

10.19 (e) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2,
10.20 paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an
10.21 employer.

10.22 (f) To the extent that income is exempt from withholding under paragraph (d), clause
10.23 (4), the commissioner has a lien in an amount up to the amount that would be required to
10.24 be withheld with respect to the income of the partner attributable to the partnership interest,
10.25 but for the application of paragraph (d), clause (4). The lien arises under section 270C.63
10.26 from the date of assessment of the tax against the partner, and attaches to that partner's share
10.27 of the profits and any other money due or to become due to that partner in respect of the
10.28 partnership. Notice of the lien may be sent by mail to the partnership, without the necessity
10.29 for recording the lien. The notice has the force and effect of a levy under section 270C.67,
10.30 and is enforceable against the partnership in the manner provided by that section. Upon
10.31 payment in full of the liability subsequent to the notice of lien, the partnership must be
10.32 notified that the lien has been satisfied.

11.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 11.2 31, 2020.

11.3 Sec. 9. Minnesota Statutes 2020, section 290.92, subdivision 4c, is amended to read:

11.4 Subd. 4c. **Withholding by S corporations.** (a) A corporation having a valid election in
 11.5 effect under section 290.9725 shall deduct and withhold a tax as provided in paragraph (b)
 11.6 for nonresident individual shareholders their share of the corporation's income for the taxable
 11.7 year.

11.8 (b) The amount of tax withheld is determined by multiplying the amount of income
 11.9 allocable to Minnesota under section 290.17 by the highest rate used to determine the income
 11.10 tax liability of an individual under section 290.06, subdivision 2c, except that the amount
 11.11 of tax withheld may be determined by the commissioner if the shareholder submits a
 11.12 withholding ~~exemption~~ allowance certificate under subdivision 5.

11.13 (c) Notwithstanding paragraph (a), a corporation is not required to deduct and withhold
 11.14 tax for a nonresident shareholder, if:

11.15 (1) the shareholder elects to have the tax due paid as part of the corporation's composite
 11.16 return under section 289A.08, subdivision 7;

11.17 (2) the shareholder has Minnesota assignable federal adjusted gross income from the
 11.18 corporation of less than \$1,000; or

11.19 (3) the corporation is liquidated or terminated, the income was generated by a transaction
 11.20 related to the termination or liquidation, and no cash or other property was distributed in
 11.21 the current or prior taxable year.

11.22 (d) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2,
 11.23 paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a corporation is considered an
 11.24 employer.

11.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 11.26 31, 2020.

11.27 Sec. 10. Minnesota Statutes 2020, section 290.92, subdivision 5, is amended to read:

11.28 Subd. 5. ~~Exemptions Allowances.~~ (1) ~~Entitlement.~~ An employee receiving wages shall
 11.29 on any day be entitled to claim withholding ~~exemptions~~ allowances in a number not to
 11.30 exceed the number of withholding ~~exemptions~~ allowances that the employee claims and

12.1 that are allowable pursuant to section 3402(f)(1), ~~(m), and (n)~~ of the Internal Revenue Code
 12.2 for federal withholding purposes, except:

12.3 (i) the standard deduction amount for the purposes of section 3402(f)(1)(E) of the Internal
 12.4 Revenue Code shall be the amount calculated under section 290.0123, ~~subdivision 1; and~~

12.5 (ii) the ~~exemption~~ allowance amount for the purposes of section 3402(f)(1)(A) of the
 12.6 Internal Revenue Code shall be the amount calculated under section 290.0121, subdivision
 12.7 1₂;

12.8 (iii) withholding allowances under sections 3402(f)(1)(C) and (D) of the Internal Revenue
 12.9 Code are not allowed;

12.10 (iv) estimated itemized deductions allowable under section 290.0122, but only if the
 12.11 employee's spouse does not have in effect a withholding certificate electing this allowance;
 12.12 and

12.13 (v) any additional allowances, at the discretion of the commissioner, that are in the best
 12.14 interests of determining the proper amount to withhold for the payment of taxes under this
 12.15 chapter.

12.16 (2) **Withholding ~~exemption~~ allowance certificate.** The provisions concerning ~~exemption~~
 12.17 allowance certificates contained in section 3402(f)(2) and (3) of the Internal Revenue Code
 12.18 shall apply.

12.19 (3) **Form of certificate.** Withholding ~~exemption~~ allowance certificates shall be in such
 12.20 form and contain such information as the commissioner may by rule prescribe.

12.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 12.22 31, 2020.

12.23 Sec. 11. Minnesota Statutes 2020, section 290.92, subdivision 5a, is amended to read:

12.24 Subd. 5a. **Verification of withholding ~~exemptions~~ allowances; appeal.** (a) An employer
 12.25 shall submit to the commissioner a copy of any withholding ~~exemption~~ allowance certificate
 12.26 or any affidavit of residency received from an employee on which the employee claims any
 12.27 of the following:

12.28 (1) a total number of withholding ~~exemptions~~ allowances in excess of ten or a number
 12.29 prescribed by the commissioner, or

12.30 (2) a status that would exempt the employee from Minnesota withholding, including
 12.31 where the employee is a nonresident exempt from withholding under subdivision 4a, clause
 12.32 (3), except where the employer reasonably expects, at the time that the certificate is received,

13.1 that the employee's wages under subdivision 1 from the employer will not then usually
13.2 exceed \$200 per week, or

13.3 (3) any number of withholding ~~exemptions~~ allowances which the employer has reason
13.4 to believe is in excess of the number to which the employee is entitled.

13.5 (b) Copies of ~~exemption~~ allowance certificates and affidavits of residency required to
13.6 be submitted by paragraph (a) shall be submitted to the commissioner within 30 days after
13.7 receipt by the employer unless the employer is also required by federal law to submit copies
13.8 to the Internal Revenue Service, in which case the employer may elect to submit the copies
13.9 to the commissioner at the same time that the employer is required to submit them to the
13.10 Internal Revenue Service.

13.11 (c) An employer who submits a copy of a withholding ~~exemption~~ allowance certificate
13.12 in accordance with paragraph (a) shall honor the certificate until notified by the commissioner
13.13 that the certificate is invalid. The commissioner shall mail a copy of any such notice to the
13.14 employee. Upon notification that a particular certificate is invalid, the employer shall not
13.15 honor that certificate or any subsequent certificate unless instructed to do so by the
13.16 commissioner. The employer shall allow the employee the number of ~~exemptions~~ allowances
13.17 and compute the withholding tax as instructed by the commissioner in accordance with
13.18 paragraph (d).

13.19 (d) The commissioner may require an employee to verify entitlement to the number of
13.20 ~~exemptions~~ allowances or to the exempt status claimed on the withholding ~~exemption~~
13.21 allowance certificate or, to verify nonresidency. The employee shall be allowed at least 30
13.22 days to submit the verification, after which time the commissioner shall, on the basis of the
13.23 best information available to the commissioner, determine the employee's status and allow
13.24 the employee the maximum number of withholding ~~exemptions~~ allowances allowable under
13.25 this chapter. The commissioner shall mail a notice of this determination to the employee at
13.26 the address listed on the ~~exemption~~ allowance certificate in question or to the last known
13.27 address of the employee. Pursuant to section 270B.06, the commissioner may notify the
13.28 employer of this determination and instruct the employer to withhold tax in accordance with
13.29 the determination.

13.30 However, where the commissioner has reasonable grounds for believing that the employee
13.31 is about to leave the state or that the collection of any tax due under this chapter will be
13.32 jeopardized by delay, the commissioner may immediately notify the employee and the
13.33 employer, pursuant to section 270B.06, that the certificate is invalid, and the employer must
13.34 not honor that certificate or any subsequent certificate unless instructed to do so by the

14.1 commissioner. The employer shall allow the employee the number of ~~exemptions~~ allowances
 14.2 and compute the withholding tax as instructed by the commissioner.

14.3 (e) The commissioner's determination under paragraph (d) shall be appealable to Tax
 14.4 Court in accordance with section 271.06, and shall remain in effect for withholding tax
 14.5 purposes pending disposition of any appeal.

14.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 14.7 31, 2020.

14.8 Sec. 12. Minnesota Statutes 2020, section 290.92, subdivision 19, is amended to read:

14.9 Subd. 19. **Employees incurring no income tax liability.** Notwithstanding any other
 14.10 provision of this section, except the provisions of subdivision 5a, an employer is not required
 14.11 to deduct and withhold any tax under this chapter from wages paid to an employee if:

14.12 (1) the employee furnished the employer with a withholding ~~exemption~~ allowance
 14.13 certificate that:

14.14 (i) certifies the employee incurred no liability for income tax imposed under this chapter
 14.15 for the employee's preceding taxable year;

14.16 (ii) certifies the employee anticipates incurring no liability for income tax imposed under
 14.17 this chapter for the current taxable year; and

14.18 (iii) is in a form and contains any other information prescribed by the commissioner; or

14.19 (2)(i) the employee is not a resident of Minnesota when the wages were paid; and

14.20 (ii) the employer reasonably expects that the employer will not pay the employee enough
 14.21 wages assignable to Minnesota under section 290.17, subdivision 2, paragraph (a)(1), to
 14.22 meet the nonresident requirement to file a Minnesota individual income tax return for the
 14.23 taxable year under section 289A.08, subdivision 1, paragraph (a).

14.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 14.25 31, 2020.

14.26 Sec. 13. Minnesota Statutes 2020, section 290.92, subdivision 20, is amended to read:

14.27 Subd. 20. ~~Voluntary withholding agreements~~ **Miscellaneous withholding**
 14.28 **arrangements.** (a) For purposes of this section, any payment ~~of an annuity to an individual,~~
 14.29 ~~if at the time the payment is made a request that such annuity be subject to withholding~~
 14.30 ~~under this section is in effect,~~ or distribution to an individual as defined under section
 14.31 3405(e)(2) or (3) of the Internal Revenue Code shall be treated as if it were a payment of

15.1 wages by an employer to an employee for a payroll period. Any payment to an individual
15.2 of sick pay which does not constitute wages, determined without regard to this subdivision,
15.3 shall be treated as if it were a payment of wages by an employer to an employee for a payroll
15.4 period, if, at the time the payment is made a request that such sick pay be subject to
15.5 withholding under this section is in effect. Sick pay means any amount which:

15.6 (1) is paid to an employee pursuant to a plan to which the employer is a party, and

15.7 (2) constitutes remuneration or a payment in lieu of remuneration for any period during
15.8 which the employee is temporarily absent from work on account of sickness or personal
15.9 injuries.

15.10 (b) A request for withholding, the amount withheld, and sick pay paid pursuant to certain
15.11 collective bargaining agreements shall conform with the provisions of section 3402(o)(3),
15.12 (4), and (5) of the Internal Revenue Code.

15.13 (c) The commissioner is authorized by rules to provide for withholding:

15.14 (1) from remuneration for services performed by an employee for the employer which,
15.15 without regard to this subdivision, does not constitute wages, and

15.16 (2) from any other type of payment with respect to which the commissioner finds that
15.17 withholding would be appropriate under the provisions of this section, if the employer and
15.18 the employee, or in the case of any other type of payment the person making and the person
15.19 receiving the payment, agree to such withholding. Such agreement shall be made in such
15.20 form and manner as the commissioner may by rules provide. For purposes of this section
15.21 remuneration or other payments with respect to which such agreement is made shall be
15.22 treated as if they were wages paid by an employer to an employee to the extent that such
15.23 remuneration is paid or other payments are made during the period for which the agreement
15.24 is in effect.

15.25 (d) An individual receiving a payment or distribution under paragraph (a) may elect to
15.26 have paragraph (a) not apply to the payment or distribution as follows.

15.27 (1) For payments defined under section 3405(e)(2) of the Internal Revenue Code, an
15.28 election remains in effect until revoked by such individual.

15.29 (2) For distributions defined under section 3405(e)(3) of the Internal Revenue Code, the
15.30 election is on a distribution-by-distribution basis.

15.31 **EFFECTIVE DATE.** This section is effective for payments and distributions made
15.32 after December 31, 2021.

16.1 Sec. 14. Minnesota Statutes 2020, section 290.923, subdivision 9, is amended to read:

16.2 Subd. 9. **Payees incurring no income tax liability.** Notwithstanding any other provision
16.3 of this section a payor shall not be required to deduct and withhold any tax under this chapter
16.4 upon a payment of royalties to a payee if there is in effect with respect to the payment a
16.5 withholding ~~exemption~~ allowance certificate, in the form and containing the information
16.6 prescribed by the commissioner, furnished to the payor by the payee certifying that the
16.7 payee:

16.8 (1) incurred no liability for income tax imposed under this chapter for the payee's
16.9 preceding taxable year; and

16.10 (2) anticipates incurring no liability for income tax under this chapter for the current
16.11 taxable year.

16.12 The commissioner shall provide by rule for the coordination of the provisions of this
16.13 subdivision with the provisions of subdivision 4.

16.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.15 31, 2020.

16.16 Sec. 15. Minnesota Statutes 2020, section 290.993, is amended to read:

16.17 **290.993 SPECIAL LIMITED ADJUSTMENT.**

16.18 (a) For an individual ~~income taxpayer subject to tax under section 290.06, subdivision~~
16.19 ~~2e, estate, or trust,~~ or a partnership that elects to file a composite return under section
16.20 289A.08, subdivision 7, for taxable years beginning after December 31, 2017, and before
16.21 January 1, 2019, the following special rules apply:

16.22 (1) an individual income taxpayer may: (i) take the standard deduction; or (ii) make an
16.23 election under section 63(e) of the Internal Revenue Code to itemize, for Minnesota individual
16.24 income tax purposes, regardless of the choice made on their federal return; and

16.25 (2) there is an adjustment to tax equal to the difference between the tax calculated under
16.26 this chapter using the Internal Revenue Code as amended through December 16, 2016, and
16.27 the tax calculated under this chapter using the Internal Revenue Code amended through
16.28 December 31, 2018, before the application of credits. The end result must be zero additional
16.29 tax due or refund.

16.30 (b) The adjustment in paragraph (a), clause (2), does not apply to any changes due to
16.31 sections 11012, 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13301, 13302, 13303,

17.1 13313, 13502, 13503, 13801, 14101, 14102, 14211 through 14215, and 14501 of Public
17.2 Law 115-97; and section 40411 of Public Law 115-123.

17.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
17.4 after December 31, 2017, and before January 1, 2019.

17.5 **ARTICLE 2**

17.6 **PARTNERSHIP TAX**

17.7 Section 1. Minnesota Statutes 2020, section 270C.445, subdivision 6, is amended to read:

17.8 **Subd. 6. Enforcement; administrative order; penalties; cease and desist.** (a) The
17.9 commissioner may impose an administrative penalty of not more than \$1,000 per violation
17.10 of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed
17.11 for any conduct for which a tax preparer penalty is imposed under section 289A.60,
17.12 subdivision 13. The commissioner may terminate a tax preparer's authority to transmit
17.13 returns electronically to the state, if the commissioner determines the tax preparer engaged
17.14 in a pattern and practice of violating this section. Imposition of a penalty under this paragraph
17.15 is subject to the contested case procedure under chapter 14. The commissioner shall collect
17.16 the penalty in the same manner as the income tax. There is no right to make a claim for
17.17 refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed
17.18 under this paragraph are public data.

17.19 (b) In addition to the penalty under paragraph (a), if the commissioner determines that
17.20 a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may
17.21 issue an administrative order to the tax preparer requiring the tax preparer to cease and
17.22 desist from committing the violation. The administrative order may include an administrative
17.23 penalty provided in paragraph (a).

17.24 (c) If the commissioner issues an administrative order under paragraph (b), the
17.25 commissioner must send the order to the tax preparer addressed to the last known address
17.26 of the tax preparer.

17.27 (d) A cease and desist order under paragraph (b) must:

17.28 (1) describe the act, conduct, or practice committed and include a reference to the law
17.29 that the act, conduct, or practice violates; and

17.30 (2) provide notice that the tax preparer may request a hearing as provided in this
17.31 subdivision.

18.1 (e) Within 30 days after the commissioner issues an administrative order under paragraph
18.2 (b), the tax preparer may request a hearing to review the commissioner's action. The request
18.3 for hearing must be made in writing and must be served on the commissioner at the address
18.4 specified in the order. The hearing request must specifically state the reasons for seeking
18.5 review of the order. The date on which a request for hearing is served by mail is the postmark
18.6 date on the envelope in which the request for hearing is mailed.

18.7 (f) If a tax preparer does not timely request a hearing regarding an administrative order
18.8 issued under paragraph (b), the order becomes a final order of the commissioner and is not
18.9 subject to review by any court or agency.

18.10 (g) If a tax preparer timely requests a hearing regarding an administrative order issued
18.11 under paragraph (b), the hearing must be commenced within ten days after the commissioner
18.12 receives the request for a hearing.

18.13 (h) A hearing timely requested under paragraph (e) is subject to the contested case
18.14 procedure under chapter 14, as modified by this subdivision. The administrative law judge
18.15 must issue a report containing findings of fact, conclusions of law, and a recommended
18.16 order within ten days after the completion of the hearing, the receipt of late-filed exhibits,
18.17 or the submission of written arguments, whichever is later.

18.18 (i) Within five days of the date of the administrative law judge's report issued under
18.19 paragraph (h), any party aggrieved by the administrative law judge's report may submit
18.20 written exceptions and arguments to the commissioner. Within 15 days after receiving the
18.21 administrative law judge's report, the commissioner must issue an order vacating, modifying,
18.22 or making final the administrative order.

18.23 (j) The commissioner and the tax preparer requesting a hearing may by agreement
18.24 lengthen any time periods prescribed in paragraphs (g) to (i).

18.25 (k) An administrative order issued under paragraph (b) is in effect until it is modified
18.26 or vacated by the commissioner or an appellate court. The administrative hearing provided
18.27 by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute
18.28 the exclusive remedy for a tax preparer aggrieved by the order.

18.29 (l) The commissioner may impose an administrative penalty, in addition to the penalty
18.30 under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under
18.31 paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case
18.32 procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under
18.33 this paragraph, the tax preparer assessed the penalty may request a hearing to review the
18.34 penalty order. The request for hearing must be made in writing and must be served on the

19.1 commissioner at the address specified in the order. The hearing request must specifically
 19.2 state the reasons for seeking review of the order. The cease and desist order issued under
 19.3 paragraph (b) is not subject to review in a proceeding to challenge the penalty order under
 19.4 this paragraph. The date on which a request for hearing is served by mail is the postmark
 19.5 date on the envelope in which the request for hearing is mailed. If the tax preparer does not
 19.6 timely request a hearing, the penalty order becomes a final order of the commissioner and
 19.7 is not subject to review by any court or agency. A penalty imposed by the commissioner
 19.8 under this paragraph may be collected and enforced by the commissioner as an income tax
 19.9 liability. There is no right to make a claim for refund under section 289A.50 of the penalty
 19.10 imposed under this paragraph. A penalty imposed under this paragraph is public data.

19.11 (m) If a tax preparer violates a cease and desist order issued under paragraph (b), the
 19.12 commissioner may terminate the tax preparer's authority to transmit returns electronically
 19.13 to the state. Termination under this paragraph is public data.

19.14 (n) A cease and desist order issued under paragraph (b) is public data when it is a final
 19.15 order.

19.16 (o) Notwithstanding any other law, the commissioner may impose a penalty or take other
 19.17 action under this subdivision against a tax preparer, with respect to a return, within the
 19.18 period to assess tax on that return as provided by ~~section~~ sections 289A.38 and 289A.382.

19.19 (p) Notwithstanding any other law, the imposition of a penalty or any other action against
 19.20 a tax preparer under this subdivision, other than with respect to a return, must be taken by
 19.21 the commissioner within five years of the violation of statute.

19.22 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 19.23 after December 31, 2017, except that for partnerships that make an election under Code of
 19.24 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 19.25 and applies to the same tax periods to which the election relates.

19.26 Sec. 2. Minnesota Statutes 2020, section 289A.31, subdivision 1, is amended to read:

19.27 Subdivision 1. **Individual income, fiduciary income, mining company, corporate**
 19.28 **franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining
 19.29 company, and corporate franchise taxes, and interest and penalties, must be paid by the
 19.30 taxpayer upon whom the tax is imposed, except in the following cases:

19.31 (1) the tax due from a decedent for that part of the taxable year in which the decedent
 19.32 died during which the decedent was alive and the taxes, interest, and penalty due for the
 19.33 prior years must be paid by the decedent's personal representative, if any. If there is no

20.1 personal representative, the taxes, interest, and penalty must be paid by the transferees, as
20.2 defined in section 270C.58, subdivision 3, to the extent they receive property from the
20.3 decedent;

20.4 (2) the tax due from an infant or other incompetent person must be paid by the person's
20.5 guardian or other person authorized or permitted by law to act for the person;

20.6 (3) the tax due from the estate of a decedent must be paid by the estate's personal
20.7 representative;

20.8 (4) the tax due from a trust, including those within the definition of a corporation, as
20.9 defined in section 290.01, subdivision 4, must be paid by a trustee; and

20.10 (5) the tax due from a taxpayer whose business or property is in charge of a receiver,
20.11 trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge
20.12 of the business or property so far as the tax is due to the income from the business or property.

20.13 (b) Entertainment taxes are the joint and several liability of the entertainer and the
20.14 entertainment entity. The payor is liable to the state for the payment of the tax required to
20.15 be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the
20.16 entertainer for the amount of the payment.

20.17 (c) The taxes imposed under sections 289A.35, paragraph (b); 289A.382, subdivision
20.18 3; and 290.0922 on partnerships are the joint and several liability of the partnership and the
20.19 general partners.

20.20 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
20.21 after December 31, 2017, except that for partnerships that make an election under Code of
20.22 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
20.23 and applies to the same tax periods to which the election relates.

20.24 Sec. 3. Minnesota Statutes 2020, section 289A.37, subdivision 2, is amended to read:

20.25 Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous
20.26 refund occurs when the commissioner issues a payment to a person that exceeds the amount
20.27 the person is entitled to receive under law. An erroneous refund is considered an
20.28 underpayment of tax on the date issued.

20.29 (b) To the extent that the amount paid does not exceed the amount claimed by the
20.30 taxpayer, an erroneous refund does not include the following:

20.31 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a
20.32 taxpayer, including but not limited to refunds of claims made under section 290.06,

21.1 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;
 21.2 290.0681; or 290.0692; or chapter 290A; or

21.3 (2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a
 21.4 taxpayer.

21.5 (c) The commissioner may make an assessment to recover an erroneous refund at any
 21.6 time within two years from the issuance of the erroneous refund. If all or part of the erroneous
 21.7 refund was induced by fraud or misrepresentation of a material fact, the assessment may
 21.8 be made at any time.

21.9 (d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be
 21.10 conducted under ~~section~~ sections 289A.38 and 289A.382.

21.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 21.12 after December 31, 2017, except that for partnerships that make an election under Code of
 21.13 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 21.14 and applies to the same tax periods to which the election relates.

21.15 Sec. 4. Minnesota Statutes 2020, section 289A.38, subdivision 7, is amended to read:

21.16 Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference,
 21.17 deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any
 21.18 period, as reported to the Internal Revenue Service is changed or corrected by the
 21.19 commissioner of Internal Revenue or other officer of the United States or other competent
 21.20 authority, or where a renegotiation of a contract or subcontract with the United States results
 21.21 in a change in income, items of tax preference, deductions, credits, or withholding tax, or,
 21.22 in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall
 21.23 report the ~~change or correction or renegotiation results~~ federal adjustments in writing to the
 21.24 commissioner. The federal adjustments report must be submitted within 180 days after the
 21.25 final determination date and must be in the form of either an amended Minnesota estate,
 21.26 withholding tax, corporate franchise tax, or income tax return conceding the accuracy of
 21.27 the federal ~~determination~~ adjustment or a letter detailing how the federal ~~determination~~
 21.28 adjustment is incorrect or does not change the Minnesota tax. An amended Minnesota
 21.29 income tax return must be accompanied by an amended property tax refund return, if
 21.30 necessary. A taxpayer filing an amended federal tax return must also file a copy of the
 21.31 amended return with the commissioner of revenue within 180 days after filing the amended
 21.32 return.

22.1 (b) ~~For the purposes of paragraph (a), a change or correction includes any case where a~~
 22.2 ~~taxpayer reaches a closing agreement or compromise with the Internal Revenue Service~~
 22.3 ~~under section 7121 or 7122 of the Internal Revenue Code. In the case of a final federal~~
 22.4 ~~adjustment arising from a partnership-level audit or an administrative adjustment request~~
 22.5 ~~filed by a partnership under section 6227 of the Internal Revenue Code, a taxpayer must~~
 22.6 ~~report adjustments as provided for under section 289A.382, and not this section.~~

22.7 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 22.8 after December 31, 2017, except that for partnerships that make an election under Code of
 22.9 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 22.10 and applies to the same tax periods to which the election relates.

22.11 Sec. 5. Minnesota Statutes 2020, section 289A.38, subdivision 8, is amended to read:

22.12 Subd. 8. **Failure to report change or correction of federal return.** If a taxpayer fails
 22.13 to make a federal adjustments report as required by subdivision 7 or section 289A.382, the
 22.14 commissioner may recompute the tax, including a refund, based on information available
 22.15 to the commissioner. The tax may be recomputed within six years after the federal
 22.16 adjustments report should have been filed, notwithstanding any period of limitations to the
 22.17 contrary.

22.18 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 22.19 after December 31, 2017, except that for partnerships that make an election under Code of
 22.20 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 22.21 and applies to the same tax periods to which the election relates.

22.22 Sec. 6. Minnesota Statutes 2020, section 289A.38, subdivision 9, is amended to read:

22.23 Subd. 9. **Report made of change or correction of federal return.** If a taxpayer is
 22.24 required to make a federal adjustments report under subdivision 7 or section 289A.382, and
 22.25 does report the change or files a copy of the amended return, the commissioner may
 22.26 recompute and reassess the tax due, including a refund (1) within one year after the federal
 22.27 adjustments report or amended return is filed with the commissioner, notwithstanding any
 22.28 period of limitations to the contrary, or (2) within any other applicable period stated in this
 22.29 section, whichever period is longer. The period provided for the carryback of any amount
 22.30 of loss or credit is also extended as provided in this subdivision, notwithstanding any law
 22.31 to the contrary. If the commissioner has completed a field audit of the taxpayer, and, but
 22.32 for this subdivision, the commissioner's time period to adjust the tax has expired, the
 22.33 additional tax due or refund is limited to only those changes that are required to be made

23.1 to the return which relate to the changes made on the federal return. This subdivision does
 23.2 not apply to sales and use tax.

23.3 For purposes of this subdivision and section 289A.42, subdivision 2, a "field audit" is
 23.4 the physical presence of examiners in the taxpayer's or taxpayer's representative's office
 23.5 conducting an examination of the taxpayer with the intention of issuing an assessment or
 23.6 notice of change in tax or which results in the issuing of an assessment or notice of change
 23.7 in tax. The examination may include inspecting a taxpayer's place of business, tangible
 23.8 personal property, equipment, computer systems and facilities, pertinent books, records,
 23.9 papers, vouchers, computer printouts, accounts, and documents.

23.10 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 23.11 after December 31, 2017, except that for partnerships that make an election under Code of
 23.12 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 23.13 and applies to the same tax periods to which the election relates.

23.14 Sec. 7. Minnesota Statutes 2020, section 289A.38, subdivision 10, is amended to read:

23.15 Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding
 23.16 any other provision of this chapter, if a taxpayer whose net income is determined under
 23.17 section 290.01, subdivision 19, omits from income an amount that will under the Internal
 23.18 Revenue Code extend the statute of limitations for the assessment of federal income taxes,
 23.19 or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting
 23.20 in adjustments by the Internal Revenue Service, then the period of assessment and
 23.21 determination of tax will be that under the Internal Revenue Code. When a change is made
 23.22 to federal income during the extended time provided under this subdivision, the provisions
 23.23 under subdivisions 7 to 9 and section 289A.382 regarding additional extensions apply.

23.24 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 23.25 after December 31, 2017, except that for partnerships that make an election under Code of
 23.26 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 23.27 and applies to the same tax periods to which the election relates.

23.28 Sec. 8. **[289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

23.29 Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified,
 23.30 the definitions in this section apply for the purposes of sections 289A.38, subdivisions 7 to
 23.31 9; 289A.381; and 289A.382.

24.1 Subd. 2. **Administrative adjustment request.** "Administrative adjustment request"
24.2 means an administrative adjustment request filed by a partnership under section 6227 of
24.3 the Internal Revenue Code.

24.4 Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a
24.5 federal adjustment resulting from a partnership-level audit.

24.6 Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax
24.7 under section 290.02.

24.8 Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal
24.9 ownership interest in a partnership or pass-through entity.

24.10 Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes
24.11 on its net income under section 290.05, subdivision 1.

24.12 Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount
24.13 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an
24.14 item of preference, or any other item that is used by a taxpayer to compute a tax administered
24.15 under this chapter for the reviewed year whether that change results from action by the
24.16 Internal Revenue Service or other competent authority, including a partnership-level audit,
24.17 or the filing of an amended federal return, federal refund claim, or an administrative
24.18 adjustment request by the taxpayer. A federal adjustment is positive to the extent that it
24.19 increases taxable income as determined under section 290.01, subdivision 29, and is negative
24.20 to the extent that it decreases taxable income as determined under section 290.01, subdivision
24.21 29.

24.22 Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method
24.23 or form prescribed by the commissioner for use by a taxpayer to report federal adjustments,
24.24 including an amended Minnesota tax return or a uniform multistate report.

24.25 Subd. 9. **Federal partnership representative.** "Federal partnership representative"
24.26 means the person the partnership designates for the taxable year as the partnership's
24.27 representative, or the person the Internal Revenue Service has appointed to act as the
24.28 partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

24.29 Subd. 10. **Final determination date.** "Final determination date" means:

24.30 (1) for a federal adjustment arising from an audit by the Internal Revenue Service or
24.31 other competent authority, the first day on which no federal adjustment arising from that
24.32 audit remains to be finally determined, whether by agreement, or, if appealed or contested,
24.33 by a final decision with respect to which all rights of appeal have been waived or exhausted;

25.1 (2) for a federal adjustment arising from an audit or other action by the Internal Revenue
25.2 Service or other competent authority, if the taxpayer filed as a member of a combined report
25.3 under section 290.17, subdivision 4, the first day on which no federal adjustments arising
25.4 from that audit remain to be finally determined, as described in clause (1), for the entire
25.5 group;

25.6 (3) for a federal adjustment arising from the filing of an amended federal return, a federal
25.7 refund claim, or the filing by a partnership of an administrative adjustment request, the day
25.8 which the amended return, refund claim, or administrative adjustment request was filed; or

25.9 (4) for agreements required to be signed by the Internal Revenue Service and the taxpayer,
25.10 the date on which the last party signed the agreement.

25.11 Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal
25.12 adjustment for which the final determination date for that federal adjustment has passed.

25.13 Subd. 12. **Indirect partner.** "Indirect partner" means either:

25.14 (1) a partner in a partnership or pass-through entity that itself holds an immediate legal
25.15 ownership interest in another partnership or pass-through entity; or

25.16 (2) a partner in a partnership or pass-through entity that holds an indirect interest in
25.17 another partnership or pass-through entity through another indirect partner.

25.18 Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly
25.19 in a partnership or other pass-through entity.

25.20 Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section
25.21 7701(a)(2) of the Internal Revenue Code.

25.22 Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by
25.23 the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63,
25.24 subchapter C, of the Internal Revenue Code, which results in federal adjustments and
25.25 adjustments to partnership-related items.

25.26 Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a
25.27 partnership, that is not subject to the tax imposed under section 290.02. The term pass-through
25.28 entity includes but is not limited to S corporations, estates, and trusts other than grantor
25.29 trusts.

25.30 Subd. 17. **Resident partner.** "Resident partner" means an individual, trust, or estate
25.31 partner who is a resident of Minnesota under section 290.01, subdivision 7, 7a, or 7b, for
25.32 the relevant tax period.

26.1 Subd. 18. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that
 26.2 is subject to a partnership-level audit from which federal adjustments arise.

26.3 Subd. 19. **Tiered partner.** "Tiered partner" means any partner that is a partnership or
 26.4 pass-through entity.

26.5 Subd. 20. **Unrelated business taxable income.** "Unrelated business taxable income"
 26.6 has the same meaning as defined in section 512 of the Internal Revenue Code.

26.7 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 26.8 after December 31, 2017, except that for partnerships that make an election under Code of
 26.9 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 26.10 and applies to the same tax periods to which the election relates.

26.11 Sec. 9. **[289A.382] REPORTING AND PAYMENT REQUIREMENTS.**

26.12 Subdivision 1. **State partnership representative.** (a) With respect to an action required
 26.13 or permitted to be taken by a partnership under this section, or in a proceeding under section
 26.14 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the
 26.15 sole authority to act on behalf of the partnership, and its direct partners and indirect partners
 26.16 shall be bound by those actions.

26.17 (b) The state partnership representative for the reviewed year is the partnership's federal
 26.18 partnership representative unless the partnership, in a form and manner prescribed by the
 26.19 commissioner, designates another person as its state partnership representative.

26.20 Subd. 2. **Reporting and payment requirements for partnerships and tiered**
 26.21 **partners.** (a) Unless an audited partnership makes the election in subdivision 3 and except
 26.22 for negative federal adjustments required under federal law taken into account by the
 26.23 partnership in the partnership return for the adjustment or other year, then for all final federal
 26.24 adjustments the audited partnership must comply with paragraph (b) and each direct partner
 26.25 of the audited partnership, other than a tiered partner, must comply with paragraph (c).

26.26 (b) No later than 90 days after the final determination date, the audited partnership must:

26.27 (1) file a completed federal adjustments report, including all partner-level information
 26.28 required under section 289A.12, subdivision 3, with the commissioner;

26.29 (2) notify each of its direct partners of their distributive share of the final federal
 26.30 adjustments;

26.31 (3) file an amended composite report for all direct partners who were included in a
 26.32 composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the

27.1 additional amount that would have been due had the federal adjustments been reported
27.2 properly as required; and

27.3 (4) file amended withholding reports for all direct partners who were or should have
27.4 been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed
27.5 year, and pay the additional amount that would have been due had the federal adjustments
27.6 been reported properly as required.

27.7 (c) No later than 180 days after the final determination date, each direct partner, other
27.8 than a tiered partner, that is subject to a tax administered under this chapter, other than the
27.9 sales tax, must:

27.10 (1) file a federal adjustments report reporting their distributive share of the adjustments
27.11 reported to them under paragraph (b), clause (2); and

27.12 (2) pay any additional amount of tax due as if the final federal adjustment had been
27.13 properly reported, plus any penalty and interest due under this chapter, and less any credit
27.14 for related amounts paid or withheld and remitted on behalf of the direct partner under
27.15 paragraph (b), clauses (3) and (4).

27.16 Subd. 3. **Election; partnership or tiered partners pay.** (a) An audited partnership may
27.17 make an election under this subdivision to pay its assessment at the entity level. If an audited
27.18 partnership makes an election to pay its assessment at the entity level it must:

27.19 (1) no later than 90 days after the final determination date, file a completed federal
27.20 adjustments report, including the residency information for all individual partners, both
27.21 direct and indirect, and information pertaining to all other partners as prescribed by the
27.22 commissioner, and notify the commissioner that it is making the election under this
27.23 subdivision; and

27.24 (2) no later than 180 days after the final determination date, pay an amount, determined
27.25 as follows, in lieu of taxes on partners:

27.26 (i) exclude from final federal adjustments the distributive share of these adjustments
27.27 made to an exempt partner that is not unrelated business taxable income;

27.28 (ii) exclude from final federal adjustments the distributive share of these adjustments
27.29 made to a partner that has filed a federal adjustments report and paid the applicable tax, as
27.30 required under subdivision 2, for the distributive share of adjustments reported on a federal
27.31 return under section 6225(c) of the Internal Revenue Code;

27.32 (iii) allocate at the partner level using section 290.17, subdivision 1, all final federal
27.33 adjustments attributable to resident partners, both direct and indirect, for the reviewed year;

28.1 (iv) assign and apportion at the partnership level using sections 290.17 to 290.20 all
 28.2 remaining final federal adjustments for the reviewed year;

28.3 (v) determine the total distributive share of the final federal adjustments allocated in
 28.4 item (iii) and assigned and apportioned in item (iv) that are attributable to:

28.5 (A) resident individual partners;

28.6 (B) corporate partners and exempt partners; and

28.7 (C) the total distributive share amount assigned and apportioned to all other partners;

28.8 (vi) for the total distributive share of net final federal adjustments attributed to corporate
 28.9 partners and exempt partners under item (v), subitem (B), multiply the total by the highest
 28.10 tax rate in section 290.06, subdivision 1, for the reviewed year, and calculate interest and
 28.11 penalties as applicable under this chapter;

28.12 (vii) for the total distributive share of net final federal adjustments attributable to resident
 28.13 partners, and all other partners under item (v), subitems (A) and (C), multiply the total by
 28.14 the highest tax rate in section 290.06, subdivision 2c, for the reviewed year, and calculate
 28.15 interest and penalties as applicable under this chapter; and

28.16 (viii) add the amount determined in item (vi) to the amount determined in item (vii),
 28.17 and pay all applicable taxes, penalties, and interest to the commissioner.

28.18 (b) An audited partnership may not make an election under this subdivision to report:

28.19 (1) a federal adjustment that results in unitary business income to a corporate partner
 28.20 required to file as a member of a combined report under section 290.17, subdivision 4; or

28.21 (2) any final federal adjustments resulting from an administrative adjustment request.

28.22 Subd. 4. Tiered partners and indirect partners. (a) Each tiered partner and each
 28.23 indirect partner of an audited partnership that reported final federal adjustments pursuant
 28.24 to subdivision 2, paragraph (b), clause (1), or this subdivision, must:

28.25 (1) within 90 days of the report comply with the filing, reporting, and payment
 28.26 requirements of subdivision 2, paragraph (b); or

28.27 (2) make the election under subdivision 3 as though it were the audited partnership.

28.28 (b) Each direct partner in a partnership making a report under paragraph (a) must, within
 28.29 180 days of the report, comply with the filing, reporting, and payment requirements of
 28.30 subdivision 2, paragraph (c).

29.1 (c) Notwithstanding the interim time requirements in this subdivision and subdivisions
 29.2 2 and 3, all reports and payments required to be made by the tiered and indirect partners
 29.3 under this section are required to be made within 90 days after the time for the filing and
 29.4 furnishing of statements to tiered partners and their partners as established by the Internal
 29.5 Revenue Service under section 6226 of the Internal Revenue Code.

29.6 **Subd. 5. Effects of election by partnership or tiered partner and payment of amount**
 29.7 **due. (a) Unless the commissioner determines otherwise, the election under subdivision 3**
 29.8 **is irrevocable.**

29.9 (b) If an audited partnership or tiered partner properly reports and pays an amount
 29.10 determined in subdivision 3, the amount must be treated as paid in lieu of taxes owed by
 29.11 the partnership's direct partners on the same final federal adjustments. The direct partners
 29.12 and indirect partners of the partnership who are not resident partners may not take any
 29.13 deduction or credit for this amount or claim a refund of the amount in this state.

29.14 (c) Nothing in this subdivision precludes resident partners from claiming a credit against
 29.15 taxes paid under section 290.06, on any amounts paid by the audited partnership or tiered
 29.16 partners on the resident partner's behalf to another state or local tax jurisdiction.

29.17 **Subd. 6. Failure of partnership or tiered partner to report or pay.** Nothing in this
 29.18 section prevents the commissioner from assessing direct partners or indirect partners for
 29.19 taxes they owe in the event that, for any reason, a partnership or tiered partner fails to timely
 29.20 make any report or payment required by this section.

29.21 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 29.22 after December 31, 2017, except that for partnerships that make an election under Code of
 29.23 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 29.24 and applies to the same tax periods to which the election relates.

29.25 Sec. 10. Minnesota Statutes 2020, section 289A.42, is amended to read:

29.26 **289A.42 CONSENT TO EXTEND STATUTE.**

29.27 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in
 29.28 sections 289A.38 to 289A.382 and 289A.40 for the assessment of tax or the filing of a claim
 29.29 for refund, both the commissioner and the taxpayer have consented in writing to the
 29.30 assessment or filing of a claim for refund after that time, the tax may be assessed or the
 29.31 claim for refund filed at any time before the expiration of the agreed-upon period. The
 29.32 period may be extended by later agreements in writing before the expiration of the period

30.1 previously agreed upon. The taxpayer and the commissioner may also agree to extend the
30.2 period for collection of the tax.

30.3 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the
30.4 assessment of federal withholding or income taxes, the period in which the commissioner
30.5 may recompute the tax is also extended, notwithstanding any period of limitations to the
30.6 contrary, as follows:

30.7 (1) for the periods provided in ~~section~~ sections 289A.38, subdivisions 8 and 9, and
30.8 289A.382, subdivisions 2 and 3;

30.9 (2) for six months following the expiration of the extended federal period of limitations
30.10 when no change is made by the federal authority. If no change is made by the federal
30.11 authority, and, but for this subdivision, the commissioner's time period to adjust the tax has
30.12 expired, and if the commissioner has completed a field audit of the taxpayer, no additional
30.13 changes resulting in additional tax due or a refund may be made. For purposes of this
30.14 subdivision, "field audit" has the meaning given ~~it~~ in section 289A.38, subdivision 9.

30.15 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
30.16 after December 31, 2017, except that for partnerships that make an election under Code of
30.17 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
30.18 and applies to the same tax periods to which the election relates.

30.19 Sec. 11. Minnesota Statutes 2020, section 289A.60, subdivision 24, is amended to read:

30.20 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to
30.21 the commissioner a change or correction of the person's federal return in the manner and
30.22 time prescribed in ~~section~~ sections 289A.38, subdivision 7, and 289A.382, there must be
30.23 added to the tax an amount equal to ten percent of the amount of any underpayment of
30.24 Minnesota tax attributable to the federal change.

30.25 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
30.26 after December 31, 2017, except that for partnerships that make an election under Code of
30.27 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
30.28 and applies to the same tax periods to which the election relates.

30.29 Sec. 12. Minnesota Statutes 2020, section 290.31, subdivision 1, is amended to read:

30.30 Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under
30.31 ~~section~~ sections 289A.35, paragraph (b), and 289A.382, subdivision 3, a partnership as such
30.32 shall not be subject to the income tax imposed by this chapter, but is subject to the tax

31.1 imposed under section 290.0922. Persons carrying on business as partners shall be liable
31.2 for income tax only in their separate or individual capacities.

31.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
31.4 after December 31, 2017, except that for partnerships that make an election under Code of
31.5 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
31.6 and applies to the same tax periods to which the election relates.

31.7 Sec. 13. Minnesota Statutes 2020, section 297F.17, subdivision 6, is amended to read:

31.8 Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the
31.9 commissioner during the one-year period beginning with the timely filing of the taxpayer's
31.10 federal income tax return containing the bad debt deduction that is being claimed. Claimants
31.11 under this subdivision are subject to the notice requirements of ~~section~~ sections 289A.38,
31.12 subdivision 7, and 289A.382.

31.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
31.14 after December 31, 2017, except that for partnerships that make an election under Code of
31.15 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
31.16 and applies to the same tax periods to which the election relates.

31.17 Sec. 14. Minnesota Statutes 2020, section 297G.16, subdivision 7, is amended to read:

31.18 Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with
31.19 the commissioner within one year of the filing of the taxpayer's income tax return containing
31.20 the bad debt deduction that is being claimed. Claimants under this subdivision are subject
31.21 to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.382.

31.22 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
31.23 after December 31, 2017, except that for partnerships that make an election under Code of
31.24 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
31.25 and applies to the same tax periods to which the election relates.

31.26 Sec. 15. Minnesota Statutes 2020, section 469.319, subdivision 4, is amended to read:

31.27 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter
31.28 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an
31.29 amended return with the commissioner of revenue and pay any taxes required to be repaid
31.30 within 30 days after becoming subject to repayment under this section. The amount required
31.31 to be repaid is determined by calculating the tax for the period or periods for which repayment
31.32 is required without regard to the exemptions and credits allowed under section 469.315.

32.1 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any
32.2 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of
32.3 revenue, within 30 days after becoming subject to repayment under this section.

32.4 (c) For the repayment of property taxes, the county auditor shall prepare a tax statement
32.5 for the business, applying the applicable tax extension rates for each payable year and
32.6 provide a copy to the business and to the taxpayer of record. The business must pay the
32.7 taxes to the county treasurer within 30 days after receipt of the tax statement. The business
32.8 or the taxpayer of record may appeal the valuation and determination of the property tax to
32.9 the Tax Court within 30 days after receipt of the tax statement.

32.10 (d) The provisions of chapters 270C and 289A relating to the commissioner's authority
32.11 to audit, assess, and collect the tax and to hear appeals are applicable to the repayment
32.12 required under paragraphs (a) and (b). The commissioner may impose civil penalties as
32.13 provided in chapter 289A, and the additional tax and penalties are subject to interest at the
32.14 rate provided in section 270C.40. The additional tax shall bear interest from 30 days after
32.15 becoming subject to repayment under this section until the date the tax is paid. Any penalty
32.16 imposed pursuant to this section shall bear interest from the date provided in section 270C.40,
32.17 subdivision 3, to the date of payment of the penalty.

32.18 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the
32.19 amount required to be repaid to the property taxes assessed against the property for payment
32.20 in the year following the year in which the auditor provided the statement under paragraph
32.21 (c).

32.22 (f) For determining the tax required to be repaid, a reduction of a state or local sales or
32.23 use tax is deemed to have been received on the date that the good or service was purchased
32.24 or first put to a taxable use. In the case of an income tax or franchise tax, including the credit
32.25 payable under section 469.318, a reduction of tax is deemed to have been received for the
32.26 two most recent tax years that have ended prior to the date that the business became subject
32.27 to repayment under this section. In the case of a property tax, a reduction of tax is deemed
32.28 to have been received for the taxes payable in the year that the business became subject to
32.29 repayment under this section and for the taxes payable in the prior year.

32.30 (g) The commissioner may assess the repayment of taxes under paragraph (d) any time
32.31 within two years after the business becomes subject to repayment under subdivision 1, or
32.32 within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections
32.33 289A.38 to 289A.382, whichever period is later. The county auditor may send the statement

33.1 under paragraph (c) any time within three years after the business becomes subject to
33.2 repayment under subdivision 1.

33.3 (h) A business is not entitled to any income tax or franchise tax benefits, including
33.4 refundable credits, for any part of the year in which the business becomes subject to
33.5 repayment under this section nor for any year thereafter. Property is not exempt from tax
33.6 under section 272.02, subdivision 64, for any taxes payable in the year following the year
33.7 in which the property became subject to repayment under this section nor for any year
33.8 thereafter. A business is not eligible for any sales tax benefits beginning with goods or
33.9 services purchased or first put to a taxable use on the day that the business becomes subject
33.10 to repayment under this section.

33.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
33.12 after December 31, 2017, except that for partnerships that make an election under Code of
33.13 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
33.14 and applies to the same tax periods to which the election relates.

33.15 **ARTICLE 3**

33.16 **PROPERTY TAXES AND LOCAL GOVERNMENT AIDS**

33.17 Section 1. Minnesota Statutes 2020, section 270.41, subdivision 3a, is amended to read:

33.18 Subd. 3a. **Report on disciplinary actions.** ~~Each odd-numbered year,~~ When issuing the
33.19 report required under section 214.07, the board must publish a report detailing include the
33.20 number and types of disciplinary actions recommended by the commissioner of revenue
33.21 under section 273.0645, subdivision 2, and the disposition of those recommendations by
33.22 the board. The report must be presented to the house of representatives and senate committees
33.23 with jurisdiction over property taxes ~~by February 1 of each odd-numbered year~~ in addition
33.24 to the recipients required under section 214.07.

33.25 **EFFECTIVE DATE.** This section is effective for reports issued in 2022 and thereafter.

33.26 Sec. 2. Minnesota Statutes 2020, section 270.44, is amended to read:

33.27 **270.44 CHARGES FOR COURSES, EXAMINATIONS OR MATERIALS.**

33.28 The board shall charge the following fees:

- 33.29 (1) \$150 for a senior accredited Minnesota assessor license;
- 33.30 (2) \$125 for an accredited Minnesota assessor license;
- 33.31 (3) \$95 for a certified Minnesota assessor specialist license;

34.1 (4) \$85 for a certified Minnesota assessor license;

34.2 (5) \$85 for a temporary license;

34.3 (6) \$50 for a trainee registration;

34.4 (7) \$80 for grading a form appraisal;

34.5 (8) \$140 for grading a narrative appraisal; and

34.6 (9) \$50 for reinstatement; ~~and~~.

34.7 ~~(10) \$20 for record retention.~~

34.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

34.9 Sec. 3. Minnesota Statutes 2020, section 272.029, subdivision 2, is amended to read:

34.10 Subd. 2. **Definitions.** (a) For the purposes of this section:

34.11 (1) "wind energy conversion system" has the meaning given in section 216C.06,
34.12 subdivision 19, and also includes a substation that is used and owned by one or more wind
34.13 energy conversion facilities;

34.14 (2) "large scale wind energy conversion system" means a wind energy conversion system
34.15 of more than 12 megawatts, as measured by the nameplate capacity of the system or as
34.16 combined with other systems as provided in paragraph (b);

34.17 (3) "medium scale wind energy conversion system" means a wind energy conversion
34.18 system of over two and not more than 12 megawatts, as measured by the nameplate capacity
34.19 of the system or as combined with other systems as provided in paragraph (b); and

34.20 (4) "small scale wind energy conversion system" means a wind energy conversion system
34.21 of two megawatts and under, as measured by the nameplate capacity of the system or as
34.22 combined with other systems as provided in paragraph (b).

34.23 (b) For systems installed and contracted for after January 1, 2002, the total size of a
34.24 wind energy conversion system under this subdivision shall be determined according to this
34.25 paragraph. Unless the systems are interconnected with different distribution systems, the
34.26 nameplate capacity of one wind energy conversion system shall be combined with the
34.27 nameplate capacity of any other wind energy conversion system that is:

34.28 (1) located within five miles of the wind energy conversion system;

34.29 (2) constructed within the same 12-month period as the wind energy conversion system;
34.30 and

35.1 (3) under common ownership.

35.2 In the case of a dispute, the commissioner of commerce shall determine the total size of the
35.3 system, and shall draw all reasonable inferences in favor of combining the systems.

35.4 For the purposes of making a determination under this paragraph, the original construction
35.5 date of an existing wind energy conversion system is not changed if the system is replaced,
35.6 repaired, or otherwise maintained or altered.

35.7 (c) In making a determination under paragraph (b), the commissioner of commerce may
35.8 determine that two wind energy conversion systems are under common ownership when
35.9 the underlying ownership structure contains similar persons or entities, even if the ownership
35.10 shares differ between the two systems. Wind energy conversion systems are not under
35.11 common ownership solely because the same person or entity provided equity financing for
35.12 the systems.

35.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

35.14 Sec. 4. Minnesota Statutes 2020, section 272.0295, subdivision 2, is amended to read:

35.15 Subd. 2. **Definitions.** (a) For the purposes of this section, the term "solar energy
35.16 generating system" means a set of devices whose primary purpose is to produce electricity
35.17 by means of any combination of collecting, transferring, or converting solar generated
35.18 energy.

35.19 (b) The total size of a solar energy generating system under this subdivision shall be
35.20 determined according to this paragraph. Unless the systems are interconnected with different
35.21 distribution systems, the nameplate capacity of a solar energy generating system shall be
35.22 combined with the nameplate capacity of any other solar energy generating system that:

35.23 (1) is constructed within the same 12-month period as the solar energy generating system;
35.24 and

35.25 (2) exhibits characteristics of being a single development, including but not limited to
35.26 ownership structure, an umbrella sales arrangement, shared interconnection, revenue-sharing
35.27 arrangements, and common debt or equity financing.

35.28 In the case of a dispute, the commissioner of commerce shall determine the total size of the
35.29 system and shall draw all reasonable inferences in favor of combining the systems.

35.30 For the purposes of making a determination under this paragraph, the original construction
35.31 date of an existing solar energy conversion system is not changed if the system is replaced,
35.32 repaired, or otherwise maintained or altered.

36.1 (c) In making a determination under paragraph (b), the commissioner of commerce may
 36.2 determine that two solar energy generating systems are under common ownership when the
 36.3 underlying ownership structure contains similar persons or entities, even if the ownership
 36.4 shares differ between the two systems. Solar energy generating systems are not under
 36.5 common ownership solely because the same person or entity provided equity financing for
 36.6 the systems.

36.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

36.8 Sec. 5. Minnesota Statutes 2020, section 272.0295, subdivision 5, is amended to read:

36.9 Subd. 5. **Notification of tax.** (a) On or before February 28, the commissioner of revenue
 36.10 shall notify the owner of each solar energy generating system of the tax due to each county
 36.11 for the current year and shall certify to the county auditor of each county in which the system
 36.12 is located the tax due from each owner for the current year.

36.13 (b) If the commissioner of revenue determines that the amount of production tax has
 36.14 been erroneously calculated, the commissioner may correct the error. The commissioner
 36.15 must notify the owner of the solar energy generating system of the correction and the amount
 36.16 of tax due to each county and must certify the correction to the county auditor of each county
 36.17 in which the system is located on or before April 1 of the current year. The commissioner
 36.18 may correct errors that are clerical in nature until December 31.

36.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

36.20 Sec. 6. Minnesota Statutes 2020, section 273.063, is amended to read:

36.21 **273.063 APPLICATION; LIMITATIONS.**

36.22 The provisions of sections 272.161, 273.061, 273.062, 273.063, 273.072, 273.08, 273.10,
 36.23 274.01, and 375.192 shall apply to all counties except Ramsey County. The following
 36.24 limitations shall apply as to the extent of the county assessors jurisdiction:

36.25 In counties having a city of the first class, the powers and duties of the county assessor
 36.26 within such city shall be performed by the duly appointed city assessor. In all other cities
 36.27 having a population of 30,000 persons or more, according to the last preceding federal
 36.28 census, except in counties having a county assessor on January 1, 1967, the powers and
 36.29 duties of the county assessor within such cities shall be performed by the duly appointed
 36.30 city assessor, provided that the county assessor shall retain the supervisory duties contained
 36.31 in section 273.061, subdivision 8. For purposes of this section, "powers and duties" means
 36.32 the powers and duties identified in section 273.061, subdivision 8, clauses (5) to (16).

37.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

37.2 Sec. 7. Minnesota Statutes 2020, section 273.0755, is amended to read:

37.3 **273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.**

37.4 (a) Beginning with the four-year period starting on July 1, ~~2000~~ 2020, every person
 37.5 licensed by the state Board of Assessors at the Accredited Minnesota Assessor level or
 37.6 higher, shall successfully complete ~~a weeklong Minnesota laws course~~ 30 hours of
 37.7 educational coursework on Minnesota laws, assessment administration, and administrative
 37.8 procedures sponsored by the Department of Revenue ~~at least once~~ in every four-year period.
 37.9 ~~An assessor need not attend the course if they successfully pass the test for the course.~~

37.10 (b) The commissioner of revenue may require that each county, and each city for which
 37.11 the city assessor performs the duties of county assessor, have (1) a person on the assessor's
 37.12 staff who is certified by the Department of Revenue in sales ratio calculations, (2) an officer
 37.13 or employee who is certified by the Department of Revenue in tax calculations, and (3) an
 37.14 officer or employee who is certified by the Department of Revenue in the proper preparation
 37.15 of information reported to the commissioner under section 270C.85, subdivision 2, clause
 37.16 (4). Certifications under this paragraph expire after four years.

37.17 (c) Beginning with the four-year educational licensing period starting on July 1, 2004,
 37.18 every Minnesota assessor licensed by the State Board of Assessors must attend and participate
 37.19 in a seminar that focuses on ethics, professional conduct and the need for standardized
 37.20 assessment practices developed and presented by the commissioner of revenue. This
 37.21 requirement must be met at least once in every subsequent four-year period. This requirement
 37.22 applies to all assessors licensed for one year or more in the four-year period.

37.23 (d) When the commissioner of revenue determines that an individual or board that
 37.24 performs functions related to property tax administration has performed those functions in
 37.25 a manner that is not uniform or equitable, the commissioner may require that the individual
 37.26 or members of the board complete supplemental training. The commissioner may not require
 37.27 that an individual complete more than 32 hours of supplemental training pursuant to this
 37.28 paragraph. If the individual is required to complete supplemental training due to that
 37.29 individual's membership on a local or county board of appeal and equalization, the
 37.30 commissioner may not require that the individual complete more than two hours of
 37.31 supplemental training.

37.32 **EFFECTIVE DATE.** This section is effective retroactively for the four-year licensing
 37.33 period starting on July 1, 2020, and thereafter.

38.1 Sec. 8. Minnesota Statutes 2020, section 273.124, subdivision 14, is amended to read:

38.2 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten
38.3 acres that is the homestead of its owner must be classified as class 2a under section 273.13,
38.4 subdivision 23, paragraph (a), if:

38.5 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
38.6 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
38.7 Service, or (iii) land administered by the Department of Natural Resources on which in lieu
38.8 taxes are paid under sections 477A.11 to 477A.14 or section 477A.17;

38.9 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20
38.10 acres;

38.11 (3) the noncontiguous land is located not farther than four townships or cities, or a
38.12 combination of townships or cities from the homestead; and

38.13 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to
38.14 at least 50 percent of the market value of the house, garage, and one acre of land.

38.15 Homesteads initially classified as class 2a under the provisions of this paragraph shall
38.16 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
38.17 properties, as long as the homestead remains under the same ownership, the owner owns a
38.18 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use
38.19 value qualifies under clause (4). Homestead classification under this paragraph is limited
38.20 to property that qualified under this paragraph for the 1998 assessment.

38.21 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same
38.22 extent as other agricultural homestead property, if all of the following criteria are met:

38.23 (1) the agricultural property consists of at least 40 acres including undivided government
38.24 lots and correctional 40's;

38.25 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner
38.26 or of the owner's spouse, is actively farming the agricultural property, either on the person's
38.27 own behalf as an individual or on behalf of a partnership operating a family farm, family
38.28 farm corporation, joint family farm venture, or limited liability company of which the person
38.29 is a partner, shareholder, or member;

38.30 (3) both the owner of the agricultural property and the person who is actively farming
38.31 the agricultural property under clause (2), are Minnesota residents;

39.1 (4) neither the owner nor the spouse of the owner claims another agricultural homestead
39.2 in Minnesota; and

39.3 (5) neither the owner nor the person actively farming the agricultural property lives
39.4 farther than four townships or cities, or a combination of four townships or cities, from the
39.5 agricultural property, except that if the owner or the owner's spouse is required to live in
39.6 employer-provided housing, the owner or owner's spouse, whichever is actively farming
39.7 the agricultural property, may live more than four townships or cities, or combination of
39.8 four townships or cities from the agricultural property.

39.9 The relationship under this paragraph may be either by blood or marriage.

39.10 (ii) Property containing the residence of an owner who owns qualified property under
39.11 clause (i) shall be classified as part of the owner's agricultural homestead, if that property
39.12 is also used for noncommercial storage or drying of agricultural crops.

39.13 (iii) As used in this paragraph, "agricultural property" means class 2a property and any
39.14 class 2b property that is contiguous to and under the same ownership as the class 2a property.

39.15 (c) Noncontiguous land shall be included as part of a homestead under section 273.13,
39.16 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached
39.17 land is located in the same township or city, or not farther than four townships or cities or
39.18 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must
39.19 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,
39.20 and, if the homestead is located in another county, the taxpayer must also notify the assessor
39.21 of the other county.

39.22 (d) Agricultural land used for purposes of a homestead and actively farmed by a person
39.23 holding a vested remainder interest in it must be classified as a homestead under section
39.24 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other
39.25 dwellings on the land used for purposes of a homestead by persons holding vested remainder
39.26 interests who are actively engaged in farming the property, and up to one acre of the land
39.27 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,
39.28 must also be assessed class 2a.

39.29 (e) Agricultural land and buildings that were class 2a homestead property under section
39.30 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as
39.31 agricultural homesteads for subsequent assessments if:

39.32 (1) the property owner abandoned the homestead dwelling located on the agricultural
39.33 homestead as a result of the April 1997 floods;

40.1 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or
40.2 Wilkin;

40.3 (3) the agricultural land and buildings remain under the same ownership for the current
40.4 assessment year as existed for the 1997 assessment year and continue to be used for
40.5 agricultural purposes;

40.6 (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles
40.7 of one of the parcels of agricultural land that is owned by the taxpayer; and

40.8 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,
40.9 and the owner furnishes the assessor any information deemed necessary by the assessor in
40.10 verifying the change in dwelling. Further notifications to the assessor are not required if the
40.11 property continues to meet all the requirements in this paragraph and any dwellings on the
40.12 agricultural land remain uninhabited.

40.13 (f) Agricultural land and buildings that were class 2a homestead property under section
40.14 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified
40.15 agricultural homesteads for subsequent assessments if:

40.16 (1) the property owner abandoned the homestead dwelling located on the agricultural
40.17 homestead as a result of damage caused by a March 29, 1998, tornado;

40.18 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,
40.19 Nicollet, Nobles, or Rice;

40.20 (3) the agricultural land and buildings remain under the same ownership for the current
40.21 assessment year as existed for the 1998 assessment year;

40.22 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
40.23 one of the parcels of agricultural land that is owned by the taxpayer; and

40.24 (5) the owner notifies the county assessor that the relocation was due to a March 29,
40.25 1998, tornado, and the owner furnishes the assessor any information deemed necessary by
40.26 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the
40.27 owner must notify the assessor by December 1, 1998. Further notifications to the assessor
40.28 are not required if the property continues to meet all the requirements in this paragraph and
40.29 any dwellings on the agricultural land remain uninhabited.

40.30 (g) Agricultural property of a family farm corporation, joint family farm venture, family
40.31 farm limited liability company, or partnership operating a family farm as described under
40.32 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead
40.33 property, if all of the following criteria are met:

41.1 (1) the property consists of at least 40 acres including undivided government lots and
41.2 correctional 40's;

41.3 (2) a shareholder, member, or partner of that entity is actively farming the agricultural
41.4 property;

41.5 (3) that shareholder, member, or partner who is actively farming the agricultural property
41.6 is a Minnesota resident;

41.7 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,
41.8 member, or partner claims another agricultural homestead in Minnesota; and

41.9 (5) that shareholder, member, or partner does not live farther than four townships or
41.10 cities, or a combination of four townships or cities, from the agricultural property.

41.11 Homestead treatment applies under this paragraph even if:

41.12 (i) the shareholder, member, or partner of that entity is actively farming the agricultural
41.13 property on the shareholder's, member's, or partner's own behalf; or

41.14 (ii) the family farm is operated by a family farm corporation, joint family farm venture,
41.15 partnership, or limited liability company other than the family farm corporation, joint family
41.16 farm venture, partnership, or limited liability company that owns the land, provided that:

41.17 (A) the shareholder, member, or partner of the family farm corporation, joint family
41.18 farm venture, partnership, or limited liability company that owns the land who is actively
41.19 farming the land is a shareholder, member, or partner of the family farm corporation, joint
41.20 family farm venture, partnership, or limited liability company that is operating the farm;
41.21 and

41.22 (B) more than half of the shareholders, members, or partners of each family farm
41.23 corporation, joint family farm venture, partnership, or limited liability company are persons
41.24 or spouses of persons who are a qualifying relative under section 273.124, subdivision 1,
41.25 paragraphs (c) and (d).

41.26 Homestead treatment applies under this paragraph for property leased to a family farm
41.27 corporation, joint farm venture, limited liability company, or partnership operating a family
41.28 farm if legal title to the property is in the name of an individual who is a member, shareholder,
41.29 or partner in the entity.

41.30 (h) To be eligible for the special agricultural homestead under this subdivision, an initial
41.31 full application must be submitted to the county assessor where the property is located.
41.32 Owners and the persons who are actively farming the property shall be required to complete

42.1 only a one-page abbreviated version of the application in each subsequent year provided
42.2 that none of the following items have changed since the initial application:

42.3 (1) the day-to-day operation, administration, and financial risks remain the same;

42.4 (2) the owners and the persons actively farming the property continue to live within the
42.5 four townships or city criteria and are Minnesota residents;

42.6 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

42.7 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

42.8 (5) the property's acreage is unchanged; and

42.9 (6) none of the property's acres have been enrolled in a federal or state farm program
42.10 since the initial application.

42.11 The owners and any persons who are actively farming the property must include the
42.12 appropriate Social Security numbers, and sign and date the application. If any of the specified
42.13 information has changed since the full application was filed, the owner must notify the
42.14 assessor, and must complete a new application to determine if the property continues to
42.15 qualify for the special agricultural homestead. The commissioner of revenue shall prepare
42.16 a standard reapplication form for use by the assessors.

42.17 (i) Agricultural land and buildings that were class 2a homestead property under section
42.18 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified
42.19 agricultural homesteads for subsequent assessments if:

42.20 (1) the property owner abandoned the homestead dwelling located on the agricultural
42.21 homestead as a result of damage caused by the August 2007 floods;

42.22 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,
42.23 Wabasha, or Winona;

42.24 (3) the agricultural land and buildings remain under the same ownership for the current
42.25 assessment year as existed for the 2007 assessment year;

42.26 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
42.27 one of the parcels of agricultural land that is owned by the taxpayer; and

42.28 (5) the owner notifies the county assessor that the relocation was due to the August 2007
42.29 floods, and the owner furnishes the assessor any information deemed necessary by the
42.30 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the
42.31 owner must notify the assessor by December 1, 2008. Further notifications to the assessor

43.1 are not required if the property continues to meet all the requirements in this paragraph and
 43.2 any dwellings on the agricultural land remain uninhabited.

43.3 (j) Agricultural land and buildings that were class 2a homestead property under section
 43.4 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as
 43.5 agricultural homesteads for subsequent assessments if:

43.6 (1) the property owner abandoned the homestead dwelling located on the agricultural
 43.7 homestead as a result of the March 2009 floods;

43.8 (2) the property is located in the county of Marshall;

43.9 (3) the agricultural land and buildings remain under the same ownership for the current
 43.10 assessment year as existed for the 2008 assessment year and continue to be used for
 43.11 agricultural purposes;

43.12 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles
 43.13 of one of the parcels of agricultural land that is owned by the taxpayer; and

43.14 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,
 43.15 and the owner furnishes the assessor any information deemed necessary by the assessor in
 43.16 verifying the change in dwelling. Further notifications to the assessor are not required if the
 43.17 property continues to meet all the requirements in this paragraph and any dwellings on the
 43.18 agricultural land remain uninhabited.

43.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

43.20 Sec. 9. Minnesota Statutes 2020, section 273.18, is amended to read:

43.21 **273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY**
 43.22 **BY COUNTY AUDITORS.**

43.23 (a) In every sixth year after the year 2010, the county auditor shall enter the description
 43.24 of each tract of real property exempt by law from taxation, with the name of the owner, and
 43.25 the assessor shall value and assess the same in the same manner that other real property is
 43.26 valued and assessed, and shall designate in each case the purpose for which the property is
 43.27 used.

43.28 (b) The county auditor shall include in the exempt property information that the
 43.29 commissioner may require under section 270C.85, subdivision 2, clause (4), the total number
 43.30 of acres of all natural resources lands for which in lieu payments are made under sections
 43.31 477A.11 to 477A.14 and 477A.17. The assessor shall estimate its market value, provided
 43.32 that if the assessor is not able to estimate the market value of the land on a per parcel basis,

44.1 the assessor shall furnish the commissioner of revenue with an estimate of the average value
44.2 per acre of this land within the county.

44.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

44.4 Sec. 10. Minnesota Statutes 2020, section 287.04, is amended to read:

44.5 **287.04 EXEMPTIONS.**

44.6 The tax imposed by section 287.035 does not apply to:

44.7 ~~(a)~~ (1) a decree of marriage dissolution or an instrument made pursuant to it;

44.8 ~~(b)~~ (2) a mortgage given to correct a misdescription of the mortgaged property;

44.9 ~~(c)~~ (3) a mortgage or other instrument that adds additional security for the same debt
44.10 for which mortgage registry tax has been paid;

44.11 ~~(d)~~ (4) a contract for the conveyance of any interest in real property, including a contract
44.12 for deed;

44.13 ~~(e)~~ (5) a mortgage secured by real property subject to the minerals production tax of
44.14 sections 298.24 to 298.28;

44.15 ~~(f) The principal amount of~~ (6) a mortgage loan made under a low and moderate income
44.16 housing program, or other affordable housing program, if: (i) the mortgagee is a federal,
44.17 state, or local government agency; or (ii) the assignee is a federal, state, or local government
44.18 agency;

44.19 ~~(g)~~ (7) mortgages granted by fraternal benefit societies subject to section 64B.24;

44.20 ~~(h)~~ (8) a mortgage amendment or extension, as defined in section 287.01;

44.21 ~~(i)~~ (9) an agricultural mortgage if the proceeds of the loan secured by the mortgage are
44.22 used to acquire or improve real property classified under section 273.13, subdivision 23,
44.23 paragraph (a) or (b); and

44.24 ~~(j)~~ (10) a mortgage on an armory building as set forth in section 193.147.

44.25 **EFFECTIVE DATE.** This section is effective for mortgages recorded after June 30,
44.26 2021.

44.27 Sec. 11. Minnesota Statutes 2020, section 477A.10, is amended to read:

44.28 **477A.10 NATURAL RESOURCES LAND PAYMENTS IN LIEU; PURPOSE.**

44.29 The purposes of sections 477A.11 to 477A.14 and 477A.17 are:

45.1 (1) to compensate local units of government for the loss of tax base from state ownership
45.2 of land and the need to provide services for state land;

45.3 (2) to address the disproportionate impact of state land ownership on local units of
45.4 government with a large proportion of state land; and

45.5 (3) to address the need to manage state lands held in trust for the local taxing districts.

45.6 **EFFECTIVE DATE.** This section is effective the day following final enactment.

45.7 **ARTICLE 4**

45.8 **SALES AND USE TAXES**

45.9 Section 1. Minnesota Statutes 2020, section 289A.20, subdivision 4, is amended to read:

45.10 Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable
45.11 to the commissioner monthly on or before the 20th day of the month following the month
45.12 in which the taxable event occurred, or following another reporting period as the
45.13 commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f)
45.14 or (g), except that use taxes due on an annual use tax return as provided under section
45.15 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

45.16 (b) A vendor having a liability of \$250,000 or more during a fiscal year ending June 30
45.17 must remit the June liability for the next year in the following manner:

45.18 (1) Two business days before June 30 of calendar year 2020 and 2021, the vendor must
45.19 remit 87.5 percent of the estimated June liability to the commissioner. Two business days
45.20 before June 30 of calendar year 2022 and thereafter, the vendor must remit 84.5 percent of
45.21 the estimated June liability to the commissioner.

45.22 (2) On or before August 20 of the year, the vendor must pay any additional amount of
45.23 tax not remitted in June.

45.24 (c) A vendor having a liability of:

45.25 (1) \$10,000 or more, but less than \$250,000 during a fiscal year ending June 30, 2013,
45.26 and fiscal years thereafter, must remit by electronic means all liabilities on returns due for
45.27 periods beginning in all subsequent calendar years on or before the 20th day of the month
45.28 following the month in which the taxable event occurred, or on or before the 20th day of
45.29 the month following the month in which the sale is reported under section 289A.18,
45.30 subdivision 4; or

46.1 (2) \$250,000 or more, during a fiscal year ending June 30, 2013, and fiscal years
 46.2 thereafter, must remit by electronic means all liabilities in the manner provided in paragraph
 46.3 (a) on returns due for periods beginning in the subsequent calendar year, except for ~~90~~
 46.4 ~~percent~~ the percentage of the estimated June liability, as provided in paragraph (b), clause
 46.5 (1), which is due two business days before June 30. The remaining amount of the June
 46.6 liability is due on August 20.

46.7 (d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious
 46.8 beliefs from paying electronically shall be allowed to remit the payment by mail. The filer
 46.9 must notify the commissioner of revenue of the intent to pay by mail before doing so on a
 46.10 form prescribed by the commissioner. No extra fee may be charged to a person making
 46.11 payment by mail under this paragraph. The payment must be postmarked at least two business
 46.12 days before the due date for making the payment in order to be considered paid on a timely
 46.13 basis.

46.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

46.15 Sec. 2. Minnesota Statutes 2020, section 295.75, subdivision 2, is amended to read:

46.16 Subd. 2. **Gross receipts tax imposed.** A tax is imposed on each liquor retailer equal to
 46.17 2.5 percent of gross receipts from retail sales in Minnesota of liquor. The liquor retailer
 46.18 may, but is not required to, collect the tax from the purchaser. If separately stated on the
 46.19 invoice, bill of sale, or similar document given to the purchaser, the tax is excluded from
 46.20 the sales price for purposes of the tax imposed under chapter 297A.

46.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

46.22 Sec. 3. Minnesota Statutes 2020, section 297A.66, subdivision 3, is amended to read:

46.23 Subd. 3. **Marketplace provider liability.** (a) A marketplace provider is deemed the
 46.24 retailer or seller for all retail sales it facilitates, and is subject to audit on the retail sales it
 46.25 facilitates if it is required to collect sales and use taxes and remit them to the commissioner
 46.26 under subdivision 2, paragraphs (b) and (c).

46.27 (b) A marketplace provider is not liable for failing to file, collect, and remit sales and
 46.28 use taxes to the commissioner if the marketplace provider demonstrates that the error was
 46.29 due to incorrect or insufficient information given to the marketplace provider by the retailer.
 46.30 This paragraph does not apply if the marketplace provider and the marketplace retailer are
 46.31 related as defined in subdivision 4, paragraph (b).

46.32 **EFFECTIVE DATE.** This section is effective the day following final enactment.

47.1 Sec. 4. **REPEALER.**47.2 Minnesota Statutes 2020, section 270C.17, subdivision 2, is repealed.47.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.47.4 **ARTICLE 5**47.5 **SPECIAL TAXES**

47.6 Section 1. Minnesota Statutes 2020, section 296A.06, subdivision 2, is amended to read:

47.7 Subd. 2. **Suspension of license.** (a) Notwithstanding subdivision 1, the license of a
 47.8 distributor, special fuel dealer, or bulk purchaser that has not filed a tax return or report or
 47.9 paid a delinquent tax or fee within five days after notice and demand by the commissioner
 47.10 is suspended. The suspension remains in effect until the demanded tax return or report has
 47.11 been filed and the tax and fees shown on that return or report have been paid. If the
 47.12 commissioner determines that the failure to file or failure to pay is due to reasonable cause,
 47.13 then a license must not be suspended, or if suspended, must be reinstated.

47.14 (b) A licensee whose license is suspended under this subdivision may request a contested
 47.15 case hearing under chapter 14. Any such hearing must be held within 20 days of the issuance
 47.16 of the notice and demand issued under paragraph (a), unless the parties agree to a later
 47.17 hearing date. The administrative law judge's report must be issued within 20 days after the
 47.18 close of the hearing record, unless the parties agree to a later report issuance date. The
 47.19 commissioner must issue a final decision within 30 days after receipt of the report of the
 47.20 administrative law judge and subsequent exceptions and argument under section 14.61. The
 47.21 suspension imposed under paragraph (a) remains in effect during any contested case hearing
 47.22 process requested pursuant to this paragraph.

47.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

47.24 Sec. 2. Minnesota Statutes 2020, section 297F.04, subdivision 2, is amended to read:

47.25 Subd. 2. **Refusal to issue or renew; revocation.** The commissioner must not issue or
 47.26 renew a license under this chapter, and may revoke a license under this chapter, if the
 47.27 applicant or licensee:

47.28 (1) owes \$500 or more in delinquent taxes as defined in section 270C.72, subdivision
 47.29 2;

47.30 (2) after demand, has not filed tax returns required by the commissioner;

48.1 (3) had a cigarette or tobacco license revoked by the commissioner within the past two
48.2 years;

48.3 (4) had a sales and use tax permit revoked by the commissioner within the past two
48.4 years; or

48.5 (5) has been convicted of a crime involving cigarettes or tobacco products, including
48.6 but not limited to: selling stolen cigarettes or tobacco products, receiving stolen cigarettes
48.7 or tobacco products, or involvement in the smuggling of cigarettes or tobacco products.

48.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

48.9 Sec. 3. Minnesota Statutes 2020, section 297F.09, subdivision 10, is amended to read:

48.10 Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor.** A
48.11 cigarette or tobacco products distributor having a liability of \$250,000 or more during a
48.12 fiscal year ending June 30, shall remit the June liability for the next year in the following
48.13 manner:

48.14 (a) Two business days before June 30 of calendar ~~years 2020 and~~ year 2021, the
48.15 distributor shall remit the actual May liability and 87.5 percent of the estimated June liability
48.16 to the commissioner and file the return in the form and manner prescribed by the
48.17 commissioner. Two business days before June 30 of calendar year 2022 and each calendar
48.18 year thereafter, the distributor must remit the actual May liability and 84.5 percent of the
48.19 estimated June liability to the commissioner and file the return in the form and manner
48.20 prescribed by the commissioner.

48.21 (b) On or before August 18 of the year, the distributor shall submit a return showing the
48.22 actual June liability and pay any additional amount of tax not remitted in June. A penalty
48.23 is imposed equal to ten percent of the amount of June liability required to be paid in June,
48.24 less the amount remitted in June. However, the penalty is not imposed if the amount remitted
48.25 in June equals ~~the lesser of:~~

48.26 (1) for calendar year 2021, the lesser of 87.5 percent of the actual June liability for the
48.27 that calendar year 2020 and 2021 June liabilities and 84.5 of the actual June liability for
48.28 June 2022 and thereafter or 87.5 percent of the May liability for that calendar year; or

48.29 (2) 87.5 for calendar year 2022 and each calendar year thereafter, the lesser of 84.5
48.30 percent of the preceding actual June liability for that calendar year or 84.5 percent of the
48.31 May liability for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the
48.32 preceding May liability for June 2022 and thereafter for that calendar year.

49.1 (e) ~~For calendar year 2022 and thereafter, the percent of the estimated June liability the~~
 49.2 ~~vendor must remit by two business days before June 30 is 84.5 percent.~~

49.3 **EFFECTIVE DATE.** This section is effective for estimated payments required to be
 49.4 made after the date following final enactment.

49.5 Sec. 4. Minnesota Statutes 2020, section 297F.13, subdivision 4, is amended to read:

49.6 Subd. 4. **Retailer and subjobber to preserve purchase invoices.** Every retailer and
 49.7 subjobber shall procure itemized invoices of all cigarettes or tobacco products purchased.

49.8 The retailer and subjobber shall preserve a legible copy of each invoice for one year
 49.9 from the date of the invoice or as long as the cigarette or tobacco product listed on the
 49.10 invoice is available for sale or in their possession, whichever period is longer. The retailer
 49.11 and subjobber shall preserve copies of the invoices at each retail location or at a central
 49.12 location provided that the invoice must be produced and made available at a retail location
 49.13 within one hour when requested by the commissioner or duly authorized agents and
 49.14 employees. Copies should be numbered and kept in chronological order.

49.15 To determine whether the business is in compliance with the provisions of this chapter,
 49.16 at any time during usual business hours, the commissioner, or duly authorized agents and
 49.17 employees, may enter any place of business of a retailer or subjobber without a search
 49.18 warrant and inspect the premises, the records required to be kept under this chapter, and the
 49.19 packages of cigarettes, tobacco products, and vending devices contained on the premises.

49.20 **EFFECTIVE DATE.** This section is effective for all cigarette and tobacco products
 49.21 available for sale or in a retailer or subjobber's possession after December 31, 2021.

49.22 Sec. 5. Minnesota Statutes 2020, section 297F.17, subdivision 1, is amended to read:

49.23 Subdivision 1. **General rule.** Except as otherwise provided in this chapter, the amount
 49.24 of any tax due must be assessed within 3-1/2 years after a return is filed. ~~The taxes are~~
 49.25 ~~considered assessed within the meaning of this section when the commissioner has prepared~~
 49.26 ~~a notice of tax assessment and mailed it to the person required to file a return to the post~~
 49.27 ~~office address given in the return. The notice of tax assessment must be sent by mail to the~~
 49.28 ~~post office address given in the return and the record of the mailing is presumptive evidence~~
 49.29 ~~of the giving of such notice, and such records must be preserved by the commissioner.~~

49.30 **EFFECTIVE DATE.** This section is effective for notices of tax assessment issued after
 49.31 the date of final enactment.

50.1 Sec. 6. Minnesota Statutes 2020, section 297G.09, subdivision 9, is amended to read:

50.2 Subd. 9. **Accelerated tax payment; penalty.** A person liable for tax under this chapter
50.3 having a liability of \$250,000 or more during a fiscal year ending June 30, shall remit the
50.4 June liability for the next year in the following manner:

50.5 (a) Two business days before June 30 of calendar ~~years 2020 and~~ year 2021, the taxpayer
50.6 shall remit the actual May liability and 87.5 percent of the estimated June liability to the
50.7 commissioner and file the return in the form and manner prescribed by the commissioner.
50.8 Two business days before June 30 of calendar year 2022 and each calendar year thereafter,
50.9 the distributor must remit the actual May liability and 84.5 percent of the estimated June
50.10 liability to the commissioner and file the return in the form and manner prescribed by the
50.11 commissioner.

50.12 (b) On or before August 18 of the year, the taxpayer shall submit a return showing the
50.13 actual June liability and pay any additional amount of tax not remitted in June. A penalty
50.14 is imposed equal to ten percent of the amount of June liability required to be paid in June
50.15 less the amount remitted in June. However, the penalty is not imposed if the amount remitted
50.16 in June equals ~~the lesser of:~~

50.17 (1) for calendar year 2021, the lesser of 87.5 percent of the actual June liability for the
50.18 that calendar year 2020 and 2021 June liabilities and 84.5 percent of the actual June liability
50.19 for June 2022 and thereafter or 87.5 percent of the May liability for that calendar year; or

50.20 (2) 87.5 for calendar year 2022 and each calendar year thereafter, the lesser of 84.5
50.21 percent of the preceding actual June liability for that calendar year or 84.5 percent of the
50.22 May liability for the calendar year 2020 and 2021 June liabilities and 84.5 percent of the
50.23 preceding May liability for June 2022 and thereafter for that calendar year.

50.24 (c) ~~For calendar year 2022 and thereafter, the percent of the estimated June liability the~~
50.25 ~~vendor must remit by two business days before June 30 is 84.5 percent.~~

50.26 **EFFECTIVE DATE.** This section is effective for estimated payments required to be
50.27 made after the date following final enactment.

51.1 Sec. 7. Minnesota Statutes 2020, section 609B.153, is amended to read:

51.2 **609B.153 CIGARETTE AND TOBACCO DISTRIBUTOR OR SUBJOBBER**
 51.3 **LICENSE; SUSPENSION OR REVOCATION.**

51.4 Under section 297F.04, the commissioner of revenue must not issue or renew a license
 51.5 issued under chapter 297F, and may revoke a license issued under chapter 297F, if the
 51.6 applicant has been convicted of a crime involving cigarettes or tobacco products.

51.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

51.8 **ARTICLE 6**
 51.9 **MISCELLANEOUS**

51.10 Section 1. Minnesota Statutes 2020, section 270C.22, subdivision 1, is amended to read:

51.11 Subdivision 1. **Adjustment; definition; period; rounding.** (a) The commissioner shall
 51.12 annually make a cost of living adjustment to the dollar amounts noted in sections that
 51.13 reference this section. The commissioner shall adjust the amounts based on the index as
 51.14 provided in this section. For purposes of this section, "index" means the Chained Consumer
 51.15 Price Index for All Urban Consumers published by the Bureau of Labor Statistics. The
 51.16 values of the index used to determine the adjustments under this section are the latest
 51.17 published values when the Bureau of Labor Statistics publishes the initial value of the index
 51.18 for August of the year preceding the year to which the adjustment applies.

51.19 (b) For the purposes of this section, "statutory year" means the year preceding the first
 51.20 year for which dollar amounts are to be adjusted for inflation under sections that reference
 51.21 this section. For adjustments under chapter 290A, the statutory year refers to the year in
 51.22 which a taxpayer's household income used to calculate refunds under chapter 290A was
 51.23 earned and not the year in which refunds are payable. For all other adjustments, the statutory
 51.24 year refers to the taxable year unless otherwise specified.

51.25 (c) To determine the dollar amounts for taxable year 2020, the commissioner shall
 51.26 determine the percentage change in the index for the 12-month period ending on August
 51.27 31, 2019, and increase each of the unrounded dollar amounts in the sections referencing
 51.28 this section by that percentage change. For each subsequent taxable year, the commissioner
 51.29 shall increase the dollar amounts by the percentage change in the index from August 31 of
 51.30 the year preceding the statutory year to August 31 of the year preceding the taxable year.

51.31 (d) To determine the dollar amounts for refunds payable in 2020 under chapter 290A,
 51.32 the commissioner shall determine the percentage change in the index for the 12-month
 51.33 period ending on August 31, 2019, and increase each of the unrounded dollar amounts in

52.1 the sections referencing this section by that percentage change. For each subsequent year,
52.2 the commissioner shall increase the dollar amounts by the percentage change in the index
52.3 from August 31 of the ~~year preceding~~ the statutory year to August 31 of the year preceding
52.4 the year in which refunds are payable.

52.5 (e) Unless otherwise provided, the commissioner shall round the amounts as adjusted
52.6 to the nearest \$10 amount. If an amount ends in \$5, the amount is rounded up to the nearest
52.7 \$10 amount.

52.8 **EFFECTIVE DATE.** This section is effective retroactively for property tax refunds
52.9 based on property taxes payable in 2020, and rent paid in 2019.

52.10 Sec. 2. Minnesota Statutes 2020, section 270C.445, subdivision 3, is amended to read:

52.11 Subd. 3. **Standards of conduct.** No tax preparer shall:

52.12 (1) without good cause fail to promptly, diligently, and without unreasonable delay
52.13 complete a client's return;

52.14 (2) obtain the signature of a client to a return or authorizing document that contains
52.15 blank spaces to be filled in after it has been signed;

52.16 (3) fail to sign a client's return when compensation for services rendered has been made;

52.17 (4) fail to provide on a client's return the preparer tax identification number when required
52.18 under section 6109(a)(4) of the Internal Revenue Code or section 289A.60, subdivision 28;

52.19 (5) fail or refuse to give a client a copy of any document requiring the client's signature
52.20 within a reasonable time after the client signs the document;

52.21 (6) fail to retain for at least four years a copy of a client's returns;

52.22 (7) fail to maintain a confidential relationship with clients or former clients;

52.23 (8) fail to take commercially reasonable measures to safeguard a client's nonpublic
52.24 personal information;

52.25 (9) make, authorize, publish, disseminate, circulate, or cause to make, either directly or
52.26 indirectly, any false, deceptive, or misleading statement or representation relating to or in
52.27 connection with the offering or provision of tax preparation services;

52.28 (10) require a client to enter into a loan arrangement in order to complete a client's return;

52.29 (11) claim credits or deductions on a client's return for which the tax preparer knows or
52.30 reasonably should know the client does not qualify;

- 53.1 (12) report a household income on a client's claim filed under chapter 290A that the tax
53.2 preparer knows or reasonably should know is not accurate;
- 53.3 (13) engage in any conduct that is subject to a penalty under section 289A.60, subdivision
53.4 13, 20, 20a, 26, or 28;
- 53.5 (14) whether or not acting as a taxpayer representative, fail to conform to the standards
53.6 of conduct required by Minnesota Rules, part 8052.0300, subpart 4;
- 53.7 (15) whether or not acting as a taxpayer representative, engage in any conduct that is
53.8 incompetent conduct under Minnesota Rules, part 8052.0300, subpart 5;
- 53.9 (16) whether or not acting as a taxpayer representative, engage in any conduct that is
53.10 disreputable conduct under Minnesota Rules, part 8052.0300, subpart 6;
- 53.11 (17) charge, offer to accept, or accept a fee based upon a percentage of an anticipated
53.12 refund for tax preparation services;
- 53.13 (18) under any circumstances, withhold or fail to return to a client a document provided
53.14 by the client for use in preparing the client's return;
- 53.15 (19) ~~establish~~ take control or ownership of a client's refund by any means, including:
53.16 (i) directly or indirectly endorsing or otherwise negotiating a check or other refund
53.17 instrument, including an electronic version of a check;
53.18 (ii) directing an electronic or direct deposit of the refund into an account unless the
53.19 client's name is on the account; and
53.20 (iii) establishing or using an account in the preparer's name to receive a client's refund
53.21 through a direct deposit or any other instrument unless the client's name is also on the
53.22 account, except that a taxpayer may assign the portion of a refund representing the Minnesota
53.23 education credit available under section 290.0674 to a bank account without the client's
53.24 name, as provided under section 290.0679;
- 53.25 (20) fail to act in the best interests of the client;
- 53.26 (21) fail to safeguard and account for any money handled for the client;
- 53.27 (22) fail to disclose all material facts of which the preparer has knowledge which might
53.28 reasonably affect the client's rights and interests;
- 53.29 (23) violate any provision of section 332.37;
- 53.30 (24) include any of the following in any document provided or signed in connection
53.31 with the provision of tax preparation services:

- 54.1 (i) a hold harmless clause;
- 54.2 (ii) a confession of judgment or a power of attorney to confess judgment against the
54.3 client or appear as the client in any judicial proceeding;
- 54.4 (iii) a waiver of the right to a jury trial, if applicable, in any action brought by or against
54.5 a debtor;
- 54.6 (iv) an assignment of or an order for payment of wages or other compensation for
54.7 services;
- 54.8 (v) a provision in which the client agrees not to assert any claim or defense otherwise
54.9 available;
- 54.10 (vi) a waiver of any provision of this section or a release of any obligation required to
54.11 be performed on the part of the tax preparer; or
- 54.12 (vii) a waiver of the right to injunctive, declaratory, or other equitable relief or relief on
54.13 a class basis; or
- 54.14 (25) if making, providing, or facilitating a refund anticipation loan, fail to provide all
54.15 disclosures required by the federal Truth in Lending Act, United States Code, title 15, in a
54.16 form that may be retained by the client.
- 54.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

270C.17 COMMISSIONER TO COLLECT CERTAIN LOCAL TAXES.

Subd. 2. **Development costs.** If the commissioner determines that a new computer system will be required to collect the local taxes, the costs of development of the system will be charged to the first local units of government to be included in the system. Any additional local units of government that by agreement are added to the system will be charged for a share of the development costs. The charge will be determined by the commissioner who shall then refund to the original local units of government their portion of the development costs recovered from the additional users.