

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 2255

(SENATE AUTHORS: CHAMBERLAIN)

DATE
03/27/2017

D-PG
1964 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; providing a school building bond agricultural property tax

1.3 credit; modifying the state general levy; providing income tax subtractions for

1.4 Social Security benefits and contributions to section 529 college savings plans;

1.5 providing income tax credits for section 529 college savings plans and student

1.6 loan payments; appropriating money; amending Minnesota Statutes 2016, sections

1.7 127A.45, subdivisions 10, 13; 273.1392; 273.1393; 275.025, subdivisions 1, 2, 4;

1.8 275.065, subdivision 3; 275.07, subdivision 2; 275.08, subdivision 1b; 276.04,

1.9 subdivision 2; 290.0132, by adding subdivisions; 290.091, subdivision 2; proposing

1.10 coding for new law in Minnesota Statutes, chapters 273; 290.

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

1.12 Section 1. Minnesota Statutes 2016, section 127A.45, subdivision 10, is amended to read:

1.13 Subd. 10. **Payments to school nonoperating funds.** Each fiscal year state general fund

1.14 payments for a district nonoperating fund must be made at the current year aid payment

1.15 percentage of the estimated entitlement during the fiscal year of the entitlement. This amount

1.16 shall be paid in ~~12~~ six equal monthly installments beginning in July. The amount of the

1.17 actual entitlement, after adjustment for actual data, minus the payments made during the

1.18 fiscal year of the entitlement must be paid prior to October 31 of the following school year.

1.19 The commissioner may make advance payments of debt service equalization aid and

1.20 state-paid tax credits for a district's debt service fund earlier than would occur under the

1.21 preceding schedule if the district submits evidence showing a serious cash flow problem in

1.22 the fund. The commissioner may make earlier payments during the year and, if necessary,

1.23 increase the percent of the entitlement paid to reduce the cash flow problem.

1.24 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2019.

2.1 Sec. 2. Minnesota Statutes 2016, section 127A.45, subdivision 13, is amended to read:

2.2 Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 10, 11, 12, 12a,
 2.3 and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A,
 2.4 120B, 121A, 122A, 123A, 123B, 124D, 124E, 125A, 125B, 126C, 134, and section 273.1392,
 2.5 shall be paid at the current year aid payment percentage of the estimated entitlement during
 2.6 the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated
 2.7 entitlement for special education aid under section 125A.76 for fiscal year 2014 and later
 2.8 equals 97.4 percent of the district's entitlement for the current fiscal year. The final adjustment
 2.9 payment, according to subdivision 9, must be the amount of the actual entitlement, after
 2.10 adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

2.11 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2019.

2.12 Sec. 3. **[273.1387] SCHOOL BUILDING BOND AGRICULTURAL CREDIT.**

2.13 Subdivision 1. **Eligibility.** All class 2a, 2b, and 2c property under section 273.13,
 2.14 subdivision 23, other than property consisting of the house, garage, and immediately
 2.15 surrounding one acre of land of an agricultural homestead, is eligible to receive the credit
 2.16 under this section.

2.17 Subd. 2. **Credit amount.** For each qualifying property, the school building bond
 2.18 agricultural credit is equal to 50 percent of the property's eligible net tax capacity multiplied
 2.19 by the school debt tax rate determined under section 275.08, subdivision 1b.

2.20 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions
 2.21 allowed under this section within the county for each taxes payable year and shall certify
 2.22 that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted
 2.23 under section 275.29. Any prior year adjustments shall also be certified on the abstracts of
 2.24 tax lists. The commissioner shall review the certifications for accuracy, and may make such
 2.25 changes as are deemed necessary, or return the certification to the county auditor for
 2.26 correction. The credit under this section must be used to reduce the school district net tax
 2.27 capacity-based property tax as provided in section 273.1393.

2.28 Subd. 4. **Payment.** The commissioner of revenue shall certify the total of the tax
 2.29 reductions granted under this section for each taxes payable year within each school district
 2.30 to the commissioner of education, who shall pay the reimbursement amounts to each school
 2.31 district as provided in section 273.1392.

2.32 Subd. 5. **Appropriation.** An amount sufficient to make the payments required by this
 2.33 section is annually appropriated from the general fund to the commissioner of education.

3.1 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

3.2 Sec. 4. Minnesota Statutes 2016, section 273.1392, is amended to read:

3.3 **273.1392 PAYMENT; SCHOOL DISTRICTS.**

3.4 The amounts of bovine tuberculosis credit reimbursements under section 273.113;
 3.5 conservation tax credits under section 273.119; disaster or emergency reimbursement under
 3.6 sections 273.1231 to 273.1235; ~~homestead and~~ agricultural credits under ~~section~~ sections
 3.7 273.1384 and 273.1387; aids and credits under section 273.1398; enterprise zone property
 3.8 credit payments under section 469.171; and metropolitan agricultural preserve reduction
 3.9 under section 473H.10 for school districts, shall be certified to the Department of Education
 3.10 by the Department of Revenue. The amounts so certified shall be paid according to section
 3.11 127A.45, subdivisions 9, 10, and 13.

3.12 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

3.13 Sec. 5. Minnesota Statutes 2016, section 273.1393, is amended to read:

3.14 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

3.15 Notwithstanding any other provisions to the contrary, "net" property taxes are determined
 3.16 by subtracting the credits in the order listed from the gross tax:

3.17 (1) disaster credit as provided in sections 273.1231 to 273.1235;

3.18 (2) powerline credit as provided in section 273.42;

3.19 (3) agricultural preserves credit as provided in section 473H.10;

3.20 (4) enterprise zone credit as provided in section 469.171;

3.21 (5) disparity reduction credit;

3.22 (6) conservation tax credit as provided in section 273.119;

3.23 (7) the school bond credit as provided in section 273.1387;

3.24 (8) agricultural credit as provided in section 273.1384;

3.25 ~~(8)~~ (9) taconite homestead credit as provided in section 273.135;

3.26 ~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391; and

3.27 ~~(10)~~ (11) the bovine tuberculosis zone credit, as provided in section 273.113.

3.28 The combination of all property tax credits must not exceed the gross tax amount.

4.1 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

4.2 Sec. 6. Minnesota Statutes 2016, section 275.025, subdivision 1, is amended to read:

4.3 Subdivision 1. **Levy amount.** The state general levy is levied against
 4.4 commercial-industrial property and seasonal residential recreational property, as defined
 4.5 in this section. The state general levy base amount for commercial-industrial property is
 4.6 ~~\$592,000,000~~ \$745,284,000 for taxes payable in ~~2002~~ 2018 and thereafter. The state general
 4.7 levy base amount for seasonal-recreational property is \$44,213,000 for taxes payable in
 4.8 2018. For taxes payable in subsequent years, the levy base amount for seasonal-recreational
 4.9 property is increased each year by multiplying the levy base amount for the prior year by
 4.10 the sum of one plus the rate of increase, if any, in the implicit price deflator for government
 4.11 consumption expenditures and gross investment for state and local governments prepared
 4.12 by the Bureau of Economic Analysts of the United States Department of Commerce for the
 4.13 12-month period ending March 31 of the year prior to the year the taxes are payable. The
 4.14 tax under this section is not treated as a local tax rate under section 469.177 and is not the
 4.15 levy of a governmental unit under chapters 276A and 473F.

4.16 The commissioner shall increase or decrease the preliminary or final ~~rate~~ rates for a year
 4.17 as necessary to account for errors and tax base changes that affected a preliminary or final
 4.18 rate for either of the two preceding years. Adjustments are allowed to the extent that the
 4.19 necessary information is available to the commissioner at the time the rates for a year must
 4.20 be certified, and for the following reasons:

4.21 (1) an erroneous report of taxable value by a local official;

4.22 (2) an erroneous calculation by the commissioner; and

4.23 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
 4.24 residential recreational property reported on the abstracts of tax lists submitted under section
 4.25 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89
 4.26 for the same year.

4.27 The commissioner may, but need not, make adjustments if the total difference in the tax
 4.28 levied for the year would be less than \$100,000.

4.29 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

4.30 Sec. 7. Minnesota Statutes 2016, section 275.025, subdivision 2, is amended to read:

4.31 Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section,
 4.32 "commercial-industrial tax capacity" means the tax capacity of all taxable property classified

5.1 as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding: (1) the first \$150,000 of
 5.2 market value of each parcel of commercial-industrial net tax capacity as defined under
 5.3 section 273.13, subdivision 24, clauses (1) and (2); (2) electric generation attached machinery
 5.4 under class 3; and (3) property described in section 473.625. County commercial-industrial
 5.5 tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment
 5.6 financing district under section 469.177, subdivision 2, the net tax capacity of transmission
 5.7 lines deducted from a local government's total net tax capacity under section 273.425, or
 5.8 fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F.
 5.9 For purposes of this subdivision, the procedures for determining eligibility for tier 1 under
 5.10 section 273.13, subdivision 24, clauses (1) and (2), shall apply in determining the portion
 5.11 of a property eligible to be considered within the first \$150,000 of market value.

5.12 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

5.13 Sec. 8. Minnesota Statutes 2016, section 275.025, subdivision 4, is amended to read:

5.14 Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of The~~
 5.15 ~~state general tax must be levied by applying a uniform rate to all commercial-industrial tax~~
 5.16 ~~capacity and five percent of the state general tax must be levied by applying a uniform rate~~
 5.17 ~~to all seasonal residential recreational tax capacity. On or before October 1 each year, the~~
 5.18 ~~commissioner of revenue shall certify the preliminary state general levy rates to each county~~
 5.19 ~~auditor that must be used to prepare the notices of proposed property taxes for taxes payable~~
 5.20 ~~in the following year. By January 1 of each year, the commissioner shall certify the final~~
 5.21 ~~state general levy ~~rate~~ rates to each county auditor that shall be used in spreading taxes.~~

5.22 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

5.23 Sec. 9. Minnesota Statutes 2016, section 275.065, subdivision 3, is amended to read:

5.24 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and
 5.25 the county treasurer shall deliver after November 10 and on or before November 24 each
 5.26 year, by first class mail to each taxpayer at the address listed on the county's current year's
 5.27 assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer,
 5.28 the treasurer may send the notice in electronic form or by electronic mail instead of on paper
 5.29 or by ordinary mail.

5.30 (b) The commissioner of revenue shall prescribe the form of the notice.

5.31 (c) The notice must inform taxpayers that it contains the amount of property taxes each
 5.32 taxing authority proposes to collect for taxes payable the following year. In the case of a

6.1 town, or in the case of the state general tax, the final tax amount will be its proposed tax.
6.2 The notice must clearly state for each city that has a population over 500, county, school
6.3 district, regional library authority established under section 134.201, and metropolitan taxing
6.4 districts as defined in paragraph (i), the time and place of a meeting for each taxing authority
6.5 in which the budget and levy will be discussed and public input allowed, prior to the final
6.6 budget and levy determination. The taxing authorities must provide the county auditor with
6.7 the information to be included in the notice on or before the time it certifies its proposed
6.8 levy under subdivision 1. The public must be allowed to speak at that meeting, which must
6.9 occur after November 24 and must not be held before 6:00 p.m. It must provide a telephone
6.10 number for the taxing authority that taxpayers may call if they have questions related to the
6.11 notice and an address where comments will be received by mail, except that no notice
6.12 required under this section shall be interpreted as requiring the printing of a personal
6.13 telephone number or address as the contact information for a taxing authority. If a taxing
6.14 authority does not maintain public offices where telephone calls can be received by the
6.15 authority, the authority may inform the county of the lack of a public telephone number and
6.16 the county shall not list a telephone number for that taxing authority.

6.17 (d) The notice must state for each parcel:

6.18 (1) the market value of the property as determined under section 273.11, and used for
6.19 computing property taxes payable in the following year and for taxes payable in the current
6.20 year as each appears in the records of the county assessor on November 1 of the current
6.21 year; and, in the case of residential property, whether the property is classified as homestead
6.22 or nonhomestead. The notice must clearly inform taxpayers of the years to which the market
6.23 values apply and that the values are final values;

6.24 (2) the items listed below, shown separately by county, city or town, and state general
6.25 tax, agricultural homestead credit under section 273.1384, school building bond agricultural
6.26 credit under section 273.1387, voter approved school levy, other local school levy, and the
6.27 sum of the special taxing districts, and as a total of all taxing authorities:

6.28 (i) the actual tax for taxes payable in the current year; and

6.29 (ii) the proposed tax amount.

6.30 If the county levy under clause (2) includes an amount for a lake improvement district
6.31 as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose
6.32 must be separately stated from the remaining county levy amount.

6.33 In the case of a town or the state general tax, the final tax shall also be its proposed tax
6.34 unless the town changes its levy at a special town meeting under section 365.52. If a school

7.1 district has certified under section 126C.17, subdivision 9, that a referendum will be held
7.2 in the school district at the November general election, the county auditor must note next
7.3 to the school district's proposed amount that a referendum is pending and that, if approved
7.4 by the voters, the tax amount may be higher than shown on the notice. In the case of the
7.5 city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately
7.6 from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for
7.7 the St. Paul Library Agency must be listed separately from the remaining amount of the
7.8 city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be
7.9 listed separately from the remaining amount of the county's levy. In the case of a parcel
7.10 where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F
7.11 applies, the proposed tax levy on the captured value or the proposed tax levy on the tax
7.12 capacity subject to the areawide tax must each be stated separately and not included in the
7.13 sum of the special taxing districts; and

7.14 (3) the increase or decrease between the total taxes payable in the current year and the
7.15 total proposed taxes, expressed as a percentage.

7.16 For purposes of this section, the amount of the tax on homesteads qualifying under the
7.17 senior citizens' property tax deferral program under chapter 290B is the total amount of
7.18 property tax before subtraction of the deferred property tax amount.

7.19 (e) The notice must clearly state that the proposed or final taxes do not include the
7.20 following:

7.21 (1) special assessments;

7.22 (2) levies approved by the voters after the date the proposed taxes are certified, including
7.23 bond referenda and school district levy referenda;

7.24 (3) a levy limit increase approved by the voters by the first Tuesday after the first Monday
7.25 in November of the levy year as provided under section 275.73;

7.26 (4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring
7.27 after the date the proposed taxes are certified;

7.28 (5) amounts necessary to pay tort judgments against the taxing authority that become
7.29 final after the date the proposed taxes are certified; and

7.30 (6) the contamination tax imposed on properties which received market value reductions
7.31 for contamination.

8.1 (f) Except as provided in subdivision 7, failure of the county auditor to prepare or the
8.2 county treasurer to deliver the notice as required in this section does not invalidate the
8.3 proposed or final tax levy or the taxes payable pursuant to the tax levy.

8.4 (g) If the notice the taxpayer receives under this section lists the property as
8.5 nonhomestead, and satisfactory documentation is provided to the county assessor by the
8.6 applicable deadline, and the property qualifies for the homestead classification in that
8.7 assessment year, the assessor shall reclassify the property to homestead for taxes payable
8.8 in the following year.

8.9 (h) In the case of class 4 residential property used as a residence for lease or rental
8.10 periods of 30 days or more, the taxpayer must either:

8.11 (1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter,
8.12 or lessee; or

8.13 (2) post a copy of the notice in a conspicuous place on the premises of the property.

8.14 The notice must be mailed or posted by the taxpayer by November 27 or within three
8.15 days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer
8.16 of the address of the taxpayer, agent, caretaker, or manager of the premises to which the
8.17 notice must be mailed in order to fulfill the requirements of this paragraph.

8.18 (i) For purposes of this subdivision and subdivision 6, "metropolitan special taxing
8.19 districts" means the following taxing districts in the seven-county metropolitan area that
8.20 levy a property tax for any of the specified purposes listed below:

8.21 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446,
8.22 473.521, 473.547, or 473.834;

8.23 (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

8.24 (3) Metropolitan Mosquito Control Commission under section 473.711.

8.25 For purposes of this section, any levies made by the regional rail authorities in the county
8.26 of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A
8.27 shall be included with the appropriate county's levy.

8.28 (j) The governing body of a county, city, or school district may, with the consent of the
8.29 county board, include supplemental information with the statement of proposed property
8.30 taxes about the impact of state aid increases or decreases on property tax increases or
8.31 decreases and on the level of services provided in the affected jurisdiction. This supplemental
8.32 information may include information for the following year, the current year, and for as

9.1 many consecutive preceding years as deemed appropriate by the governing body of the
9.2 county, city, or school district. It may include only information regarding:

9.3 (1) the impact of inflation as measured by the implicit price deflator for state and local
9.4 government purchases;

9.5 (2) population growth and decline;

9.6 (3) state or federal government action; and

9.7 (4) other financial factors that affect the level of property taxation and local services
9.8 that the governing body of the county, city, or school district may deem appropriate to
9.9 include.

9.10 The information may be presented using tables, written narrative, and graphic
9.11 representations and may contain instruction toward further sources of information or
9.12 opportunity for comment.

9.13 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

9.14 Sec. 10. Minnesota Statutes 2016, section 275.07, subdivision 2, is amended to read:

9.15 Subd. 2. **School district in more than one county levies; special requirements.** (a) In
9.16 school districts lying in more than one county, the clerk shall certify the tax levied to the
9.17 auditor of the county in which the administrative offices of the school district are located.

9.18 (b) The district must identify the portion of the school district levy that is levied for debt
9.19 service at the time the levy is certified under this section. For the purposes of this paragraph,
9.20 "levied for debt service" means levies authorized under sections 123B.53, 123B.535, and
9.21 123B.55, as adjusted by sections 126C.46 and 126C.48, net of any debt excess levy reductions
9.22 under section 475.61, subdivision 4, excluding debt service amounts necessary for repayment
9.23 of other postemployment benefits under section 475.52, subdivision 6.

9.24 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

9.25 Sec. 11. Minnesota Statutes 2016, section 275.08, subdivision 1b, is amended to read:

9.26 Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against net
9.27 tax capacity under section 275.07 by an individual local government unit shall be divided
9.28 by the total net tax capacity of all taxable properties within the local government unit's
9.29 taxing jurisdiction. The resulting ratio, the local government's local tax rate, multiplied by
9.30 each property's net tax capacity shall be each property's net tax capacity tax for that local
9.31 government unit before reduction by any credits.

10.1 (b) The auditor must also determine the school debt tax rate for each school district equal
10.2 to (1) the school debt service levy certified under section 275.07, subdivision 2, divided by
10.3 (2) the total net tax capacity of all taxable property within the district.

10.4 (c) Any amount certified to the county auditor to be levied against market value shall
10.5 be divided by the total referendum market value of all taxable properties within the taxing
10.6 district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by each
10.7 property's referendum market value shall be each property's new referendum tax before
10.8 reduction by any credits. For the purposes of this subdivision, "referendum market value"
10.9 means the market value as defined in section 126C.01, subdivision 3.

10.10 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

10.11 Sec. 12. Minnesota Statutes 2016, section 276.04, subdivision 2, is amended to read:

10.12 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of
10.13 the tax statements. The commissioner of revenue shall prescribe the form of the property
10.14 tax statement and its contents. The tax statement must not state or imply that property tax
10.15 credits are paid by the state of Minnesota. The statement must contain a tabulated statement
10.16 of the dollar amount due to each taxing authority and the amount of the state tax from the
10.17 parcel of real property for which a particular tax statement is prepared. The dollar amounts
10.18 attributable to the county, the state tax, the voter approved school tax, the other local school
10.19 tax, the township or municipality, and the total of the metropolitan special taxing districts
10.20 as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The
10.21 amounts due all other special taxing districts, if any, may be aggregated except that any
10.22 levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin,
10.23 Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly
10.24 under the appropriate county's levy. If the county levy under this paragraph includes an
10.25 amount for a lake improvement district as defined under sections 103B.501 to 103B.581,
10.26 the amount attributable for that purpose must be separately stated from the remaining county
10.27 levy amount. In the case of Ramsey County, if the county levy under this paragraph includes
10.28 an amount for public library service under section 134.07, the amount attributable for that
10.29 purpose may be separated from the remaining county levy amount. The amount of the tax
10.30 on homesteads qualifying under the senior citizens' property tax deferral program under
10.31 chapter 290B is the total amount of property tax before subtraction of the deferred property
10.32 tax amount. The amount of the tax on contamination value imposed under sections 270.91
10.33 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar
10.34 amount of any special assessments, may be rounded to the nearest even whole dollar. For

11.1 purposes of this section whole odd-numbered dollars may be adjusted to the next higher
 11.2 even-numbered dollar. The amount of market value excluded under section 273.11,
 11.3 subdivision 16, if any, must also be listed on the tax statement.

11.4 (b) The property tax statements for manufactured homes and sectional structures taxed
 11.5 as personal property shall contain the same information that is required on the tax statements
 11.6 for real property.

11.7 (c) Real and personal property tax statements must contain the following information
 11.8 in the order given in this paragraph. The information must contain the current year tax
 11.9 information in the right column with the corresponding information for the previous year
 11.10 in a column on the left:

11.11 (1) the property's estimated market value under section 273.11, subdivision 1;

11.12 (2) the property's homestead market value exclusion under section 273.13, subdivision
 11.13 35;

11.14 (3) the property's taxable market value under section 272.03, subdivision 15;

11.15 (4) the property's gross tax, before credits;

11.16 (5) for ~~homestead~~ agricultural properties, the ~~credit~~ credits under ~~section~~ sections
 11.17 273.1384 and 273.1387;

11.18 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
 11.19 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit
 11.20 received under section 273.135 must be separately stated and identified as "taconite tax
 11.21 relief"; and

11.22 (7) the net tax payable in the manner required in paragraph (a).

11.23 (d) If the county uses envelopes for mailing property tax statements and if the county
 11.24 agrees, a taxing district may include a notice with the property tax statement notifying
 11.25 taxpayers when the taxing district will begin its budget deliberations for the current year,
 11.26 and encouraging taxpayers to attend the hearings. If the county allows notices to be included
 11.27 in the envelope containing the property tax statement, and if more than one taxing district
 11.28 relative to a given property decides to include a notice with the tax statement, the county
 11.29 treasurer or auditor must coordinate the process and may combine the information on a
 11.30 single announcement.

11.31 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

12.1 Sec. 13. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
12.2 to read:

12.3 Subd. 23. **Section 529 plans.** The amount equal to the contributions made by the taxpayer
12.4 during the taxable year to an account in a plan qualifying under section 529 of the Internal
12.5 Revenue Code, reduced by any withdrawals from the account during the taxable year, not
12.6 including amounts rolled over from other accounts in plans qualifying under section 529
12.7 of the Internal Revenue Code, and not to exceed \$3,000 for married couples filing joint
12.8 returns and \$1,500 for all other filers is a subtraction. The subtraction is limited to individuals
12.9 who do not claim the credit allowed under section 290.0684.

12.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.11 31, 2016.

12.12 Sec. 14. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
12.13 to read:

12.14 Subd. 24. **Social Security benefits.** Social Security benefits as provided under section
12.15 290.0803 are a subtraction.

12.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
12.17 31, 2016.

12.18 Sec. 15. **[290.0682] STUDENT LOAN CREDIT.**

12.19 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
12.20 the meanings given.

12.21 (b) "Adjusted gross income" means federal adjusted gross income as defined in section
12.22 62 of the Internal Revenue Code.

12.23 (c) "Earned income" has the meaning given in section 32(c) of the Internal Revenue
12.24 Code.

12.25 (d) "Eligible individual" means a resident individual with one or more qualified education
12.26 loans related to an undergraduate or graduate degree program at a postsecondary educational
12.27 institution.

12.28 (e) "Eligible loan payments" means the amount the eligible individual paid during the
12.29 taxable year to pay principal and interest on qualified education loans.

12.30 (f) "Postsecondary educational institution" means a postsecondary institution eligible
12.31 for state student aid under section 136A.103 or, if the institution is not located in this state,

13.1 a postsecondary institution participating in the federal Pell Grant program under Title IV
 13.2 of the Higher Education Act of 1965, Public Law 89-329, as amended.

13.3 (g) "Qualified education loan" has the meaning given in section 221 of the Internal
 13.4 Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual
 13.5 or the eligible individual's spouse.

13.6 Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax
 13.7 due under this chapter.

13.8 (b) The credit for an eligible individual equals the least of:

13.9 (1) eligible loan payments minus ten percent of an amount equal to adjusted gross income
 13.10 in excess of \$10,000, but in no case less than zero;

13.11 (2) the earned income for the taxable year of the eligible individual and spouse, if any;

13.12 or

13.13 (3) the sum of:

13.14 (i) the interest portion of eligible loan payments made during the taxable year; and

13.15 (ii) ten percent of the original loan amount of all qualified education loans of the eligible
 13.16 individual and the eligible individual's spouse.

13.17 (c) For a part-year resident, the credit must be allocated based on the percentage calculated
 13.18 under section 290.06, subdivision 2c, paragraph (e).

13.19 Subd. 3. **Credit refundable.** If the amount of credit that an individual is eligible to
 13.20 receive under this section exceeds the eligible individual's tax liability under this chapter,
 13.21 the commissioner shall refund the excess to the eligible individual.

13.22 Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this section
 13.23 is appropriated to the commissioner from the general fund.

13.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 13.25 31, 2016.

13.26 Sec. 16. **[290.0684] SECTION 529 COLLEGE SAVINGS PLAN CREDIT.**

13.27 Subdivision 1. **Definitions.** For purposes of this section, the term "federal adjusted gross
 13.28 income" has the meaning given under section 62(a) of the Internal Revenue Code, and
 13.29 "nonqualified distribution" means any distribution that is includable in gross income under
 13.30 section 529 of the Internal Revenue Code.

14.1 Subd. 2. Credit allowed. (a) A credit of up to \$500 is allowed against the tax imposed
14.2 by this chapter to a resident individual who contributes to an account in a plan qualifying
14.3 under section 529 of the Internal Revenue Code, subject to the limitations in paragraph (b).
14.4 The credit is not allowed to an individual who is eligible to be claimed as a dependent, as
14.5 defined in sections 151 and 152 of the Internal Revenue Code.

14.6 (b) The credit allowed must be calculated by applying the following rates to the amount
14.7 contributed to an account in a plan qualifying under section 529 of the Internal Revenue
14.8 Code, in a taxable year, reduced by any withdrawals from the account made during the
14.9 taxable year, and not including any amounts rolled over from other accounts in plans
14.10 qualifying under section 529 of the Internal Revenue Code:

14.11 (1) 50 percent for individual filers and married couples filing a joint return who have
14.12 federal adjusted gross income of not more than \$80,000;

14.13 (2) 25 percent for married couples filing a joint return who have federal adjusted gross
14.14 income over \$80,000, but not more than \$100,000;

14.15 (3) ten percent for married couples filing a joint return who have federal adjusted gross
14.16 income over \$100,000, but not more than \$120,000; and

14.17 (4) five percent for married couples filing a joint return who have federal adjusted gross
14.18 income over \$120,000, but not more than \$160,000.

14.19 (c) The income thresholds in paragraph (b), clauses (1) to (4), used to calculate the credit,
14.20 must be adjusted for inflation. The commissioner shall adjust by the percentage determined
14.21 under the provisions of section 1(f) of the Internal Revenue Code, except that in section
14.22 1(f)(3)(B) the word "2016" is substituted for the word "1992." For 2018, the commissioner
14.23 shall then determine the percent change from the 12 months ending on August 31, 2016, to
14.24 the 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months
14.25 ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding
14.26 the taxable year. The income thresholds as adjusted for inflation must be rounded to the
14.27 nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10
14.28 amount. The determination of the commissioner under this subdivision is not a rule under
14.29 the Administrative Procedure Act including section 14.386.

14.30 Subd. 3. Credit refundable. If the amount of credit that an individual is eligible to
14.31 receive under this section exceeds the eligible individual's tax liability under this chapter,
14.32 the commissioner shall refund the excess to the eligible individual.

15.1 Subd. 4. **Allocation.** For a part-year resident, the credit must be allocated based on the
15.2 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

15.3 Subd. 5. **Recapture of credit.** In the case of a nonqualified distribution, the taxpayer is
15.4 liable to the commissioner for the lesser of: ten percent of the amount of the nonqualified
15.5 distribution, or the sum of credits received under this section for all years.

15.6 Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section
15.7 is appropriated to the commissioner from the general fund.

15.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.9 31, 2016.

15.10 Sec. 17. **[290.0803] SOCIAL SECURITY SUBTRACTION.**

15.11 (a) An individual is allowed a subtraction from federal taxable income equal to Social
15.12 Security benefits, to the extent included in federal taxable income. The subtraction under
15.13 this section is reduced by the amount of provisional income over a threshold amount, but
15.14 in no case is the subtraction less than zero. For married couples filing joint returns and
15.15 surviving spouses the threshold is \$51,500, and for all other filers the threshold is \$40,000.

15.16 (b) For purposes of this section, "provisional income" means modified adjusted gross
15.17 income, as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the
15.18 amount of Social Security benefits received during the taxable year.

15.19 (c) The commissioner shall adjust the dollar amounts of the income thresholds at which
15.20 the subtraction begins to be reduced under paragraph (a) by the percentage determined
15.21 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
15.22 1(f)(3)(B) the word "2016" shall be substituted for the word "1992." For 2018, the
15.23 commissioner shall then determine the percent change from the 12 months ending on August
15.24 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year, from
15.25 the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of the
15.26 year preceding the taxable year. The determination of the commissioner pursuant to this
15.27 section must not be considered a rule and is not subject to the Administrative Procedure
15.28 Act contained in chapter 14, including section 14.386. The threshold amount as adjusted
15.29 must be rounded to the nearest \$100 amount. If the amount ends in \$50, the amount is
15.30 rounded up to the nearest \$100 amount.

15.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.32 31, 2016.

16.1 Sec. 18. Minnesota Statutes 2016, section 290.091, subdivision 2, is amended to read:

16.2 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following
16.3 terms have the meanings given:

16.4 (a) "Alternative minimum taxable income" means the sum of the following for the taxable
16.5 year:

16.6 (1) the taxpayer's federal alternative minimum taxable income as defined in section
16.7 55(b)(2) of the Internal Revenue Code;

16.8 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
16.9 taxable income, but excluding:

16.10 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

16.11 (ii) the medical expense deduction;

16.12 (iii) the casualty, theft, and disaster loss deduction; and

16.13 (iv) the impairment-related work expenses of a disabled person;

16.14 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
16.15 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
16.16 to the extent not included in federal alternative minimum taxable income, the excess of the
16.17 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
16.18 taxable year over the adjusted basis of the property at the end of the taxable year (determined
16.19 without regard to the depletion deduction for the taxable year);

16.20 (4) to the extent not included in federal alternative minimum taxable income, the amount
16.21 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
16.22 Code determined without regard to subparagraph (E);

16.23 (5) to the extent not included in federal alternative minimum taxable income, the amount
16.24 of interest income as provided by section 290.0131, subdivision 2; and

16.25 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

16.26 less the sum of the amounts determined under the following:

16.27 (1) interest income as defined in section 290.0132, subdivision 2;

16.28 (2) an overpayment of state income tax as provided by section 290.0132, subdivision 3,
16.29 to the extent included in federal alternative minimum taxable income;

16.30 (3) the amount of investment interest paid or accrued within the taxable year on
16.31 indebtedness to the extent that the amount does not exceed net investment income, as defined

17.1 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
17.2 in computing federal adjusted gross income;

17.3 (4) amounts subtracted from federal taxable income as provided by section 290.0132,
17.4 subdivisions 7, 9 to 15, 17, ~~and 21~~, and 24; and

17.5 (5) the amount of the net operating loss allowed under section 290.095, subdivision 11,
17.6 paragraph (c).

17.7 In the case of an estate or trust, alternative minimum taxable income must be computed
17.8 as provided in section 59(c) of the Internal Revenue Code.

17.9 (b) "Investment interest" means investment interest as defined in section 163(d)(3) of
17.10 the Internal Revenue Code.

17.11 (c) "Net minimum tax" means the minimum tax imposed by this section.

17.12 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
17.13 to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed
17.14 under this chapter.

17.15 (e) "Tentative minimum tax" equals 6.75 percent of alternative minimum taxable income
17.16 after subtracting the exemption amount determined under subdivision 3.

17.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.18 31, 2016.