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State of Minnesota

HOUSE OF REPRESENTATIVES

SECOND SPECIAL SESSION

H. F. No. **13**

07/13/2020 Authored by Marquart
The bill was read for the first time and referred to the Committee on Ways and Means

- 1.1 A bill for an act
- 1.2 relating to taxation; modifying provisions for property taxes, local government
- 1.3 aids, individual and corporate franchise taxes, sales and use taxes, lawful gambling
- 1.4 taxes, and other miscellaneous taxes and tax provisions; modifying the referendum
- 1.5 equalization levy; providing for certain property tax classification and property
- 1.6 tax relief for damaged properties; providing local government aid penalty
- 1.7 forgiveness; modifying and providing for certain additions and subtractions for
- 1.8 the individual income and corporate franchise taxes; making the student loan credit
- 1.9 refundable; modifying and providing for new sales and use tax exemptions;
- 1.10 providing provisions related to partnership audits; modifying lawful gambling
- 1.11 taxes; modifying the workforce and affordable homeownership development
- 1.12 program; making other minor policy, technical, and conforming changes;
- 1.13 appropriating money; amending Minnesota Statutes 2018, sections 270C.445,
- 1.14 subdivision 6; 272.02, by adding a subdivision; 273.13, subdivision 25; 289A.31,
- 1.15 subdivision 1; 289A.37, subdivision 2; 289A.38, subdivisions 8, 9, 10; 289A.42;
- 1.16 289A.60, subdivision 24; 290.0131, subdivision 10; 290.0132, by adding a
- 1.17 subdivision; 290.0133, subdivision 12; 290.0682, subdivision 2; 297A.70,
- 1.18 subdivision 13; 297A.71, by adding subdivisions; 297E.02, subdivision 6, as
- 1.19 amended; 297E.021, subdivision 2; 297F.17, subdivision 6; 297G.16, subdivision
- 1.20 7; 349.15, subdivision 1; 349.151, subdivision 4; 462A.38, as amended; 469.319,
- 1.21 subdivision 4; Minnesota Statutes 2019 Supplement, sections 126C.17, subdivision
- 1.22 6; 273.13, subdivision 34; 289A.38, subdivision 7; 290.31, subdivision 1; 290.993;
- 1.23 297A.71, subdivision 52; 297A.75, subdivisions 1, as amended, 2; proposing
- 1.24 coding for new law in Minnesota Statutes, chapter 289A.

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

2.2

ARTICLE 1

2.3

PROPERTY TAXES AND AIDS

2.4 Section 1. Minnesota Statutes 2019 Supplement, section 126C.17, subdivision 6, is amended
2.5 to read:

2.6 Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy
2.7 equals the sum of the first tier referendum equalization levy and the second tier referendum
2.8 equalization levy.

2.9 (b) A district's first tier referendum equalization levy equals the district's first tier
2.10 referendum equalization revenue times the lesser of (1) one ¢, (2) the ratio of the district's
2.11 referendum market value per resident pupil unit to \$567,000 \$650,000, or (3) the ratio of
2.12 the district's referendum market value per adjusted pupil unit to \$650,000.

2.13 (c) A district's second tier referendum equalization levy equals the district's second tier
2.14 referendum equalization revenue times the lesser of (1) one ¢, (2) the ratio of the district's
2.15 referendum market value per resident pupil unit to \$290,000 \$320,000, or (3) the ratio of
2.16 the district's referendum market value per adjusted pupil unit to \$320,000.

2.17 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2022 and later.

2.18 Sec. 2. Minnesota Statutes 2018, section 272.02, is amended by adding a subdivision to
2.19 read:

2.20 **Subd. 104. Certain property owned by an Indian tribe.** (a) Property is exempt that:

2.21 (1) is located in a county with a population greater than 28,000 but less than 29,000 as
2.22 of the 2010 federal census;

2.23 (2) was on January 2, 2016, and is for the current assessment owned by a federally
2.24 recognized Indian tribe or its instrumentality, that is located in Minnesota;

2.25 (3) was on January 2, 2016, erroneously treated as exempt under subdivision 7; and

2.26 (4) is used for the same purpose as the property was used on January 2, 2016.

2.27 (b) For assessment years 2019 and 2020, an exemption application under this subdivision
2.28 must be filed with the county assessor by August 1, 2020. Property taxes paid on property
2.29 exempt under this section for taxes payable in 2020 only shall be refunded by the county
2.30 by September 1, 2020.

3.1 **EFFECTIVE DATE.** This section is effective retroactively from assessment year 2019.

3.2 Sec. 3. Minnesota Statutes 2018, section 273.13, subdivision 25, is amended to read:

3.3 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units
3.4 and used or held for use by the owner or by the tenants or lessees of the owner as a residence
3.5 for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a
3.6 also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt
3.7 under section 272.02, and contiguous property used for hospital purposes, without regard
3.8 to whether the property has been platted or subdivided. The market value of class 4a property
3.9 has a classification rate of 1.25 percent.

3.10 (b) Class 4b includes:

3.11 (1) residential real estate containing less than four units, including property rented as a
3.12 short-term rental property for more than 14 days in the preceding year, that does not qualify
3.13 as class 4bb, other than seasonal residential recreational property;

3.14 (2) manufactured homes not classified under any other provision;

3.15 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm
3.16 classified under subdivision 23, paragraph (b) containing two or three units; and

3.17 (4) unimproved property that is classified residential as determined under subdivision
3.18 33.

3.19 For the purposes of this paragraph, "short-term rental property" means residential real
3.20 estate rented for periods of less than 30 consecutive days.

3.21 The market value of class 4b property has a classification rate of 1.25 percent.

3.22 (c) Class 4bb includes:

3.23 (1) nonhomestead residential real estate containing one unit, other than seasonal
3.24 residential recreational property;

3.25 (2) a single family dwelling, garage, and surrounding one acre of property on a
3.26 nonhomestead farm classified under subdivision 23, paragraph (b); and

3.27 (3) a condominium-type storage unit having an individual property identification number
3.28 that is not used for a commercial purpose.

3.29 Class 4bb property has the same classification rates as class 1a property under subdivision
3.30 22.

4.1 Property that has been classified as seasonal residential recreational property at any time
4.2 during which it has been owned by the current owner or spouse of the current owner does
4.3 not qualify for class 4bb.

4.4 (d) Class 4c property includes:

4.5 (1) except as provided in subdivision 22, paragraph (c), real and personal property
4.6 devoted to commercial temporary and seasonal residential occupancy for recreation purposes,
4.7 for not more than 250 days in the year preceding the year of assessment. For purposes of
4.8 this clause, property is devoted to a commercial purpose on a specific day if any portion of
4.9 the property is used for residential occupancy, and a fee is charged for residential occupancy.
4.10 Class 4c property under this clause must contain three or more rental units. A "rental unit"
4.11 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site
4.12 equipped with water and electrical hookups for recreational vehicles. A camping pad offered
4.13 for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c
4.14 under this clause regardless of the term of the rental agreement, as long as the use of the
4.15 camping pad does not exceed 250 days. In order for a property to be classified under this
4.16 clause, either (i) the business located on the property must provide recreational activities,
4.17 at least 40 percent of the annual gross lodging receipts related to the property must be from
4.18 business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid
4.19 bookings by lodging guests during the year must be for periods of at least two consecutive
4.20 nights; or (B) at least 20 percent of the annual gross receipts must be from charges for
4.21 providing recreational activities, or (ii) the business must contain 20 or fewer rental units,
4.22 and must be located in a township or a city with a population of 2,500 or less located outside
4.23 the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion
4.24 of a state trail administered by the Department of Natural Resources. For purposes of item
4.25 (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c
4.26 property also includes commercial use real property used exclusively for recreational
4.27 purposes in conjunction with other class 4c property classified under this clause and devoted
4.28 to temporary and seasonal residential occupancy for recreational purposes, up to a total of
4.29 two acres, provided the property is not devoted to commercial recreational use for more
4.30 than 250 days in the year preceding the year of assessment and is located within two miles
4.31 of the class 4c property with which it is used. In order for a property to qualify for
4.32 classification under this clause, the owner must submit a declaration to the assessor
4.33 designating the cabins or units occupied for 250 days or less in the year preceding the year
4.34 of assessment by January 15 of the assessment year. Those cabins or units and a proportionate
4.35 share of the land on which they are located must be designated class 4c under this clause

5.1 as otherwise provided. The remainder of the cabins or units and a proportionate share of
5.2 the land on which they are located will be designated as class 3a. The owner of property
5.3 desiring designation as class 4c property under this clause must provide guest registers or
5.4 other records demonstrating that the units for which class 4c designation is sought were not
5.5 occupied for more than 250 days in the year preceding the assessment if so requested. The
5.6 portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center
5.7 or meeting room, and (5) other nonresidential facility operated on a commercial basis not
5.8 directly related to temporary and seasonal residential occupancy for recreation purposes
5.9 does not qualify for class 4c. For the purposes of this paragraph, "recreational activities"
5.10 means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country
5.11 ski equipment; providing marina services, launch services, or guide services; or selling bait
5.12 and fishing tackle;

5.13 (2) qualified property used as a golf course if:

5.14 (i) it is open to the public on a daily fee basis. It may charge membership fees or dues,
5.15 but a membership fee may not be required in order to use the property for golfing, and its
5.16 green fees for golfing must be comparable to green fees typically charged by municipal
5.17 courses; and

5.18 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

5.19 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with
5.20 the golf course is classified as class 3a property;

5.21 (3) real property up to a maximum of three acres of land owned and used by a nonprofit
5.22 community service oriented organization and not used for residential purposes on either a
5.23 temporary or permanent basis, provided that:

5.24 (i) the property is not used for a revenue-producing activity for more than six days in
5.25 the calendar year preceding the year of assessment; or

5.26 (ii) the organization makes annual charitable contributions and donations at least equal
5.27 to the property's previous year's property taxes and the property is allowed to be used for
5.28 public and community meetings or events for no charge, as appropriate to the size of the
5.29 facility.

5.30 For purposes of this clause:

5.31 (A) "charitable contributions and donations" has the same meaning as lawful gambling
5.32 purposes under section 349.12, subdivision 25, excluding those purposes relating to the
5.33 payment of taxes, assessments, fees, auditing costs, and utility payments;

6.1 (B) "property taxes" excludes the state general tax;

6.2 (C) a "nonprofit community service oriented organization" means any corporation,
6.3 society, association, foundation, or institution organized and operated exclusively for
6.4 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from
6.5 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal
6.6 Revenue Code; and

6.7 (D) "revenue-producing activities" shall include but not be limited to property or that
6.8 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt
6.9 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling
6.10 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an
6.11 insurance business, or office or other space leased or rented to a lessee who conducts a
6.12 for-profit enterprise on the premises.

6.13 Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The
6.14 use of the property for social events open exclusively to members and their guests for periods
6.15 of less than 24 hours, when an admission is not charged nor any revenues are received by
6.16 the organization shall not be considered a revenue-producing activity.

6.17 The organization shall maintain records of its charitable contributions and donations
6.18 and of public meetings and events held on the property and make them available upon
6.19 request any time to the assessor to ensure eligibility. An organization meeting the requirement
6.20 under item (ii) must file an application by May 1 with the assessor for eligibility for the
6.21 current year's assessment. The commissioner shall prescribe a uniform application form
6.22 and instructions;

6.23 (4) postsecondary student housing of not more than one acre of land that is owned by a
6.24 nonprofit corporation organized under chapter 317A and is used exclusively by a student
6.25 cooperative, sorority, or fraternity for on-campus housing or housing located within two
6.26 miles of the border of a college campus;

6.27 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding
6.28 manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as
6.29 defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision
6.30 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision
6.31 13;

6.32 (6) real property that is actively and exclusively devoted to indoor fitness, health, social,
6.33 recreational, and related uses, is owned and operated by a not-for-profit corporation, and is
6.34 located within the metropolitan area as defined in section 473.121, subdivision 2;

7.1 (7) a leased or privately owned noncommercial aircraft storage hangar not exempt under
7.2 section 272.01, subdivision 2, and the land on which it is located, provided that:

7.3 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan
7.4 Airports Commission, or group thereof; and

7.5 (ii) the land lease, or any ordinance or signed agreement restricting the use of the leased
7.6 premise, prohibits commercial activity performed at the hangar.

7.7 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be
7.8 filed by the new owner with the assessor of the county where the property is located within
7.9 60 days of the sale;

7.10 (8) a privately owned noncommercial aircraft storage hangar not exempt under section
7.11 272.01, subdivision 2, and the land on which it is located, provided that:

7.12 (i) the land abuts a public airport; and

7.13 (ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement
7.14 restricting the use of the premises, prohibiting commercial use or activity performed at the
7.15 hangar; and

7.16 (9) residential real estate, a portion of which is used by the owner for homestead purposes,
7.17 and that is also a place of lodging, if all of the following criteria are met:

7.18 (i) rooms are provided for rent to transient guests that generally stay for periods of 14
7.19 or fewer days;

7.20 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated in
7.21 the basic room rate;

7.22 (iii) meals are not provided to the general public except for special events on fewer than
7.23 seven days in the calendar year preceding the year of the assessment; and

7.24 (iv) the owner is the operator of the property.

7.25 The market value subject to the 4c classification under this clause is limited to five rental
7.26 units. Any rental units on the property in excess of five, must be valued and assessed as
7.27 class 3a. The portion of the property used for purposes of a homestead by the owner must
7.28 be classified as class 1a property under subdivision 22;

7.29 (10) real property up to a maximum of three acres and operated as a restaurant as defined
7.30 under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under
7.31 section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to
7.32 commercial purposes for not more than 250 consecutive days, or receives at least 60 percent

8.1 of its annual gross receipts from business conducted during four consecutive months. Gross
8.2 receipts from the sale of alcoholic beverages must be included in determining the property's
8.3 qualification under item (ii). The property's primary business must be as a restaurant and
8.4 not as a bar. Gross receipts from gift shop sales located on the premises must be excluded.
8.5 Owners of real property desiring 4c classification under this clause must submit an annual
8.6 declaration to the assessor by February 1 of the current assessment year, based on the
8.7 property's relevant information for the preceding assessment year;

8.8 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as
8.9 a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public
8.10 and devoted to recreational use for marina services. The marina owner must annually provide
8.11 evidence to the assessor that it provides services, including lake or river access to the public
8.12 by means of an access ramp or other facility that is either located on the property of the
8.13 marina or at a publicly owned site that abuts the property of the marina. No more than 800
8.14 feet of lakeshore may be included in this classification. Buildings used in conjunction with
8.15 a marina for marina services, including but not limited to buildings used to provide food
8.16 and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified
8.17 as class 3a property; and

8.18 (12) real and personal property devoted to noncommercial temporary and seasonal
8.19 residential occupancy for recreation purposes.

8.20 Class 4c property has a classification rate of 1.5 percent of market value, except that (i)
8.21 each parcel of noncommercial seasonal residential recreational property under clause (12)
8.22 has the same classification rates as class 4bb property, (ii) manufactured home parks assessed
8.23 under clause (5), item (i), have the same classification rate as class 4b property, the market
8.24 value of manufactured home parks assessed under clause (5), item (ii), have a classification
8.25 rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by
8.26 shareholders in the cooperative corporation or association and a classification rate of one
8.27 percent if 50 percent or less of the lots are so occupied, and class I manufactured home
8.28 parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent,
8.29 (iii) commercial-use seasonal residential recreational property and marina recreational land
8.30 as described in clause (11), has a classification rate of one percent for the first \$500,000 of
8.31 market value, and 1.25 percent for the remaining market value, (iv) the market value of
8.32 property described in clause (4) has a classification rate of one percent, (v) the market value
8.33 of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent,
8.34 (vi) that portion of the market value of property in clause (9) qualifying for class 4c property
8.35 has a classification rate of 1.25 percent, and (vii) property qualifying for classification under

9.1 clause (3) that is owned or operated by a congressionally chartered veterans organization
 9.2 has a classification rate of one percent. The commissioner of veterans affairs must provide
 9.3 a list of congressionally chartered veterans organizations to the commissioner of revenue
 9.4 by June 30, 2017, and by January 1, 2018, and each year thereafter.

9.5 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
 9.6 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of
 9.7 the units in the building qualify as low-income rental housing units as certified under section
 9.8 273.128, subdivision 3, only the proportion of qualifying units to the total number of units
 9.9 in the building qualify for class 4d. The remaining portion of the building shall be classified
 9.10 by the assessor based upon its use. Class 4d also includes the same proportion of land as
 9.11 the qualifying low-income rental housing units are to the total units in the building. For all
 9.12 properties qualifying as class 4d, the market value determined by the assessor must be based
 9.13 on the normal approach to value using normal unrestricted rents.

9.14 (f) The first tier of market value of class 4d property has a classification rate of 0.75
 9.15 percent. The remaining value of class 4d property has a classification rate of 0.25 percent.
 9.16 For the purposes of this paragraph, the "first tier of market value of class 4d property" means
 9.17 the market value of each housing unit up to the first tier limit. For the purposes of this
 9.18 paragraph, all class 4d property value must be assigned to individual housing units. The
 9.19 first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is
 9.20 adjusted each year by the average statewide change in estimated market value of property
 9.21 classified as class 4a and 4d under this section for the previous assessment year, excluding
 9.22 valuation change due to new construction, rounded to the nearest \$1,000, provided, however,
 9.23 that the limit may never be less than \$100,000. Beginning with assessment year 2015, the
 9.24 commissioner of revenue must certify the limit for each assessment year by November 1
 9.25 of the previous year.

9.26 **EFFECTIVE DATE.** Notwithstanding Minnesota Statutes, section 273.01, this section
 9.27 is effective beginning with assessments in 2020 and thereafter.

9.28 Sec. 4. Minnesota Statutes 2019 Supplement, section 273.13, subdivision 34, is amended
 9.29 to read:

9.30 Subd. 34. **Homestead of veteran with a disability or family caregiver.** (a) All or a
 9.31 portion of the market value of property owned by a veteran and serving as the veteran's
 9.32 homestead under this section is excluded in determining the property's taxable market value
 9.33 if the veteran has a service-connected disability of 70 percent or more as certified by the
 9.34 United States Department of Veterans Affairs. To qualify for exclusion under this subdivision,

10.1 the veteran must have been honorably discharged from the United States armed forces, as
10.2 indicated by United States Government Form DD214 or other official military discharge
10.3 papers.

10.4 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,
10.5 except as provided in clause (2); and

10.6 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is
10.7 excluded.

10.8 (c) If a veteran with a disability qualifying for a valuation exclusion under paragraph
10.9 (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the
10.10 spouse holds the legal or beneficial title to the homestead and permanently resides there,
10.11 the exclusion shall carry over to the benefit of the veteran's spouse until such time as the
10.12 spouse remarries, or sells, transfers, or otherwise disposes of the property, except as otherwise
10.13 provided in paragraph (n). Qualification under this paragraph requires an application under
10.14 paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's
10.15 marital status, ownership of the property, or use of the property as a permanent residence.

10.16 (d) If the spouse of a member of any branch or unit of the United States armed forces
10.17 who dies due to a service-connected cause while serving honorably in active service, as
10.18 indicated on United States Government Form DD1300 or DD2064, holds the legal or
10.19 beneficial title to a homestead and permanently resides there, the spouse is entitled to the
10.20 benefit described in paragraph (b), clause (2), until such time as the spouse remarries or
10.21 sells, transfers, or otherwise disposes of the property, except as otherwise provided in
10.22 paragraph (n).

10.23 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property
10.24 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary
10.25 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify
10.26 for under paragraph (b).

10.27 (f) In the case of an agricultural homestead, only the portion of the property consisting
10.28 of the house and garage and immediately surrounding one acre of land qualifies for the
10.29 valuation exclusion under this subdivision.

10.30 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible
10.31 for the market value exclusion under subdivision 35, or classification under subdivision 22,
10.32 paragraph (b).

11.1 (h) To qualify for a valuation exclusion under this subdivision a property owner must
11.2 apply to the assessor by December 15 of the first assessment year for which the exclusion
11.3 is sought. For an application received after December 15, the exclusion shall become effective
11.4 for the following assessment year. Except as provided in paragraph (c), the owner of a
11.5 property that has been accepted for a valuation exclusion must notify the assessor if there
11.6 is a change in ownership of the property or in the use of the property as a homestead.

11.7 (i) A first-time application by a qualifying spouse for the market value exclusion under
11.8 paragraph (d) must be made any time within two years of the death of the service member.

11.9 (j) For purposes of this subdivision:

11.10 (1) "active service" has the meaning given in section 190.05;

11.11 (2) "own" means that the person's name is present as an owner on the property deed;

11.12 (3) "primary family caregiver" means a person who is approved by the secretary of the
11.13 United States Department of Veterans Affairs for assistance as the primary provider of
11.14 personal care services for an eligible veteran under the Program of Comprehensive Assistance
11.15 for Family Caregivers, codified as United States Code, title 38, section 1720G; and

11.16 (4) "veteran" has the meaning given the term in section 197.447.

11.17 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion
11.18 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit
11.19 under paragraph (b), clause (2), until the spouse remarries or sells, transfers, or otherwise
11.20 disposes of the property, except as otherwise provided in paragraph (n), if:

11.21 (1) the spouse files a first-time application within two years of the death of the service
11.22 member or by June 1, 2019, whichever is later;

11.23 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the
11.24 homestead and permanently resides there;

11.25 (3) the veteran met the honorable discharge requirements of paragraph (a); and

11.26 (4) the United States Department of Veterans Affairs certifies that:

11.27 (i) the veteran met the total (100 percent) and permanent disability requirement under
11.28 paragraph (b), clause (2); or

11.29 (ii) the spouse has been awarded dependency and indemnity compensation.

11.30 (l) The purpose of this provision of law providing a level of homestead property tax
11.31 relief for veterans with a disability, their primary family caregivers, and their surviving

12.1 spouses is to help ease the burdens of war for those among our state's citizens who bear
 12.2 those burdens most heavily.

12.3 (m) By July 1, the county veterans service officer must certify the disability rating and
 12.4 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

12.5 (n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds
 12.6 the legal or beneficial title to the property may continue to receive the exclusion for a
 12.7 property other than the property for which the exclusion was initially granted until the spouse
 12.8 remarries or sells, transfers, or otherwise disposes of the property, provided that:

12.9 (1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed
 12.10 under this paragraph;

12.11 (2) the spouse holds the legal or beneficial title to the property for which the continuation
 12.12 of the exclusion is sought under this paragraph, and permanently resides there;

12.13 (3) the estimated market value of the property for which the exclusion is sought under
 12.14 this paragraph is less than or equal to the estimated market value of the property that first
 12.15 received the exclusion, based on the value of each property on the date of the sale of the
 12.16 property that first received the exclusion; and

12.17 (4) the spouse has not previously received the benefit under this paragraph for a property
 12.18 other than the property for which the exclusion is sought.

12.19 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2021.

12.20 **Sec. 5. 2019 AID PENALTY FORGIVENESS; ADDITIONAL FILING REQUIRED**
 12.21 **IN 2020.**

12.22 (a) Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the
 12.23 commissioner of revenue shall make a payment of \$9,280 to the city of Sargeant by August
 12.24 31, 2020, to compensate the city for its 2019 aid payment under Minnesota Statutes, section
 12.25 477A.013, that was withheld under Minnesota Statutes, section 477A.017, subdivision 3.

12.26 (b) The second half of the calendar year 2020 aid payment to the city under Minnesota
 12.27 Statutes, section 477A.013, will be withheld until the state auditor certifies to the
 12.28 commissioner of revenue that the city has complied with all reporting requirements under
 12.29 Minnesota Statutes, section 477A.017, subdivision 3, for calendar years 2018 and 2019.
 12.30 The commissioner of revenue must make the second payment for calendar year 2020 within
 12.31 one month of receiving this certification from the state auditor. If the city has not complied
 12.32 with all reporting requirements under Minnesota Statutes, section 477A.017, subdivision

13.1 3, for calendar years 2018 and 2019 by December 1, 2020, the city will receive no second
 13.2 half aid payment under Minnesota Statutes, section 477A.013, for calendar year 2020.

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

13.4 Sec. 6. **2019 AID PENALTY FORGIVENESS.**

13.5 Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the city of
 13.6 Roosevelt shall receive its aid payment for calendar year 2019 under Minnesota Statutes,
 13.7 section 477A.013, that was withheld under Minnesota Statutes, section 477A.017, subdivision
 13.8 3, provided that the state auditor certifies to the commissioner of revenue that the state
 13.9 auditor received the annual financial reporting form for 2018 from the city as well as all
 13.10 forms, including the financial statement and annual financial reporting form for calendar
 13.11 year 2019 by August 1, 2020. The commissioner of revenue shall make a payment of \$25,410
 13.12 by August 30, 2020.

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

13.14 Sec. 7. **PROPERTY TAX RELIEF FOR PROPERTIES DAMAGED BY FIRE OR**
 13.15 **VANDALISM.**

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

13.18 (b) "Damage amount" means the difference between (1) a property's estimated market
 13.19 value as determined on January 2, 2020, and (2) the property's estimated market value as
 13.20 determined under subdivision 4.

13.21 (c) "Net property tax" means the market value and net tax capacity taxes imposed on
 13.22 real and personal property under Minnesota Statutes, section 272.01, including the levy
 13.23 under Minnesota Statutes, section 275.025, after the subtractions listed in Minnesota Statutes,
 13.24 section 273.1393, clauses (2) to (9). Net property tax excludes special assessments regardless
 13.25 of how computed.

13.26 (d) "Qualifying property" means a property that:

13.27 (1) is located in the area included in the peacetime emergency declared in the governor's
 13.28 Executive Order No. 20-64;

13.29 (2) was damaged or destroyed due to the unrest in the cities of Minneapolis and St. Paul
 13.30 and surrounding communities after May 24, 2020, and before June 16, 2020;

14.1 (3) has a damage amount equal to at least 25 percent of the property's estimated market
14.2 value, excluding the value of the land, as determined on January 2, 2020;

14.3 (4) has not received abatements under Minnesota Statutes, sections 273.1231 to 273.1235,
14.4 for a disaster or emergency that occurred in 2020; and

14.5 (5) is not utility property.

14.6 (e) "Utility property" means property appraised and classified for tax purposes by order
14.7 of the commissioner of revenue under Minnesota Statutes, sections 273.33 to 273.3711.

14.8 Subd. 2. **Application.** The owner of a qualifying property must apply to the county
14.9 board and county or local assessor by September 1, 2020, in a manner prescribed by the
14.10 assessor in order to be eligible for an abatement under subdivision 3.

14.11 Subd. 3. **Abatements.** (a) Notwithstanding Minnesota Statutes, sections 270C.86 and
14.12 375.192, the county board and commissioner of revenue must grant abatements in the
14.13 amounts provided in paragraphs (b) and (c) for qualifying properties that submitted an
14.14 application under subdivision 2.

14.15 (b) For a qualifying property with a damage amount equal to less than 50 percent of the
14.16 property's estimated market value, excluding the value of the land, as determined on January
14.17 2, 2020, the abatement amount is equal to 50 percent of the net property tax due on the
14.18 property in 2020.

14.19 (c) For a qualifying property with a damage amount equal to at least 50 percent of the
14.20 property's estimated market value, excluding the value of the land, as determined on January
14.21 2, 2020, the abatement amount is equal to 100 percent of the net property tax due on the
14.22 property in 2020.

14.23 (d) If application is made after payment of all or a portion of the taxes being abated, the
14.24 portion of the abatement already paid must be refunded to the taxpayer by the county
14.25 treasurer as soon as practicable.

14.26 Subd. 4. **Reassessments required.** For the purposes of this section, the county or local
14.27 assessor must reassess all damaged property for which an application is submitted under
14.28 subdivision 2.

14.29 Subd. 5. **Valuation increase prohibited.** (a) The estimated market value for qualifying
14.30 properties that receive an abatement under subdivision 3 must not exceed the property's
14.31 estimated market value as determined under subdivision 4 until assessment year 2025,
14.32 provided that the property retains the same ownership it had as of May 25, 2020.

15.1 (b) Owners of property meeting the requirements of this subdivision must submit any
 15.2 information the county or local assessor or commissioner of revenue deems necessary to
 15.3 determine continued eligibility under this subdivision by December 15 of each year prior
 15.4 to the assessment year for which the property qualifies under paragraph (a).

15.5 Subd. 6. **Reimbursement and appropriation.** (a) The county auditor must certify the
 15.6 abatements granted under this section to the commissioner of revenue for reimbursement
 15.7 to each taxing jurisdiction in which qualifying property is located. The commissioner must
 15.8 make the payments to the taxing jurisdictions containing qualifying property, other than
 15.9 school districts and the state, at the time distributions are made under Minnesota Statutes,
 15.10 section 473H.10, subdivision 3. Reimbursements to school districts must be made as provided
 15.11 in Minnesota Statutes, section 273.1392. No reimbursement shall be paid to the state treasury.

15.12 (b) An amount necessary to make payments required by this section is appropriated to
 15.13 the commissioner of revenue from the general fund in fiscal year 2021.

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

15.15 **ARTICLE 2**

15.16 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

15.17 Section 1. Minnesota Statutes 2018, section 290.0131, subdivision 10, is amended to read:

15.18 Subd. 10. **Section 179 expensing.** (a) For property placed in service in taxable years
 15.19 beginning before January 1, 2020, except for qualifying depreciable property, 80 percent
 15.20 of the amount by which the deduction allowed under the dollar limits of section 179 of the
 15.21 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
 15.22 Revenue Code, as amended through December 31, 2003, is an addition.

15.23 (b) For purposes of this subdivision, "qualifying depreciable property" means:

15.24 (1) property for which a depreciation deduction is allowed under section 167 of the
 15.25 Internal Revenue Code; and

15.26 (2) property received as part of an exchange that qualifies for gain or loss recognition
 15.27 deferral under section 1031 of the Internal Revenue Code of 1986, as amended through
 15.28 December 16, 2016, but that does not qualify for gain or loss recognition deferral under
 15.29 section 1031 of the Internal Revenue Code of 1986, as amended through December 31,
 15.30 2018.

15.31 **EFFECTIVE DATE.** This section is effective for property placed in service in taxable
 15.32 years beginning after December 31, 2019, except that for taxpayers with qualifying

16.1 depreciable property, this section is effective retroactively and applies to the same tax periods
16.2 to which section 13303 of Public Law 115-97 relates.

16.3 Sec. 2. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
16.4 to read:

16.5 Subd. 30. **Volunteer driver reimbursement.** (a) The amount of mileage reimbursement
16.6 paid by a charitable organization for work as a volunteer driver is a subtraction. The
16.7 subtraction is limited to amounts paid per mile by the organization that:

16.8 (1) exceed the mileage rate for use of an automobile in rendering gratuitous services to
16.9 a charitable organization under section 170(i) of the Internal Revenue Code; and

16.10 (2) do not exceed the standard mileage rate for businesses established under Code of
16.11 Federal Regulations, title 26, section 1.274-5(j)(2).

16.12 (b) For the purposes of this section, "charitable organization" means an organization
16.13 eligible for a charitable contribution under section 170(c) of the Internal Revenue Code.

16.14 (c) This section expires for taxable years beginning after December 31, 2029.

16.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.16 31, 2019, and before January 1, 2030.

16.17 Sec. 3. Minnesota Statutes 2018, section 290.0133, subdivision 12, is amended to read:

16.18 Subd. 12. **Section 179 expensing.** (a) For property placed in service in taxable years
16.19 beginning before January 1, 2020, except for qualifying depreciable property, 80 percent
16.20 of the amount by which the deduction allowed under the dollar limits of section 179 of the
16.21 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
16.22 Revenue Code, as amended through December 31, 2003, is an addition.

16.23 (b) For purposes of this subdivision, "qualifying depreciable property" means:

16.24 (1) property for which a depreciation deduction is allowed under section 167 of the
16.25 Internal Revenue Code; and

16.26 (2) property received as part of an exchange that qualifies for gain or loss recognition
16.27 deferral under section 1031 of the Internal Revenue Code of 1986, as amended through
16.28 December 16, 2016, but that does not qualify for gain or loss recognition deferral under
16.29 section 1031 of the Internal Revenue Code of 1986, as amended through December 31,
16.30 2018.

17.1 **EFFECTIVE DATE.** This section is effective for property placed in service in taxable
17.2 years beginning after December 31, 2019, except that for taxpayers with qualifying
17.3 depreciable property, this section is effective retroactively and applies to the same tax periods
17.4 to which section 13303 of Public Law 115-97 relates.

17.5 Sec. 4. Minnesota Statutes 2018, section 290.0682, subdivision 2, is amended to read:

17.6 Subd. 2. **Credit allowed; refundable; appropriation.** (a) An eligible individual is
17.7 allowed a credit against the tax due under this chapter.

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

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

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

17.12 (3) the sum of:

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

17.14 (ii) ten percent of the original loan amount of all qualified education loans of the eligible
17.15 individual; or

17.16 (4) \$500.

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

17.19 (d) In the case of a married couple, each spouse is eligible for the credit in this section.

17.20 (e) If the amount of credit which a claimant is eligible to receive under this section
17.21 exceeds the claimant's tax liability under this chapter, the commissioner shall refund the
17.22 excess to the claimant.

17.23 (f) An amount sufficient to pay the refunds required by this section is appropriated to
17.24 the commissioner from the general fund.

17.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.26 31, 2020.

18.1 Sec. 5. Minnesota Statutes 2019 Supplement, section 290.993, is amended to read:

18.2 **290.993 SPECIAL LIMITED ADJUSTMENT.**

18.3 (a) For an individual income taxpayer subject to tax under section 290.06, subdivision
18.4 2c, or a partnership that elects to file a composite return under section 289A.08, subdivision
18.5 7, for taxable years beginning after December 31, 2017, and before January 1, 2019, the
18.6 following special rules apply:

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

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

18.15 (b) The adjustment in paragraph (a), clause (2), does not apply to any changes due to
18.16 sections 11012, 11031, 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13301, 13302,
18.17 13303, 13313, 13502, 13503, 13801, 14101, 14102, 14211 through 14215, and 14501 of
18.18 Public Law 115-97; and section 40411 of Public Law 115-123.

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

18.21 Sec. 6. **SECTION 179 EXPENSING; SUBTRACTIONS.**

18.22 No taxpayer with qualifying depreciable property is allowed a subtraction in computing
18.23 the taxpayer's net income for that qualifying depreciable property placed in service in taxable
18.24 years beginning after December 31, 2017, due to the retroactive exception for qualifying
18.25 depreciable property from the additions required under Minnesota Statutes, sections 290.0131,
18.26 subdivision 10, and 290.0133, subdivision 12. A taxpayer who claimed a subtraction under
18.27 Minnesota Statutes, section 290.0132, subdivision 14, or 290.0134, subdivision 14, for that
18.28 qualifying depreciable property must recompute the taxpayer's tax in the year in which the
18.29 qualifying depreciable property was placed in service and in each year a subtraction was
18.30 claimed.

18.31 **EFFECTIVE DATE.** This section is effective retroactively and applies to the same tax
18.32 periods to which section 13303 of Public Law 115-97 relates.

19.1 **ARTICLE 3**

19.2 **SALES AND USE TAXES**

19.3 Section 1. Minnesota Statutes 2018, section 297A.70, subdivision 13, is amended to read:

19.4 Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by
19.5 the specified organizations for fund-raising purposes are exempt, subject to the limitations
19.6 listed in paragraph (b):

19.7 (1) all sales made by a nonprofit organization that exists solely for the purpose of
19.8 providing educational or social activities for young people primarily age 18 and under;

19.9 (2) all sales made by an organization that is a senior citizen group or association of
19.10 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized
19.11 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no
19.12 part of its net earnings inures to the benefit of any private shareholders;

19.13 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the
19.14 beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under
19.15 section 501(c)(3) of the Internal Revenue Code; and

19.16 (4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides
19.17 educational and social activities primarily for young people age 18 and under.

19.18 (b) The exemptions listed in paragraph (a) are limited in the following manner:

19.19 (1) the exemption under paragraph (a), clauses (1) and (2), applies only to the first
19.20 \$20,000 of the gross annual receipts of the organization from fund-raising; ~~and~~

19.21 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived
19.22 from admission charges or from activities for which the money must be deposited with the
19.23 school district treasurer under section 123B.49, subdivision 2, ~~or~~; and

19.24 (3) the exemption under paragraph (a), clause (1), does not apply if the sales are derived
19.25 from admission charges or from activities for which the money must be recorded in the
19.26 same manner as other revenues or expenditures of the school district under section 123B.49,
19.27 subdivision 4-, unless the following conditions are both met:

19.28 (i) the sales are made for fund-raising purposes of a club, association, or other
19.29 organization of elementary or secondary school students organized for the purpose of
19.30 carrying on sports activities, educational activities, or other extracurricular activities; and

20.1 (ii) the school district reserves revenue raised for extracurricular activities, as provided
 20.2 in section 123B.49, subdivision 4, paragraph (e), and spends the revenue raised by a particular
 20.3 extracurricular activity only for that extracurricular activity.

20.4 (c) Sales of tangible personal property and services are exempt if the entire proceeds,
 20.5 less the necessary expenses for obtaining the property or services, will be contributed to a
 20.6 registered combined charitable organization described in section 43A.50, to be used
 20.7 exclusively for charitable, religious, or educational purposes, and the registered combined
 20.8 charitable organization has given its written permission for the sale. Sales that occur over
 20.9 a period of more than 24 days per year are not exempt under this paragraph.

20.10 (d) For purposes of this subdivision, a club, association, or other organization of
 20.11 elementary or secondary school students organized for the purpose of carrying on sports,
 20.12 educational, or other extracurricular activities is a separate organization from the school
 20.13 district or school for purposes of applying the \$20,000 limit.

20.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made after the
 20.15 date of final enactment.

20.16 Sec. 2. Minnesota Statutes 2019 Supplement, section 297A.71, subdivision 52, is amended
 20.17 to read:

20.18 **Subd. 52. Construction; certain local government facilities.** (a) Materials and supplies
 20.19 used in and equipment incorporated into the construction, reconstruction, upgrade, expansion,
 20.20 or remodeling of the following local government owned facilities are exempt:

20.21 (1) a new fire station, which includes firefighting, emergency management, public safety
 20.22 training, and other public safety facilities in the city of Monticello if materials, supplies,
 20.23 and equipment are purchased after January 31, 2019, and before January 1, 2022;

20.24 (2) a new fire station, which includes firefighting and public safety training facilities
 20.25 and public safety facilities, in the city of Inver Grove Heights if materials, supplies, and
 20.26 equipment are purchased after June 30, 2018, and before January 1, 2021;

20.27 (3) a fire station and police station, including access roads, lighting, sidewalks, and
 20.28 utility components, on or adjacent to the property on which the fire station or police station
 20.29 are located that are necessary for safe access to and use of those buildings, in the city of
 20.30 Minnetonka if materials, supplies, and equipment are purchased after May 23, 2019, and
 20.31 before January 1, ~~2021~~ 2022;

20.32 (4) the school building in Independent School District No. 414, Minneota, if materials,
 20.33 supplies, and equipment are purchased after January 1, 2018, and before January 1, 2021;

21.1 (5) a fire station in the city of Mendota Heights, if materials, supplies, and equipment
21.2 are purchased after December 31, 2018, and before January 1, 2021; ~~and~~

21.3 (6) a Dakota County law enforcement collaboration center, also known as the Safety
21.4 and Mental Health Alternative Response Training (SMART) Center, if materials, supplies,
21.5 and equipment are purchased after June 30, 2019, and before July 1, 2021;

21.6 (7) a new fire station and emergency management operations center, including on-site
21.7 infrastructure improvements of parking lot, road access, lighting, sidewalks, and utility
21.8 components in the city of Maplewood if materials, supplies, and equipment are purchased
21.9 after September 30, 2020, and before April 1, 2023;

21.10 (8) a new police station, which includes police administration, meeting, training, and
21.11 short-term detention facilities in the city of Crystal, if materials, supplies, and equipment
21.12 are purchased after December 31, 2020, and before January 1, 2024;

21.13 (9) a new fire station, which includes firefighting, emergency management, public safety
21.14 training, and other public safety facilities in the city of Buffalo, if materials, supplies, and
21.15 equipment are purchased after April 30, 2020, and before November 1, 2021;

21.16 (10) a new fire station in the city of Grand Rapids, if materials, supplies, and equipment
21.17 are purchased after July 31, 2020, and before August 1, 2022;

21.18 (11) a new fire station constructed on the site of a previous fire station in the city of
21.19 Bloomington, if materials, supplies, and equipment are purchased after December 31, 2020,
21.20 and before January 1, 2023;

21.21 (12) a fire station in the city of St. Peter if materials, supplies, and equipment are
21.22 purchased after June 30, 2020, and before March 1, 2022;

21.23 (13) demolition and replacement of the existing Fire Station No. 2 on its existing site
21.24 and renovation and expansion of Fire Station No. 3, both in the city of Plymouth, if materials,
21.25 supplies, and equipment are purchased after January 1, 2021, and before March 31, 2023;
21.26 and

21.27 (14) the following facilities in the city of Virginia:

21.28 (i) a regional public safety center and training facility for fire and police departments,
21.29 emergency medical services, regional emergency services training, and other regional
21.30 community needs, if materials, supplies, and equipment are purchased after May 1, 2021,
21.31 and before May 1, 2023; and

22.1 (ii) the Miner's Memorial recreation complex and convention center, if materials, supplies,
 22.2 and equipment are purchased after May 1, 2020, and before May 1, 2022.

22.3 (b) The tax must be imposed and collected as if the rate under section 297A.62,
 22.4 subdivision 1, applied and then refunded in the manner provided in section 297A.75.

22.5 (c) The total refund for the project listed in paragraph (a), clause (3), must not exceed
 22.6 \$850,000.

22.7 **EFFECTIVE DATE.** This section is effective retroactively from May 1, 2020.

22.8 Sec. 3. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to
 22.9 read:

22.10 **Subd. 53. Properties destroyed or damaged by a fire.** (a) Building materials and
 22.11 supplies used or consumed in, and equipment incorporated into, the construction or
 22.12 replacement of real property affected by, and capital equipment to replace equipment
 22.13 destroyed in, the fire on February 25, 2020, in the city of Alexandria are exempt. For purposes
 22.14 of this subdivision, "capital equipment" includes durable equipment used in a restaurant for
 22.15 food storage, preparation, and serving.

22.16 (b) Building cleaning and disinfecting services related to mitigating smoke damage in
 22.17 buildings impacted by the fire on February 25, 2020, in the city of Alexandria are exempt.

22.18 (c) The tax must be imposed and collected as if the rate under section 297A.62,
 22.19 subdivision 1, applied and then refunded in the manner provided in section 297A.75. The
 22.20 exemption under paragraph (a) applies to sales and purchases made after February 24, 2020,
 22.21 and before February 28, 2023. The exemption under paragraph (b) applies to sales and
 22.22 purchases made after February 24, 2020, and before January 1, 2021.

22.23 (d) This subdivision expires March 1, 2023.

22.24 **EFFECTIVE DATE.** This section is effective the day following final enactment and
 22.25 applies retroactively to sales and purchases made after February 24, 2020.

22.26 Sec. 4. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to
 22.27 read:

22.28 **Subd. 54. Properties destroyed or damaged by a fire.** (a) Building materials and
 22.29 supplies used or consumed in, and equipment incorporated into, the construction or
 22.30 replacement of real property affected by, and capital equipment to replace equipment
 22.31 destroyed in, the fire on March 22, 2020, on the 2400 block of Central Avenue NE, in the

23.1 city of Minneapolis, are exempt. For purposes of this subdivision, "capital equipment"
 23.2 includes durable equipment used in a restaurant for food storage, preparation, and serving.

23.3 (b) Building cleaning and disinfecting services related to mitigating smoke damage in
 23.4 buildings impacted by the fire on March 22, 2020, on the 2400 block of Central Avenue
 23.5 NE, in the city of Minneapolis, are exempt.

23.6 (c) The tax must be imposed and collected as if the rate under section 297A.62,
 23.7 subdivision 1, applied and then refunded in the manner provided in section 297A.75. The
 23.8 exemption under paragraph (a) applies to sales and purchases made after March 21, 2020,
 23.9 and before March 26, 2023. The exemption under paragraph (b) applies to sales and purchases
 23.10 made after March 21, 2020, and before January 1, 2021.

23.11 (d) This subdivision expires April 1, 2023.

23.12 **EFFECTIVE DATE.** This section is effective the day following final enactment and
 23.13 applies retroactively to sales and purchases made after March 21, 2020.

23.14 Sec. 5. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to
 23.15 read:

23.16 Subd. 55. **Properties destroyed or damaged during protests and unrest in May and**
 23.17 **June of 2020.** (a) The sale and purchase of the following items are exempt if the items are
 23.18 used to repair, replace, clean, or otherwise recover from real and personal property damage
 23.19 and destruction after May 24, 2020, and before June 16, 2020, resulting from protests and
 23.20 unrest in the cities included in the peacetime emergency declared in the governor's Executive
 23.21 Order No. 20-64:

23.22 (1) building materials and supplies used or consumed in, and equipment incorporated
 23.23 into, the construction, replacement, or repair of real property;

23.24 (2) capital equipment, including retail fixtures, office equipment, and restaurant
 23.25 equipment, with a cost of \$5,000 or more and a useful life of more than one year; and

23.26 (3) building cleaning and disinfecting services related to mitigating smoke damage and
 23.27 graffiti on and in impacted buildings.

23.28 (b) The exemption in this subdivision only applies to properties owned by:

23.29 (1) a government entity; or

23.30 (2) a private owner, provided the building housed one or more of the following entities
 23.31 at the time of the damage or destruction:

24.1 (i) a commercial establishment with annual gross income of \$30,000,000 or less in
 24.2 calendar year 2019;

24.3 (ii) a nonprofit organization; or

24.4 (iii) a low-income housing development that meets the certification requirements under
 24.5 section 273.128, whether or not the development was occupied at the time of its damage or
 24.6 destruction.

24.7 (c) The tax must be imposed and collected as if the rate under section 297A.62,
 24.8 subdivision 1, applied and then refunded in the manner provided in section 297A.75. The
 24.9 exemption under paragraph (a) applies to sales and purchases made after May 25, 2020,
 24.10 and before December 1, 2022.

24.11 (d) Both the owner and occupants of the real property at the time of the damage or
 24.12 destruction may apply for a refund under this subdivision.

24.13 (e) The exemption applies only to purchases by:

24.14 (1) an owner if the owner owned the real property at the time of the damage or
 24.15 destruction; and

24.16 (2) an occupant if the occupant occupied the real property at the time of the damage or
 24.17 destruction.

24.18 (f) The owner of real property may only request a refund for purchases paid for by the
 24.19 owner or by a contractor on behalf of the owner. An occupant of real property may only
 24.20 request a refund for purchases paid for by the occupant or by a contractor on behalf of the
 24.21 occupant.

24.22 **EFFECTIVE DATE.** This section is effective the day following final enactment and
 24.23 applies retroactively to sales and purchases made after May 25, 2020.

24.24 Sec. 6. Minnesota Statutes 2019 Supplement, section 297A.75, subdivision 1, as amended
 24.25 by Laws 2020, chapter 83, article 1, section 74, is amended to read:

24.26 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
 24.27 exempt items must be imposed and collected as if the sale were taxable and the rate under
 24.28 section 297A.62, subdivision 1, applied. The exempt items include:

24.29 (1) building materials for an agricultural processing facility exempt under section
 24.30 297A.71, subdivision 13;

- 25.1 (2) building materials for mineral production facilities exempt under section 297A.71,
25.2 subdivision 14;
- 25.3 (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- 25.4 (4) building materials used in a residence for veterans with a disability exempt under
25.5 section 297A.71, subdivision 11;
- 25.6 (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- 25.7 (6) materials and supplies for qualified low-income housing under section 297A.71,
25.8 subdivision 23;
- 25.9 (7) materials, supplies, and equipment for municipal electric utility facilities under
25.10 section 297A.71, subdivision 35;
- 25.11 (8) equipment and materials used for the generation, transmission, and distribution of
25.12 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
25.13 37;
- 25.14 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
25.15 (a), clause (10);
- 25.16 (10) materials, supplies, and equipment for construction or improvement of projects and
25.17 facilities under section 297A.71, subdivision 40;
- 25.18 (11) materials, supplies, and equipment for construction, improvement, or expansion of
25.19 a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
25.20 45;
- 25.21 (12) enterprise information technology equipment and computer software for use in a
25.22 qualified data center exempt under section 297A.68, subdivision 42;
- 25.23 (13) materials, supplies, and equipment for qualifying capital projects under section
25.24 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- 25.25 (14) items purchased for use in providing critical access dental services exempt under
25.26 section 297A.70, subdivision 7, paragraph (c);
- 25.27 (15) items and services purchased under a business subsidy agreement for use or
25.28 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
25.29 44;
- 25.30 (16) the following:

26.1 (i) building materials, equipment, and supplies for constructing or replacing real property
 26.2 exempt under:

26.3 (A) section 297A.71, subdivisions 49; 50, paragraph (b); and 51; and

26.4 (B) section 297A.71, subdivisions 53, paragraph (a); 54, paragraph (a); and 55, paragraph
 26.5 (a); and

26.6 (ii) cleaning services for smoke damaged property under section 297A.71, subdivisions
 26.7 53, paragraph (b); 54, paragraph (b); and 55, paragraph (a); and

26.8 (17) building materials, equipment, and supplies for qualifying capital projects under
 26.9 section 297A.71, subdivision 52.

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

26.11 Sec. 7. Minnesota Statutes 2019 Supplement, section 297A.75, subdivision 2, is amended
 26.12 to read:

26.13 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
 26.14 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must
 26.15 be paid to the applicant. Only the following persons may apply for the refund:

26.16 (1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

26.17 (2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

26.18 (3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits
 26.19 provided in United States Code, title 38, chapter 21;

26.20 (4) for subdivision 1, clause (5), the applicant must be the owner of the homestead
 26.21 property;

26.22 (5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

26.23 (6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a
 26.24 joint venture of municipal electric utilities;

26.25 (7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying
 26.26 business;

26.27 (8) for subdivision 1, clauses (9), (10), (13), and (17), the applicant must be the
 26.28 governmental entity that owns or contracts for the project or facility; and

26.29 (9) for subdivision 1, clause (16), item (i), subitem (A), the applicant must be the owner
 26.30 or developer of the building or project; and

27.1 (10) for subdivision 1, clause (16), item (i), subitem (B), and item (ii), the applicant must
 27.2 be an owner or occupant of the real property at the time of its damage or destruction.

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

27.4 Sec. 8. **STATE HIGH SCHOOL LEAGUE; FUNDING FLEXIBILITY.**

27.5 Notwithstanding Minnesota Statutes, section 128C.24, the Minnesota State High School
 27.6 League may reduce the transfer of sales tax savings to a nonprofit charitable foundation
 27.7 created for the purpose of promoting high school extracurricular activities by up to \$500,000
 27.8 in total over the 2019-2020 and 2020-2021 school years. Any sales tax savings amounts
 27.9 not transferred must be used for operations of the Minnesota State High School League.

27.10 **EFFECTIVE DATE.** This section is effective the day following final enactment and
 27.11 applies retroactively to sales tax savings in the 2019-2020 and 2020-2021 school years.

27.12 **ARTICLE 4**

27.13 **PARTNERSHIP AUDITS**

27.14 Section 1. Minnesota Statutes 2018, section 270C.445, subdivision 6, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

29.5 (l) The commissioner may impose an administrative penalty, in addition to the penalty
29.6 under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under
29.7 paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case
29.8 procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under
29.9 this paragraph, the tax preparer assessed the penalty may request a hearing to review the
29.10 penalty order. The request for hearing must be made in writing and must be served on the
29.11 commissioner at the address specified in the order. The hearing request must specifically
29.12 state the reasons for seeking review of the order. The cease and desist order issued under
29.13 paragraph (b) is not subject to review in a proceeding to challenge the penalty order under
29.14 this paragraph. The date on which a request for hearing is served by mail is the postmark
29.15 date on the envelope in which the request for hearing is mailed. If the tax preparer does not
29.16 timely request a hearing, the penalty order becomes a final order of the commissioner and
29.17 is not subject to review by any court or agency. A penalty imposed by the commissioner
29.18 under this paragraph may be collected and enforced by the commissioner as an income tax
29.19 liability. There is no right to make a claim for refund under section 289A.50 of the penalty
29.20 imposed under this paragraph. A penalty imposed under this paragraph is public data.

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

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

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

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

29.32 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
29.33 after December 31, 2017, except that for partnerships that make an election under Code of

30.1 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 30.2 and applies to the same tax periods to which the election relates.

30.3 Sec. 2. Minnesota Statutes 2018, section 289A.31, subdivision 1, is amended to read:

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

30.8 (1) the tax due from a decedent for that part of the taxable year in which the decedent
 30.9 died during which the decedent was alive and the taxes, interest, and penalty due for the
 30.10 prior years must be paid by the decedent's personal representative, if any. If there is no
 30.11 personal representative, the taxes, interest, and penalty must be paid by the transferees, as
 30.12 defined in section 270C.58, subdivision 3, to the extent they receive property from the
 30.13 decedent;

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

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

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

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

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

30.27 (c) The taxes imposed under sections 289A.35, paragraph (b), 289A.382, subdivision
 30.28 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the
 30.29 general partners.

30.30 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 30.31 after December 31, 2017, except that for partnerships that make an election under Code of

31.1 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively
 31.2 and applies to the same tax periods to which the election relates.

31.3 Sec. 3. Minnesota Statutes 2018, section 289A.37, subdivision 2, is amended to read:

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

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

31.10 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a
 31.11 taxpayer, including but not limited to refunds of claims made under section 290.06,
 31.12 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;
 31.13 290.0681; or 290.0692; or chapter 290A; or

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

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

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

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

31.26 Sec. 4. Minnesota Statutes 2019 Supplement, section 289A.38, subdivision 7, is amended
 31.27 to read:

31.28 Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference,
 31.29 deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any
 31.30 period, as reported to the Internal Revenue Service is changed or corrected by the
 31.31 commissioner of Internal Revenue or other officer of the United States or other competent
 31.32 authority, or where a renegotiation of a contract or subcontract with the United States results

32.1 in a change in income, items of tax preference, deductions, credits, or withholding tax, or,
 32.2 in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall
 32.3 report the ~~change or correction or renegotiation results~~ federal adjustments in writing to the
 32.4 commissioner. The federal adjustments report must be submitted within 180 days after the
 32.5 final determination date and must be in the form of either an amended Minnesota estate,
 32.6 withholding tax, corporate franchise tax, or income tax return conceding the accuracy of
 32.7 the federal ~~determination~~ adjustment or a letter detailing how the federal ~~determination~~
 32.8 adjustment is incorrect or does not change the Minnesota tax. An amended Minnesota
 32.9 income tax return must be accompanied by an amended property tax refund return, if
 32.10 necessary. A taxpayer filing an amended federal tax return must also file a copy of the
 32.11 amended return with the commissioner of revenue within 180 days after filing the amended
 32.12 return.

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

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

32.23 Sec. 5. Minnesota Statutes 2018, section 289A.38, subdivision 8, is amended to read:

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

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

33.1 Sec. 6. Minnesota Statutes 2018, section 289A.38, subdivision 9, is amended to read:

33.2 Subd. 9. **Report made of change or correction of federal return.** If a taxpayer is
33.3 required to make a federal adjustments report under subdivision 7 or section 289A.382, and
33.4 does report the change or files a copy of the amended return, the commissioner may
33.5 recompute and reassess the tax due, including a refund (1) within one year after the federal
33.6 adjustments report or amended return is filed with the commissioner, notwithstanding any
33.7 period of limitations to the contrary, or (2) within any other applicable period stated in this
33.8 section, whichever period is longer. The period provided for the carryback of any amount
33.9 of loss or credit is also extended as provided in this subdivision, notwithstanding any law
33.10 to the contrary. If the commissioner has completed a field audit of the taxpayer, and, but
33.11 for this subdivision, the commissioner's time period to adjust the tax has expired, the
33.12 additional tax due or refund is limited to only those changes that are required to be made
33.13 to the return which relate to the changes made on the federal return. This subdivision does
33.14 not apply to sales and use tax.

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

33.22 A taxpayer may make estimated payments to the commissioner of the tax expected to
33.23 result from a pending audit by the Internal Revenue Service. The taxpayer may make
33.24 estimated payments prior to the due date of the federal adjustments report without the
33.25 taxpayer having to file the report with the commissioner. The commissioner must credit the
33.26 estimated tax payments against any tax liability of the taxpayer ultimately found to be due
33.27 to the commissioner. The estimated payments limit the accrual of further statutory interest
33.28 on that amount. If the estimated tax payments exceed the final tax liability and statutory
33.29 interest ultimately determined to be due, the taxpayer is entitled to a refund or credit for the
33.30 excess, provided the taxpayer files a federal adjustments report or claim for refund or credit
33.31 of tax, no later than one year following the final determination date.

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

34.1 Sec. 7. Minnesota Statutes 2018, section 289A.38, subdivision 10, is amended to read:

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

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

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

34.16 **Subdivision 1. Definitions relating to federal adjustments.** Unless otherwise specified,
34.17 the definitions in this section apply for the purposes of sections 289A.38, subdivisions 7 to
34.18 9, 289A.381, and 289A.382.

34.19 **Subd. 2. Administrative adjustment request.** "Administrative adjustment request"
34.20 means an administrative adjustment request filed by a partnership under section 6227 of
34.21 the Internal Revenue Code.

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

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

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

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

34.30 **Subd. 7. Federal adjustment.** "Federal adjustment" means any change in an amount
34.31 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an
34.32 item of preference, or any other item that is used by a taxpayer to compute a tax administered

35.1 under this chapter for the reviewed year whether that change results from action by the
 35.2 Internal Revenue Service or other competent authority, including a partnership-level audit,
 35.3 or from the filing of an amended federal return, federal refund claim, or an administrative
 35.4 adjustment request by the taxpayer.

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

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

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

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

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

35.22 (3) for a federal adjustment arising from the filing of an amended federal return, a federal
 35.23 refund claim, or the filing by a partnership of an administrative adjustment request, the date
 35.24 on which the amended return, refund claim, or administrative adjustment request was filed;
 35.25 or

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

35.28 Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal
 35.29 adjustment after the final determination date for that federal adjustment has passed.

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

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

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

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

36.5 Subd. 14. **Partnership.** "Partnership" has the meaning provided under section 7701(a)(2)
 36.6 of the Internal Revenue Code.

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

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

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

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

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

36.22 Subd. 20. **Unrelated business taxable income.** "Unrelated business taxable income"
 36.23 has the meaning provided under section 512 of the Internal Revenue Code.

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

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

36.29 Subdivision 1. **State partnership representative.** (a) With respect to an action required
 36.30 or permitted to be taken by a partnership under this section, or in a proceeding under section
 36.31 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the

37.1 sole authority to act on behalf of the partnership, and its direct partners and indirect partners
 37.2 shall be bound by those actions.

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

37.6 **Subd. 2. Reporting and payment requirements for partnerships and tiered**
 37.7 **partners.** (a) Unless an audited partnership makes the election in subdivision 3, or for
 37.8 adjustments required to be reported for federal purposes pursuant to section 6225(a)(2) of
 37.9 the Internal Revenue Code, then, for all final federal adjustments the audited partnership
 37.10 must comply with paragraph (b) and each direct partner of the audited partnership, other
 37.11 than a tiered partner, must comply with paragraph (c).

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

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

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

37.17 (3) file an amended composite report for all direct partners who were included in a
 37.18 composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the
 37.19 additional amount that would have been due had the federal adjustments been reported
 37.20 properly as required; and

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

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

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

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

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

38.4 (1) no later than 90 days after the final determination date, file a completed federal
38.5 adjustments report, including the residency information for all individual, trust, and estate
38.6 direct partners, and information pertaining to all other direct partners as prescribed by the
38.7 commissioner, and notify the commissioner that it is making the election under this
38.8 subdivision; and

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

38.11 (i) exclude from final federal adjustments the distributive share of these adjustments
38.12 made to a direct exempt partner that is not unrelated business taxable income;

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

38.17 (iii) assign and apportion at the partnership level using sections 290.17 to 290.20 the
38.18 total distributive share of the remaining final federal adjustments for the reviewed year
38.19 attributed to direct corporate partners and direct exempt partners, multiply the total by the
38.20 highest tax rate in section 290.06, subdivision 1, for the reviewed year, and calculate interest
38.21 and penalties as applicable under this chapter;

38.22 (iv) allocate at the partnership level using section 290.17, subdivision 1, the total
38.23 distributive share of all final federal adjustments attributable to individual resident direct
38.24 partners for the reviewed year; multiply the total by the highest tax rate in section 290.06,
38.25 subdivision 2c, for the reviewed year; and calculate interest and penalties as applicable
38.26 under this chapter;

38.27 (v) assign and apportion at the partnership level using sections 290.17 to 290.20 the total
38.28 distributive share of the remaining final federal adjustments attributable to nonresident
38.29 individual direct partners and direct partners who are an estate or a trust for the reviewed
38.30 year; multiply the total by the highest tax rate in section 290.06, subdivision 2c, for the
38.31 reviewed year; and calculate interest and penalties as applicable under this chapter;

38.32 (vi) for the total distributive share of the remaining final federal adjustments reported
38.33 to tiered partners:

39.1 (A) determine the amount of the adjustments that would be assigned using section 290.17,
39.2 subdivision 2, paragraphs (a) to (d), excluding income or gains from intangible personal
39.3 property not employed in the business of the recipient of the income or gains if the recipient
39.4 of the income or gains is a resident of this state or is a resident trust or estate under section
39.5 290.17, subdivision 2, paragraph (c), or apportioned using sections 290.17, subdivision 3,
39.6 290.191, and 290.20, and then determine the portion of this amount that would be allocated
39.7 to this state;

39.8 (B) determine the amount of the adjustments which are of a type which are fully sourced
39.9 to the taxpayer's state of residency under section 290.17, subdivision 2, paragraph (e), and
39.10 income or gains from intangible personal property not employed in the business of the
39.11 recipient of the income or gains if the recipient of the income or gains is a resident of this
39.12 state or is a resident trust or estate under section 290.17, subdivision 2, paragraph (c);

39.13 (C) determine the portion of the amount determined in subitem (B) that can be established
39.14 to be properly allocable to nonresident indirect partners or other partners not subject to tax
39.15 on the adjustments; and

39.16 (D) multiply the total of the amounts determined in subitems (A) and (B) reduced by
39.17 the amount determined in subitem (C) by the highest tax rate in section 290.06, subdivision
39.18 2c, for the reviewed year, and calculate interest and penalties as applicable under this chapter;
39.19 and

39.20 (vii) add the amounts determined in items (iii) to (vi), and pay all applicable taxes,
39.21 penalties, and interest to the commissioner.

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

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

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

39.26 (c) An audited partnership not otherwise subject to any reporting or payment obligation
39.27 to this state may not make an election under this subdivision.

39.28 Subd. 4. **Tiered partners and indirect partners.** The direct and indirect partners of an
39.29 audited partnership that are tiered partners, and all of the partners of those tiered partners
39.30 that are subject to tax under chapter 290 are subject to the reporting and payment
39.31 requirements contained in subdivision 2 and the tiered partners are entitled to make the
39.32 elections provided in subdivision 3. The tiered partners or their partners shall make required
39.33 reports and payments no later than 90 days after the time for filing and furnishing of

40.1 statements to tiered partners and their partners as established under section 6226 of the
 40.2 Internal Revenue Code.

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

40.6 **(b) If an audited partnership or tiered partner properly reports and pays an amount**
 40.7 **determined in subdivision 3, the amount will be treated as paid in lieu of taxes owed by the**
 40.8 **partnership's direct partners and indirect partners, to the extent applicable, on the same final**
 40.9 **federal adjustments. The direct partners or indirect partners of the partnership who are not**
 40.10 **resident partners may not take any deduction or credit for this amount or claim a refund of**
 40.11 **the amount in this state.**

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

40.15 **Subd. 6. Failure of partnership or tiered partner to report or pay. Nothing in this**
 40.16 **section prevents the commissioner from assessing direct partners or indirect partners for**
 40.17 **taxes they owe, using the best information available, in the event that, for any reason, a**
 40.18 **partnership or tiered partner fails to timely make any report or payment required by this**
 40.19 **section.**

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

40.24 Sec. 10. Minnesota Statutes 2018, section 289A.42, is amended to read:

40.25 **289A.42 CONSENT TO EXTEND STATUTE.**

40.26 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in
 40.27 sections 289A.38 to 289A.382 and 289A.40 for the assessment of tax or the filing of a claim
 40.28 for refund, both the commissioner and the taxpayer have consented in writing to the
 40.29 assessment or filing of a claim for refund after that time, the tax may be assessed or the
 40.30 claim for refund filed at any time before the expiration of the agreed-upon period. The
 40.31 period may be extended by later agreements in writing before the expiration of the period
 40.32 previously agreed upon. The taxpayer and the commissioner may also agree to extend the
 40.33 period for collection of the tax.

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

41.5 (1) for the periods provided in ~~section~~ sections 289A.38, subdivisions 8 and 9, and
 41.6 289A.382, subdivisions 2 and 3;

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

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

41.17 Sec. 11. Minnesota Statutes 2018, section 289A.60, subdivision 24, is amended to read:

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

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

41.27 Sec. 12. Minnesota Statutes 2018, section 290.31, subdivision 1, is amended to read:

41.28 Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under
 41.29 ~~section~~ sections 289A.35, paragraph (b), and 289A.382, subdivision 3, a partnership as such
 41.30 shall not be subject to the income tax imposed by this chapter, but is subject to the tax
 41.31 imposed under section 290.0922. Persons carrying on business as partners shall be liable
 41.32 for income tax only in their separate or individual capacities.

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

42.5 Sec. 13. Minnesota Statutes 2018, section 297F.17, subdivision 6, is amended to read:

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

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

42.15 Sec. 14. Minnesota Statutes 2018, section 297G.16, subdivision 7, is amended to read:

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

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

42.24 Sec. 15. Minnesota Statutes 2018, section 469.319, subdivision 4, is amended to read:

42.25 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter
 42.26 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an
 42.27 amended return with the commissioner of revenue and pay any taxes required to be repaid
 42.28 within 30 days after becoming subject to repayment under this section. The amount required
 42.29 to be repaid is determined by calculating the tax for the period or periods for which repayment
 42.30 is required without regard to the exemptions and credits allowed under section 469.315.

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

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

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

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

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

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

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

44.3 (h) A business is not entitled to any income tax or franchise tax benefits, including
44.4 refundable credits, for any part of the year in which the business becomes subject to
44.5 repayment under this section nor for any year thereafter. Property is not exempt from tax
44.6 under section 272.02, subdivision 64, for any taxes payable in the year following the year
44.7 in which the property became subject to repayment under this section nor for any year
44.8 thereafter. A business is not eligible for any sales tax benefits beginning with goods or
44.9 services purchased or first put to a taxable use on the day that the business becomes subject
44.10 to repayment under this section.

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

44.15 ARTICLE 5

44.16 MISCELLANEOUS

44.17 Section 1. Minnesota Statutes 2018, section 297E.02, subdivision 6, as amended by Laws
44.18 2020, chapter 83, article 1, section 76, is amended to read:

44.19 Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under
44.20 subdivision 1, a tax is imposed on the combined net receipts of the organization. As used
44.21 in this section, "combined net receipts" is the sum of the organization's gross receipts from
44.22 lawful gambling less gross receipts directly derived from the conduct of paper bingo, raffles,
44.23 and paddlewheels, as defined in section 297E.01, subdivision 8, and less the net prizes
44.24 actually paid, other than prizes actually paid for paper bingo, raffles, and paddlewheels, for
44.25 the fiscal year. The combined net receipts of an organization are subject to a tax computed
44.26 according to the following schedule:

44.27	If the combined net receipts	The tax is:
44.28	for the fiscal year are:	
44.29	Not over \$87,500	nine <u>eight</u> percent
44.30	Over \$87,500, but not over	\$7,875 <u>\$7,000</u> plus 18 <u>16</u> percent of
44.31	\$122,500	the amount over \$87,500, but not over
44.32		\$122,500

45.1 Over \$122,500, but not ~~\$14,175~~ \$12,600 plus ~~27~~ 24 percent
 45.2 over \$157,500 of the amount over \$122,500, but not
 45.3 over \$157,500

45.4 Over \$157,500 ~~\$23,625~~ \$21,000 plus ~~36~~ 32 percent
 45.5 of the amount over \$157,500

45.6 (b) Gross receipts derived from sports-themed tipboards are exempt from taxation under
 45.7 this section. For purposes of this paragraph, a sports-themed tipboard means a sports-themed
 45.8 tipboard as defined in section 349.12, subdivision 34, under which the winning numbers
 45.9 are determined by the numerical outcome of a professional sporting event.

45.10 **EFFECTIVE DATE.** This section is effective retroactively for games reported as played
 45.11 after June 30, 2020.

45.12 Sec. 2. Minnesota Statutes 2018, section 297E.021, subdivision 2, is amended to read:

45.13 Subd. 2. **Determination of revenue increase.** By March 15 of each fiscal year, the
 45.14 commissioner of management and budget, in consultation with the commissioner, shall
 45.15 determine the estimated increase in revenues received from taxes imposed under this chapter
 45.16 over ~~the estimated revenues under the February 2012 state budget forecast for that fiscal~~
 45.17 ~~year. For fiscal years after fiscal year 2015, the commissioner of management and budget~~
 45.18 ~~shall use the February 2012 state budget forecast for fiscal year 2015 as the~~ a baseline of:
 45.19 \$30,500,000 in fiscal years 2021 and thereafter. All calculations under this subdivision must
 45.20 be made net of estimated refunds of the taxes required to be paid.

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

45.22 Sec. 3. Minnesota Statutes 2018, section 349.15, subdivision 1, is amended to read:

45.23 Subdivision 1. **Expenditure restrictions, requirements, and civil penalties.** (a) Gross
 45.24 profits from lawful gambling may be expended only for lawful purposes or allowable
 45.25 expenses as authorized by the membership of the conducting organization at a monthly
 45.26 meeting of the organization's membership.

45.27 (b) For each 12-month period beginning July 1, a licensed organization will be evaluated
 45.28 by the board to determine a rating based on the percentage of annual lawful purpose
 45.29 expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a),
 45.30 clauses (8) and (18), when compared to available gross profits total allowable expenses for
 45.31 the same period. The rating will be used to determine the organization's profitability percent
 45.32 and is not a rating of the organization's lawful gambling operation. An organization will be
 45.33 evaluated according to the following criteria:

46.1 (1) an organization ~~that expends 50~~ with a ratio of annual lawful purpose expenditures,
 46.2 excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and
 46.3 (18), to allowable expenses of 100 percent or more of gross profits on lawful purposes will
 46.4 receive a five-star rating;

46.5 (2) an organization ~~that expends 40~~ with a ratio of annual lawful purpose expenditures,
 46.6 excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and
 46.7 (18), to allowable expenses of 80 percent or more but less than 50 100 percent of gross
 46.8 profits on lawful purposes will receive a four-star rating;

46.9 (3) an organization ~~that expends 30~~ with a ratio of annual lawful purpose expenditures,
 46.10 excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and
 46.11 (18), to allowable expenses of 60 percent or more but less than 40 80 percent of gross profits
 46.12 on lawful purposes will receive a three-star rating;

46.13 (4) an organization ~~that expends 20~~ with a ratio of annual lawful purpose expenditures,
 46.14 excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and
 46.15 (18), to allowable expenses of 40 percent or more but less than 30 60 percent of gross profits
 46.16 on lawful purposes will receive a two-star rating; and

46.17 (5) an organization ~~that expends less than~~ with a ratio of annual lawful purpose
 46.18 expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a),
 46.19 clauses (8) and (18), to allowable expenses of 20 percent of gross profits on lawful purposes
 46.20 or more but less than 40 percent will receive a one-star rating; and

46.21 (6) an organization with a ratio of annual lawful purpose expenditures, excluding those
 46.22 defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), to allowable
 46.23 expenses of less than 20 percent will receive a zero-star rating.

46.24 (c) An organization that fails to expend a minimum of ~~30 20~~ percent annually of gross
 46.25 profits of its annual total allowable expenses on lawful purposes, ~~or 20 percent annually for~~
 46.26 ~~organizations that conduct lawful gambling in a location where the primary business is~~
 46.27 ~~bingo~~ excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8)
 46.28 and (18), is automatically on probation effective July 1 for a period of one year. The
 46.29 organization must increase its rating to the required minimum or be subject to sanctions by
 46.30 the board. If an organization fails to meet the minimum after a one-year probation, the board
 46.31 may suspend the organization's license or impose a civil penalty as follows:

46.32 (1) in determining any suspension or penalty for a violation of this paragraph, the board
 46.33 must consider any unique factors or extraordinary circumstances that caused the organization
 46.34 to not meet the minimum rate of profitability. Unique factors or extraordinary circumstances

47.1 include, but are not limited to, the purchase of capital assets necessary to conduct lawful
47.2 gambling; road or other construction causing impaired access to the lawful gambling
47.3 premises; and flood, tornado, or other catastrophe that had a direct impact on the continuing
47.4 lawful gambling operation; and

47.5 (2) notwithstanding section 349.151, subdivision 4, paragraph (a), clause (10), the board
47.6 may impose a civil penalty under this subdivision up to \$10,000.

47.7 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2020.

47.8 Sec. 4. Minnesota Statutes 2018, section 349.151, subdivision 4, is amended to read:

47.9 Subd. 4. **Powers and duties.** (a) The board has the following powers and duties:

47.10 (1) to regulate lawful gambling to ensure it is conducted in the public interest;

47.11 (2) to issue licenses to organizations and gambling managers, and to issue licenses and
47.12 renewals to distributors, distributor salespersons, manufacturers, and linked bingo game
47.13 providers;

47.14 (3) to collect and deposit fees due under this chapter;

47.15 (4) to receive reports required by this chapter and inspect all premises, records, books,
47.16 and other documents of organizations, distributors, manufacturers, and linked bingo game
47.17 providers to insure compliance with all applicable laws and rules;

47.18 (5) to make rules authorized by this chapter;

47.19 (6) to register gambling equipment and issue registration stamps;

47.20 (7) to provide by rule for the mandatory posting by organizations conducting lawful
47.21 gambling of rules of play and the odds and/or house percentage on each form of lawful
47.22 gambling;

47.23 (8) to report annually to the governor and legislature on its activities and on recommended
47.24 changes in the laws governing gambling, including an annual report that provides: a tabulation
47.25 of the number of compliance reviews completed; the percentage of organizations reviewed;
47.26 an average of the number of months between reviews; the number, location, and organization
47.27 of site inspections; and the number of allegations awaiting investigation by the board;

47.28 (9) to report annually to the governor and legislature a financial summary for each
47.29 licensed organization identifying the gross receipts, prizes paid, allowable expenses, lawful
47.30 purpose expenditures including charitable contributions and all taxes and fees as per section

48.1 349.12, subdivision 25, paragraph (a), clauses (8) and (18), and the percentage of annual
48.2 gross profit used for lawful purposes;

48.3 (10) to impose civil penalties of not more than \$1,000 per violation on organizations,
48.4 distributors, distributor salespersons, manufacturers, linked bingo game providers, and
48.5 gambling managers for violating or failing to comply with any provision of this chapter,
48.6 chapter 297E, or any rule or order of the board;

48.7 (11) to issue premises permits to organizations licensed to conduct lawful gambling;

48.8 (12) to delegate to the director the authority to issue or deny license and premises permit
48.9 applications and renewals under criteria established by the board;

48.10 (13) to delegate to the director the authority to approve or deny fund loss requests,
48.11 contribution of gambling funds to another licensed organization, and property expenditure
48.12 requests under criteria established by the board;

48.13 (14) to suspend or revoke licenses and premises permits of organizations, distributors,
48.14 distributor salespersons, manufacturers, linked bingo game providers, or gambling managers
48.15 as provided in this chapter;

48.16 (15) to approve or deny requests from licensees for:

48.17 (i) waivers from fee requirements as provided in section 349.16, subdivision 6; and

48.18 (ii) variances from Gambling Control Board rules under section 14.055; and

48.19 (16) to register employees of organizations licensed to conduct lawful gambling;

48.20 (17) to require fingerprints from persons determined by board rule to be subject to
48.21 fingerprinting;

48.22 (18) to delegate to a compliance review group of the board the authority to investigate
48.23 alleged violations, issue consent orders, and initiate contested cases on behalf of the board;

48.24 (19) to order organizations, distributors, distributor salespersons, manufacturers, linked
48.25 bingo game providers, and gambling managers to take corrective actions; and

48.26 (20) to take all necessary steps to ensure the integrity of and public confidence in lawful
48.27 gambling.

48.28 (b) The board, or director if authorized to act on behalf of the board, may by citation
48.29 assess any organization, distributor, distributor salesperson, manufacturer, linked bingo
48.30 game provider, or gambling manager a civil penalty of not more than \$1,000 per violation
48.31 for a failure to comply with any provision of this chapter, chapter 297E, or any rule adopted

49.1 or order issued by the board. Any organization, distributor, distributor salesperson, gambling
 49.2 manager, linked bingo game provider, or manufacturer assessed a civil penalty under this
 49.3 paragraph may request a hearing before the board. Appeals of citations imposing a civil
 49.4 penalty are not subject to the provisions of the Administrative Procedure Act.

49.5 (c) All penalties received by the board must be deposited in the general fund.

49.6 (d) All fees imposed by the board under sections 349.16 to 349.167 must be deposited
 49.7 in the state treasury and credited to a lawful gambling regulation account in the special
 49.8 revenue fund. Receipts in this account are available for the operations of the board up to
 49.9 the amount authorized in biennial appropriations from the legislature.

49.10 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2020.

49.11 Sec. 5. Minnesota Statutes 2018, section 462A.38, as amended by Laws 2019 First Special
 49.12 Session chapter 1, article 6, section 28, is amended to read:

49.13 **462A.38 WORKFORCE AND AFFORDABLE HOMEOWNERSHIP**
 49.14 **DEVELOPMENT PROGRAM.**

49.15 Subdivision 1. **Establishment.** A workforce and affordable homeownership development
 49.16 program is established to award homeownership development grants and loans to cities,
 49.17 tribal governments, nonprofit organizations, cooperatives created under chapter 308A or
 49.18 308B, and community land trusts created for the purposes outlined in section 462A.31,
 49.19 subdivision 1, for development of workforce and affordable homeownership projects. The
 49.20 purpose of the program is to increase the supply of workforce and affordable, owner-occupied
 49.21 multifamily or single-family housing throughout Minnesota.

49.22 Subd. 2. **Use of funds.** (a) Grant funds and loans awarded under this program may be
 49.23 used for:

49.24 (1) development costs;

49.25 (2) rehabilitation;

49.26 (3) land development; and

49.27 (4) residential housing, including storm shelters and related community facilities.

49.28 (b) A project funded through ~~the grant~~ this program shall serve households that meet
 49.29 the income limits as provided in section 462A.33, subdivision 5, unless a project is intended
 49.30 for the purpose outlined in section 462A.02, subdivision 6.

50.1 Subd. 3. **Application.** The commissioner shall develop forms and procedures for soliciting
50.2 and reviewing applications for grants and loans under this section. The commissioner shall
50.3 consult with interested stakeholders when developing the guidelines and procedures for the
50.4 program. In making grants and loans, the commissioner shall establish semiannual application
50.5 deadlines in which grants and loans will be authorized from all or part of the available
50.6 appropriations.

50.7 Subd. 4. **Awarding grants and loans.** Among comparable proposals, preference must
50.8 be given to proposals that include contributions from nonstate resources for the greatest
50.9 portion of the total development cost.

50.10 Subd. 5. **Statewide program.** The agency shall attempt to make grants and loans in
50.11 approximately equal amounts to applicants outside and within the metropolitan area, as
50.12 defined under section 473.121, subdivision 2.

50.13 Subd. 6. **Report.** Beginning January 15, ~~2018~~ 2021, the commissioner must annually
50.14 submit a report to the chairs and ranking minority members of the senate and house of
50.15 representatives committees having jurisdiction over housing and workforce development
50.16 specifying the projects that received grants and loans under this section and the specific
50.17 purposes for which the grant or loan funds were used.

50.18 Subd. 7. **Workforce and affordable homeownership development account.** A
50.19 workforce and affordable homeownership development account is established in the housing
50.20 development fund. Money in the account, including interest, is appropriated to the
50.21 commissioner of the Housing Finance Agency for the purposes of this section. The amount
50.22 appropriated under this section must supplement traditional sources of funding for this
50.23 purpose and must not be used as a substitute or to pay debt service on bonds.

50.24 Subd. 8. **Deposits; funding amount.** (a) In fiscal years 2022 through 2031, an amount
50.25 equal to \$4,000,000 of the state's portion of the proceeds derived from the mortgage registry
50.26 tax imposed under section 287.035 and the deed tax under section 287.21, is appropriated
50.27 from the general fund to the commissioner of the Housing Finance Agency to transfer to
50.28 the workforce and affordable homeownership development account in the housing
50.29 development fund. The appropriation must be made annually by September 15.

50.30 (b) All loan repayments received under this section are to be deposited into the workforce
50.31 and affordable homeownership development account in the housing development fund.

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

51.1 Sec. 6. **ADMINISTRATIVE APPROPRIATION.**

51.2 \$642,000 in fiscal year 2021 is appropriated to the commissioner of revenue to administer
51.3 this act. The base for this appropriation is \$571,000 in fiscal year 2022 and \$0 in fiscal year
51.4 2023.

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