

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 4091

(SENATE AUTHORS: REST, Klein and Weber)

DATE	D-PG	OFFICIAL STATUS
02/22/2024	11709	Introduction and first reading Referred to Taxes

1.1A bill for an act

1.2relating to taxation; making various policy and technical changes to individual

1.3income and corporate franchise taxes, sales and use taxes, property taxes and local

1.4government aids, and other miscellaneous taxes and tax-related provisions;

1.5amending Minnesota Statutes 2022, sections 116U.27, subdivision 2; 270C.445,

1.6subdivision 6; 273.13, subdivision 22; 289A.12, subdivision 18; 297A.66,

1.7subdivision 3, by adding a subdivision; 297I.20, subdivision 4; 375.192, subdivision

1.82; Minnesota Statutes 2023 Supplement, sections 290.01, subdivision 19; 290.0132,

1.9subdivisions 26, 34; 290.0134, subdivision 20; 290.0693, subdivisions 1, 6, 8;

1.10290.0695, subdivision 2; 297E.06, subdivision 4; 477A.35, subdivision 6; Laws

1.112023, chapter 1, sections 22; 28.

1.12BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.13ARTICLE 1

1.14INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

1.15Section 1. Minnesota Statutes 2022, section 116U.27, subdivision 2, is amended to read:

1.16Subd. 2. **Credit allowed.** A taxpayer is eligible for a credit up to 25 percent of eligible

1.17production costs paid in a ~~taxable year~~ any consecutive 12-month period as described in

1.18subdivision 1, paragraph (h). A taxpayer may only claim a credit if the taxpayer was issued

1.19a credit certificate under subdivision 4.

1.20EFFECTIVE DATE. This section is effective retroactively for taxable years beginning

1.21after December 31, 2022.

2.1 Sec. 2. Minnesota Statutes 2023 Supplement, section 290.01, subdivision 19, is amended
2.2 to read:

2.3 Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a
2.4 corporation taxable under section 290.02, the term "net income" means the federal taxable
2.5 income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through
2.6 the date named in this subdivision, incorporating the federal effective dates of changes to
2.7 the Internal Revenue Code and any elections made by the taxpayer in accordance with the
2.8 Internal Revenue Code in determining federal taxable income for federal income tax
2.9 purposes, and with the modifications provided in sections 290.0131 to 290.0136.

2.10 (b) For an individual, the term "net income" means federal adjusted gross income with
2.11 the modifications provided in sections 290.0131, 290.0132, and 290.0135 to 290.0137.

2.12 (c) In the case of a regulated investment company or a fund thereof, as defined in section
2.13 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
2.14 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
2.15 except that:

2.16 (1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal
2.17 Revenue Code does not apply;

2.18 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue
2.19 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest
2.20 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;
2.21 and

2.22 (3) the deduction for dividends paid must also be applied in the amount of any
2.23 undistributed capital gains which the regulated investment company elects to have treated
2.24 as provided in section 852(b)(3)(D) of the Internal Revenue Code.

2.25 (d) The net income of a real estate investment trust as defined and limited by section
2.26 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
2.27 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

2.28 (e) The net income of a designated settlement fund as defined in section 468B(d) of the
2.29 Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal
2.30 Revenue Code.

2.31 (f) The Internal Revenue Code of 1986, as amended through May 1, 2023, applies for
2.32 taxable years beginning after December 31, 1996.

(g) Except as otherwise provided, references to the Internal Revenue Code in this subdivision and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net income for the applicable year.

(h) In the case of a partnership electing to file a composite return under section 289A.08, subdivision 7, "net income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to 10, 16, and 17, and the subtractions provided in: (1) section 290.0132, subdivisions 9, 27, ~~and 28, and 31,~~ to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

(i) In the case of a qualifying entity electing to pay the pass-through entity tax under section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal adjusted gross income from the qualifying entity modified by the additions provided in section 290.0131, subdivisions 5, 8 to 10, 16, and 17, and the subtractions provided in: (1) section 290.0132, subdivisions 3, 9, 27, ~~and 28, and 31,~~ to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the pass-through entity tax computation to the extent the qualifying owners would have been allowed the subtraction. ~~The income of both a resident and nonresident qualifying owner is allocated and assigned to this state as provided for nonresident partners and shareholders under sections 290.17, 290.191, and 290.20.~~

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2022.

Sec. 3. Minnesota Statutes 2023 Supplement, section 290.0132, subdivision 26, is amended to read:

Subd. 26. **Social Security benefits.** (a) A taxpayer is allowed a subtraction equal to the greater of the simplified subtraction allowed under paragraph (b) or the alternate subtraction determined under paragraph (e).

(b) A taxpayer's simplified subtraction equals the amount of taxable social security benefits, as reduced under paragraphs (c) and (d).

(c) For a taxpayer other than a married taxpayer filing a separate return with adjusted gross income above the phaseout threshold, the simplified subtraction is reduced by ten

percent for each \$4,000 of adjusted gross income, or fraction thereof, in excess of the phaseout threshold. The phaseout threshold equals:

(1) \$100,000 for a married taxpayer filing a joint return or surviving spouse;

(2) \$78,000 for a single or head of household taxpayer; and

(3) for a married taxpayer filing a separate return, half the amount for a married taxpayer filing a joint return.

(d) For a married taxpayer filing a separate return, the simplified subtraction is reduced by ten percent for each \$2,000 of adjusted gross income, or fraction thereof, in excess of the phaseout threshold.

(e) A taxpayer's alternate subtraction equals the lesser of taxable Social Security benefits or a maximum subtraction subject to the limits under paragraphs (f), (g), and (h).

(f) For married taxpayers filing a joint return and surviving spouses, the maximum subtraction under paragraph ~~(e)~~ (e) equals \$5,840. The maximum subtraction is reduced by 20 percent of provisional income over \$88,630. In no case is the subtraction less than zero.

(g) For single or head-of-household taxpayers, the maximum subtraction under paragraph ~~(e)~~ (e) equals \$4,560. The maximum subtraction is reduced by 20 percent of provisional income over \$69,250. In no case is the subtraction less than zero.

(h) For married taxpayers filing separate returns, the maximum subtraction under paragraph ~~(e)~~ (e) equals one-half the maximum subtraction for joint returns under paragraph (f). The maximum subtraction is reduced by 20 percent of provisional income over one-half the threshold amount specified in paragraph (d). In no case is the subtraction less than zero.

(i) For purposes of this subdivision, "provisional income" means modified adjusted gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the taxable Social Security benefits received during the taxable year, and "Social Security benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.

(j) The commissioner shall adjust the phaseout threshold amounts in paragraphs (c) and ~~(d)~~, clauses (1) and (2), as provided in section 270C.22. The statutory year is taxable year 2023. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2022.

Sec. 4. Minnesota Statutes 2023 Supplement, section 290.0132, subdivision 34, is amended to read:

Subd. 34. **Qualified retirement benefits.** (a) The amount of qualified public pension income is a subtraction. The subtraction in this section is limited to:

(1) \$25,000 for a married taxpayer filing a joint return or surviving spouse; or

(2) \$12,500 for all other filers.

(b) For a taxpayer with adjusted gross income above the phaseout threshold, the subtraction is reduced by ten percent for each \$2,000 of adjusted gross income, or fraction thereof, in excess of the threshold. The phaseout threshold equals:

(1) \$100,000 for a married taxpayer filing a joint return or surviving spouse;

(2) \$78,000 for a single or head of household taxpayer; or

(3) for a married taxpayer filing a separate return, half the amount for a married taxpayer filing a joint return.

(c) For the purposes of this section, "qualified public pension income" means any amount received:

(1) by a former basic member or the survivor of a former basic member, as an annuity or survivor benefit, from a pension plan governed by chapter 353, 353E, 354, or 354A, provided that the annuity or benefit is based on service for which the member or survivor ~~is not also receiving~~ did not earn Social Security benefits;

(2) as an annuity or survivor benefit from the legislators plan under chapter 3A, the State Patrol retirement plan under chapter 352B, or the public employees police and fire plan under sections 353.63 to 353.666, provided that the annuity or benefit is based on service for which the member or survivor ~~is not also receiving~~ did not earn Social Security benefits;

(3) from any retirement system administered by the federal government that is based on service for which the recipient or the recipient's survivor ~~is not also receiving~~ did not earn Social Security benefits; or

(4) from a public retirement system of or created by another state or any of its political subdivisions, or the District of Columbia, if the income tax laws of the other state or district permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any political subdivision of this state.

(d) The commissioner must annually adjust the subtraction limits in paragraph (a) and the phaseout thresholds in paragraph (b), as provided in section 270C.22. The statutory year is taxable year 2023.

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

Sec. 5. Minnesota Statutes 2023 Supplement, section 290.0134, subdivision 20, is amended to read:

Subd. 20. **Delayed business interest.** (a) For each taxable year an addition is required under section ~~290.0134, subdivision 19~~ 290.0133, subdivision 15, the amount of the addition, less the sum of all amounts subtracted under this paragraph in all prior taxable years, that does not exceed the limitation on business interest in section 163(j) of the Internal Revenue Code of 1986, as amended through December 15, 2022, notwithstanding the special rule in section 163(j)(10) of the Internal Revenue Code, is a subtraction. Any excess is a delayed business interest carryforward, the entire amount of which must be carried to the earliest taxable year. No subtraction is allowed under this paragraph for taxable years beginning after December 31, 2022.

(b) For each of the five taxable years beginning after December 31, 2022, there is allowed a subtraction equal to one-fifth of the sum of all carryforward amounts that remain after the expiration of paragraph (a).

(c) Entities that are part of a combined reporting group under the unitary rules of section 290.17, subdivision 4, must compute deductions and additions as required under section 290.34, subdivision 5.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2019.

Sec. 6. Minnesota Statutes 2023 Supplement, section 290.0693, subdivision 1, is amended to read:

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

(b) "Dependent" means any individual who is considered a dependent under sections 151 and 152 of the Internal Revenue Code and was claimed by the taxpayer as a dependent.

(c) "Disability" has the meaning given in section 290A.03, subdivision 10.

(d) "Exemption amount" means the exemption amount under section 290.0121, subdivision 1, paragraph (b).

(e) "Gross rent" means rent paid for the right of occupancy, at arm's length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. The gross rent of a resident of a nursing home or intermediate care facility is \$600 per month. The gross rent of a resident of an adult foster care home is \$930 per month. The commissioner shall annually adjust the amounts in this paragraph as provided in section 270C.22. The statutory year is 2023. If the landlord and tenant have not dealt with each other at arm's length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this section.

(f) "Homestead" has the meaning given in section 290A.03, subdivision 6.

(g) "Household" has the meaning given in section 290A.03, subdivision 4.

(h) "Household income" means all income received by all persons of a household in a taxable year while members of the household, other than income of a dependent.

(i) "Income" means adjusted gross income, minus:

(1) for the taxpayer's first dependent, the exemption amount multiplied by 1.4;

(2) for the taxpayer's second dependent, the exemption amount multiplied by 1.3;

(3) for the taxpayer's third dependent, the exemption amount multiplied by 1.2;

(4) for the taxpayer's fourth dependent, the exemption amount multiplied by 1.1;

(5) for the taxpayer's fifth dependent, the exemption amount; and

(6) if the taxpayer or taxpayer's spouse had a disability or attained the age of 65 on or before the close of the taxable year, the exemption amount.

(j) "Rent constituting property taxes" means 17 percent of the gross rent actually paid in cash, or its equivalent, or the portion of rent paid in lieu of property taxes, in any taxable year by a claimant for the right of occupancy of the claimant's Minnesota homestead in the taxable year, and which rent constitutes the basis, in the succeeding taxable year of a claim for a credit under this section by the claimant. If an individual occupies a homestead with another person or persons not related to the individual as the individual's spouse or as dependents, and the other person or persons are residing at the homestead under a rental or lease agreement with the individual, the amount of rent constituting property tax for the individual equals that portion not covered by the rental agreement.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2023.

Sec. 7. Minnesota Statutes 2023 Supplement, section 290.0693, subdivision 6, is amended to read:

Subd. 6. **Residents of nursing homes, intermediate care facilities, long-term care facilities, or facilities accepting housing support payments.** (a) A taxpayer must not claim a credit under this section if the taxpayer is a resident of a nursing home, intermediate care facility, long-term residential facility, or a facility that accepts housing support payments whose rent constituting property taxes is paid pursuant to the Supplemental Security Income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX of the Social Security Act, or the housing support program under chapter 256I.

(b) If only a portion of the rent constituting property taxes is paid by these programs, the resident is eligible for a credit, but the credit calculated must be multiplied by a fraction, the numerator of which is adjusted gross income, ~~reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program~~ and the denominator of which is adjusted gross income, plus vendor payments under the medical assistance program, to determine the allowable credit.

(c) Notwithstanding paragraphs (a) and (b), if the taxpayer was a resident of the nursing home, intermediate care facility, long-term residential facility, or facility for which the rent was paid for the claimant by the housing support program for only a portion of the taxable year covered by the claim, the taxpayer may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home or facility and may use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the taxpayer was not in the facility. The taxpayer's household income is the income for the entire taxable year covered by the claim.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2023.

Sec. 8. Minnesota Statutes 2023 Supplement, section 290.0693, subdivision 8, is amended to read:

Subd. 8. **One claimant per household.** Only one taxpayer per household per year is entitled to claim a credit under this section. In the case of a married couple filing a joint return, the couple may claim a credit under this section based on the total amount of both

spouses' gross rent. In the case of a married taxpayer filing a separate return, only one spouse may claim the credit under this section. The credit amount for the spouse that claims the credit must be calculated based on household income and not solely on the income of the spouse.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2023.

Sec. 9. Minnesota Statutes 2023 Supplement, section 290.0695, subdivision 2, is amended to read:

Subd. 2. **Credit allowed; limitation; carryover.** (a) An eligible taxpayer is allowed a credit against tax due under this chapter equal to 50 percent of ~~eligible expenses, not to exceed \$3,000 per mile, multiplied by the number of miles of railroad track owned or leased within the state by the eligible taxpayer for which the taxpayer made the~~ qualified railroad reconstruction or replacement expenditures ~~as of the close of the taxable year for which the credit is claimed~~ made by an eligible taxpayer within this state during the taxable year for which the credit is claimed.

(b) The credit allowed under paragraph (a) for any taxable year must not exceed the product of:

(1) \$3,000, multiplied by;

(2) the number of miles of railroad track owned or leased by the eligible taxpayer within this state as of the close of the taxable year for which the taxpayer made qualified railroad reconstruction or replacement expenditures for which the credit is claimed.

~~(b)~~ (c) If the amount of the credit determined under this section for any taxable year exceeds the liability for tax under this chapter, the excess is a credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph must not exceed the taxpayer's liability for tax less the credit for the taxable year.

~~(c)~~ (d) An eligible taxpayer claiming a credit under this section may not also claim the credit under section 297I.20, subdivision 6, for the same qualified railroad reconstruction or replacement expenditures.

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2022.

10.1 Sec. 10. Laws 2023, chapter 1, section 22, is amended to read:

10.2 Sec. 22. **TEMPORARY ADDITIONS AND SUBTRACTIONS; INDIVIDUALS,**
10.3 **ESTATES, AND TRUSTS.**

10.4 (a) For the purposes of this section:

10.5 (1) "subtraction" has the meaning given in Minnesota Statutes, section 290.0132,
10.6 subdivision 1, and the rules in that subdivision apply to this section;

10.7 (2) "addition" has the meaning given in Minnesota Statutes, section 290.0131, subdivision
10.8 1, and the rules in that subdivision apply to this section; and

10.9 (3) the definitions in Minnesota Statutes, section 290.01, apply to this section.

10.10 (b) The following amounts are subtractions:

10.11 (1) the amount of wages used for the calculation of the employee retention credit for
10.12 employers affected by qualified disasters, to the extent not deducted from income, under
10.13 Public Law 116-94, division Q, section 203, or Public Law 116-260, division EE, section
10.14 303;

10.15 (2) the amount of wages used for the calculation of the payroll credit for required paid
10.16 sick leave, to the extent not deducted from income, under Public Law 116-127, section
10.17 7001, as amended by section 9641 of Public Law 117-2;

10.18 (3) the amount of wages or expenses used for the calculation of the payroll credit for
10.19 required paid family leave, to the extent not deducted from income, under Public Law
10.20 116-127, section 7003, as amended by section 9641 of Public Law 117-2;

10.21 (4) the amount of wages used for the calculation of the employee retention credit for
10.22 employers subject to closure due to COVID-19, to the extent not deducted from income,
10.23 under Public Law 116-136, section 2301, as amended by Public Law 116-260, division EE,
10.24 section 207, and Public Law 117-2, section 9651; and

10.25 (5) the amount required to be added to gross income to claim the credit in section 6432
10.26 of the Internal Revenue Code.

10.27 (c) The following amounts are additions:

10.28 (1) the amount subtracted for qualified tuition expenses under section 222 of the Internal
10.29 Revenue Code, as amended by Public Law 116-94, division Q, section 104;

10.30 (2) the amount of above the line charitable contributions deducted under section 2204
10.31 of Public Law 116-136;

(3) the amount of meal expenses in excess of the 50 percent limitation under section 274(n)(1) of the Internal Revenue Code allowed under subsection (n), paragraph (2), subparagraph (D), of that section; and

(4) the amount of charitable contributions deducted from federal taxable income by a trust for taxable year 2020 under Public Law 116-136, section 2205(a).

(d) The commissioner of revenue must apply the subtractions in paragraph (b) and the additions in paragraph (c), when calculating the following:

(1) the percentage under Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e);

(2) a taxpayer's alternative minimum taxable income under Minnesota Statutes, section 290.091; and

(3) "income" as defined in Minnesota Statutes, section 289A.08, subdivision 7, paragraph (j), for the purposes of determining the tax for composite filers and the pass-through entity tax, means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in Minnesota Statutes, section 290.0131, subdivisions 8 to 10, 16, 17, and 19, and the subtractions provided in (i) Minnesota Statutes, section 290.0132, subdivisions 9, 27, and 28, to the extent the amount is assignable or allocable to Minnesota under Minnesota Statutes, section 290.17; and (ii) Minnesota Statutes, section 290.0132, subdivision 14. The subtraction allowed under Minnesota Statutes, section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

(e) For the purpose of calculating property tax refunds under Minnesota Statutes, chapter 290A, any amounts allowed as a subtraction in paragraph (b) are excluded from "income," as defined in Minnesota Statutes, section 290A.03, subdivision 3.

EFFECTIVE DATE. This section is effective retroactively at the same time the changes in Laws 2023, chapter 1, section 22, were effective for federal purposes.

ARTICLE 2

SALES AND USE TAXES

Section 1. Minnesota Statutes 2022, section 297A.66, subdivision 3, is amended to read:

Subd. 3. **Marketplace provider liability.** (a) A marketplace provider is deemed the retailer or seller for all retail sales it facilitates, and is subject to audit on the retail sales it

12.1 facilitates if it is required to collect sales and use taxes and remit them to the commissioner
12.2 under subdivision 2, paragraphs (b) and (c).

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

12.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
12.9 30, 2024

12.10 Sec. 2. Minnesota Statutes 2022, section 297A.66, is amended by adding a subdivision to
12.11 read:

12.12 Subd. 3a. **Marketplace provider relief.** (a) A marketplace provider is relieved of liability
12.13 for failure to collect the correct amount of sales or use tax, with respect to sales on behalf
12.14 of marketplace sellers, to the extent that the marketplace provider can demonstrate that the
12.15 error was due to incorrect information given to the marketplace provider by the marketplace
12.16 seller, unless the marketplace provider and the marketplace seller are affiliated persons. To
12.17 qualify for the liability relief under this subdivision, a marketplace provider must have
12.18 received erroneous information from a marketplace seller that prevented the marketplace
12.19 provider from properly determining the correct tax amount owed. A marketplace provider
12.20 does not qualify for the liability relief under this subdivision when a marketplace seller
12.21 provided information that was correct, but was incomplete or insufficient to make the proper
12.22 taxability determination.

12.23 (b) If the marketplace provider is relieved of liability under paragraph (a), the marketplace
12.24 seller is solely liable for the amount of uncollected tax due.

12.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
12.26 30, 2024

12.27 **ARTICLE 3**

12.28 **PROPERTY TAXES AND LOCAL GOVERNMENT AIDS**

12.29 Section 1. Minnesota Statutes 2022, section 273.13, subdivision 22, is amended to read:

12.30 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and
12.31 (c), real estate which is residential and used for homestead purposes is class 1a. In the case
12.32 of a duplex or triplex in which one of the units is used for homestead purposes, the entire

13.1 property is deemed to be used for homestead purposes. The market value of class 1a property
13.2 must be determined based upon the value of the house, garage, and land.

13.3 The first \$500,000 of market value of class 1a property has a net classification rate of
13.4 one percent of its market value; and the market value of class 1a property that exceeds
13.5 \$500,000 has a classification rate of 1.25 percent of its market value.

13.6 (b) Class 1b property includes homestead real estate or homestead manufactured homes
13.7 used for the purposes of a homestead by:

13.8 (1) any person who is blind as defined in section 256D.35, or the person who is blind
13.9 and the spouse of the person who is blind;

13.10 (2) any person who is permanently and totally disabled or by the person with a disability
13.11 and the spouse of the person with a disability; or

13.12 (3) the surviving spouse of a veteran who was permanently and totally disabled
13.13 homesteading a property classified under this paragraph for taxes payable in 2008.

13.14 Property is classified and assessed under clause (2) only if the government agency or
13.15 income-providing source certifies, upon the request of the homestead occupant, that the
13.16 homestead occupant satisfies the disability requirements of this paragraph, and that the
13.17 property is not eligible for the valuation exclusion under subdivision 34.

13.18 Property is classified and assessed under paragraph (b) only if the commissioner of
13.19 revenue or the county assessor certifies that the homestead occupant satisfies the requirements
13.20 of this paragraph.

13.21 Permanently and totally disabled for the purpose of this subdivision means a condition
13.22 which is permanent in nature and totally incapacitates the person from working at an
13.23 occupation which brings the person an income. The first \$50,000 market value of class 1b
13.24 property has a net classification rate of .45 percent of its market value. The remaining market
13.25 value of class 1b property is classified as class 1a₂ ~~or~~ class 2a property, or class 4d(2)
13.26 whichever is appropriate.

13.27 (c) Class 1c property is commercial use real and personal property that abuts public
13.28 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
13.29 the Department of Natural Resources, and is devoted to temporary and seasonal residential
13.30 occupancy for recreational purposes but not devoted to commercial purposes for more than
13.31 250 days in the year preceding the year of assessment, and that includes a portion used as
13.32 a homestead by the owner, which includes a dwelling occupied as a homestead by a
13.33 shareholder of a corporation that owns the resort, a partner in a partnership that owns the

14.1 resort, or a member of a limited liability company that owns the resort even if the title to
14.2 the homestead is held by the corporation, partnership, or limited liability company. For
14.3 purposes of this paragraph, property is devoted to a commercial purpose on a specific day
14.4 if any portion of the property, excluding the portion used exclusively as a homestead, is
14.5 used for residential occupancy and a fee is charged for residential occupancy. Class 1c
14.6 property must contain three or more rental units. A "rental unit" is defined as a cabin,
14.7 condominium, townhouse, sleeping room, or individual camping site equipped with water
14.8 and electrical hookups for recreational vehicles. Class 1c property must provide recreational
14.9 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill
14.10 or cross-country ski equipment; provide marina services, launch services, or guide services;
14.11 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred
14.12 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies
14.13 for class 1c even though it may remain available for rent. A camping pad offered for rent
14.14 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of
14.15 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If
14.16 the same owner owns two separate parcels that are located in the same township, and one
14.17 of those properties is classified as a class 1c property and the other would be eligible to be
14.18 classified as a class 1c property if it was used as the homestead of the owner, both properties
14.19 will be assessed as a single class 1c property; for purposes of this sentence, properties are
14.20 deemed to be owned by the same owner if each of them is owned by a limited liability
14.21 company, and both limited liability companies have the same membership. The portion of
14.22 the property used as a homestead is class 1a property under paragraph (a). The remainder
14.23 of the property is classified as follows: the first \$600,000 of market value is tier I, the next
14.24 \$1,700,000 of market value is tier II, and any remaining market value is tier III. The
14.25 classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25
14.26 percent. Owners of real and personal property devoted to temporary and seasonal residential
14.27 occupancy for recreation purposes in which all or a portion of the property was devoted to
14.28 commercial purposes for not more than 250 days in the year preceding the year of assessment
14.29 desiring classification as class 1c, must submit a declaration to the assessor designating the
14.30 cabins or units occupied for 250 days or less in the year preceding the year of assessment
14.31 by January 15 of the assessment year. Those cabins or units and a proportionate share of
14.32 the land on which they are located must be designated as class 1c as otherwise provided.
14.33 The remainder of the cabins or units and a proportionate share of the land on which they
14.34 are located must be designated as class 3a commercial. The owner of property desiring
14.35 designation as class 1c property must provide guest registers or other records demonstrating
14.36 that the units for which class 1c designation is sought were not occupied for more than 250

days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

EFFECTIVE DATE. This section is effective for assessment year 2025 and thereafter.

Sec. 2. Minnesota Statutes 2022, section 375.192, subdivision 2, is amended to read:

Subd. 2. **Procedure, conditions.** Upon written application by the owner of any property, the county board may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties, or interest on them as the board deems just and equitable and order the refund in whole or part of any taxes, costs, penalties, or interest which have been erroneously or unjustly paid. Except as provided in sections 469.1812 to 469.1815, no reduction or abatement may be granted on the basis of providing an incentive for economic development or redevelopment. Except as provided in section 375.194, the county board may consider and grant reductions or abatements on applications only as they relate to taxes payable in the current year and the two prior years; provided that reductions or abatements for the two prior years shall be considered or granted only for (i) clerical errors, or (ii) when the taxpayer fails to file for a reduction or an adjustment due to hardship, as determined by the county board. The application must include the Social Security number or individual taxpayer identification number of the applicant. The Social Security number ~~is~~ and individual taxpayer identification number are private data on individuals as defined by section 13.02,

subdivision 12. All applications must be approved by the county assessor, or, if the property is located in a city of the first or second class having a city assessor, by the city assessor, and by the county auditor before consideration by the county board, except that the part of the application which is for the abatement of penalty or interest must be approved by the county treasurer and county auditor. Approval by the county or city assessor is not required for abatements of penalty or interest. No reduction, abatement, or refund of any special assessments made or levied by any municipality for local improvements shall be made unless it is also approved by the board of review or similar taxing authority of the municipality. On any reduction or abatement when the reduction of taxes, costs, penalties, and interest exceed \$10,000, the county board shall give notice within 20 days to the school board and the municipality in which the property is located. The notice must describe the property involved, the actual amount of the reduction being sought, and the reason for the reduction.

An appeal may not be taken to the Tax Court from any order of the county board made in the exercise of the discretionary authority granted in this section.

The county auditor shall notify the commissioner of revenue of all abatements resulting from the erroneous classification of real property, for tax purposes, as nonhomestead property. For the abatements relating to the current year's tax processed through June 30, the auditor shall notify the commissioner on or before July 31 of that same year of all abatement applications granted. For the abatements relating to the current year's tax processed after June 30 through the balance of the year, the auditor shall notify the commissioner on or before the following January 31 of all applications granted. The county auditor shall submit a form containing the Social Security number or individual taxpayer identification number of the applicant and such other information the commissioner prescribes.

EFFECTIVE DATE. This section is effective retroactively for abatement applications filed in 2023 and thereafter.

Sec. 3. Minnesota Statutes 2023 Supplement, section 477A.35, subdivision 6, is amended to read:

Subd. 6. **Administration.** (a) The commissioner of revenue must compute the amount of aid payable to each tier I city and county under this section. ~~By August 1 of each year, the commissioner must certify the distribution factors of each tier I city and county to be used in the following year. The commissioner must pay local affordable housing aid annually at the times provided in section 477A.015, distributing the amounts available on the immediately preceding June 1 under the accounts established in section 477A.37, subdivisions~~

17.1 ~~2 and 3.~~ On or before September 1 of each year, the commissioner of revenue must certify
17.2 the amount to be paid to each tier I city and county in that year. By July 15, 2024, and
17.3 annually thereafter, the commissioner of management and budget must certify to the
17.4 commissioner of revenue the balances in the accounts established in section 477A.37,
17.5 subdivisions 2 and 3, as of the immediately preceding June 1. The commissioner of revenue
17.6 must pay the full amount of aid on October 1 annually.

17.7 (b) Beginning in 2025, tier I cities and counties shall submit a report annually, no later
17.8 than December 1 of each year, to the Minnesota Housing Finance Agency. The report must
17.9 include documentation of the location of any unspent funds distributed under this section
17.10 and of qualifying projects completed or planned with funds under this section. If a tier I
17.11 city or county fails to submit a report, if a tier I city or county fails to spend funds within
17.12 the timeline imposed under subdivision 5, paragraph (b), or if a tier I city or county uses
17.13 funds for a project that does not qualify under this section, the Minnesota Housing Finance
17.14 Agency shall notify the Department of Revenue and the cities and counties that must repay
17.15 funds under paragraph (c) by February 15 of the following year.

17.16 (c) By May 15, after receiving notice from the Minnesota Housing Finance Agency, a
17.17 tier I city or county must pay to the Minnesota Housing Finance Agency funds the city or
17.18 county received under this section if the city or county:

17.19 (1) fails to spend the funds within the time allowed under subdivision 5, paragraph (b);

17.20 (2) spends the funds on anything other than a qualifying project; or

17.21 (3) fails to submit a report documenting use of the funds.

17.22 (d) The commissioner of revenue must stop distributing funds to a tier I city or county
17.23 that, in three consecutive years, the Minnesota Housing Finance Agency has reported,
17.24 pursuant to paragraph (b), to have failed to use funds, misused funds, or failed to report on
17.25 its use of funds.

17.26 (e) The commissioner may resume distributing funds to a tier I city or county to which
17.27 the commissioner has stopped payments in the year following the August 1 after the
17.28 Minnesota Housing Finance Agency certifies that the city or county has submitted
17.29 documentation of plans for a qualifying project.

17.30 (f) By June 1, any funds paid to the Minnesota Housing Finance Agency under paragraph
17.31 (c) must be deposited in the housing development fund. Funds deposited under this paragraph
17.32 are appropriated to the commissioner of the Minnesota Housing Finance Agency for use
17.33 on the family homeless prevention and assistance program under section 462A.204, the

economic development and housing challenge program under section 462A.33, and the workforce and affordable homeownership development program under section 462A.38.

EFFECTIVE DATE. This section is effective for aids payable in 2024 and thereafter.

ARTICLE 4

MISCELLANEOUS

Section 1. Minnesota Statutes 2022, section 270C.445, subdivision 6, is amended to read:

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

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

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

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

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

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

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request

for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

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

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced by the issuance of a notice of and order for hearing by the commissioner within ~~ten~~ 30 days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ~~ten~~ 30 days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within ~~five~~ 15 days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within ~~45~~ 45 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for penalties assessed and orders issued after the day following final enactment.

Sec. 2. Minnesota Statutes 2022, section 289A.12, subdivision 18, is amended to read:

Subd. 18. **Returns** **Return by qualified heirs.** A qualified heir, as defined in section 291.03, subdivision 8, paragraph (c), must file ~~two returns~~ a return with the commissioner attesting that no disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), occurred. ~~The first return must be filed no earlier than 24 months and no later than 26 months after the decedent's death.~~ The ~~second~~ return must be filed no earlier than 36 months and no later than 39 months after the decedent's death.

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

21.1 Sec. 3. Minnesota Statutes 2023 Supplement, section 297E.06, subdivision 4, is amended
21.2 to read:

21.3 Subd. 4. **Annual audit, and certified inventory, ~~and cash count~~.** (a) An organization
21.4 licensed under chapter 349 with gross receipts from lawful gambling of more than \$750,000
21.5 in any year must have an annual financial audit of its lawful gambling activities and funds
21.6 for that year. For the purposes of this subdivision, "gross receipts" does not include a licensed
21.7 organization's receipts from electronic pull-tabs regulated under chapter 349 provided the
21.8 electronic pull-tab manufacturer has completed an annual system and organization controls
21.9 audit, containing standards that must incorporate and be consistent with standards prescribed
21.10 by the American Institute of Certified Public Accountants.

21.11 (b) The commissioner may require a financial audit of the lawful gambling activities
21.12 and funds of an organization licensed under chapter 349, with gross receipts less than
21.13 \$750,000 annually, when an organization has:

- 21.14 (1) failed to timely file required gambling tax returns;
- 21.15 (2) failed to timely pay the gambling tax or regulatory fee;
- 21.16 (3) filed fraudulent gambling tax returns;
- 21.17 (4) failed to take corrective actions required by the commissioner; or
- 21.18 (5) failed to otherwise comply with this chapter.

21.19 (c) Audits under this subdivision must be performed by an independent accountant firm
21.20 licensed in accordance with chapter 326A.

21.21 (d) An organization licensed under chapter 349 must perform an annual certified inventory
21.22 ~~and cash count~~ report at the end of its fiscal year and submit the report to the commissioner
21.23 within 30 days after the end of its fiscal year. The report shall be on a form prescribed by
21.24 the commissioner.

21.25 (e) The commissioner of revenue shall prescribe standards for the audits, and certified
21.26 inventory, ~~and cash count reports~~ report required under this subdivision. The standards may
21.27 vary based on the gross receipts of the organization. The standards must incorporate and
21.28 be consistent with standards prescribed by the American Institute of Certified Public
21.29 Accountants. A complete, true, and correct copy of the audits, and certified inventory, ~~and~~
21.30 ~~cash count~~ report must be filed as prescribed by the commissioner.

21.31 **EFFECTIVE DATE.** This section is effective July 1, 2024.

22.1 Sec. 4. Minnesota Statutes 2022, section 297I.20, subdivision 4, is amended to read:

22.2 Subd. 4. **Film production credit.** (a) A taxpayer may claim a credit against the premiums
22.3 tax imposed under this chapter equal to the amount indicated on the credit certificate
22.4 statement issued to the company under section 116U.27. If the amount of the credit exceeds
22.5 the taxpayer's liability for tax under this chapter, the excess is a credit carryover to each of
22.6 the five succeeding taxable years. The entire amount of the excess unused credit for the
22.7 taxable year must be carried first to the earliest of the taxable years to which the credit may
22.8 be carried and then to each successive year to which the credit may be carried. This credit
22.9 does not affect the calculation of fire state aid under section 477B.03 and police state aid
22.10 under section 477C.03.

22.11 (b) This subdivision expires January 1, ~~2025~~ 2031, for taxable years beginning after and
22.12 premiums received after December 31, ~~2024~~ 2030.

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

22.14 Sec. 5. Laws 2023, chapter 1, section 28, is amended to read:

22.15 Sec. 28. **EXTENSION OF STATUTE OF LIMITATIONS.**

22.16 (a) Notwithstanding any law to the contrary, a taxpayer whose tax liability changes as
22.17 a result of this act may file an amended return by December 31, 2023. The commissioner
22.18 may review and assess the return of a taxpayer covered by this provision for the later of:

22.19 (1) the periods under Minnesota Statutes, sections 289A.38; ~~289.39~~ 289A.39, subdivision
22.20 3; and 289A.40; or

22.21 (2) one year from the time the amended return is filed as a result of a change in tax
22.22 liability under this section.

22.23 (b) Interest on any additional liabilities as a result of any provision in this act accrue
22.24 beginning on January 1, 2024.

22.25 **EFFECTIVE DATE.** This section is effective retroactively at the same time the changes
22.26 incorporated in Laws 2023, chapter 1, were effective for federal purposes.