

**SENATE  
STATE OF MINNESOTA  
NINETIETH SESSION**

**H.F. No. 4385**

(SENATE AUTHORS: DAVIDS, Marquart and Christensen)

DATE	D-PG	OFFICIAL STATUS
05/01/2018	8481	Received from House
	8482	Introduction and first reading Referred to Taxes
05/02/2018	8538a	Comm report: To pass as amended
	8694	Second reading
05/03/2018	8699a	Special Order: Amended
	8725	Third reading Passed

1.1 A bill for an act

1.2 relating to taxation; making modifications to individual income, corporate franchise,

1.3 property, sales and use, estate, mineral and tobacco taxes, and other tax provisions;

1.4 providing for certain conformity and nonconformity to federal provisions;

1.5 modifying the property tax refund; extending the small business investment credit;

1.6 specifying the application of tobacco taxes to vapor products; modifying

1.7 classification provisions; making minor policy, technical, and clarifying changes

1.8 to individual income and corporate franchise taxes, sales and use taxes, tobacco

1.9 taxes, property taxes, and other miscellaneous tax provisions; authorizing fire

1.10 protection special taxing districts; providing exemptions from the state general

1.11 levy; modifying watershed project levies; modifying wind energy production tax;

1.12 modifying veteran with a disability market value exclusion; authorizing early

1.13 termination from metropolitan agricultural preserve program; requiring study;

1.14 increasing the estate tax exclusion amount; providing for adjustment of certain tax

1.15 rates; clarifying application of tax to captive insurance companies; modifying the

1.16 stillbirth credit; modifying certain local lodging tax authority; establishing certain

1.17 sales tax exemptions; prohibiting imposition of certain excise taxes or fees;

1.18 modifying certain MNsure funding and authority provisions; modifying certain

1.19 estate property ownership requirements; amending Minnesota Statutes 2016,

1.20 sections 16A.152, by adding a subdivision; 62V.05, subdivisions 2, 5, 10; 62V.08;

1.21 103D.905, subdivision 9; 103E.611, subdivision 2; 116J.8737, subdivisions 5, 12;

1.22 138.053; 162.145, subdivision 3; 197.603, subdivision 2; 270.41, subdivision 3;

1.23 270B.08, subdivision 2; 270C.85, subdivision 2; 270C.89, subdivision 2; 270C.91;

1.24 272.02, subdivisions 27, 81, by adding a subdivision; 273.032; 273.061, subdivision

1.25 9; 273.113, subdivision 3; 273.119, subdivision 2; 273.1231, subdivision 3; 273.124,

1.26 subdivision 3a; 273.1245, subdivision 2; 273.136, subdivision 2; 273.1384,

1.27 subdivision 3; 273.18; 274.14; 274.16; 275.066; 287.21, subdivision 1; 289A.08,

1.28 subdivisions 1, 6, 7; 289A.25, subdivision 1; 289A.31, subdivision 2; 289A.37,

1.29 subdivision 6; 289A.38, subdivisions 7, 10; 289A.42; 289A.60, subdivision 24;

1.30 290.01, subdivisions 22, 29a, by adding subdivisions; 290.0131, subdivisions 1,

1.31 3, 12, 13, by adding subdivisions; 290.0132, subdivisions 1, 7, 20, by adding

1.32 subdivisions; 290.0133, by adding a subdivision; 290.0134, by adding subdivisions;

1.33 290.06, subdivisions 2c, 2d; 290.067, subdivision 2a; 290.0671, subdivision 7;

1.34 290.0672, subdivision 2; 290.0681, subdivisions 3, 4; 290.0685, subdivision 1;

1.35 290.0802, subdivisions 2, 3; 290.091, subdivision 3; 290.0921, subdivision 3;

1.36 290.0922, subdivision 1; 290.095, subdivision 4; 290.21, subdivision 4; 290.34,

1.37 by adding a subdivision; 290.92, subdivisions 1, 28; 290A.03, subdivisions 4, 12;

1.38 290A.05; 290A.08; 290A.09; 290B.09, subdivision 1; 291.03, subdivisions 8, 10;

1.39 297A.61, subdivision 18; 297A.67, subdivision 12; 297A.68, subdivisions 17, 25,

2.1 44; 297A.70, subdivisions 3, 16; 297A.71, subdivisions 22, 45, by adding  
 2.2 subdivisions; 297A.77, by adding a subdivision; 297A.84; 297A.85; 297B.01,  
 2.3 subdivision 14; 297B.03; 297F.01, subdivisions 19, 23, by adding a subdivision;  
 2.4 297F.17, subdivision 6; 297G.16, subdivision 7; 298.28, subdivision 9a; 469.177,  
 2.5 subdivision 1; 469.316, subdivision 1; 469.319, subdivision 4; 471.831, subdivision  
 2.6 1; 473H.08, subdivisions 1, 4, by adding a subdivision; 474A.02, subdivision 22b;  
 2.7 475.521, subdivision 1; 477A.016; Minnesota Statutes 2017 Supplement, sections  
 2.8 270A.03, subdivision 5; 270C.445, subdivision 6; 270C.89, subdivision 1; 272.029,  
 2.9 subdivision 2; 272.115, subdivision 1; 273.0755; 273.13, subdivisions 22, 25, 34;  
 2.10 273.1384, subdivision 2; 273.1387, subdivision 3; 275.025, subdivisions 1, 2;  
 2.11 289A.02, subdivision 7; 289A.10, subdivision 1; 289A.12, subdivision 14; 289A.31,  
 2.12 subdivision 1; 289A.35; 289A.37, subdivision 2; 290.01, subdivisions 4a, 19, 31;  
 2.13 290.0131, subdivision 10; 290.0132, subdivisions 21, 26; 290.0133, subdivision  
 2.14 12; 290.0137; 290.05, subdivision 1; 290.067, subdivisions 1, 2b; 290.0671,  
 2.15 subdivision 1; 290.0672, subdivision 1; 290.0681, subdivisions 1, 2; 290.0684,  
 2.16 subdivision 2; 290.091, subdivision 2; 290.17, subdivisions 2, 4; 290.31, subdivision  
 2.17 1; 290A.03, subdivisions 3, 8, 13, 15; 291.005, subdivision 1; 291.016, subdivision  
 2.18 3; 291.03, subdivisions 1, 9, 11; 297A.61, subdivision 3; 297A.67, subdivision 6;  
 2.19 297A.70, subdivision 4; 297A.75, subdivision 1; 297B.01, subdivision 16; 298.17;  
 2.20 298.227; 298.28, subdivision 7a; 462D.03, subdivision 2; 462D.06, subdivisions  
 2.21 1, 2; Laws 1986, chapter 396, section 5, as amended; Laws 1986, chapter 462,  
 2.22 section 31, as amended; Laws 2008, chapter 366, article 5, section 33, as amended;  
 2.23 Laws 2009, chapter 88, article 2, section 46; Laws 2015, chapter 71, article 12,  
 2.24 section 8; Laws 2017, First Special Session chapter 1, article 4, section 31; article  
 2.25 8, section 3; article 10, section 4; proposing coding for new law in Minnesota  
 2.26 Statutes, chapters 289A; 290; proposing coding for new law as Minnesota Statutes,  
 2.27 chapter 299O; repealing Minnesota Statutes 2016, sections 275.29; 289A.10,  
 2.28 subdivision 1a; 289A.12, subdivision 18; 289A.18, subdivision 3a; 289A.20,  
 2.29 subdivision 3a; 289A.38, subdivisions 7, 8, 9; 290.0131, subdivisions 7, 11;  
 2.30 290.0133, subdivisions 13, 14; 290.10, subdivision 2; 291.03, subdivisions 8, 10;  
 2.31 Minnesota Statutes 2017 Supplement, section 291.03, subdivisions 9, 11.

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

2.33 **ARTICLE 1**

2.34 **FEDERAL TAX CONFORMITY**

2.35 Section 1. Minnesota Statutes 2017 Supplement, section 270A.03, subdivision 5, is  
 2.36 amended to read:

2.37 Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and  
 2.38 certain amount of money, which equals or exceeds \$25 and which is due and payable to a  
 2.39 claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125,  
 2.40 fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and  
 2.41 restitution. A debt may arise under a contractual or statutory obligation, a court order, or  
 2.42 other legal obligation, but need not have been reduced to judgment.

2.43 A debt includes any legal obligation of a current recipient of assistance which is based  
 2.44 on overpayment of an assistance grant where that payment is based on a client waiver or  
 2.45 an administrative or judicial finding of an intentional program violation; or where the debt  
 2.46 is owed to a program wherein the debtor is not a client at the time notification is provided

3.1 to initiate recovery under this chapter and the debtor is not a current recipient of food support,  
3.2 transitional child care, or transitional medical assistance.

3.3 (b) A debt does not include any legal obligation to pay a claimant agency for medical  
3.4 care, including hospitalization if the income of the debtor at the time when the medical care  
3.5 was rendered does not exceed the following amount:

3.6 (1) for an unmarried debtor, an income of ~~\$12,560~~ \$13,180 or less;

3.7 (2) for a debtor with one dependent, an income of ~~\$16,080~~ \$16,878 or less;

3.8 (3) for a debtor with two dependents, an income of ~~\$19,020~~ \$19,959 or less;

3.9 (4) for a debtor with three dependents, an income of ~~\$21,580~~ \$22,643 or less;

3.10 (5) for a debtor with four dependents, an income of ~~\$22,760~~ \$23,887 or less; and

3.11 (6) for a debtor with five or more dependents, an income of ~~\$23,730~~ \$24,900 or less.

3.12 For purposes of this paragraph, "debtor" means the individual whose income, together  
3.13 with the income of the individual's spouse, other than a separated spouse, brings the  
3.14 individual within the income provisions of this paragraph. For purposes of this paragraph,  
3.15 a spouse, other than a separated spouse, shall be considered a dependent.

3.16 (c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage  
3.17 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
3.18 that in section 1(f)(3)(B) the word "~~2014~~" "2017" shall be substituted for the word "~~1992~~."  
3.19 ~~For 2016, the commissioner shall then determine the percent change from the 12 months~~  
3.20 ~~ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each~~  
3.21 ~~subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending~~  
3.22 ~~on August 31 of the year preceding the taxable year.~~ "2016." The determination of the  
3.23 commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be  
3.24 subject to the Administrative Procedure Act contained in chapter 14. The income amount  
3.25 as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount  
3.26 is rounded up to the nearest \$10 amount.

3.27 (d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the  
3.28 dollar amount of the premium authorized under section 256L.15, subdivision 1a.

3.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.30 31, 2017.

4.1 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is amended  
4.2 to read:

4.3 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
4.4 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~  
4.5 ~~16, 2016~~ March 31, 2018.

4.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.7 31, 2017.

4.8 Sec. 3. Minnesota Statutes 2016, section 289A.08, subdivision 1, is amended to read:

4.9 Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable  
4.10 year the taxpayer is required to file a return under section 6012 of the Internal Revenue  
4.11 Code or meets the requirements under paragraph (d) to file a return, except that:

4.12 (1) an individual who is not a Minnesota resident for any part of the year is not required  
4.13 to file a Minnesota income tax return if the individual's gross income derived from Minnesota  
4.14 sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the  
4.15 filing requirements for a single individual who is a full year resident of Minnesota; ~~and~~

4.16 (2) an individual who is a Minnesota resident is not required to file a Minnesota income  
4.17 tax return if the individual's gross income derived from Minnesota sources as determined  
4.18 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions  
4.19 12 and 15, is less than the filing requirements for a single individual who is a full-year  
4.20 resident of Minnesota.

4.21 (b) The decedent's final income tax return, and other income tax returns for prior years  
4.22 where the decedent had gross income in excess of the minimum amount at which an  
4.23 individual is required to file and did not file, must be filed by the decedent's personal  
4.24 representative, if any. If there is no personal representative, the return or returns must be  
4.25 filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property  
4.26 of the decedent.

4.27 (c) The term "gross income," as it is used in this section, has the same meaning given it  
4.28 in section 290.01, subdivision 20.

4.29 (d) The commissioner of revenue shall annually determine the gross income levels at  
4.30 which individuals are required to file a return for each taxable year based on the amounts  
4.31 that may be deducted under section 290.0803 and the personal and dependent exemptions  
4.32 under section 290.0138.

5.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
5.2 31, 2017.

5.3 Sec. 4. Minnesota Statutes 2016, section 289A.08, subdivision 7, is amended to read:

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

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

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

5.18 (d) The electing partner must not have any Minnesota source income other than the  
5.19 income from the partnership and other electing partnerships. If it is determined that the  
5.20 electing partner has other Minnesota source income, the inclusion of the income and tax  
5.21 liability for that partner under this provision will not constitute a return to satisfy the  
5.22 requirements of subdivision 1. The tax paid for the individual as part of the composite return  
5.23 is allowed as a payment of the tax by the individual on the date on which the composite  
5.24 return payment was made. If the electing nonresident partner has no other Minnesota source  
5.25 income, filing of the composite return is a return for purposes of subdivision 1.

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

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

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

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

6.8 (i) Estates and trusts distributing current income only and the nonresident individual  
6.9 beneficiaries of the estates or trusts may make an election under this paragraph. The  
6.10 provisions covering the partnership apply to the estate or trust. The provisions applying to  
6.11 the partner apply to the beneficiary.

6.12 (j) For the purposes of this subdivision, "income" means the partner's share of federal  
6.13 adjusted gross income from the partnership modified by the additions provided in section  
6.14 290.0131, subdivisions 8 to ~~10~~ 10 and 17, and the subtractions provided in: (1) section  
6.15 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota  
6.16 under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed  
6.17 under section 290.0132, subdivision 9, is only allowed on the composite tax computation  
6.18 to the extent the electing partner would have been allowed the subtraction.

6.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.20 31, 2017.

6.21 Sec. 5. Minnesota Statutes 2017 Supplement, section 289A.12, subdivision 14, is amended  
6.22 to read:

6.23 Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated  
6.24 investment company paying \$10 or more in exempt-interest dividends to an individual who  
6.25 is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or  
6.26 exempt-interest dividends and paying as nominee to an individual who is a resident of  
6.27 Minnesota, must make a return indicating the amount of the exempt interest or  
6.28 exempt-interest dividends, the name, address, and Social Security number of the recipient,  
6.29 and any other information that the commissioner specifies. The return must be provided to  
6.30 the recipient by February 15 of the year following the year of the payment. The return  
6.31 provided to the recipient must include a clear statement, in the form prescribed by the  
6.32 commissioner, that the exempt interest or exempt-interest dividends must be included in  
6.33 the computation of Minnesota taxable income. By June 1 of each year, the payer must file  
6.34 a copy of the return with the commissioner.

7.1 (b) For purposes of this subdivision, the following definitions apply.

7.2 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section  
7.3 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest  
7.4 dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under  
7.5 section 290.0131, subdivision 2, paragraph (b).

7.6 (2) "Regulated investment company" means regulated investment company as defined  
7.7 in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company  
7.8 as defined in section 851(g) of the Internal Revenue Code.

7.9 (3) "Exempt interest" means income on obligations of any state other than Minnesota,  
7.10 or a political or governmental subdivision, municipality, or governmental agency or  
7.11 instrumentality of any state other than Minnesota, and exempt from federal income taxes  
7.12 under the Internal Revenue Code or any other federal statute.

7.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
7.14 31, 2017.

7.15 Sec. 6. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

7.16 **289A.35 ASSESSMENTS ON RETURNS.**

7.17 (a) The commissioner may audit and adjust the taxpayer's computation of federal adjusted  
7.18 gross income, federal taxable income, items of federal tax preferences, or federal credit  
7.19 amounts to make them conform with the provisions of chapter 290 or section 298.01. If a  
7.20 return has been filed, the commissioner shall enter the liability reported on the return and  
7.21 may make any audit or investigation that is considered necessary.

7.22 (b) Upon petition by a taxpayer, and when the commissioner determines that it is in the  
7.23 best interest of the state, the commissioner may allow S corporations and partnerships to  
7.24 receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their  
7.25 owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must  
7.26 be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

7.27 (c) A taxpayer may petition the commissioner for the use of the method described in  
7.28 paragraph (b) after the taxpayer is notified that an audit has been initiated and before an  
7.29 order of assessment has been issued.

7.30 (d) A determination of the commissioner under paragraph (b) to grant or deny the petition  
7.31 of a taxpayer cannot be appealed to the Tax Court or any other court.

8.1 (e) The commissioner may audit and adjust the taxpayer's computation of tax under  
 8.2 chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner  
 8.3 shall notify the estate no later than nine months after the filing date, as provided by section  
 8.4 289A.38, subdivision 2, whether the return is under examination or the return has been  
 8.5 processed as filed.

8.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 8.7 31, 2017.

8.8 Sec. 7. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
 8.9 read:

8.10 Subd. 14a. **Surviving spouse.** The term "surviving spouse" means an individual who is  
 8.11 a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

8.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 8.13 31, 2017.

8.14 Sec. 8. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended  
 8.15 to read:

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

8.23 (b) For an individual, the term "net income" means federal adjusted gross income with  
 8.24 the modifications provided in sections 290.0131 and 290.0132.

8.25 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
 8.26 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
 8.27 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
 8.28 except that:

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

8.31 (2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue  
 8.32 Code must be applied by allowing a deduction for capital gain dividends and exempt-interest



9.1 dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code;  
 9.2 and

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

9.6 (d) The net income of a real estate investment trust as defined and limited by section  
 9.7 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
 9.8 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

9.12 (f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March  
 9.13 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

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

9.17 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 9.18 the changes incorporated by federal changes are effective retroactively at the same time as  
 9.19 the changes were effective for federal purposes and the changes amending the new paragraph  
 9.20 (a) and adding paragraph (b) are effective for taxable years beginning after December 31,  
 9.21 2017.

9.22 Sec. 9. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
 9.23 read:

9.24 **Subd. 21a. Adjusted gross income; federal adjusted gross income.** The terms "adjusted  
 9.25 gross income" and "federal adjusted gross income" mean adjusted gross income, as defined  
 9.26 in section 62 of the Internal Revenue Code, as amended through the date named in  
 9.27 subdivision 19, incorporating the federal effective date of changes to the Internal Revenue  
 9.28 Code and any elections made by the taxpayer under the Internal Revenue Code in determining  
 9.29 federal adjusted gross income for federal income tax purposes.

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

10.1 Sec. 10. Minnesota Statutes 2016, section 290.01, subdivision 22, is amended to read:

10.2 Subd. 22. **Taxable net income.** For tax years beginning after December 31, ~~1986~~ 2017,  
10.3 the term "taxable net income" means:

10.4 (1) for resident individuals ~~the same as~~, net income less the deductions allowed under  
10.5 section 290.0803;

10.6 (2) for individuals who were ~~not~~ residents of Minnesota for less than the entire year, ~~the~~  
10.7 ~~same as~~ net income less the deductions allowed under section 290.0803, except that the tax  
10.8 is imposed only on the Minnesota apportioned share of that income as determined pursuant  
10.9 to section 290.06, subdivision 2c, paragraph (e);

10.10 (3) for all other taxpayers, the part of net income that is allocable to Minnesota by  
10.11 assignment or apportionment under one or more of sections 290.17, 290.191, 290.20, and  
10.12 290.36, except that for nonresident individuals net income is reduced by the amount of the  
10.13 standard deduction allowable under section 290.0803, subdivision 2, before allocation of  
10.14 net income to Minnesota.

10.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
10.16 31, 2017.

10.17 Sec. 11. Minnesota Statutes 2016, section 290.01, subdivision 29a, is amended to read:

10.18 Subd. 29a. **State itemized deduction.** "State itemized deduction" means federal itemized  
10.19 deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding any  
10.20 ~~limitation under section 68 of the Internal Revenue Code, and reduced by the amount of~~  
10.21 ~~the addition required under section 290.0131, subdivision 13~~ changes to itemized deductions  
10.22 made by Public Law 115-97 other than the changes made by section 11028, and disregarding  
10.23 the federal itemized deduction of income or sales taxes under section 164 of the Internal  
10.24 Revenue Code.

10.25 For taxable years beginning after December 31, 2017, the amount that would have been  
10.26 allowable as interest under section 163(h)(3)(E) of the Internal Revenue Code, disregarding  
10.27 subparagraph 163(h)(3)(E)(iv), is allowed as a state itemized deduction.

10.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
10.29 31, 2017.

11.1 Sec. 12. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
11.2 read:

11.3 Subd. 29b. **State standard deduction.** "State standard deduction" means the federal  
11.4 standard deduction computed under section 63(c) and (f) of the Internal Revenue Code, as  
11.5 amended through December 16, 2016, except that for purposes of adjusting the amounts  
11.6 under this subdivision, the provisions of section 1(f) of the Internal Revenue Code, as  
11.7 amended through March 31, 2018, apply.

11.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
11.9 31, 2017.

11.10 Sec. 13. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended  
11.11 to read:

11.12 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
11.13 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~  
11.14 ~~16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision  
11.15 in federal law that relates to provisions of the Internal Revenue Code that are incorporated  
11.16 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,  
11.17 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as  
11.18 amended through March 18, 2010.

11.19 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
11.20 applies to the same taxable years as the changes incorporated by federal changes are effective  
11.21 for federal purposes, including any provisions that are retroactive to taxable years beginning  
11.22 after December 31, 2016.

11.23 Sec. 14. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

11.24 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means  
11.25 an amount that must be added to federal ~~taxable~~ adjusted gross income, or for estates and  
11.26 trusts, federal taxable income, in computing net income for the taxable year to which the  
11.27 amounts relate.

11.28 (b) The additions in this section apply to individuals, estates, and trusts.

11.29 (c) Unless specifically indicated or unless the context clearly indicates otherwise, only  
11.30 amounts that were deducted or excluded in computing federal ~~taxable~~ adjusted gross income,  
11.31 or for estates and trusts, federal taxable income, are an addition under this section.

12.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 12.2 31, 2017.

12.3 Sec. 15. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

12.4 Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** (a) For trusts  
 12.5 and estates, the amount of income, sales and use, motor vehicle sales, or excise taxes paid  
 12.6 or accrued within the taxable year under this chapter and the amount of taxes based on net  
 12.7 income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any  
 12.8 province or territory of Canada is an addition to the extent deducted under section 63(d) of  
 12.9 the Internal Revenue Code.

12.10 ~~(b) The addition under paragraph (a) may not be more than the amount by which the~~  
 12.11 ~~state itemized deduction exceeds the amount of the standard deduction as defined in section~~  
 12.12 ~~63(e) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and~~  
 12.13 ~~use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under~~  
 12.14 ~~subdivision 12.~~

12.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 12.16 31, 2017.

12.17 Sec. 16. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended  
 12.18 to read:

12.19 Subd. 10. **Section 179 expensing.** Effective for property placed in service in taxable  
 12.20 years beginning before January 1, 2019, 80 percent of the amount by which the deduction  
 12.21 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
 12.22 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
 12.23 December 31, 2003, is an addition.

12.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 12.25 31, 2018.

12.26 Sec. 17. Minnesota Statutes 2016, section 290.0131, subdivision 12, is amended to read:

12.27 Subd. 12. **Disallowed itemized deductions.** (a) The amount of disallowed itemized  
 12.28 deductions is an addition. The amount of disallowed itemized deductions, ~~plus the addition~~  
 12.29 ~~required under subdivision 3,~~ may not be more than the amount by which the state itemized  
 12.30 deductions, ~~as allowed under section 63(d) of the Internal Revenue Code,~~ exceeds the amount  
 12.31 of the state standard deduction ~~as defined in section 63(e) of the Internal Revenue Code.~~

13.1 (b) The amount of disallowed itemized deductions is equal to the lesser of:

13.2 (1) three percent of the excess of the taxpayer's federal adjusted gross income over the  
13.3 applicable amount; or

13.4 (2) 80 percent of the amount of the state itemized deductions otherwise allowable to the  
13.5 taxpayer under the Internal Revenue Code for the taxable year.

13.6 (c) "Applicable amount" means \$100,000, or \$50,000 for a married individual filing a  
13.7 separate return. Each dollar amount is increased by an amount equal to:

13.8 (1) that dollar amount, multiplied by

13.9 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue  
13.10 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~  
13.11 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "1990" for "2016" in  
13.12 section 1(f)(3)(B)(ii) of the Internal Revenue Code.

13.13 (d) "Itemized deductions" excludes:

13.14 (1) the deduction for medical expenses under section 213 of the Internal Revenue Code;

13.15 (2) any deduction for investment interest as defined in section 163(d) of the Internal  
13.16 Revenue Code; and

13.17 (3) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft  
13.18 losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or  
13.19 for losses described in section 165(d) of the Internal Revenue Code.

13.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
13.21 31, 2017.

13.22 Sec. 18. Minnesota Statutes 2016, section 290.0131, subdivision 13, is amended to read:

13.23 Subd. 13. **Disallowed personal exemption amount.** (a) The amount of disallowed  
13.24 personal exemptions for taxpayers with federal adjusted gross income over the threshold  
13.25 amount is an addition.

13.26 (b) The disallowed personal exemption amount is equal to the ~~number of personal~~  
13.27 exemptions and dependent exemption subtraction allowed under section ~~151(b) and (c) of~~  
13.28 ~~the Internal Revenue Code~~ 290.0132, subdivision 20, multiplied by the ~~dollar amount for~~  
13.29 ~~personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as~~  
13.30 ~~adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the~~  
13.31 applicable percentage.

14.1 (c) For a married individual filing a separate return, "applicable percentage" means two  
 14.2 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal  
 14.3 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,  
 14.4 applicable percentage means two percentage points for each \$2,500, or fraction of that  
 14.5 amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds  
 14.6 the threshold amount. The applicable percentage must not exceed 100 percent.

14.7 (d) "Threshold amount" means:

14.8 (1) \$150,000 for a joint return or a surviving spouse;

14.9 (2) \$125,000 for a head of a household;

14.10 (3) \$100,000 for an individual who is not married and who is not a surviving spouse or  
 14.11 head of a household; and

14.12 (4) \$75,000 for a married individual filing a separate return.

14.13 (e) The thresholds must be increased by an amount equal to:

14.14 (1) the threshold dollar amount, multiplied by

14.15 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue  
 14.16 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~  
 14.17 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "1990" for "2016" in  
 14.18 section 1(f)(3)(B)(ii) of the Internal Revenue Code.

14.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 14.20 31, 2017.

14.21 Sec. 19. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
 14.22 to read:

14.23 **Subd. 15. Qualified business income addition.** For a trust or estate, the amount deducted  
 14.24 under section 199A of the Internal Revenue Code in computing the federal taxable income  
 14.25 of the trust or estate is an addition.

14.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 14.27 31, 2017.

15.1 Sec. 20. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
15.2 to read:

15.3 Subd. 16. **Foreign-derived intangible income.** The amount of foreign-derived intangible  
15.4 income deducted under section 250 of the Internal Revenue Code for the taxable year is an  
15.5 addition.

15.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.7 31, 2017.

15.8 Sec. 21. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

15.9 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction"  
15.10 means an amount that ~~shall~~ is allowed to be subtracted from federal ~~taxable~~ adjusted gross  
15.11 income, or for estates and trusts, federal taxable income, in computing net income for the  
15.12 taxable year to which the amounts relate.

15.13 (b) The subtractions in this section apply to individuals, estates, and trusts.

15.14 (c) Unless specifically indicated or unless the context clearly indicates otherwise, no  
15.15 amount deducted, subtracted, or otherwise excluded in computing federal ~~taxable~~ adjusted  
15.16 gross income, or for estates and trusts, federal taxable income, is a subtraction under this  
15.17 section.

15.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.19 31, 2017.

15.20 Sec. 22. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

15.21 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent~~  
15.22 ~~not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in~~  
15.23 ~~determining federal taxable income by~~ For an individual who does not itemize deductions  
15.24 for federal income tax purposes under section 290.0803 for the taxable year, an amount  
15.25 equal to 50 percent of the excess of charitable contributions over \$500 allowable as a state  
15.26 itemized deduction for the taxable year ~~under section 170(a) of the Internal Revenue Code~~  
15.27 is a subtraction. The subtraction under this subdivision must not include a distribution that  
15.28 is excluded from federal adjusted gross income and that is not deductible under section  
15.29 408(d)(8)(E) of the Internal Revenue Code.

15.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.31 31, 2017.

16.1 Sec. 23. Minnesota Statutes 2016, section 290.0132, subdivision 20, is amended to read:

16.2 Subd. 20. ~~Disallowed Personal and dependent exemption. The amount of the phaseout~~  
 16.3 ~~of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.~~  
 16.4 The amount of personal and dependent exemptions calculated under section 290.0138 is a  
 16.5 subtraction.

16.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 16.7 31, 2017.

16.8 Sec. 24. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 21, is amended  
 16.9 to read:

16.10 Subd. 21. **Military service pension; retirement pay.** To the extent included in federal  
 16.11 ~~taxable~~ adjusted gross income, compensation received from a pension or other retirement  
 16.12 pay from the federal government for service in the military, as computed under United  
 16.13 States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The  
 16.14 subtraction is limited to individuals who do not claim the credit under section 290.0677.

16.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 16.16 31, 2017.

16.17 Sec. 25. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended  
 16.18 to read:

16.19 Subd. 26. **Social Security benefits.** (a) A portion of Social Security benefits is allowed  
 16.20 as a subtraction. The subtraction equals the lesser of Social Security benefits or a maximum  
 16.21 subtraction subject to the limits under paragraphs (b), (c), and (d).

16.22 (b) For married taxpayers filing a joint return and surviving spouses, the maximum  
 16.23 subtraction equals ~~\$4,500~~ \$4,590. The maximum subtraction is reduced by 20 percent of  
 16.24 provisional income over ~~\$77,000~~ \$78,530. In no case is the subtraction less than zero.

16.25 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~  
 16.26 \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over  
 16.27 ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

16.28 (d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~  
 16.29 one-half the maximum subtraction for joint returns under paragraph (b). The maximum  
 16.30 subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the  
 16.31 maximum subtraction for joint returns under paragraph (b). In no case is the subtraction  
 16.32 less than zero.



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

17.5 (f) The commissioner shall adjust the maximum subtraction and threshold amounts in  
 17.6 paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section  
 17.7 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue  
 17.8 Code the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the~~  
 17.9 ~~commissioner shall then determine the percentage change from the 12 months ending on~~  
 17.10 ~~August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year,~~  
 17.11 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of~~  
 17.12 ~~the year preceding the taxable year. "2016."~~ The determination of the commissioner pursuant  
 17.13 to this subdivision must not be considered a rule and is not subject to the Administrative  
 17.14 Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction  
 17.15 and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount  
 17.16 ends in \$5, the amount is rounded up to the nearest \$10 amount.

17.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 17.18 31, 2017.

17.19 Sec. 26. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
 17.20 to read:

17.21 **Subd. 27. Moving expenses.** Expenses that qualify as a deduction under section 217(a)  
 17.22 through (f) of the Internal Revenue Code, disregarding paragraph (k), and only to the extent  
 17.23 the expenses are not deducted in computing federal taxable income is a subtraction.

17.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 17.25 31, 2017.

17.26 Sec. 27. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
 17.27 to read:

17.28 **Subd. 28. Global intangible low-taxed income.** The taxpayer's global intangible  
 17.29 low-taxed income included under section 951A of the Internal Revenue Code for the taxable  
 17.30 year is a subtraction.

17.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 17.32 31, 2017.

18.1 Sec. 28. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.2 to read:

18.3 Subd. 29. **Deferred foreign income.** The amount of deferred foreign income recognized  
18.4 because of section 965 of the Internal Revenue Code, and before any deduction under section  
18.5 965(c) of the Internal Revenue Code, is a subtraction.

18.6 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
18.7 after December 31, 2016, and before January 1, 2019.

18.8 Sec. 29. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.9 to read:

18.10 Subd. 30. **Standard or itemized deduction.** The amount allowed under section 290.0803  
18.11 is a subtraction.

18.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.13 31, 2017.

18.14 Sec. 30. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.15 to read:

18.16 Subd. 31. **Tuition subtraction.** The amount that would have been allowable under  
18.17 section 222 of the Internal Revenue Code, disregarding paragraph (e) and only to the extent  
18.18 the amount is not deducted in computing federal adjusted gross income is a subtraction.

18.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.20 31, 2018.

18.21 Sec. 31. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended  
18.22 to read:

18.23 Subd. 12. **Section 179 expensing.** Effective for property placed in service in taxable  
18.24 years beginning before January 1, 2019, 80 percent of the amount by which the deduction  
18.25 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
18.26 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
18.27 December 31, 2003, is an addition.

18.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.29 31, 2018.

19.1 Sec. 32. Minnesota Statutes 2016, section 290.0133, is amended by adding a subdivision  
19.2 to read:

19.3 Subd. 15. **Foreign-derived intangible income.** The amount of foreign-derived intangible  
19.4 income deducted under section 250 of the Internal Revenue Code for the taxable year is an  
19.5 addition.

19.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
19.7 31, 2017.

19.8 Sec. 33. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision  
19.9 to read:

19.10 Subd. 17. **Global intangible low-taxed income.** The taxpayer's global intangible  
19.11 low-taxed income included under section 951A of the Internal Revenue Code for the taxable  
19.12 year is a subtraction.

19.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
19.14 31, 2017.

19.15 Sec. 34. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision  
19.16 to read:

19.17 Subd. 18. **Deferred foreign income.** The amount of deferred foreign income recognized  
19.18 because of section 965 of the Internal Revenue Code, and before any deduction under section  
19.19 965(c) of the Internal Revenue Code, is a subtraction.

19.20 Sec. 35. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

19.21 Subdivision 1. **Personal and dependent exemptions.** (a) A taxpayer is allowed (1) a  
19.22 personal exemption in the amount of \$4,150, and in the case of a married couple filing a  
19.23 joint return an additional personal exemption of \$4,150; plus (2) a dependent exemption of  
19.24 \$4,150 multiplied by the number of dependents of the taxpayer, as defined under sections  
19.25 151 and 152 of the Internal Revenue Code.

19.26 (b) The personal and dependent exemptions are not allowed to an individual who is  
19.27 eligible to be claimed as a dependent, as defined in sections 151 or 152 of the Internal  
19.28 Revenue Code, by another taxpayer.

19.29 Subd. 2. **Cost-of-living adjustment.** For taxable years beginning after December 31,  
19.30 2018, the commissioner shall annually adjust the amounts in subdivision 1 by the percentage  
19.31 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code as

20.1 amended through December 16, 2016, except that in section 1(f)(3)(B), the word "2017"  
 20.2 shall be substituted for the word "1992." The exemption amount as adjusted for inflation  
 20.3 must be rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner  
 20.4 shall round down to the next lowest multiple of \$50. The determination of the commissioner  
 20.5 under this subdivision is not a rule under the Administrative Procedure Act.

20.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 20.7 31, 2017.

20.8 Sec. 36. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

20.9 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes  
 20.10 imposed by this chapter upon married individuals filing joint returns and surviving spouses  
 20.11 ~~as defined in section 2(a) of the Internal Revenue Code~~ must be computed by applying to  
 20.12 their taxable net income the following schedule of rates:

20.13 (1) On the first ~~\$35,480~~ \$37,850, ~~5.35~~ 5.1 percent;

20.14 (2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960~~ \$150,380, 7.05 percent;

20.15 (3) On all over ~~\$140,960~~ \$150,380, but not over ~~\$250,000~~ \$266,700, 7.85 percent;

20.16 (4) On all over ~~\$250,000~~ \$266,700, 9.85 percent.

20.17 Married individuals filing separate returns, estates, and trusts must compute their income  
 20.18 tax by applying the above rates to their taxable income, except that the income brackets  
 20.19 will be one-half of the above amounts.

20.20 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
 20.21 computed by applying to taxable net income the following schedule of rates:

20.22 (1) On the first ~~\$24,270~~ \$25,890, ~~5.35~~ 5.1 percent;

20.23 (2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730~~ \$85,060, 7.05 percent;

20.24 (3) On all over ~~\$79,730~~ \$85,060, but not over ~~\$150,000~~ \$160,020, 7.85 percent;

20.25 (4) On all over ~~\$150,000~~ \$160,020, 9.85 percent.

20.26 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as  
 20.27 a head of household as defined in section 2(b) of the Internal Revenue Code must be  
 20.28 computed by applying to taxable net income the following schedule of rates:

20.29 (1) On the first ~~\$29,880~~ \$31,880, ~~5.35~~ 5.1 percent;

20.30 (2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070~~ \$128,090, 7.05 percent;

21.1 (3) On all over ~~\$120,070~~ \$128,090, but not over ~~\$200,000~~ \$213,360, 7.85 percent;

21.2 (4) On all over ~~\$200,000~~ \$213,360, 9.85 percent.

21.3 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax  
21.4 of any individual taxpayer whose taxable net income for the taxable year is less than an  
21.5 amount determined by the commissioner must be computed in accordance with tables  
21.6 prepared and issued by the commissioner of revenue based on income brackets of not more  
21.7 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in  
21.8 this subdivision, provided that the commissioner may disregard a fractional part of a dollar  
21.9 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

21.10 (e) An individual who is not a Minnesota resident for the entire year must compute the  
21.11 individual's Minnesota income tax as provided in this subdivision. After the application of  
21.12 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied  
21.13 by a fraction in which:

21.14 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
21.15 ~~defined in section 62 of the Internal Revenue Code~~ and increased by the additions required  
21.16 under section 290.0131, subdivisions 2 and 6 to ~~4~~ 10, and reduced by the Minnesota  
21.17 assignable portion of the subtraction for United States government interest under section  
21.18 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10,  
21.19 14, 15, 17, ~~and 18, and 27 to 29~~, after applying the allocation and assignability provisions  
21.20 of section 290.081, clause (a), or 290.17; and

21.21 (2) the denominator is the individual's federal adjusted gross income as ~~defined in section~~  
21.22 ~~62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131,  
21.23 subdivisions 2 and 6 to ~~4~~ 10, and reduced by the amounts specified in section 290.0132,  
21.24 subdivisions 2, 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~.

21.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
21.26 31, 2017.

21.27 Sec. 37. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

21.28 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
21.29 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for  
21.30 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage  
21.31 determined under paragraph (b). ~~For the purpose of making the adjustment as provided in~~  
21.32 ~~this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets~~  
21.33 ~~as they existed for taxable years beginning after December 31, 2012, and before January 1,~~

22.1 ~~2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts  
 22.2 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
 22.3 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
 22.4 \$5, it must be rounded up to the nearest \$10 amount.

22.5 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
 22.6 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
 22.7 1(f)(3)(B) the word "~~2012~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the~~  
 22.8 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
 22.9 ~~31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~  
 22.10 ~~the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the~~  
 22.11 ~~year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant  
 22.12 to this subdivision shall not be considered a "rule" and shall not be subject to the  
 22.13 Administrative Procedure Act contained in chapter 14.

22.14 No later than December 15 of each year, the commissioner shall announce the specific  
 22.15 percentage that will be used to adjust the tax rate brackets.

22.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 22.17 31, 2017.

22.18 Sec. 38. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 1, is amended  
 22.19 to read:

22.20 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax  
 22.21 due from the taxpayer and a spouse, if any, under this chapter an amount equal to the  
 22.22 dependent care credit for which the taxpayer is eligible pursuant to the provisions of section  
 22.23 21 of the Internal Revenue Code except that in determining whether the child qualified as  
 22.24 a dependent, income received as a Minnesota family investment program grant or allowance  
 22.25 to or on behalf of the child must not be taken into account in determining whether the child  
 22.26 received more than half of the child's support from the taxpayer, and the provisions of  
 22.27 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

22.28 (b) If a child who has not attained the age of six years at the close of the taxable year is  
 22.29 cared for at a licensed family day care home operated by the child's parent, the taxpayer is  
 22.30 deemed to have paid employment-related expenses. If the child is 16 months old or younger  
 22.31 at the close of the taxable year, the amount of expenses deemed to have been paid equals  
 22.32 the maximum limit for one qualified individual under section 21(c) and (d) of the Internal  
 22.33 Revenue Code. If the child is older than 16 months of age but has not attained the age of  
 22.34 six years at the close of the taxable year, the amount of expenses deemed to have been paid

23.1 equals the amount the licensee would charge for the care of a child of the same age for the  
23.2 same number of hours of care.

23.3 (c) If a married couple:

23.4 (1) has a child who has not attained the age of one year at the close of the taxable year;

23.5 (2) files a joint tax return for the taxable year; and

23.6 (3) does not participate in a dependent care assistance program as defined in section 129  
23.7 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for  
23.8 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)  
23.9 the combined earned income of the couple or (ii) the amount of the maximum limit for one  
23.10 qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed  
23.11 to be the employment related expense paid for that child. The earned income limitation of  
23.12 section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These  
23.13 deemed amounts apply regardless of whether any employment-related expenses have been  
23.14 paid.

23.15 (d) If the taxpayer is not required and does not file a federal individual income tax return  
23.16 for the tax year, no credit is allowed for any amount paid to any person unless:

23.17 (1) the name, address, and taxpayer identification number of the person are included on  
23.18 the return claiming the credit; or

23.19 (2) if the person is an organization described in section 501(c)(3) of the Internal Revenue  
23.20 Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name  
23.21 and address of the person are included on the return claiming the credit.

23.22 In the case of a failure to provide the information required under the preceding sentence,  
23.23 the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence  
23.24 in attempting to provide the information required.

23.25 (e) In the case of a nonresident, part-year resident, or a person who has earned income  
23.26 not subject to tax under this chapter including earned income excluded pursuant to section  
23.27 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue  
23.28 Code must be allocated based on the ratio by which the earned income of the claimant and  
23.29 the claimant's spouse from Minnesota sources bears to the total earned income of the claimant  
23.30 and the claimant's spouse.

23.31 (f) For residents of Minnesota, the subtractions for military pay under section 290.0132,  
23.32 subdivisions 11 and 12, are not considered "earned income not subject to tax under this  
23.33 chapter."

24.1 (g) For residents of Minnesota, the exclusion of combat pay under section 112 of the  
 24.2 Internal Revenue Code is not considered "earned income not subject to tax under this  
 24.3 chapter."

24.4 (h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$50,990, the  
 24.5 credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the  
 24.6 amount equal to \$600 minus five percent of federal adjusted gross income in excess of  
 24.7 ~~\$50,000~~ \$50,990 for taxpayers with one qualified individual, or \$1,200 minus five percent  
 24.8 of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with two or  
 24.9 more qualified individuals, but in no case is the credit less than zero.

24.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 24.11 31, 2017.

24.12 Sec. 39. Minnesota Statutes 2016, section 290.067, subdivision 2a, is amended to read:

24.13 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the  
 24.14 following:

24.15 (1) federal adjusted gross income as ~~defined in section 62 of the Internal Revenue Code;~~  
 24.16 and

24.17 (2) the sum of the following amounts to the extent not included in clause (1):

24.18 (i) all nontaxable income;

24.19 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,  
 24.20 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss  
 24.21 carryover allowed under section 469(b) of the Internal Revenue Code;

24.22 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a  
 24.23 solvent individual excluded from gross income under section 108(g) of the Internal Revenue  
 24.24 Code;

24.25 (iv) cash public assistance and relief;

24.26 (v) any pension or annuity (including railroad retirement benefits, all payments received  
 24.27 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
 24.28 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
 24.29 by the claimant or spouse and which funding payments were excluded from federal adjusted  
 24.30 gross income in the years when the payments were made;

24.31 (vi) interest received from the federal or a state government or any instrumentality or  
 24.32 political subdivision thereof;



- 25.1 (vii) workers' compensation;
- 25.2 (viii) nontaxable strike benefits;
- 25.3 (ix) the gross amounts of payments received in the nature of disability income or sick  
25.4 pay as a result of accident, sickness, or other disability, whether funded through insurance  
25.5 or otherwise;
- 25.6 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
25.7 1986, as amended through December 31, 1995;
- 25.8 (xi) contributions made by the claimant to an individual retirement account, including  
25.9 a qualified voluntary employee contribution; simplified employee pension plan;  
25.10 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
25.11 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
25.12 Revenue Code;
- 25.13 (xii) nontaxable scholarship or fellowship grants;
- 25.14 ~~(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;~~
- 25.15 ~~(xiv)~~ (xiii) the amount of deduction allowed under section 220 or 223 of the Internal  
25.16 Revenue Code;
- 25.17 ~~(xv)~~ (xiv) the amount deducted for tuition expenses under section 222 of the Internal  
25.18 Revenue Code; ~~and~~
- 25.19 ~~(xvi)~~ (xv) the amount deducted for certain expenses of elementary and secondary school  
25.20 teachers under section 62(a)(2)(D) of the Internal Revenue Code; and
- 25.21 (xvi) alimony received to the extent not included in the recipient's income.
- 25.22 In the case of an individual who files an income tax return on a fiscal year basis, the  
25.23 term "federal adjusted gross income" means federal adjusted gross income reflected in the  
25.24 fiscal year ending in the next calendar year. Federal adjusted gross income may not be  
25.25 reduced by the amount of a net operating loss carryback or carryforward or a capital loss  
25.26 carryback or carryforward allowed for the year.
- 25.27 (b) "Income" does not include:
- 25.28 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;
- 25.29 (2) amounts of any pension or annuity that were exclusively funded by the claimant or  
25.30 spouse if the funding payments were not excluded from federal adjusted gross income in  
25.31 the years when the payments were made;

26.1 (3) surplus food or other relief in kind supplied by a governmental agency;

26.2 (4) relief granted under chapter 290A;

26.3 (5) child support payments received under a temporary or final decree of dissolution or  
26.4 legal separation; and

26.5 (6) restitution payments received by eligible individuals and excludable interest as  
26.6 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,  
26.7 Public Law 107-16.

26.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
26.9 31, 2017.

26.10 Sec. 40. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 2b, is amended  
26.11 to read:

26.12 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of  
26.13 the income threshold at which the maximum credit begins to be reduced under subdivision  
26.14 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal  
26.15 Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" shall be substituted  
26.16 for the word "~~1992~~." For 2018, the commissioner shall then determine the percent change  
26.17 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31,~~  
26.18 ~~2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the~~  
26.19 ~~12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The  
26.20 determination of the commissioner pursuant to this subdivision must not be considered a  
26.21 "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The  
26.22 threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount  
26.23 ends in \$5, the amount is rounded up to the nearest \$10 amount.

26.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
26.25 31, 2017.

26.26 Sec. 41. Minnesota Statutes 2017 Supplement, section 290.0671, subdivision 1, is amended  
26.27 to read:

26.28 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is  
26.29 allowed a credit against the tax imposed by this chapter equal to a percentage of earned  
26.30 income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the  
26.31 Internal Revenue Code, except that a taxpayer with no qualifying children who has attained

27.1 the age of 21, but not attained age 65 before the close of the taxable year and is otherwise  
 27.2 eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit.

27.3 (b) For individuals with no qualifying children, the credit equals 2.10 percent of the first  
 27.4 ~~\$6,180~~ \$6,480 of earned income. The credit is reduced by 2.01 percent of earned income  
 27.5 or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,530, but in no case  
 27.6 is the credit less than zero.

27.7 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first  
 27.8 ~~\$11,120~~ \$11,670 of earned income. The credit is reduced by 6.02 percent of earned income  
 27.9 or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,340, but in no case  
 27.10 is the credit less than zero.

27.11 (d) For individuals with two or more qualifying children, the credit equals 11 percent  
 27.12 of the first ~~\$18,240~~ \$19,130 of earned income. The credit is reduced by 10.82 percent of  
 27.13 earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$26,360,  
 27.14 but in no case is the credit less than zero.

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

27.17 (f) For a person who was a resident for the entire tax year and has earned income not  
 27.18 subject to tax under this chapter, including income excluded under section 290.0132,  
 27.19 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross  
 27.20 income reduced by the earned income not subject to tax under this chapter over federal  
 27.21 adjusted gross income. For purposes of this paragraph, the following clauses are not  
 27.22 considered "earned income not subject to tax under this chapter":

27.23 (1) the subtractions for military pay under section 290.0132, subdivisions 11 and 12;

27.24 (2) the exclusion of combat pay under section 112 of the Internal Revenue Code; and

27.25 (3) income derived from an Indian reservation by an enrolled member of the reservation  
 27.26 while living on the reservation.

27.27 (g) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,530 in paragraph  
 27.28 (b), ~~the \$21,190~~ \$22,230 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph (d), after  
 27.29 being adjusted for inflation under subdivision 7, are each increased by ~~\$5,000~~ \$5,700 for  
 27.30 married taxpayers filing joint returns. For tax years beginning after December 31, ~~2013~~  
 27.31 2018, the commissioner shall annually adjust the ~~\$5,000~~ \$5,700 by the percentage determined  
 27.32 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
 27.33 1(f)(3)(B), the word "~~2008~~" "2017" shall be substituted for the word "~~1992~~." For 2014, the

28.1 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
 28.2 ~~31, 2008, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~  
 28.3 ~~the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the~~  
 28.4 ~~year preceding the taxable year. "2016." The earned income thresholds as adjusted for~~  
 28.5 ~~inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded~~  
 28.6 ~~up to the nearest \$10. The determination of the commissioner under this subdivision is not~~  
 28.7 ~~a rule under the Administrative Procedure Act.~~

28.8 (h) The commissioner shall construct tables showing the amount of the credit at various  
 28.9 income levels and make them available to taxpayers. The tables shall follow the schedule  
 28.10 contained in this subdivision, except that the commissioner may graduate the transition  
 28.11 between income brackets.

28.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 28.13 31, 2017.

28.14 Sec. 42. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

28.15 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit  
 28.16 and the income thresholds at which the maximum credit begins to be reduced in subdivision  
 28.17 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined  
 28.18 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
 28.19 1(f)(3)(B) the word "~~2013~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2015, the~~  
 28.20 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
 28.21 ~~31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from~~  
 28.22 ~~the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the~~  
 28.23 ~~year preceding the taxable year. "2016." The earned income thresholds as adjusted for~~  
 28.24 ~~inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount~~  
 28.25 ~~is rounded up to the nearest \$10 amount. The determination of the commissioner under this~~  
 28.26 ~~subdivision is not a rule under the Administrative Procedure Act.~~

28.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 28.28 31, 2017.

28.29 Sec. 43. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended  
 28.30 to read:

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

29.1 (b) "Long-term care insurance" means a policy that:

29.2 (1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding  
29.3 the adjusted gross income test; or meets the requirements given in section 62A.46; or provides  
29.4 similar coverage issued under the laws of another jurisdiction; and

29.5 (2) has a lifetime long-term care benefit limit of not less than \$100,000; and

29.6 (3) has been offered in compliance with the inflation protection requirements of section  
29.7 62S.23.

29.8 (c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

29.9 (d) "Premiums deducted in determining ~~federal~~ taxable net income" means the lesser of  
29.10 (1) long-term care insurance premiums that qualify as deductions under section 213 of the  
29.11 Internal Revenue Code; and (2) the total amount deductible for medical ~~care~~ expenses under  
29.12 section 213 of the Internal Revenue Code.

29.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
29.14 31, 2017.

29.15 Sec. 44. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

29.16 Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter  
29.17 for long-term care insurance policy premiums paid during the tax year. The credit for each  
29.18 policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~  
29.19 taxable net income. A taxpayer may claim a credit for only one policy for each qualified  
29.20 beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total  
29.21 credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other  
29.22 filers. For a nonresident or part-year resident, the credit determined under this section must  
29.23 be allocated based on the percentage calculated under section 290.06, subdivision 2c,  
29.24 paragraph (e).

29.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
29.26 31, 2017.

29.27 Sec. 45. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended  
29.28 to read:

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

30.1 (b) "Account" means the historic credit administration account in the special revenue  
30.2 fund.

30.3 (c) "Office" means the State Historic Preservation Office of the Department of  
30.4 Administration.

30.5 (d) "Project" means rehabilitation of a certified historic structure, as defined in section  
30.6 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a  
30.7 federal credit.

30.8 (e) "Federal credit" means the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal  
30.9 Revenue Code, except that the amount allowed is deemed to be allocated in the taxable year  
30.10 that the project is placed in service.

30.11 (f) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

30.12 (g) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the  
30.13 Internal Revenue Code.

30.14 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates  
30.15 submitted after December 31, 2017.

30.16 Sec. 46. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended  
30.17 to read:

30.18 Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed  
30.19 against the tax imposed under this chapter equal to not more than 100 percent of the credit  
30.20 allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit  
30.21 is payable in an amount equal to one-fifth of the total credit amount allowed in the five  
30.22 taxable years beginning with the year the project is placed in service. To qualify for the  
30.23 credit:

30.24 (1) the project must receive Part 3 certification and be placed in service during the taxable  
30.25 year; and

30.26 (2) the taxpayer must be allowed the federal credit and be issued a credit certificate for  
30.27 the taxable year as provided in subdivision 4.

30.28 (b) The commissioner of administration may pay a grant in lieu of the credit. The grant  
30.29 equals 90 percent of the credit that would be allowed for the project. The grant is payable  
30.30 in an amount equal to one-fifth of 90 percent of the credit that would be allowed for the  
30.31 project in the five taxable years beginning with the year the project is placed in service.

31.1 (c) In lieu of the credit under paragraph (a), an insurance company may claim a credit  
31.2 against the insurance premiums tax imposed under chapter 297I.

31.3 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates  
31.4 submitted after December 31, 2017.

31.5 Sec. 47. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

31.6 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section,  
31.7 the developer of a project must apply to the office before the rehabilitation begins. The  
31.8 application must contain the information and be in the form prescribed by the office. The  
31.9 office may collect a fee for application of up to 0.5 percent of qualified rehabilitation  
31.10 expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to  
31.11 offset costs associated with personnel and administrative expenses related to administering  
31.12 the credit and preparing the economic impact report in subdivision 9. Application fees are  
31.13 deposited in the account. The application must indicate if the application is for a credit or  
31.14 a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying  
31.15 for the credit or the recipient of the grant.

31.16 (b) Upon approving an application for credit, the office shall issue allocation certificates  
31.17 that:

31.18 (1) verify eligibility for the credit or grant;

31.19 (2) state the amount of credit or grant anticipated with the project, with the credit amount  
31.20 equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated  
31.21 in the application;

31.22 (3) state that the credit or grant allowed may increase or decrease if the federal credit  
31.23 the project receives at the time it is placed in service is different than the amount anticipated  
31.24 at the time the allocation certificate is issued; and

31.25 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or  
31.26 grant recipient is entitled to receive one-fifth of the total amount of either the credit or the  
31.27 grant at the time the project is placed in service, provided that date is within three calendar  
31.28 years following the issuance of the allocation certificate.

31.29 (c) The office, in consultation with the commissioner, shall determine if the project is  
31.30 eligible for a credit or a grant under this section and must notify the developer in writing  
31.31 of its determination. Eligibility for the credit is subject to review and audit by the  
31.32 commissioner.

32.1 (d) The federal credit recapture and repayment requirements under section 50 of the  
32.2 Internal Revenue Code do not apply to the credit allowed under this section.

32.3 (e) Any decision of the office under paragraph (c) may be challenged as a contested case  
32.4 under chapter 14. The contested case proceeding must be initiated within 45 days of the  
32.5 date of written notification by the office.

32.6 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates  
32.7 submitted after December 31, 2017.

32.8 Sec. 48. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

32.9 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the  
32.10 office has issued an allocation certificate must notify the office when the project is placed  
32.11 in service. Upon verifying that the project has been placed in service, and was allowed a  
32.12 federal credit, the office must issue a credit certificate to the taxpayer designated in the  
32.13 application or must issue a grant to the recipient designated in the application. The credit  
32.14 certificate must state the amount of the credit.

32.15 (2) The credit amount equals the federal credit allowed for the project.

32.16 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

32.17 (b) The recipient of a credit certificate may assign the certificate to another taxpayer  
32.18 before the first one-fifth payment is claimed, which is then allowed the credit under this  
32.19 section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee  
32.20 notifies the commissioner within 30 days of the date that the assignment is made. The  
32.21 commissioner shall prescribe the forms necessary for notifying the commissioner of the  
32.22 assignment of a credit certificate and for claiming a credit by assignment.

32.23 (c) Credits passed through to partners, members, shareholders, or owners pursuant to  
32.24 subdivision 5 are not an assignment of a credit certificate under this subdivision.

32.25 (d) A grant agreement between the office and the recipient of a grant may allow the  
32.26 grant to be issued to another individual or entity.

32.27 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates  
32.28 submitted after December 31, 2017.



33.1 Sec. 49. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended  
33.2 to read:

33.3 Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a  
33.4 credit against the tax imposed by this chapter. The credit is not allowed to an individual  
33.5 who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the  
33.6 Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

33.7 (b) The amount of the credit allowed equals 50 percent of contributions for the taxable  
33.8 year. The maximum credit is \$500, subject to the phaseout in paragraphs (c) and (d). In no  
33.9 case is the credit less than zero.

33.10 (c) For individual filers, the maximum credit is reduced by two percent of adjusted gross  
33.11 income in excess of ~~\$75,000~~ \$76,490.

33.12 (d) For married couples filing a joint return, the maximum credit is phased out as follows:

33.13 (1) for married couples with adjusted gross income in excess of ~~\$75,000~~ \$76,490, but  
33.14 not more than ~~\$100,000~~ \$101,990, the maximum credit is reduced by one percent of adjusted  
33.15 gross income in excess of ~~\$75,000~~ \$76,490;

33.16 (2) for married couples with adjusted gross income in excess of ~~\$100,000~~ \$101,990, but  
33.17 not more than ~~\$135,000~~ \$137,680, the maximum credit is \$250; and

33.18 (3) for married couples with adjusted gross income in excess of ~~\$135,000~~ \$137,680, the  
33.19 maximum credit is \$250, reduced by one percent of adjusted gross income in excess of  
33.20 ~~\$135,000~~ \$137,680.

33.21 (e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum  
33.22 credit must be adjusted for inflation. The commissioner shall adjust the income thresholds  
33.23 by the percentage determined under the provisions of section 1(f) of the Internal Revenue  
33.24 Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" is substituted for the word  
33.25 "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12~~  
33.26 ~~months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in~~  
33.27 ~~each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months~~  
33.28 ~~ending on August 31 of the year preceding the taxable year. "2016." The income thresholds~~  
33.29 as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in  
33.30 \$5, the amount is rounded up to the nearest \$10 amount. The determination of the  
33.31 commissioner under this subdivision is not subject to chapter 14, including section 14.386.

33.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
33.33 31, 2017.

34.1 Sec. 50. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

34.2 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal  
34.3 ~~taxable~~ adjusted gross income of the individual's subtraction base amount. The excess of  
34.4 the subtraction base amount over the taxable net income computed without regard to the  
34.5 subtraction for the elderly or disabled under section 290.0132, subdivision 5, may be used  
34.6 to reduce the amount of a lump sum distribution subject to tax under section 290.032.

34.7 (b)(1) The initial subtraction base amount equals

34.8 (i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

34.9 (ii) \$9,600 for a single taxpayer, and

34.10 (iii) \$6,000 for a married taxpayer filing a separate federal return.

34.11 (2) The qualified individual's initial subtraction base amount, then, must be reduced by  
34.12 the sum of nontaxable retirement and disability benefits and one-half of the amount of  
34.13 adjusted gross income in excess of the following thresholds:

34.14 (i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified  
34.15 individuals,

34.16 (ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one  
34.17 spouse is a qualified individual, and

34.18 (iii) \$9,000 for a married taxpayer filing a separate federal return.

34.19 (3) In the case of a qualified individual who is under the age of 65, the maximum amount  
34.20 of the subtraction base may not exceed the taxpayer's disability income.

34.21 (4) The resulting amount is the subtraction base amount.

34.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
34.23 31, 2017.

34.24 Sec. 51. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

34.25 Subdivision 1. **Election.** An individual may elect to claim a state standard deduction in  
34.26 lieu of state itemized deductions. However, in the case of a married individual filing a  
34.27 separate return, if one spouse elects to claim state itemized deductions, the other spouse is  
34.28 not allowed a state standard deduction.

34.29 Subd. 2. **Subtraction.** Based on the election under subdivision 1, individuals are allowed  
34.30 to subtract from federal adjusted gross income the state standard deduction or the state  
34.31 itemized deduction.

35.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 35.2 31, 2017.

35.3 Sec. 52. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended  
 35.4 to read:

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

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

35.9 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
 35.10 55(b)(2) of the Internal Revenue Code;

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

35.13 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;  
 35.14 and

35.15 (ii) the medical expense deduction;

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

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

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

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

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

35.29 (6) the amount of addition required by section 290.0131, subdivisions ~~9 to 14~~, 10, and  
 35.30 16;

35.31 (7) the deduction allowed under section 199A of the Internal Revenue Code;

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

36.2 (i) interest income as defined in section 290.0132, subdivision 2;

36.3 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
36.4 3, to the extent included in federal alternative minimum taxable income;

36.5 (iii) the amount of investment interest paid or accrued within the taxable year on  
36.6 indebtedness to the extent that the amount does not exceed net investment income, as defined  
36.7 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted  
36.8 in computing federal adjusted gross income;

36.9 (iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by  
36.10 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26 to 29; ~~and~~

36.11 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,  
36.12 paragraph (c); and

36.13 (vi) the amount which would have been an allowable deduction under section 165(h) of  
36.14 the Internal Revenue Code, as amended through December 16, 2016, and which was taken  
36.15 as a Minnesota itemized deduction under section 290.01, subdivision 29.

36.16 In the case of an estate or trust, alternative minimum taxable income must be computed  
36.17 as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum  
36.18 taxable income must be increased by the amount of the addition under section 290.0131,  
36.19 subdivision 15.

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

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

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

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

36.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
36.29 31, 2017.

37.1 Sec. 53. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

37.2 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum  
 37.3 tax, the exemption amount is, ~~for taxable years beginning after December 31, 2005, \$60,000~~  
 37.4 \$75,760 for married couples filing joint returns, ~~\$30,000~~ \$37,880 for married individuals  
 37.5 filing separate returns, estates, and trusts, and ~~\$45,000~~ \$56,820 for unmarried individuals.

37.6 (b) The exemption amount determined under this subdivision is subject to the phase out  
 37.7 under section ~~55(d)(3)~~ 55(d)(2) of the Internal Revenue Code, except that alternative  
 37.8 minimum taxable income as determined under this section must be substituted in the  
 37.9 computation of the phase out.

37.10 (c) For taxable years beginning after December 31, ~~2006~~ 2018, the exemption amount  
 37.11 under paragraph (a) must be adjusted for inflation. The commissioner shall adjust the  
 37.12 exemption amount by the percentage determined pursuant to the provisions of section 1(f)  
 37.13 of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2005~~" "2017"  
 37.14 shall be substituted for the word "~~1992~~." ~~For 2007, the commissioner shall then determine~~  
 37.15 ~~the percent change from the 12 months ending on August 31, 2005, to the 12 months ending~~  
 37.16 ~~on August 31, 2006, and in each subsequent year, from the 12 months ending on August~~  
 37.17 ~~31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year.~~  
 37.18 "2016." The exemption amount as adjusted must be rounded to the nearest \$10. If the amount  
 37.19 ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the  
 37.20 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

37.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 37.22 31, 2017.

37.23 Sec. 54. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

37.24 Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without  
 37.25 regard to this section, the franchise tax imposed on a corporation required to file under  
 37.26 section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under  
 37.27 section 290.9725 for the taxable year includes a tax equal to the following amounts:

37.28	If the sum of the corporation's Minnesota		
37.29	property, payrolls, and sales or receipts is:		the tax equals:
37.30		<del>930,000</del>	
37.31	less than	\$ <u>990,000</u>	\$ 0
37.32		<del>930,000</del> <u>1,869,999</u>	<del>190</del>
37.33	\$ <u>990,000</u> to	\$ <u>1,989,999</u>	\$ <u>200</u>
37.34		<del>1,870,000</del> <u>9,339,999</u>	<del>560</del>
37.35	\$ <u>1,990,000</u> to	\$ <u>9,959,999</u>	\$ <u>600</u>

38.1		<u>9,340,000</u>		<u>18,679,999</u>		<u>1,870</u>
38.2		\$ <u>9,960,000</u>	to	\$ <u>19,929,999</u>		\$ <u>1,990</u>
38.3		<u>18,680,000</u>		<u>37,359,999</u>		<u>3,740</u>
38.4		\$ <u>19,930,000</u>	to	\$ <u>39,859,999</u>		\$ <u>3,990</u>
38.5		<u>37,360,000</u>				<u>9,340</u>
38.6		\$ <u>39,860,000</u>	or more			\$ <u>9,960</u>

38.7 (b) A tax is imposed for each taxable year on a corporation required to file a return under  
 38.8 section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725  
 38.9 and on a partnership required to file a return under section 289A.12, subdivision 3, other  
 38.10 than a partnership that derives over 80 percent of its income from farming. The tax imposed  
 38.11 under this paragraph is due on or before the due date of the return for the taxpayer due under  
 38.12 section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for  
 38.13 payment of this tax. The tax under this paragraph is equal to the following amounts:

38.14 If the sum of the S corporation's  
 38.15 or partnership's Minnesota  
 38.16 property, payrolls, and sales or  
 38.17 receipts is:

the tax equals:

38.18				<u>930,000</u>		
38.19		less than		\$ <u>990,000</u>		\$ 0
38.20		<u>930,000</u>		<u>1,869,999</u>		<u>190</u>
38.21		\$ <u>990,000</u>	to	\$ <u>1,989,999</u>		\$ <u>200</u>
38.22		<u>1,870,000</u>		<u>9,339,999</u>		<u>560</u>
38.23		\$ <u>1,990,000</u>	to	\$ <u>9,959,999</u>		\$ <u>600</u>
38.24		<u>9,340,000</u>		<u>18,679,999</u>		<u>1,870</u>
38.25		\$ <u>9,960,000</u>	to	\$ <u>19,929,999</u>		\$ <u>1,990</u>
38.26		<u>18,680,000</u>		<u>37,359,999</u>		<u>3,740</u>
38.27		\$ <u>19,930,000</u>	to	\$ <u>39,859,999</u>		\$ <u>3,990</u>
38.28		<u>37,360,000</u>				<u>9,340</u>
38.29		\$ <u>39,860,000</u>	or more			\$ <u>9,960</u>

38.30 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,  
 38.31 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage  
 38.32 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
 38.33 that in section 1(f)(3)(B) the word "2012" "2017" must be substituted for the word "1992."  
 38.34 ~~For 2014, the commissioner shall determine the percentage change from the 12 months~~  
 38.35 ~~ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each~~  
 38.36 ~~subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending~~  
 38.37 ~~on August 31 of the year preceding the taxable year. "2016."~~ The determination of the  
 38.38 commissioner pursuant to this subdivision is not a "rule" subject to the Administrative  
 38.39 Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the  
 38.40 nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000

39.1 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount  
 39.2 and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest  
 39.3 \$10,000.

39.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 39.5 31, 2017.

39.6 Sec. 55. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

39.7 Subd. 4. **Computation and modifications.** The following modifications shall be made  
 39.8 in computing a net operating loss in any taxable year and also in computing the taxable net  
 39.9 income for any taxable year before a net operating loss deduction shall be allowed:

39.10 (a) No deduction shall be allowed for or with respect to losses connected with income  
 39.11 producing activities if the income therefrom would not be required to be either assignable  
 39.12 to this state or included in computing the taxpayer's taxable net income.

39.13 (b) A net operating loss deduction shall not be allowed.

39.14 (c) The amount deductible on account of losses from sales or exchanges of capital assets  
 39.15 shall not exceed the amount includable on account of gains from sales or exchanges of  
 39.16 capital assets.

39.17 (d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the  
 39.18 United States of America, including renegotiation of the profits with a subcontractor, shall  
 39.19 not enter into the computation.

39.20 (e) Federal income and excess profits taxes shall not be allowed as a deduction.

39.21 (f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does  
 39.22 not apply to the computations for corporate taxpayers under this section.

39.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 39.24 31, 2017.

39.25 Sec. 56. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended  
 39.26 to read:

39.27 Subd. 2. **Income not derived from conduct of a trade or business.** The income of a  
 39.28 taxpayer subject to the allocation rules that is not derived from the conduct of a trade or  
 39.29 business must be assigned in accordance with paragraphs (a) to (f):

39.30 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section  
 39.31 3401(a) ~~and~~ (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the

40.1 extent that, the work of the employee is performed within it; all other income from such  
40.2 sources is treated as income from sources without this state.

40.3 Severance pay shall be considered income from labor or personal or professional services.

40.4 (2) In the case of an individual who is a nonresident of Minnesota and who is an athlete  
40.5 or entertainer, income from compensation for labor or personal services performed within  
40.6 this state shall be determined in the following manner:

40.7 (i) the amount of income to be assigned to Minnesota for an individual who is a  
40.8 nonresident salaried athletic team employee shall be determined by using a fraction in which  
40.9 the denominator contains the total number of days in which the individual is under a duty  
40.10 to perform for the employer, and the numerator is the total number of those days spent in  
40.11 Minnesota. For purposes of this paragraph, off-season training activities, unless conducted  
40.12 at the team's facilities as part of a team imposed program, are not included in the total number  
40.13 of duty days. Bonuses earned as a result of play during the regular season or for participation  
40.14 in championship, play-off, or all-star games must be allocated under the formula. Signing  
40.15 bonuses are not subject to allocation under the formula if they are not conditional on playing  
40.16 any games for the team, are payable separately from any other compensation, and are  
40.17 nonrefundable; and

40.18 (ii) the amount of income to be assigned to Minnesota for an individual who is a  
40.19 nonresident, and who is an athlete or entertainer not listed in item (i), for that person's athletic  
40.20 or entertainment performance in Minnesota shall be determined by assigning to this state  
40.21 all income from performances or athletic contests in this state.

40.22 (3) For purposes of this section, amounts received by a nonresident as "retirement income"  
40.23 as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public  
40.24 Law 104-95, are not considered income derived from carrying on a trade or business or  
40.25 from wages or other compensation for work an employee performed in Minnesota, and are  
40.26 not taxable under this chapter.

40.27 (b) Income or gains from tangible property located in this state that is not employed in  
40.28 the business of the recipient of the income or gains must be assigned to this state.

40.29 (c) Income or gains from intangible personal property not employed in the business of  
40.30 the recipient of the income or gains must be assigned to this state if the recipient of the  
40.31 income or gains is a resident of this state or is a resident trust or estate.

40.32 Gain on the sale of a partnership interest is allocable to this state in the ratio of the  
40.33 original cost of partnership tangible property in this state to the original cost of partnership



41.1 tangible property everywhere, determined at the time of the sale. If more than 50 percent  
 41.2 of the value of the partnership's assets consists of intangibles, gain or loss from the sale of  
 41.3 the partnership interest is allocated to this state in accordance with the sales factor of the  
 41.4 partnership for its first full tax period immediately preceding the tax period of the partnership  
 41.5 during which the partnership interest was sold.

41.6 Gain on the sale of an interest in a single member limited liability company that is  
 41.7 disregarded for federal income tax purposes is allocable to this state as if the single member  
 41.8 limited liability company did not exist and the assets of the limited liability company are  
 41.9 personally owned by the sole member.

41.10 Gain on the sale of goodwill or income from a covenant not to compete that is connected  
 41.11 with a business operating all or partially in Minnesota is allocated to this state to the extent  
 41.12 that the income from the business in the year preceding the year of sale was allocable to  
 41.13 Minnesota under subdivision 3.

41.14 When an employer pays an employee for a covenant not to compete, the income allocated  
 41.15 to this state is in the ratio of the employee's service in Minnesota in the calendar year  
 41.16 preceding leaving the employment of the employer over the total services performed by the  
 41.17 employee for the employer in that year.

41.18 (d) Income from winnings on a bet made by an individual while in Minnesota is assigned  
 41.19 to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision  
 41.20 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

41.21 (e) All items of gross income not covered in paragraphs (a) to (d) and not part of the  
 41.22 taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

41.23 (f) For the purposes of this section, working as an employee shall not be considered to  
 41.24 be conducting a trade or business.

41.25 **EFFECTIVE DATE.** This section is effective for wages paid after December 31, 2017.

41.26 Sec. 57. Minnesota Statutes 2016, section 290.21, subdivision 4, is amended to read:

41.27 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of  
 41.28 dividends received by a corporation during the taxable year from another corporation, in  
 41.29 which the recipient owns 20 percent or more of the stock, by vote and value, not including  
 41.30 stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate  
 41.31 stock with respect to which dividends are paid does not constitute the stock in trade of the  
 41.32 taxpayer or would not be included in the inventory of the taxpayer, or does not constitute  
 41.33 property held by the taxpayer primarily for sale to customers in the ordinary course of the

42.1 taxpayer's trade or business, or when the trade or business of the taxpayer does not consist  
42.2 principally of the holding of the stocks and the collection of the income and gains therefrom;  
42.3 and

42.4 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in  
42.5 an affiliated company transferred in an overall plan of reorganization and the dividend is  
42.6 eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended  
42.7 through December 31, 1989;

42.8 (ii) the remaining 20 percent of dividends if the dividends are received from a corporation  
42.9 which is subject to tax under section 290.36 and which is a member of an affiliated group  
42.10 of corporations as defined by the Internal Revenue Code and the dividend is eliminated in  
42.11 consolidation under Treasury Department Regulation 1.1502-14(a), as amended through  
42.12 December 31, 1989, or is deducted under an election under section 243(b) of the Internal  
42.13 Revenue Code; or

42.14 (iii) the remaining 20 percent of the dividends if the dividends are received from a  
42.15 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a  
42.16 member of an affiliated group of corporations as defined by the Internal Revenue Code and  
42.17 either: (A) the dividend is eliminated in consolidation under Treasury Regulation  
42.18 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted  
42.19 under an election under section 243(b) of the Internal Revenue Code.

42.20 (b) Seventy percent of dividends received by a corporation during the taxable year from  
42.21 another corporation in which the recipient owns less than 20 percent of the stock, by vote  
42.22 or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code  
42.23 when the corporate stock with respect to which dividends are paid does not constitute the  
42.24 stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily  
42.25 for sale to customers in the ordinary course of the taxpayer's trade or business, or when the  
42.26 trade or business of the taxpayer does not consist principally of the holding of the stocks  
42.27 and the collection of income and gain therefrom.

42.28 (c) The dividend deduction provided in this subdivision shall be allowed only with  
42.29 respect to dividends that are included in a corporation's Minnesota taxable net income for  
42.30 the taxable year.

42.31 The dividend deduction provided in this subdivision does not apply to a dividend from  
42.32 a corporation which, for the taxable year of the corporation in which the distribution is made  
42.33 or for the next preceding taxable year of the corporation, is a corporation exempt from tax  
42.34 under section 501 of the Internal Revenue Code.

43.1 The dividend deduction provided in this subdivision does not apply to a dividend received  
43.2 from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

43.3 The dividend deduction provided in this subdivision applies to the amount of regulated  
43.4 investment company dividends only to the extent determined under section 854(b) of the  
43.5 Internal Revenue Code.

43.6 The dividend deduction provided in this subdivision shall not be allowed with respect  
43.7 to any dividend for which a deduction is not allowed under the provisions of section 246(c)  
43.8 or 246A of the Internal Revenue Code.

43.9 (d) If dividends received by a corporation that does not have nexus with Minnesota under  
43.10 the provisions of Public Law 86-272 are included as income on the return of an affiliated  
43.11 corporation permitted or required to file a combined report under section 290.17, subdivision  
43.12 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to  
43.13 whether the trade or business of the corporation consists principally of the holding of stocks  
43.14 and the collection of income and gains therefrom shall be made with reference to the trade  
43.15 or business of the affiliated corporation having a nexus with Minnesota.

43.16 (e) The deduction provided by this subdivision does not apply if the dividends are paid  
43.17 by a FSC as defined in section 922 of the Internal Revenue Code.

43.18 (f) If one or more of the members of the unitary group whose income is included on the  
43.19 combined report received a dividend, the deduction under this subdivision for each member  
43.20 of the unitary business required to file a return under this chapter is the product of: (1) 100  
43.21 percent of the dividends received by members of the group; (2) the percentage allowed  
43.22 pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income  
43.23 apportionable to this state for the taxable year under section 290.191 or 290.20.

43.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
43.25 31, 2017.

43.26 Sec. 58. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to  
43.27 read:

43.28 **Subd. 5. Insurance companies; interest expense limitation.** To be consistent with the  
43.29 federal treatment of the interest expense limitation under section 163(j) of the Internal  
43.30 Revenue Code for an affiliated group that includes an insurance company taxable under  
43.31 chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the  
43.32 rules under this subdivision apply. In that case, the interest expense limitation under section  
43.33 163(j) must be computed for the corporation subject to tax under this chapter using the

44.1 adjusted taxable income of the insurance companies that are part of the affiliated group and  
 44.2 taxed under chapter 297I.

44.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 44.4 31, 2017.

44.5 Sec. 59. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

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

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

44.14 (3) **Employee.** For purposes of this section the term "employee" means any resident  
 44.15 individual performing services for an employer, either within or without, or both within and  
 44.16 without the state of Minnesota, and every nonresident individual performing services within  
 44.17 the state of Minnesota, the performance of which services constitute, establish, and determine  
 44.18 the relationship between the parties as that of employer and employee. As used in the  
 44.19 preceding sentence, the term "employee" includes an officer of a corporation, and an officer,  
 44.20 employee, or elected official of the United States, a state, or any political subdivision thereof,  
 44.21 or the District of Columbia, or any agency or instrumentality of any one or more of the  
 44.22 foregoing.

44.23 (4) **Employer.** For purposes of this section the term "employer" means any person,  
 44.24 including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies,  
 44.25 and corporations transacting business in or deriving any income from sources within the  
 44.26 state of Minnesota for whom an individual performs or performed any service, of whatever  
 44.27 nature, as the employee of such person, except that if the person for whom the individual  
 44.28 performs or performed the services does not have control of the payment of the wages for  
 44.29 such services, the term "employer," except for purposes of paragraph (1), means the person  
 44.30 having control of the payment of such wages. As used in the preceding sentence, the term  
 44.31 "employer" includes any corporation, individual, estate, trust, or organization which is  
 44.32 exempt from taxation under section 290.05 and further includes, but is not limited to, officers  
 44.33 of corporations who have control, either individually or jointly with another or others, of  
 44.34 the payment of the wages.

45.1 (5) **Number of withholding exemptions claimed.** For purposes of this section, the term  
45.2 "number of withholding exemptions claimed" means the number of withholding exemptions  
45.3 claimed in a withholding exemption certificate in effect under subdivision 5, except that if  
45.4 no such certificate is in effect, the number of withholding exemptions claimed shall be  
45.5 considered to be zero.

45.6 **EFFECTIVE DATE.** This section is effective for wages paid after July 1, 2018.

45.7 Sec. 60. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended  
45.8 to read:

45.9 Subd. 3. **Income.** (a) "Income" means the sum of the following:

45.10 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

45.11 (2) the sum of the following amounts to the extent not included in clause (1):

45.12 (i) all nontaxable income;

45.13 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,  
45.14 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss  
45.15 carryover allowed under section 469(b) of the Internal Revenue Code;

45.16 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a  
45.17 solvent individual excluded from gross income under section 108(g) of the Internal Revenue  
45.18 Code;

45.19 (iv) cash public assistance and relief;

45.20 (v) any pension or annuity (including railroad retirement benefits, all payments received  
45.21 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
45.22 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
45.23 by the claimant or spouse and which funding payments were excluded from federal adjusted  
45.24 gross income in the years when the payments were made;

45.25 (vi) interest received from the federal or a state government or any instrumentality or  
45.26 political subdivision thereof;

45.27 (vii) workers' compensation;

45.28 (viii) nontaxable strike benefits;

45.29 (ix) the gross amounts of payments received in the nature of disability income or sick  
45.30 pay as a result of accident, sickness, or other disability, whether funded through insurance  
45.31 or otherwise;

46.1 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
46.2 1986, as amended through December 31, 1995;

46.3 (xi) contributions made by the claimant to an individual retirement account, including  
46.4 a qualified voluntary employee contribution; simplified employee pension plan;  
46.5 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
46.6 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
46.7 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
46.8 the claimant and spouse;

46.9 (xii) to the extent not included in federal adjusted gross income, distributions received  
46.10 by the claimant or spouse from a traditional or Roth style retirement account or plan;

46.11 (xiii) nontaxable scholarship or fellowship grants;

46.12 (xiv) ~~the amount of deduction allowed under section 199 of the Internal Revenue Code~~  
46.13 alimony received to the extent not included in the recipient's income;

46.14 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
46.15 Code;

46.16 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
46.17 Code; ~~and~~

46.18 (xvii) the amount deducted for certain expenses of elementary and secondary school  
46.19 teachers under section 62(a)(2)(D) of the Internal Revenue Code;

46.20 (xviii) the amount excluded from federal adjusted gross income for qualified moving  
46.21 expense reimbursements under section 132(a)(6) of the Internal Revenue Code, as amended  
46.22 through December 16, 2016; and

46.23 (xix) the amount deducted from federal adjusted gross income for moving expenses  
46.24 under section 217 of the Internal Revenue Code, as amended through December 16, 2016.

46.25 In the case of an individual who files an income tax return on a fiscal year basis, the  
46.26 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in  
46.27 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced  
46.28 by the amount of a net operating loss carryback or carryforward or a capital loss carryback  
46.29 or carryforward allowed for the year.

46.30 (b) "Income" does not include:

46.31 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

47.1 (2) amounts of any pension or annuity which was exclusively funded by the claimant  
 47.2 or spouse and which funding payments were not excluded from federal adjusted gross  
 47.3 income in the years when the payments were made;

47.4 (3) to the extent included in federal adjusted gross income, amounts contributed by the  
 47.5 claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed  
 47.6 the retirement base amount reduced by the amount of contributions excluded from federal  
 47.7 adjusted gross income, but not less than zero;

47.8 (4) surplus food or other relief in kind supplied by a governmental agency;

47.9 (5) relief granted under this chapter;

47.10 (6) child support payments received under a temporary or final decree of dissolution or  
 47.11 legal separation; or

47.12 (7) restitution payments received by eligible individuals and excludable interest as  
 47.13 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,  
 47.14 Public Law 107-16.

47.15 (c) The sum of the following amounts may be subtracted from income:

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

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

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

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

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

47.21 (6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or  
 47.22 before December 31 of the year for which the taxes were levied or rent paid, the exemption  
 47.23 amount.

47.24 (d)(1) For purposes of this subdivision, the "exemption amount" means ~~the exemption~~  
 47.25 ~~amount under section 151(d) of the Internal Revenue Code for the taxable year for which~~  
 47.26 ~~the income is reported; "retirement base amount" means the deductible amount for the~~  
 47.27 ~~taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue~~  
 47.28 ~~Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue~~  
 47.29 ~~Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional~~  
 47.30 ~~or Roth style retirement account or plan" means retirement plans under sections 401, 403,~~  
 47.31 ~~408, 408A, and 457 of the Internal Revenue Code.:~~ \$4,150. For taxable years beginning  
 47.32 after December 31, 2018, the commissioner shall annually adjust the \$4,150 by the percentage

48.1 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as  
 48.2 amended through March 31, 2018. The exemption amount as adjusted for inflation must be  
 48.3 rounded to the nearest \$10. The determination of the commissioner under this subdivision  
 48.4 is not a rule under the Administrative Procedure Act, including section 14.386; and

48.5 (2) "retirement base amount" means the deductible amount for the taxable year for the  
 48.6 claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for  
 48.7 inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard  
 48.8 to whether the claimant or spouse claimed a deduction, and "traditional or Roth-style  
 48.9 retirement account or plan" means retirement plans under sections 401, 403, 408, 408A,  
 48.10 and 457 of the Internal Revenue Code.

48.11 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property  
 48.12 taxes payable after December 31, 2018, and rent constituting property taxes payable after  
 48.13 December 31, 2017.

48.14 Sec. 61. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

48.15 Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at  
 48.16 arm's length, of a homestead, exclusive of charges for any medical services furnished by  
 48.17 the landlord as a part of the rental agreement, whether expressly set out in the rental  
 48.18 agreement or not.

48.19 (b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~  
 48.20 \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per  
 48.21 month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for  
 48.22 inflation the gross rent amounts stated in this paragraph. The adjustment must be made in  
 48.23 accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this  
 48.24 paragraph the percentage increase shall be determined from the year ending on June 30,  
 48.25 ~~2001~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The  
 48.26 commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in  
 48.27 \$5, the commissioner shall round it up to the next \$10 amount. The determination of the  
 48.28 commissioner under this paragraph is not a rule under the Administrative Procedure Act.

48.29 (c) If the landlord and tenant have not dealt with each other at arm's length and the  
 48.30 commissioner determines that the gross rent charged was excessive, the commissioner may  
 48.31 adjust the gross rent to a reasonable amount for purposes of this chapter.

48.32 (d) Any amount paid by a claimant residing in property assessed pursuant to section  
 48.33 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from



49.1 gross rent for purposes of this chapter. However, property taxes imputed to the homestead  
 49.2 of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead  
 49.3 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the  
 49.4 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that  
 49.5 ownership is not in the name of the claimant.

49.6 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after  
 49.7 December 31, 2017, and property taxes payable after December 31, 2018.

49.8 Sec. 62. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended  
 49.9 to read:

49.10 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue  
 49.11 Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

49.12 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property  
 49.13 taxes payable after December 31, 2018, and rent paid after December 31, 2017.

49.14 Sec. 63. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended  
 49.15 to read:

49.16 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms  
 49.17 used in this chapter shall have the following meanings:

49.18 (1) "Commissioner" means the commissioner of revenue or any person to whom the  
 49.19 commissioner has delegated functions under this chapter.

49.20 (2) "Federal gross estate" means the gross estate of a decedent as required to be valued  
 49.21 and otherwise determined for federal estate tax purposes under the Internal Revenue Code,  
 49.22 increased by the value of any property in which the decedent had a qualifying income interest  
 49.23 for life and for which an election was made under section 291.03, subdivision 1d, for  
 49.24 Minnesota estate tax purposes, but was not made for federal estate tax purposes.

49.25 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,  
 49.26 as amended through ~~December 16, 2016~~ March 31, 2018.

49.27 (4) "Minnesota gross estate" means the federal gross estate of a decedent after (a)  
 49.28 excluding therefrom any property included in the estate which has its situs outside Minnesota,  
 49.29 and (b) including any property omitted from the federal gross estate which is includable in  
 49.30 the estate, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

50.1 (5) "Nonresident decedent" means an individual whose domicile at the time of death  
50.2 was not in Minnesota.

50.3 (6) "Personal representative" means the executor, administrator or other person appointed  
50.4 by the court to administer and dispose of the property of the decedent. If there is no executor,  
50.5 administrator or other person appointed, qualified, and acting within this state, then any  
50.6 person in actual or constructive possession of any property having a situs in this state which  
50.7 is included in the federal gross estate of the decedent shall be deemed to be a personal  
50.8 representative to the extent of the property and the Minnesota estate tax due with respect  
50.9 to the property.

50.10 (7) "Resident decedent" means an individual whose domicile at the time of death was  
50.11 in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply  
50.12 to determinations of domicile under this chapter.

50.13 (8) "Situs of property" means, with respect to:

50.14 (i) real property, the state or country in which it is located;

50.15 (ii) tangible personal property, the state or country in which it was normally kept or  
50.16 located at the time of the decedent's death or for a gift of tangible personal property within  
50.17 three years of death, the state or country in which it was normally kept or located when the  
50.18 gift was executed;

50.19 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
50.20 Code, owned by a nonresident decedent and that is normally kept or located in this state  
50.21 because it is on loan to an organization, qualifying as exempt from taxation under section  
50.22 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
50.23 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

50.24 (iv) intangible personal property, the state or country in which the decedent was domiciled  
50.25 at death or for a gift of intangible personal property within three years of death, the state or  
50.26 country in which the decedent was domiciled when the gift was executed.

50.27 For a nonresident decedent with an ownership interest in a pass-through entity with  
50.28 assets that include real or tangible personal property, situs of the real or tangible personal  
50.29 property, including qualified works of art, is determined as if the pass-through entity does  
50.30 not exist and the real or tangible personal property is personally owned by the decedent. If  
50.31 the pass-through entity is owned by a person or persons in addition to the decedent, ownership  
50.32 of the property is attributed to the decedent in proportion to the decedent's capital ownership  
50.33 share of the pass-through entity.

51.1 (9) "Pass-through entity" includes the following:

51.2 (i) an entity electing S corporation status under section 1362 of the Internal Revenue  
51.3 Code;

51.4 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

51.5 (iii) a single-member limited liability company or similar entity, regardless of whether  
51.6 it is taxed as an association or is disregarded for federal income tax purposes under Code  
51.7 of Federal Regulations, title 26, section 301.7701-3; or

51.8 (iv) a trust to the extent the property is includible in the decedent's federal gross estate;  
51.9 but excludes

51.10 (v) an entity whose ownership interest securities are traded on an exchange regulated  
51.11 by the Securities and Exchange Commission as a national securities exchange under section  
51.12 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

51.13 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
51.14 dying after December 31, 2017.

51.15 Sec. 64. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

51.16 Subd. 25. **Sale of property used in a trade or business.** (a) The sale of tangible personal  
51.17 property primarily used in a trade or business is exempt if the sale is not made in the normal  
51.18 course of business of selling that kind of property and if one of the following conditions is  
51.19 satisfied:

51.20 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,  
51.21 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended  
51.22 through December 16, 2016;

51.23 (2) the sale is between members of a controlled group as defined in section 1563(a) of  
51.24 the Internal Revenue Code;

51.25 (3) the sale is a sale of farm machinery;

51.26 (4) the sale is a farm auction sale;

51.27 (5) the sale is a sale of substantially all of the assets of a trade or business; or

51.28 (6) the total amount of gross receipts from the sale of trade or business property made  
51.29 during the calendar month of the sale and the preceding 11 calendar months does not exceed  
51.30 \$1,000.

52.1 The use, storage, distribution, or consumption of tangible personal property acquired as  
52.2 a result of a sale exempt under this subdivision is also exempt.

52.3 (b) For purposes of this subdivision, the following terms have the meanings given.

52.4 (1) A "farm auction" is a public auction conducted by a licensed auctioneer if substantially  
52.5 all of the property sold consists of property used in the trade or business of farming and  
52.6 property not used primarily in a trade or business.

52.7 (2) "Trade or business" includes the assets of a separate division, branch, or identifiable  
52.8 segment of a trade or business if, before the sale, the income and expenses attributable to  
52.9 the separate division, branch, or identifiable segment could be separately ascertained from  
52.10 the books of account or record (the lease or rental of an identifiable segment does not qualify  
52.11 for the exemption).

52.12 (3) A "sale of substantially all of the assets of a trade or business" must occur as a single  
52.13 transaction or a series of related transactions within the 12-month period beginning on the  
52.14 date of the first sale of assets intended to qualify for the exemption provided in paragraph  
52.15 (a), clause (5).

52.16 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
52.17 made after December 31, 2017.

52.18 Sec. 65. Minnesota Statutes 2016, section 297B.03, is amended to read:

52.19 **297B.03 EXEMPTIONS.**

52.20 There is specifically exempted from the provisions of this chapter and from computation  
52.21 of the amount of tax imposed by it the following:

52.22 (1) purchase or use, including use under a lease purchase agreement or installment sales  
52.23 contract made pursuant to section 465.71, of any motor vehicle by the United States and its  
52.24 agencies and instrumentalities and by any person described in and subject to the conditions  
52.25 provided in section 297A.67, subdivision 11;

52.26 (2) purchase or use of any motor vehicle by any person who was a resident of another  
52.27 state or country at the time of the purchase and who subsequently becomes a resident of  
52.28 Minnesota, provided the purchase occurred more than 60 days prior to the date such person  
52.29 began residing in the state of Minnesota and the motor vehicle was registered in the person's  
52.30 name in the other state or country;

52.31 (3) purchase or use of any motor vehicle by any person making a valid election to be  
52.32 taxed under the provisions of section 297A.90;

53.1 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota  
53.2 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,  
53.3 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,  
53.4 as amended through December 16, 2016;

53.5 (5) purchase or use of any vehicle owned by a resident of another state and leased to a  
53.6 Minnesota-based private or for-hire carrier for regular use in the transportation of persons  
53.7 or property in interstate commerce provided the vehicle is titled in the state of the owner or  
53.8 secured party, and that state does not impose a sales tax or sales tax on motor vehicles used  
53.9 in interstate commerce;

53.10 (6) purchase or use of a motor vehicle by a private nonprofit or public educational  
53.11 institution for use as an instructional aid in automotive training programs operated by the  
53.12 institution. "Automotive training programs" includes motor vehicle body and mechanical  
53.13 repair courses but does not include driver education programs;

53.14 (7) purchase of a motor vehicle by an ambulance service licensed under section 144E.10  
53.15 when that vehicle is equipped and specifically intended for emergency response or for  
53.16 providing ambulance service;

53.17 (8) purchase of a motor vehicle by or for a public library, as defined in section 134.001,  
53.18 subdivision 2, as a bookmobile or library delivery vehicle;

53.19 (9) purchase of a ready-mixed concrete truck;

53.20 (10) purchase or use of a motor vehicle by a town for use exclusively for road  
53.21 maintenance, including snowplows and dump trucks, but not including automobiles, vans,  
53.22 or pickup trucks;

53.23 (11) purchase or use of a motor vehicle by a corporation, society, association, foundation,  
53.24 or institution organized and operated exclusively for charitable, religious, or educational  
53.25 purposes, except a public school, university, or library, but only if the vehicle is:

53.26 (i) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a  
53.27 passenger automobile, as defined in section 168.002, if the automobile is designed and used  
53.28 for carrying more than nine persons including the driver; and

53.29 (ii) intended to be used primarily to transport tangible personal property or individuals,  
53.30 other than employees, to whom the organization provides service in performing its charitable,  
53.31 religious, or educational purpose;

53.32 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide  
53.33 transit service is exempt if the transit provider is either (i) receiving financial assistance or

54.1 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,  
54.2 473.388, or 473.405;

54.3 (13) purchase or use of a motor vehicle by a qualified business, as defined in section  
54.4 469.310, located in a job opportunity building zone, if the motor vehicle is principally  
54.5 garaged in the job opportunity building zone and is primarily used as part of or in direct  
54.6 support of the person's operations carried on in the job opportunity building zone. The  
54.7 exemption under this clause applies to sales, if the purchase was made and delivery received  
54.8 during the duration of the job opportunity building zone. The exemption under this clause  
54.9 also applies to any local sales and use tax;

54.10 (14) purchase of a leased vehicle by the lessee who was a participant in a lease-to-own  
54.11 program from a charitable organization that is:

54.12 (i) described in section 501(c)(3) of the Internal Revenue Code; and

54.13 (ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4; and

54.14 (15) purchase of a motor vehicle used exclusively as a mobile medical unit for the  
54.15 provision of medical or dental services by a federally qualified health center, as defined  
54.16 under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget  
54.17 Reconciliation Act of 1990.

54.18 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
54.19 made after December 31, 2017.

54.20 Sec. 66. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended  
54.21 to read:

54.22 Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an  
54.23 account holder is allowed a subtraction from ~~the federal taxable~~ adjusted gross income equal  
54.24 to interest or dividends earned on the first-time home buyer savings account during the  
54.25 taxable year.

54.26 (b) The subtraction under paragraph (a) is allowed each year for the taxable years  
54.27 including and following the taxable year in which the account was established. No person  
54.28 other than the account holder is allowed a subtraction under this section.

54.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
54.30 31, 2017.

55.1 Sec. 67. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended  
55.2 to read:

55.3 Subd. 2. **Addition.** (a) As provided in section 290.0131, subdivision 14, an account  
55.4 holder must add to federal ~~taxable~~ adjusted gross income the following amounts:

55.5 (1) the amount in excess of the total contributions for all taxable years that is withdrawn  
55.6 and used for other than eligible costs, or for a transfer permitted under section 462D.04,  
55.7 subdivision 2; and

55.8 (2) the amount remaining in the first-time home buyer savings account at the close of  
55.9 the tenth taxable year that exceeds the total contributions to the account for all taxable years.

55.10 (b) For an account that received a transfer under section 462D.04, subdivision 2, the  
55.11 ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year  
55.12 that applies to either account under that clause.

55.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
55.14 31, 2017.

55.15 Sec. 68. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

55.16 Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business  
55.17 in a job opportunity building zone, and an individual, estate, or trust making a qualifying  
55.18 investment in a qualified business operating in a job opportunity building zone qualifies for  
55.19 the exemptions from taxes imposed under chapter 290, as provided in this section. The  
55.20 exemptions provided under this section apply only to the extent that the income otherwise  
55.21 would be taxable under chapter 290. Subtractions under this section from federal adjusted  
55.22 gross income, federal taxable income, alternative minimum taxable income, or any other  
55.23 base subject to tax are limited to the amount that otherwise would be included in the tax  
55.24 base absent the exemption under this section. This section applies only to taxable years  
55.25 beginning during the duration of the job opportunity building zone.

55.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
55.27 31, 2017.

55.28 Sec. 69. **REPEALER.**

55.29 Minnesota Statutes 2016, sections 290.0131, subdivisions 7 and 11; 290.0133,  
55.30 subdivisions 13 and 14; and 290.10, subdivision 2, are repealed.

56.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
56.2 31, 2017.

## 56.3 **ARTICLE 2**

### 56.4 **INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES**

56.5 Section 1. Minnesota Statutes 2016, section 16A.152, is amended by adding a subdivision  
56.6 to read:

56.7 Subd. 2a. **Tax rates adjustment.** (a) The commissioner of revenue must make reductions  
56.8 to the individual income tax rates and the corporate franchise tax rate in section 290.06,  
56.9 subdivisions 1 and 2c, and the alternative minimum tax rates in sections 290.091 and  
56.10 290.0921, by one-tenth of one percentage point if, on the basis of a November forecast of  
56.11 general fund revenues and expenditures, the commissioner of management and budget  
56.12 determines that the following conditions have been met:

56.13 (1) the provisions of subdivision 2, paragraph (a), clauses (1) to (4), are satisfied; and

56.14 (2) for a forecast occurring in an even-numbered year, revenues exceed expenditures,  
56.15 excluding any carryforward amounts, at the close of the next biennium and the subsequent  
56.16 biennium by an amount greater than the revenue reduction resulting from the corresponding  
56.17 rate cuts defined in this paragraph, as estimated by the commissioner of revenue; or

56.18 (3) for a forecast occurring in an odd-numbered year, revenues exceed expenditures,  
56.19 excluding any carryforward amounts, at the close of the current biennium and the subsequent  
56.20 biennium by an amount greater than the revenue reduction resulting from the corresponding  
56.21 rate cuts defined in this paragraph, as estimated by the commissioner of revenue.

56.22 (b) Rate reductions under this subdivision resulting from a November forecast in an  
56.23 even-numbered year are effective for all taxable years beginning with the taxable year that  
56.24 begins one year after January 1 of the year immediately following the forecast year.

56.25 (c) Rate reductions under this subdivision resulting from a November forecast in an  
56.26 odd-numbered year are effective for all taxable years beginning with the taxable year that  
56.27 begins on January 1 of the year immediately following the forecast year.

56.28 (d) Reductions enacted under this subdivision shall not exceed one percentage point for  
56.29 each rate.

56.30 (e) Rate reductions under this subdivision shall occur before calculating any transfers  
56.31 to the budget reserve account under subdivision 1b, paragraph (b).



57.1 (f) The commissioner of revenue shall publish the new tax rates in the State Register as  
 57.2 soon as is practicable. After the commissioner of revenue publishes the new tax rates in the  
 57.3 State Register, the revisor of statutes must update the tax rates in sections 290.06,  
 57.4 subdivisions 1 and 2c, 290.091, and 290.0921, in the next edition of Minnesota Statutes.

57.5 **EFFECTIVE DATE.** This section is effective July 1, 2018.

57.6 Sec. 2. Minnesota Statutes 2016, section 116J.8737, subdivision 5, is amended to read:

57.7 Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a  
 57.8 credit equal to 25 percent of the qualified investment in a qualified small business.  
 57.9 Investments made by a pass-through entity qualify for a credit only if the entity is a qualified  
 57.10 fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$5,000,000 in credits to  
 57.11 qualified investors or qualified funds for taxable years beginning after December 31, ~~2013~~  
 57.12 2017, and before January 1, ~~2017~~, ~~and must not allocate more than \$10,000,000 in credits~~  
 57.13 ~~to qualified investors or qualified funds for taxable years beginning after December 31,~~  
 57.14 ~~2016, and before January 1, 2018~~ 2019; and

57.15 ~~(2) for taxable years beginning after December 31, 2014, and before January 1, 2018,~~  
 57.16 50 percent must be allocated to credits for qualifying investments in qualified greater  
 57.17 Minnesota businesses and minority- or women-owned qualified small businesses in  
 57.18 Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments  
 57.19 in greater Minnesota businesses and minority- or women-owned qualified small businesses  
 57.20 in Minnesota that is not allocated by September 30 of the taxable year is available for  
 57.21 allocation to other credit applications beginning on October 1. Any portion of a taxable  
 57.22 year's credits that is not allocated by the commissioner does not cancel and may be carried  
 57.23 forward to subsequent taxable years until all credits have been allocated.

57.24 (b) The commissioner may not allocate more than a total maximum amount in credits  
 57.25 for a taxable year to a qualified investor for the investor's cumulative qualified investments  
 57.26 as an individual qualified investor and as an investor in a qualified fund; for married couples  
 57.27 filing joint returns the maximum is \$250,000, and for all other filers the maximum is  
 57.28 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits  
 57.29 over all taxable years for qualified investments in any one qualified small business.

57.30 (c) The commissioner may not allocate a credit to a qualified investor either as an  
 57.31 individual qualified investor or as an investor in a qualified fund if, at the time the investment  
 57.32 is proposed:

57.33 (1) the investor is an officer or principal of the qualified small business; or

58.1 (2) the investor, either individually or in combination with one or more members of the  
58.2 investor's family, owns, controls, or holds the power to vote 20 percent or more of the  
58.3 outstanding securities of the qualified small business.

58.4 A member of the family of an individual disqualified by this paragraph is not eligible for a  
58.5 credit under this section. For a married couple filing a joint return, the limitations in this  
58.6 paragraph apply collectively to the investor and spouse. For purposes of determining the  
58.7 ownership interest of an investor under this paragraph, the rules under section 267(c) and  
58.8 267(e) of the Internal Revenue Code apply.

58.9 (d) Applications for tax credits for 2010 must be made available on the department's  
58.10 Web site by ~~September 1, 2010, and the department must begin accepting applications by~~  
58.11 ~~September 1, 2010. Applications for subsequent years must be made available by~~ November  
58.12 1 of the preceding year.

58.13 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.  
58.14 Tax credits must be allocated to qualified investors or qualified funds in the order that the  
58.15 tax credit request applications are filed with the department. The commissioner must approve  
58.16 or reject tax credit request applications within 15 days of receiving the application. The  
58.17 investment specified in the application must be made within 60 days of the allocation of  
58.18 the credits. If the investment is not made within 60 days, the credit allocation is canceled  
58.19 and available for reallocation. A qualified investor or qualified fund that fails to invest as  
58.20 specified in the application, within 60 days of allocation of the credits, must notify the  
58.21 commissioner of the failure to invest within five business days of the expiration of the  
58.22 60-day investment period.

58.23 (f) All tax credit request applications filed with the department on the same day must  
58.24 be treated as having been filed contemporaneously. If two or more qualified investors or  
58.25 qualified funds file tax credit request applications on the same day, and the aggregate amount  
58.26 of credit allocation claims exceeds the aggregate limit of credits under this section or the  
58.27 lesser amount of credits that remain unallocated on that day, then the credits must be allocated  
58.28 among the qualified investors or qualified funds who filed on that day on a pro rata basis  
58.29 with respect to the amounts claimed. The pro rata allocation for any one qualified investor  
58.30 or qualified fund is the product obtained by multiplying a fraction, the numerator of which  
58.31 is the amount of the credit allocation claim filed on behalf of a qualified investor and the  
58.32 denominator of which is the total of all credit allocation claims filed on behalf of all  
58.33 applicants on that day, by the amount of credits that remain unallocated on that day for the  
58.34 taxable year.

59.1 (g) A qualified investor or qualified fund, or a qualified small business acting on their  
 59.2 behalf, must notify the commissioner when an investment for which credits were allocated  
 59.3 has been made, and the taxable year in which the investment was made. A qualified fund  
 59.4 must also provide the commissioner with a statement indicating the amount invested by  
 59.5 each investor in the qualified fund based on each investor's share of the assets of the qualified  
 59.6 fund at the time of the qualified investment. After receiving notification that the investment  
 59.7 was made, the commissioner must issue credit certificates for the taxable year in which the  
 59.8 investment was made to the qualified investor or, for an investment made by a qualified  
 59.9 fund, to each qualified investor who is an investor in the fund. The certificate must state  
 59.10 that the credit is subject to revocation if the qualified investor or qualified fund does not  
 59.11 hold the investment in the qualified small business for at least three years, consisting of the  
 59.12 calendar year in which the investment was made and the two following years. The three-year  
 59.13 holding period does not apply if:

59.14 (1) the investment by the qualified investor or qualified fund becomes worthless before  
 59.15 the end of the three-year period;

59.16 (2) 80 percent or more of the assets of the qualified small business is sold before the end  
 59.17 of the three-year period;

59.18 (3) the qualified small business is sold before the end of the three-year period;

59.19 (4) the qualified small business's common stock begins trading on a public exchange  
 59.20 before the end of the three-year period; or

59.21 (5) the qualified investor dies before the end of the three-year period.

59.22 (h) The commissioner must notify the commissioner of revenue of credit certificates  
 59.23 issued under this section.

59.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 59.25 31, 2017.

59.26 Sec. 3. Minnesota Statutes 2016, section 116J.8737, subdivision 12, is amended to read:

59.27 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,  
 59.28 ~~2017~~ 2018, except that reporting requirements under subdivision 6 and revocation of credits  
 59.29 under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified  
 59.30 funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under  
 59.31 subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11  
 59.32 remains in effect through ~~2021~~ 2022.

60.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 60.2 31, 2017.

60.3 Sec. 4. Minnesota Statutes 2017 Supplement, section 289A.10, subdivision 1, is amended  
 60.4 to read:

60.5 Subdivision 1. **Return required.** In the case of a decedent who has an interest in property  
 60.6 with a situs in Minnesota, the personal representative must submit a Minnesota estate tax  
 60.7 return to the commissioner, on a form prescribed by the commissioner, if:

60.8 (1) a federal estate tax return is required to be filed; or

60.9 (2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in  
 60.10 section 2001(b) of the Internal Revenue Code, made within three years of the date of the  
 60.11 decedent's death exceeds ~~\$1,200,000 for estates of decedents dying in 2014; \$1,400,000 for~~  
 60.12 ~~estates of decedents dying in 2015; \$1,600,000 for estates of decedents dying in 2016;~~  
 60.13 ~~\$2,100,000 for estates of decedents dying in 2017;~~ \$2,400,000 for estates of decedents dying  
 60.14 in 2018; ~~\$2,700,000~~ and \$5,000,000 for estates of decedents dying in 2019; ~~and \$3,000,000~~  
 60.15 ~~for estates of decedents dying in 2020~~ and thereafter.

60.16 The return must contain a computation of the Minnesota estate tax due. The return must  
 60.17 be signed by the personal representative.

60.18 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 60.19 dying after December 31, 2017.

60.20 Sec. 5. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 4a, is amended  
 60.21 to read:

60.22 Subd. 4a. **Financial institution.** (a) "Financial institution" means:

60.23 (1) any corporation or other business entity registered (i) under state law as a bank  
 60.24 holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended;  
 60.25 or (iii) as a savings and loan holding company under the federal National Housing Act, as  
 60.26 amended;

60.27 (2) a national bank organized and existing as a national bank association pursuant to the  
 60.28 provisions of United States Code, title 12, chapter 2;

60.29 (3) a savings association or federal savings bank as defined in United States Code, title  
 60.30 12, section 1813(b)(1);

60.31 (4) any bank or thrift institution incorporated or organized under the laws of any state;

61.1 (5) any corporation organized under United States Code, title 12, sections 611 to 631;

61.2 (6) any agency or branch of a foreign depository as defined under United States Code,  
61.3 title 12, section 3101;

61.4 (7) any corporation or other business entity that is more than 50 percent owned, directly  
61.5 or indirectly, by any person or business entity described in clauses (1) to (6), other than an  
61.6 insurance company taxable under chapter 297I;

61.7 (8) a corporation or other business entity that derives more than 50 percent of its total  
61.8 gross income for financial accounting purposes from finance leases. For the purposes of  
61.9 this clause, "gross income" means the average from the current tax year and immediately  
61.10 preceding two years and excludes gross income from incidental or occasional transactions.  
61.11 For purposes of this clause, "finance lease" means any lease transaction that is the functional  
61.12 equivalent of an extension of credit and that transfers substantially all the benefits and risks  
61.13 incident to the ownership of property, including any direct financing lease or leverage lease  
61.14 that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting  
61.15 for leases, or any other lease that is accounted for as financing by a lessor under generally  
61.16 accepted accounting principles; or

61.17 (9) any other person or business entity, other than an insurance company ~~taxable under~~  
61.18 ~~chapter 297I~~, that derives more than 50 percent of its gross income from activities that an  
61.19 entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this  
61.20 clause, gross income does not include income from nonrecurring, extraordinary items.

61.21 (b) The commissioner is authorized to exclude any person from the application of  
61.22 paragraph (a), clause (9), if the person proves by clear and convincing evidence that the  
61.23 person's income-producing activity is not in substantial competition with any person described  
61.24 in paragraph (a), clauses (2) to (6) or (8).

61.25 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
61.26 after December 31, 2016.

61.27 Sec. 6. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
61.28 read:

61.29 **Subd. 5c. Disqualified captive insurance company.** (a) "Disqualified captive insurance  
61.30 company" means an insurance company that:

61.31 (1)(i) is licensed as a captive insurance company under the laws of any state or foreign  
61.32 country; or

62.1 (ii) derives 80 percent or more of its total premiums for the taxable year from entities  
 62.2 that are members of the unitary business, as that term is used in section 290.17; and

62.3 (2)(i) receives less than 50 percent of its gross receipts for the taxable year from  
 62.4 premiums; or

62.5 (ii) pays less than 0.25 percent of its total premiums for the taxable year in tax under  
 62.6 chapter 297I or a comparable tax of another state or country.

62.7 (b) For purposes of this subdivision, "premiums" means amounts paid for arrangements  
 62.8 that constitute insurance for federal income tax purposes, but excludes return premiums,  
 62.9 premiums for reinsurance assumed from other insurance companies, and any other premiums  
 62.10 that are or would be exempt from taxation under section 297I.05 as a result of their type or  
 62.11 character, if the insurance was for business in Minnesota.

62.12 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 62.13 after December 31, 2016.

62.14 Sec. 7. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
 62.15 to read:

62.16 Subd. 32. **Disallowed section 280E expenses; medical cannabis manufacturers.** The  
 62.17 amount of expenses of a medical cannabis manufacturer, as defined under section 152.22,  
 62.18 subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37,  
 62.19 and not allowed for federal income tax purposes under section 280E of the Internal Revenue  
 62.20 Code is a subtraction.

62.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 62.22 31, 2017.

62.23 Sec. 8. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision  
 62.24 to read:

62.25 Subd. 19. **Disallowed section 280E expenses; medical cannabis manufacturers.** The  
 62.26 amount of expenses of a medical cannabis manufacturer, as defined under section 152.22,  
 62.27 subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37,  
 62.28 and not allowed for federal income tax purposes under section 280E of the Internal Revenue  
 62.29 Code is a subtraction.

62.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 62.31 31, 2017.

63.1 Sec. 9. Minnesota Statutes 2017 Supplement, section 290.05, subdivision 1, is amended  
63.2 to read:

63.3 Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts,  
63.4 and organizations shall be exempted from taxation under this chapter, provided that every  
63.5 such person or corporation claiming exemption under this chapter, in whole or in part, must  
63.6 establish to the satisfaction of the commissioner the taxable status of any income or activity:

63.7 (a) corporations, individuals, estates, and trusts engaged in the business of mining or  
63.8 producing iron ore and mining, producing, or refining other ores, metals, and minerals, the  
63.9 mining, production, or refining of which is subject to the occupation tax imposed by section  
63.10 298.01; but if any such corporation, individual, estate, or trust engages in any other business  
63.11 or activity or has income from any property not used in such business it shall be subject to  
63.12 this tax computed on the net income from such property or such other business or activity.  
63.13 Royalty shall not be considered as income from the business of mining or producing iron  
63.14 ore within the meaning of this section;

63.15 (b) the United States of America, the state of Minnesota or any political subdivision of  
63.16 either agencies or instrumentalities, whether engaged in the discharge of governmental or  
63.17 proprietary functions; and

63.18 (c) any insurance company, ~~as defined in section 290.17, subdivision 4, paragraph (j),~~  
63.19 ~~but including any insurance company licensed and domiciled in another state that grants,~~  
63.20 ~~on a reciprocal basis, exemption from retaliatory taxes other than a disqualified captive~~  
63.21 insurance company.

63.22 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
63.23 after December 31, 2016.

63.24 Sec. 10. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

63.25 Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the  
63.26 tax imposed by this chapter equal to \$2,000 for each birth for which a certificate of birth  
63.27 resulting in stillbirth has been issued under section 144.2151 or in the case of a resident  
63.28 described in paragraph (c), clauses (2) and (3), that was in another state when a birth resulting  
63.29 in stillbirth occurred, if a certificate would have been issued under section 144.2151. The  
63.30 credit under this section is allowed only in the taxable year in which the stillbirth occurred  
63.31 ~~and if the child would have been a dependent of the taxpayer as defined in section 152 of~~  
63.32 ~~the Internal Revenue Code.~~

64.1 (b) For a ~~nonresident~~ or part-year resident, the credit must be allocated based on the  
64.2 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

64.3 (c) For purposes of this section, "eligible individual" means:

64.4 (1) the individual who gave birth resulting in stillbirth and who is also listed as a parent  
64.5 on the certificate of birth resulting in stillbirth;

64.6 (2) in the case of a resident that was transported to another state for medical care that  
64.7 resulted in a birth resulting in stillbirth, the individual who gave birth to the child; or

64.8 (3) in the case of a resident of Minnesota who is a member of the armed forces of the  
64.9 United States or United Nations, stationed outside the state in compliance with military  
64.10 orders, the individual who gave birth resulting in stillbirth, or if that individual is a  
64.11 nonresident of Minnesota, the spouse.

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

64.14 Sec. 11. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended  
64.15 to read:

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

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

64.20 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
64.21 55(b)(2) of the Internal Revenue Code;

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

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

64.25 (ii) the medical expense deduction;

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

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

64.28 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue  
64.29 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),  
64.30 to the extent not included in federal alternative minimum taxable income, the excess of the  
64.31 deduction for depletion allowable under section 611 of the Internal Revenue Code for the



65.1 taxable year over the adjusted basis of the property at the end of the taxable year (determined  
65.2 without regard to the depletion deduction for the taxable year);

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

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

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

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

65.10 (i) interest income as defined in section 290.0132, subdivision 2;

65.11 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
65.12 3, to the extent included in federal alternative minimum taxable income;

65.13 (iii) the amount of investment interest paid or accrued within the taxable year on  
65.14 indebtedness to the extent that the amount does not exceed net investment income, as defined  
65.15 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted  
65.16 in computing federal adjusted gross income;

65.17 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,  
65.18 subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26,~~ and 27; and

65.19 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,  
65.20 paragraph (c).

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

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

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

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

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

66.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
66.2 31, 2017.

66.3 Sec. 12. Minnesota Statutes 2016, section 290.0921, subdivision 3, is amended to read:

66.4 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income"  
66.5 is Minnesota net income as defined in section 290.01, subdivision 19, and includes the  
66.6 adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of  
66.7 the Internal Revenue Code. If a corporation files a separate company Minnesota tax return,  
66.8 the minimum tax must be computed on a separate company basis. If a corporation is part  
66.9 of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis.  
66.10 The following adjustments must be made.

66.11 (1) The portion of the depreciation deduction allowed for federal income tax purposes  
66.12 under section 168(k) of the Internal Revenue Code that is required as an addition under  
66.13 section 290.0133, subdivision 11, is disallowed in determining alternative minimum taxable  
66.14 income.

66.15 (2) The subtraction for depreciation allowed under section 290.0134, subdivision 13, is  
66.16 allowed as a depreciation deduction in determining alternative minimum taxable income.

66.17 (3) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d)  
66.18 of the Internal Revenue Code does not apply.

66.19 (4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal  
66.20 Revenue Code does not apply.

66.21 (5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code  
66.22 does not apply.

66.23 (6) The tax preference for tax exempt interest under section 57(a)(5) of the Internal  
66.24 Revenue Code does not apply.

66.25 (7) The tax preference for charitable contributions of appreciated property under section  
66.26 57(a)(6) of the Internal Revenue Code does not apply.

66.27 (8) For purposes of calculating the adjustment for adjusted current earnings in section  
66.28 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it  
66.29 is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable  
66.30 income as defined in this subdivision, determined without regard to the adjustment for  
66.31 adjusted current earnings in section 56(g) of the Internal Revenue Code.

67.1 (9) For purposes of determining the amount of adjusted current earnings under section  
67.2 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4)  
67.3 of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up  
67.4 subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of  
67.5 income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision  
67.6 8.

67.7 (10) Alternative minimum taxable income excludes the income from operating in a job  
67.8 opportunity building zone as provided under section 469.317.

67.9 (11) The subtraction for disallowed section 280E expenses of medical cannabis  
67.10 manufacturers allowed under section 290.0134, subdivision 17, is allowed as a deduction  
67.11 in determining alternative minimum taxable income.

67.12 Items of tax preference must not be reduced below zero as a result of the modifications  
67.13 in this subdivision.

67.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
67.15 31, 2017.

67.16 Sec. 13. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 4, is amended  
67.17 to read:

67.18 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within  
67.19 this state or partly within and partly without this state is part of a unitary business, the entire  
67.20 income of the unitary business is subject to apportionment pursuant to section 290.191.  
67.21 Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is  
67.22 considered to be derived from any particular source and none may be allocated to a particular  
67.23 place except as provided by the applicable apportionment formula. The provisions of this  
67.24 subdivision do not apply to business income subject to subdivision 5, income of an insurance  
67.25 company, or income of an investment company determined under section 290.36.

67.26 (b) The term "unitary business" means business activities or operations which result in  
67.27 a flow of value between them. The term may be applied within a single legal entity or  
67.28 between multiple entities and without regard to whether each entity is a sole proprietorship,  
67.29 a corporation, a partnership or a trust.

67.30 (c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced  
67.31 by centralized management or executive force, centralized purchasing, advertising,  
67.32 accounting, or other controlled interaction, but the absence of these centralized activities  
67.33 will not necessarily evidence a nonunitary business. Unity is also presumed when business

68.1 activities or operations are of mutual benefit, dependent upon or contributory to one another,  
68.2 either individually or as a group.

68.3 (d) Where a business operation conducted in Minnesota is owned by a business entity  
68.4 that carries on business activity outside the state different in kind from that conducted within  
68.5 this state, and the other business is conducted entirely outside the state, it is presumed that  
68.6 the two business operations are unitary in nature, interrelated, connected, and interdependent  
68.7 unless it can be shown to the contrary.

68.8 (e) Unity of ownership does not exist when two or more corporations are involved unless  
68.9 more than 50 percent of the voting stock of each corporation is directly or indirectly owned  
68.10 by a common owner or by common owners, either corporate or noncorporate, or by one or  
68.11 more of the member corporations of the group. For this purpose, the term "voting stock"  
68.12 shall include membership interests of mutual insurance holding companies formed under  
68.13 section 66A.40.

68.14 (f) The net income and apportionment factors under section 290.191 or 290.20 of foreign  
68.15 corporations and other foreign entities, but excluding an insurance company as defined in  
68.16 section 290.01, subdivision 5b, that is also a disqualified captive insurance company, which  
68.17 are part of a unitary business shall not be included in the net income or the apportionment  
68.18 factors of the unitary business; except that the income and apportionment factors of a foreign  
68.19 entity, other than an entity treated as a C corporation for federal income tax purposes, that  
68.20 are included in the federal taxable income, as defined in section 63 of the Internal Revenue  
68.21 Code as amended through the date named in section 290.01, subdivision 19, of a domestic  
68.22 corporation, domestic entity, or individual must be included in determining net income and  
68.23 the factors to be used in the apportionment of net income pursuant to section 290.191 or  
68.24 290.20. A foreign corporation or other foreign entity which is not included on a combined  
68.25 report and which is required to file a return under this chapter shall file on a separate return  
68.26 basis.

68.27 (g) For purposes of determining the net income of a unitary business and the factors to  
68.28 be used in the apportionment of net income pursuant to section 290.191 or 290.20, there  
68.29 must be included only the income and apportionment factors of domestic corporations or  
68.30 other domestic entities that are determined to be part of the unitary business pursuant to this  
68.31 subdivision, notwithstanding that foreign corporations or other foreign entities might be  
68.32 included in the unitary business; except that the income and apportionment factors of a  
68.33 foreign entity, other than an entity treated as a C corporation for federal income tax purposes,  
68.34 that is included in the federal taxable income, as defined in section 63 of the Internal Revenue  
68.35 Code as amended through the date named in section 290.01, subdivision 19, of a domestic

69.1 corporation, domestic entity, or individual must be included in determining net income and  
 69.2 the factors to be used in the apportionment of net income pursuant to section 290.191 or  
 69.3 290.20.

69.4 (h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary  
 69.5 business must file combined reports as the commissioner determines. On the reports, all  
 69.6 intercompany transactions between entities included pursuant to paragraph (g) must be  
 69.7 eliminated and the entire net income of the unitary business determined in accordance with  
 69.8 this subdivision is apportioned among the entities by using each entity's Minnesota factors  
 69.9 for apportionment purposes in the numerators of the apportionment formula and the total  
 69.10 factors for apportionment purposes of all entities included pursuant to paragraph (g) in the  
 69.11 denominators of the apportionment formula. Except as otherwise provided by paragraph  
 69.12 (f), all sales of the unitary business made within this state pursuant to section 290.191 or  
 69.13 290.20 must be included on the combined report of a corporation or other entity that is a  
 69.14 member of the unitary business and is subject to the jurisdiction of this state to impose tax  
 69.15 under this chapter.

69.16 (i) If a corporation has been divested from a unitary business and is included in a  
 69.17 combined report for a fractional part of the common accounting period of the combined  
 69.18 report:

69.19 (1) its income includable in the combined report is its income incurred for that part of  
 69.20 the year determined by proration or separate accounting; and

69.21 (2) its sales, property, and payroll included in the apportionment formula must be prorated  
 69.22 or accounted for separately.

69.23 (j) For purposes of this subdivision, "insurance company" means an insurance company,  
 69.24 as defined in section 290.01, subdivision 5b, that is:

69.25 ~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter~~  
 69.26 ~~60A; or~~

69.27 ~~(2) domiciled and licensed to engage in the business of insurance in another state or~~  
 69.28 ~~country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that~~  
 69.29 ~~does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance~~  
 69.30 ~~companies or their agents domiciled in Minnesota.~~

69.31 ~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance~~  
 69.32 ~~companies organized in another state or country that result from the fact that an insurance~~  
 69.33 ~~company organized in the taxing jurisdiction and doing business in the other jurisdiction is~~

70.1 ~~subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that~~  
 70.2 ~~imposed by the taxing jurisdiction upon an insurance company organized in the other state~~  
 70.3 ~~or country and doing business to the same extent in the taxing jurisdiction~~ not a disqualified  
 70.4 captive insurance company.

70.5 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 70.6 after December 31, 2016.

70.7 Sec. 14. Minnesota Statutes 2017 Supplement, section 291.016, subdivision 3, is amended  
 70.8 to read:

70.9 Subd. 3. **Subtraction.** (a) For estates of decedents dying after December 31, ~~2016~~ 2017,  
 70.10 a subtraction is allowed in computing the Minnesota taxable estate, equal to the sum of:

70.11 (1) the exclusion amount for the year of death under paragraph (b); and

70.12 (2) the lesser of:

70.13 (i) the value of qualified small business property under section 291.03, subdivision 9,  
 70.14 and the value of qualified farm property under section 291.03, subdivision 10; or

70.15 (ii) \$5,000,000 minus the exclusion amount for the year of death under paragraph (b).

70.16 (b) The following exclusion amounts apply for the year of death:

70.17 (1) ~~\$2,100,000 for decedents dying in 2017;~~

70.18 ~~(2) \$2,400,000 for decedents dying in 2018; and~~

70.19 ~~(3) \$2,700,000~~ (2) \$5,000,000 for decedents dying in 2019; ~~and~~

70.20 ~~(4) \$3,000,000 for decedents dying in 2020 and thereafter.~~

70.21 (c) The subtraction under this subdivision must not reduce the Minnesota taxable estate  
 70.22 to less than zero.

70.23 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
 70.24 December 31, 2019.

70.25 Sec. 15. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 1, is amended  
 70.26 to read:

70.27 Subdivision 1. **Tax amount.** The tax imposed must be computed by applying to the  
 70.28 Minnesota taxable estate the following schedule of rates and then the resulting amount  
 70.29 multiplied by a fraction, not greater than one, the numerator of which is the value of the  
 70.30 Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2, clause

71.1 (3), with a Minnesota situs, and the denominator of which is the federal gross estate plus  
 71.2 the value of gifts under section 291.016, subdivision 2, clause (3):

71.3 ~~(a) For estates of decedents dying in 2017:~~

71.4	Amount of Minnesota Taxable Estate	Rate of Tax
71.5	Not over \$5,100,000	12 percent
71.6	Over \$5,100,000 but not over \$7,100,000	\$612,000 plus 12.8 percent of the excess over
71.7		\$5,100,000
71.8	Over \$7,100,000 but not over \$8,100,000	\$868,000 plus 13.6 percent of the excess over
71.9		\$7,100,000
71.10	Over \$8,100,000 but not over \$9,100,000	\$1,004,000 plus 14.4 percent of the excess
71.11		over \$8,100,000
71.12	Over \$9,100,000 but not over \$10,100,000	\$1,148,000 plus 15.2 percent of the excess
71.13		over \$9,100,000
71.14	Over \$10,100,000	\$1,300,000 plus 16 percent of the excess over
71.15		\$10,100,000

71.16 ~~(b) For estates of decedents dying in 2018 and thereafter:~~

71.17	Amount of Minnesota Taxable Estate	Rate of Tax
71.18	Not over \$7,100,000	13 percent
71.19	Over \$7,100,000 but not over \$8,100,000	\$923,000 plus 13.6 percent of the excess over
71.20		\$7,100,000
71.21	Over \$8,100,000 but not over \$9,100,000	\$1,059,000 plus 14.4 percent of the excess
71.22		over \$8,100,000
71.23	Over \$9,100,000 but not over \$10,100,000	\$1,203,000 plus 15.2 percent of the excess
71.24		over \$9,100,000
71.25	Over \$10,100,000	\$1,355,000 plus 16 percent of the excess over
71.26		\$10,100,000

71.27 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 71.28 dying after December 31, 2017.

71.29 Sec. 16. Minnesota Statutes 2016, section 291.03, subdivision 8, is amended to read:

71.30 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the  
 71.31 meanings given in this subdivision.

71.32 (b) "Family member" means a family member as defined in section 2032A(e)(2) of the  
 71.33 Internal Revenue Code, or a trust whose present beneficiaries are all family members as  
 71.34 defined in section 2032A(e)(2) of the Internal Revenue Code.

71.35 (c) "Qualified heir" means a family member who acquired qualified property upon the  
 71.36 death of the decedent and satisfies the requirement under subdivision 9, clause ~~(7)~~ (8), or  
 71.37 subdivision 10, clause (5), for the property.

71.38 (d) "Qualified property" means qualified small business property under subdivision 9  
 71.39 and qualified farm property under subdivision 10.

72.1 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
72.2 dying after December 31, 2016.

72.3 Sec. 17. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 9, is amended  
72.4 to read:

72.5 Subd. 9. **Qualified small business property.** Property satisfying all of the following  
72.6 requirements is qualified small business property:

72.7 (1) The value of the property was included in the federal adjusted taxable estate.

72.8 (2) The property consists of the assets of a trade or business or shares of stock or other  
72.9 ownership interests in a corporation or other entity engaged in a trade or business. Shares  
72.10 of stock in a corporation or an ownership interest in another type of entity do not qualify  
72.11 under this subdivision if the shares or ownership interests are traded on a public stock  
72.12 exchange at any time during the three-year period ending on the decedent's date of death.  
72.13 For purposes of this subdivision, an ownership interest includes the interest the decedent is  
72.14 deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal  
72.15 Revenue Code.

72.16 (3) During the taxable year that ended before the decedent's death, the trade or business  
72.17 must not have been a passive activity within the meaning of section 469(c) of the Internal  
72.18 Revenue Code, and the decedent or the decedent's spouse must have materially participated  
72.19 in the trade or business within the meaning of section 469(h) of the Internal Revenue Code,  
72.20 excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided  
72.21 by United States Treasury Department regulation that substitutes material participation in  
72.22 prior taxable years for material participation in the taxable year that ended before the  
72.23 decedent's death.

72.24 (4) The gross annual sales of the trade or business were \$10,000,000 or less for the last  
72.25 taxable year that ended before the date of the death of the decedent.

72.26 (5) the property does not include:

72.27 (i) cash;

72.28 (ii) cash equivalents;

72.29 (iii) publicly traded securities; or

72.30 (iv) any assets not used in the operation of the trade or business.



73.1 (6) For property consisting of shares of stock or other ownership interests in an entity,  
 73.2 the value of items described in clause (5) must be excluded in the valuation of the decedent's  
 73.3 interest in the entity.

73.4 (7) The decedent or the decedent's spouse continuously owned the property, or an  
 73.5 undivided or joint interest in the property, including property the decedent or the decedent's  
 73.6 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of  
 73.7 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the  
 73.8 date of death of the decedent. In the case of a sole proprietor, if the property replaced similar  
 73.9 property within the three-year period, the replacement property will be treated as having  
 73.10 been owned for the three-year period ending on the date of death of the decedent. For the  
 73.11 purposes of the three-year holding period under this clause, any ownership by the decedent's  
 73.12 spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

73.13 (8) For three years following the date of death of the decedent, the trade or business is  
 73.14 not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,  
 73.15 and a family member materially participates in the operation of the trade or business within  
 73.16 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)  
 73.17 of the Internal Revenue Code and any other provision provided by United States Treasury  
 73.18 Department regulation that substitutes material participation in prior taxable years for  
 73.19 material participation in the three years following the date of death of the decedent.

73.20 (9) The estate and the qualified heir elect to treat the property as qualified small business  
 73.21 property and agree, in the form prescribed by the commissioner, to pay the recapture tax  
 73.22 under subdivision 11, if applicable.

73.23 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 73.24 dying after December 31, 2017.

73.25 Sec. 18. Minnesota Statutes 2016, section 291.03, subdivision 10, is amended to read:

73.26 Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements  
 73.27 is qualified farm property:

73.28 (1) The value of the property was included in the federal adjusted taxable estate.

73.29 (2) The property consists of agricultural land and is owned by a person or entity that is  
 73.30 either not subject to or is in compliance with section 500.24.

73.31 (3) For property taxes payable in the taxable year of the decedent's death, the property  
 73.32 is classified as class 2a property under section 273.13, subdivision 23, and is classified as

74.1 agricultural homestead, agricultural relative homestead, or special agricultural homestead  
74.2 under section 273.124.

74.3 (4) The decedent or the decedent's spouse continuously owned the property, or an  
74.4 undivided or joint interest in the property, including property the decedent or the decedent's  
74.5 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of  
74.6 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the  
74.7 date of death of the decedent either by ownership of the agricultural land or pursuant to  
74.8 holding an interest in an entity that is not subject to or is in compliance with section 500.24.  
74.9 For the purposes of the three-year holding period under this clause, any ownership by the  
74.10 decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed  
74.11 to the decedent.

74.12 (5) The property is classified for property tax purposes as class 2a property under section  
74.13 273.13, subdivision 23, for three years following the date of death of the decedent.

74.14 (6) The estate and the qualified heir elect to treat the property as qualified farm property  
74.15 and agree, in a form prescribed by the commissioner, to pay the recapture tax under  
74.16 subdivision 11, if applicable.

74.17 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
74.18 dying after December 31, 2017.

74.19 Sec. 19. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended  
74.20 to read:

74.21 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before  
74.22 the death of the qualified heir, the qualified heir disposes of any interest in the qualified  
74.23 property, other than by a disposition to a family member, or a family member ceases to  
74.24 satisfy the requirement under subdivision 9, clause ~~(7)~~ (8); or 10, clause (5), an additional  
74.25 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir  
74.26 replaces qualified small business property excluded under subdivision 9 with similar property,  
74.27 then the qualified heir will not be treated as having disposed of an interest in the qualified  
74.28 property.

74.29 (b) The amount of the additional tax equals the amount of the exclusion claimed by the  
74.30 estate under subdivision 8, paragraph (d), multiplied by 16 percent.

74.31 (c) The additional tax under this subdivision is due on the day which is six months after  
74.32 the date of the disposition or cessation in paragraph (a).

75.1 (d) The tax under this subdivision does not apply to the acquisition of title or possession  
 75.2 of the qualified property by a federal, state, or local government unit, or any other entity  
 75.3 with the power of eminent domain for a public purpose, as defined in section 117.025,  
 75.4 subdivision 11, within the three-year holding period.

75.5 (e) This subdivision shall not apply as a result of any of the following:

75.6 (1) a portion of qualified farm property consisting of less than one-fifth of the acreage  
 75.7 of the property is reclassified as class 2b property under section 273.13, subdivision 23, and  
 75.8 the qualified heir has not substantially altered the reclassified property during the three-year  
 75.9 holding period; or

75.10 (2) a portion of qualified farm property classified as 2a property at the death of the  
 75.11 decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence,  
 75.12 garage, and immediately surrounding one acre of land is reclassified as 4bb property during  
 75.13 the three-year holding period, and the qualified heir has not substantially altered the property.

75.14 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 75.15 dying after December 31, 2016.

75.16 Sec. 20. **REPEALER.**

75.17 (a) Minnesota Statutes 2016, sections 289A.10, subdivision 1a; 289A.12, subdivision  
 75.18 18; 289A.18, subdivision 3a; 289A.20, subdivision 3a; and 291.03, subdivisions 8 and 10,  
 75.19 are repealed.

75.20 (b) Minnesota Statutes 2017 Supplement, section 291.03, subdivisions 9 and 11, are  
 75.21 repealed.

75.22 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
 75.23 December 31, 2018.

## 75.24 **ARTICLE 3**

### 75.25 **SALES, USE, AND EXCISE TAXES**

75.26 Section 1. Minnesota Statutes 2017 Supplement, section 297A.61, subdivision 3, is  
 75.27 amended to read:

75.28 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to,  
 75.29 each of the transactions listed in this subdivision. In applying the provisions of this chapter,  
 75.30 the terms "tangible personal property" and "retail sale" include the taxable services listed  
 75.31 in paragraph (g), clause (6), items (i) to (vi) and (viii), and the provision of these taxable

76.1 services, unless specifically provided otherwise. Services performed by an employee for  
76.2 an employer are not taxable. Services performed by a partnership or association for another  
76.3 partnership or association are not taxable if one of the entities owns or controls more than  
76.4 80 percent of the voting power of the equity interest in the other entity. Services performed  
76.5 between members of an affiliated group of corporations are not taxable. For purposes of  
76.6 the preceding sentence, "affiliated group of corporations" means those entities that would  
76.7 be classified as members of an affiliated group as defined under United States Code, title  
76.8 26, section 1504, disregarding the exclusions in section 1504(b).

76.9 (b) Sale and purchase include:

76.10 (1) any transfer of title or possession, or both, of tangible personal property, whether  
76.11 absolutely or conditionally, for a consideration in money or by exchange or barter; and

76.12 (2) the leasing of or the granting of a license to use or consume, for a consideration in  
76.13 money or by exchange or barter, tangible personal property, other than a manufactured  
76.14 home used for residential purposes for a continuous period of 30 days or more.

76.15 (c) Sale and purchase include the production, fabrication, printing, or processing of  
76.16 tangible personal property for a consideration for consumers who furnish either directly or  
76.17 indirectly the materials used in the production, fabrication, printing, or processing.

76.18 (d) Sale and purchase include the preparing for a consideration of food. Notwithstanding  
76.19 section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

76.20 (1) prepared food sold by the retailer;

76.21 (2) soft drinks;

76.22 (3) candy; and

76.23 (4) dietary supplements.

76.24 (e) A sale and a purchase includes the furnishing for a consideration of electricity, gas,  
76.25 water, or steam for use or consumption within this state.

76.26 (f) A sale and a purchase includes the transfer for a consideration of prewritten computer  
76.27 software whether delivered electronically, by load and leave, or otherwise.

76.28 (g) A sale and a purchase includes the furnishing for a consideration of the following  
76.29 services:

76.30 (1) the privilege of admission to places of amusement, recreational areas, or athletic  
76.31 events, and the making available of amusement devices, tanning facilities, reducing salons,

77.1 steam baths, health clubs, and spas or athletic facilities, but not release fees or other charges  
 77.2 for pen-raised game or poultry by a game farm or hunting preserve;

77.3 (2) lodging and related services by a hotel, rooming house, resort, campground, motel,  
 77.4 or trailer camp, including furnishing the guest of the facility with access to telecommunication  
 77.5 services, and the granting of any similar license to use real property in a specific facility,  
 77.6 other than the renting or leasing of it for a continuous period of 30 days or more under an  
 77.7 enforceable written agreement that may not be terminated without prior notice and including  
 77.8 accommodations intermediary services provided in connection with other services provided  
 77.9 under this clause;

77.10 (3) nonresidential parking services, whether on a contractual, hourly, or other periodic  
 77.11 basis, except for parking at a meter;

77.12 (4) the granting of membership in a club, association, or other organization if:

77.13 (i) the club, association, or other organization makes available for the use of its members  
 77.14 sports and athletic facilities, without regard to whether a separate charge is assessed for use  
 77.15 of the facilities; and

77.16 (ii) use of the sports and athletic facility is not made available to the general public on  
 77.17 the same basis as it is made available to members.

77.18 Granting of membership means both onetime initiation fees and periodic membership dues,  
 77.19 but does not include release fees or other charges for pen-raised game or poultry by a game  
 77.20 farm or hunting preserve. Sports and athletic facilities include golf courses; tennis,  
 77.21 racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks;  
 77.22 exercise equipment; swimming pools; and other similar athletic or sports facilities;

77.23 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate  
 77.24 material used in road construction; and delivery of concrete block by a third party if the  
 77.25 delivery would be subject to the sales tax if provided by the seller of the concrete block.  
 77.26 For purposes of this clause, "road construction" means construction of:

77.27 (i) public roads;

77.28 (ii) cartways; and

77.29 (iii) private roads in townships located outside of the seven-county metropolitan area  
 77.30 up to the point of the emergency response location sign; and

77.31 (6) services as provided in this clause:

78.1 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,  
78.2 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,  
78.3 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not  
78.4 include services provided by coin operated facilities operated by the customer;

78.5 (ii) motor vehicle washing, waxing, and cleaning services, including services provided  
78.6 by coin operated facilities operated by the customer, and rustproofing, undercoating, and  
78.7 towing of motor vehicles;

78.8 (iii) building and residential cleaning, maintenance, and disinfecting services and pest  
78.9 control and exterminating services;

78.10 (iv) detective, security, burglar, fire alarm, and armored car services; but not including  
78.11 services performed within the jurisdiction they serve by off-duty licensed peace officers as  
78.12 defined in section 626.84, subdivision 1, or services provided by a nonprofit organization  
78.13 or any organization at the direction of a county for monitoring and electronic surveillance  
78.14 of persons placed on in-home detention pursuant to court order or under the direction of the  
78.15 Minnesota Department of Corrections;

78.16 (v) pet grooming services;

78.17 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
78.18 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant  
78.19 care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing  
78.20 contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility  
78.21 lines. Services performed under a construction contract for the installation of shrubbery,  
78.22 plants, sod, trees, bushes, and similar items are not taxable;

78.23 (vii) massages, except when provided by a licensed health care facility or professional  
78.24 or upon written referral from a licensed health care facility or professional for treatment of  
78.25 illness, injury, or disease; and

78.26 (viii) the furnishing of lodging, board, and care services for animals in kennels and other  
78.27 similar arrangements, but excluding veterinary and horse boarding services.

78.28 (h) A sale and a purchase includes the furnishing for a consideration of tangible personal  
78.29 property or taxable services by the United States or any of its agencies or instrumentalities,  
78.30 or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

78.31 (i) A sale and a purchase includes the furnishing for a consideration of  
78.32 telecommunications services, ancillary services associated with telecommunication services,  
78.33 and pay television services. Telecommunication services include, but are not limited to, the

79.1 following services, as defined in section 297A.669: air-to-ground radiotelephone service,  
79.2 mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid  
79.3 wireless calling service, and private communication services. The services in this paragraph  
79.4 are taxed to the extent allowed under federal law.

79.5 (j) A sale and a purchase includes the furnishing for a consideration of installation if the  
79.6 installation charges would be subject to the sales tax if the installation were provided by  
79.7 the seller of the item being installed.

79.8 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a  
79.9 customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor  
79.10 vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02,  
79.11 subdivision 11.

79.12 (l) A sale and a purchase includes furnishing for a consideration of specified digital  
79.13 products or other digital products or granting the right for a consideration to use specified  
79.14 digital products or other digital products on a temporary or permanent basis and regardless  
79.15 of whether the purchaser is required to make continued payments for such right. Wherever  
79.16 the term "tangible personal property" is used in this chapter, other than in subdivisions 10  
79.17 and 38, the provisions also apply to specified digital products, or other digital products,  
79.18 unless specifically provided otherwise or the context indicates otherwise.

79.19 (m) The sale of the privilege of admission under section 297A.61, subdivision 3,  
79.20 paragraph (g), clause (1), to a place of amusement, recreational area, or athletic event  
79.21 includes all charges included in the privilege of admission's sales price, without deduction  
79.22 for amenities that may be provided, unless the amenities are separately stated and the  
79.23 purchaser of the privilege of admission is entitled to add or decline the amenities, and the  
79.24 amenities are not otherwise taxable.

79.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
79.26 30, 2018.

79.27 Sec. 2. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
79.28 read:

79.29 **Subd. 51. Minnetonka police and fire public safety facilities.** Materials and supplies  
79.30 used in, and equipment incorporated into, (1) the construction of a new fire station on the  
79.31 campus of the Minnetonka city hall, and (2) the remodeling and expansion of an existing  
79.32 police and fire station in Minnetonka to accommodate its use as a police station are exempt.

80.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 80.2 30, 2018, and before January 1, 2021.

80.3 Sec. 3. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
 80.4 read:

80.5 Subd. 52. **Inver Grove Heights fire station.** Materials and supplies used in and  
 80.6 equipment incorporated into the construction of a new fire station, which includes firefighting  
 80.7 and public safety training facilities, in the city of Inver Grove Heights is exempt.

80.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 80.9 30, 2018, and before January 1, 2021.

80.10 Sec. 4. Minnesota Statutes 2016, section 477A.016, is amended to read:

80.11 **477A.016 NEW TAXES PROHIBITED.**

80.12 (a) No county, city, town or other taxing authority shall increase a present tax or impose  
 80.13 a new tax on sales or income.

80.14 (b) No county, city, town, or other taxing authority shall increase a present excise tax  
 80.15 or fee or impose a new excise tax or fee on either:

80.16 (1) the manufacture, distribution, wholesale, or retail sale of food, based on volume of  
 80.17 product sold, product sales value, or the type of product manufactured, distributed, or sold;  
 80.18 or

80.19 (2) any container used for transporting, protecting, or consuming food.

80.20 (c) For purposes of this section:

80.21 (1) "food" has the meaning given in section 34A.01, subdivision 4; and

80.22 (2) "container" means a bottle, cup, can, bag, or other packaging that is made from  
 80.23 plastic, aluminum, glass, cardboard, or other material.

80.24 (d) This section does not apply to reasonable license fees lawfully imposed by a county,  
 80.25 city, town, or other licensing authority in the exercise of its regulatory authority to license  
 80.26 a trade, profession, or business.

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



81.1 Sec. 5. Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session  
81.2 chapter 5, article 12, section 87, and Laws 2012, chapter 299, article 3, section 3, is amended  
81.3 to read:

81.4 **Sec. 5. LIQUOR, LODGING, AND RESTAURANT TAXES.**

81.5 The city may, by resolution, levy in addition to taxes authorized by other law:

81.6 (1) a sales tax of not more than three percent on the gross receipts on retail on-sales of  
81.7 intoxicating liquor and fermented malt beverages when sold at licensed on-sale liquor  
81.8 establishments located within the downtown taxing area, provided that this tax may not be  
81.9 imposed if sales of intoxicating liquor and fermented malt beverages are exempt from  
81.10 taxation under chapter 297A;

81.11 (2) a sales tax of not more than three percent on the gross receipts from the furnishing  
81.12 for consideration of lodging for a period of less than 30 days at a hotel, motel, rooming  
81.13 house, tourist court, or trailer camp located within the city by a hotel or motel which has  
81.14 more than 50 rooms available for lodging; the tax imposed under this clause shall be at a  
81.15 rate that, when added to the sum of the rate of the sales tax imposed under Minnesota  
81.16 Statutes, chapter 297A, the rate of the sales tax imposed under section 4, and the rate of any  
81.17 other taxes on lodging in the city of Minneapolis, equals ~~43~~ 13.875 percent; and

81.18 (3) a sales tax of not more than three percent on the gross receipts on all sales of food  
81.19 primarily for consumption on or off the premises by restaurants and places of refreshment  
81.20 as defined by resolution of the city that occur within the downtown taxing area.

81.21 The taxes authorized by this section must not be terminated before January 1, 2047. The  
81.22 taxes shall be imposed and may be adjusted periodically by the city council such that the  
81.23 rates imposed produce revenue sufficient, together with the tax imposed under section 4,  
81.24 to finance the purposes described in Minnesota Statutes, section 297A.994, and section 4,  
81.25 subdivisions 3 and 4. These taxes shall be applied, first, as provided in Minnesota Statutes,  
81.26 section 297A.994, subdivision 3, clauses (1) to (3), and then, solely to pay, secure, maintain,  
81.27 and fund the payment of any principal of, premium on, and interest on any bonds or any  
81.28 other purposes in section 4, subdivision 3 or 4. The commissioner of revenue may enter  
81.29 into appropriate agreements with the city to provide for the collection of these taxes by the  
81.30 state on behalf of the city. These taxes shall be subject to the same interest, penalties, and  
81.31 enforcement provisions as the taxes imposed under Minnesota Statutes, chapter 297A.

81.32 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
81.33 September 30, 2018.

82.1 Sec. 6. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291, article  
82.2 8, section 24, and Laws 2011, chapter 112, article 4, section 6, is amended to read:

82.3 **Sec. 31. AUTHORITY FOR TAXATION.**

82.4 Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and  
82.5 supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city  
82.6 of St. Paul may impose, by ordinance, a tax, at a rate not greater than ~~three~~ four percent, on  
82.7 the gross receipts from the furnishing for consideration of lodging and related services at a  
82.8 hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of  
82.9 space for a continuous period of 30 days or more. The tax does not apply to the furnishing  
82.10 of lodging and related services by a business having less than 50 lodging rooms. The tax  
82.11 shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues  
82.12 generated by this tax shall be used to fund a convention bureau to market and promote the  
82.13 city as a tourist or convention center.

82.14 **EFFECTIVE DATE.** This section is effective the first day of the calendar quarter  
82.15 beginning at least 30 days after the governing body of the city of St. Paul and its chief  
82.16 clerical officer timely complete their compliance with Minnesota Statutes, section 645.021,  
82.17 subdivisions 2 and 3.

## 82.18 **ARTICLE 4**

### 82.19 **PROPERTY TAX**

82.20 Section 1. Minnesota Statutes 2016, section 103D.905, subdivision 9, is amended to read:

82.21 Subd. 9. **Project tax levy.** In addition to other tax levies provided in this section or in  
82.22 any other law, a watershed district may levy a tax:

82.23 (1) to pay the costs of projects undertaken by the watershed district ~~which~~ that are to be  
82.24 funded, in whole or in part, with ~~the proceeds of~~ money appropriated by law for grants or  
82.25 construction or implementation loans under sections 103F.701 to 103F.755 to the district;

82.26 (2) to pay the principal of, or premium or administrative surcharge, if any, and interest  
82.27 on, the bonds and notes issued by the watershed district pursuant to section 103F.725; or

82.28 (3) to repay the construction or implementation loans under sections 103F.701 to  
82.29 103F.755.

82.30 Taxes levied with respect to payment of bonds and notes shall comply with section  
82.31 475.61.

82.32 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

83.1 Sec. 2. Minnesota Statutes 2016, section 138.053, is amended to read:

83.2 **138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.**

83.3 The governing body of any home rule charter or statutory city or town may annually  
 83.4 appropriate from its general fund an amount not to exceed 0.02418 percent of estimated  
 83.5 market value, derived from ad valorem taxes on property or other revenues, to be paid to  
 83.6 the historical society of its respective city, town, or county to be used for the promotion of  
 83.7 historical work and to aid in defraying the expenses of carrying on the historical work in  
 83.8 the county. No city or town may appropriate any funds for the benefit of any historical  
 83.9 society unless the society is affiliated with and approved by the Minnesota Historical Society.

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

83.11 Sec. 3. Minnesota Statutes 2016, section 197.603, subdivision 2, is amended to read:

83.12 Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service  
 83.13 officer is the responsible authority with respect to all records in the officer's custody. The  
 83.14 data on clients' applications for assistance is private data on individuals, as defined in section  
 83.15 13.02, subdivision 12. The county veterans service officer may disclose to the county assessor  
 83.16 private data necessary to determine a client's eligibility for the disabled veteran's homestead  
 83.17 market value exclusion under section 273.13, subdivision 34.

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

83.19 Sec. 4. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to  
 83.20 read:

83.21 **Subd. 102. Certain property owned by an Indian tribe.** (a) Property is exempt that:

83.22 (1) is located in a city of the first class with a population of more than 380,000 as of the  
 83.23 2010 federal census;

83.24 (2) was on January 1, 2016, and is for the current assessment, owned by a federally  
 83.25 recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota;  
 83.26 and

83.27 (3) is used exclusively as a pharmacy.

83.28 (b) Property that qualifies for the exemption under this subdivision is limited to parcels  
 83.29 and structures that do not exceed, in the aggregate, 4,000 square feet. Property acquired for  
 83.30 single-family housing, market-rate apartments, agriculture, or forestry does not qualify for

84.1 this exemption. The exemption created by this subdivision expires with taxes payable in  
 84.2 2028.

84.3 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019  
 84.4 and thereafter.

84.5 Sec. 5. Minnesota Statutes 2017 Supplement, section 272.029, subdivision 2, is amended  
 84.6 to read:

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

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

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

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

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

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

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

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

84.28 (3) under common ownership.

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

85.1 (c) In making a determination under paragraph (b), the commissioner of commerce may  
 85.2 determine that two wind energy conversion systems are under common ownership when  
 85.3 the underlying ownership structure contains ~~similar~~ the same persons or entities, even if the  
 85.4 ownership shares differ between the two systems. Wind energy conversion systems are not  
 85.5 under common ownership solely because the same person or entity provided equity financing  
 85.6 for the systems. Wind energy conversion systems that were determined by the commissioner  
 85.7 of commerce to be eligible for a renewable energy production incentive under section  
 85.8 216C.41 are not under common ownership unless a change in the qualifying owner was  
 85.9 made to an owner of another wind energy conversion system subsequent to the determination  
 85.10 by the commissioner of commerce.

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

85.12 Sec. 6. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

85.13 Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park  
 85.14 is owned by a corporation or association organized under chapter 308A or 308B, and each  
 85.15 person who owns a share or shares in the corporation or association is entitled to occupy a  
 85.16 lot within the park, the corporation or association may claim homestead treatment for the  
 85.17 park. Each lot must be designated by legal description or number, and each lot is limited to  
 85.18 not more than one-half acre of land.

85.19 (b) The manufactured home park shall be entitled to homestead treatment if all of the  
 85.20 following criteria are met:

85.21 (1) the occupant or the cooperative corporation or association is paying the ad valorem  
 85.22 property taxes and any special assessments levied against the land and structure either  
 85.23 directly, or indirectly through dues to the corporation or association; and

85.24 (2) the corporation or association organized under chapter 308A or 308B is wholly  
 85.25 owned by persons having a right to occupy a lot owned by the corporation or association.

85.26 (c) A charitable corporation, organized under the laws of Minnesota with no outstanding  
 85.27 stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status,  
 85.28 qualifies for homestead treatment with respect to a manufactured home park if its members  
 85.29 hold residential participation warrants entitling them to occupy a lot in the manufactured  
 85.30 home park.

85.31 (d) "Homestead treatment" under this subdivision means the classification rate provided  
 85.32 for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause  
 85.33 (5), item (ii)-, and the homestead market value exclusion under section 273.13, subdivision

86.1 35, does not apply ~~and the property taxes assessed against the park shall not be included in~~  
 86.2 ~~the determination of taxes payable for rent paid under section 290A.03.~~

86.3 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable  
 86.4 in 2019.

86.5 Sec. 7. Minnesota Statutes 2016, section 273.1245, subdivision 2, is amended to read:

86.6 Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to  
 86.7 the commissioner of revenue as provided by law. The assessor shall also disclose all or  
 86.8 portions of the data described in subdivision 1 to:

86.9 (1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture  
 86.10 Act to recover personal property taxes owing; and

86.11 (2) the county veterans service officer for the purpose of determining a person's eligibility  
 86.12 for the disabled veteran's homestead market value exclusion under section 273.13, subdivision  
 86.13 34.

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

86.15 Sec. 8. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 25, is amended  
 86.16 to read:

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

86.24 (b) Class 4b includes:

86.25 (1) residential real estate containing less than four units that does not qualify as class  
 86.26 4bb, other than seasonal residential recreational property;

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

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

86.30 (4) unimproved property that is classified residential as determined under subdivision  
 86.31 33.

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

87.2 (c) Class 4bb includes:

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

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

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

87.9 Class 4bb property has the same classification rates as class 1a property under subdivision  
87.10 22.

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

87.14 (d) Class 4c property includes:

87.15 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
87.16 devoted to commercial temporary and seasonal residential occupancy for recreation purposes,  
87.17 for not more than 250 days in the year preceding the year of assessment. For purposes of  
87.18 this clause, property is devoted to a commercial purpose on a specific day if any portion of  
87.19 the property is used for residential occupancy, and a fee is charged for residential occupancy.  
87.20 Class 4c property under this clause must contain three or more rental units. A "rental unit"  
87.21 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site  
87.22 equipped with water and electrical hookups for recreational vehicles. A camping pad offered  
87.23 for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c  
87.24 under this clause regardless of the term of the rental agreement, as long as the use of the  
87.25 camping pad does not exceed 250 days. In order for a property to be classified under this  
87.26 clause, either: (i) the business located on the property must provide recreational activities,  
87.27 at least 40 percent of the annual gross lodging receipts related to the property must be from  
87.28 business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid  
87.29 bookings by lodging guests during the year must be for periods of at least two consecutive  
87.30 nights; or (B) at least 20 percent of the annual gross receipts must be from charges for  
87.31 providing recreational activities; ~~or;~~ (ii) the business must contain 20 or fewer rental units,  
87.32 and must be located in a township or a city with a population of 2,500 or less located outside  
87.33 the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion

88.1 of a state trail administered by the Department of Natural Resources; or (iii) the facility  
88.2 must consist of no more than five sleeping rooms and must provide an area or areas to  
88.3 prepare meals and to conduct indoor craft or hobby activities. For purposes of item (i)(A),  
88.4 a paid booking of five or more nights shall be counted as two bookings. Class 4c property  
88.5 also includes commercial use real property used exclusively for recreational purposes in  
88.6 conjunction with other class 4c property classified under this clause and devoted to temporary  
88.7 and seasonal residential occupancy for recreational purposes, up to a total of two acres,  
88.8 provided the property is not devoted to commercial recreational use for more than 250 days  
88.9 in the year preceding the year of assessment and is located within two miles of the class 4c  
88.10 property with which it is used. In order for a property to qualify for classification under this  
88.11 clause, the owner must submit a declaration to the assessor designating the cabins or units  
88.12 occupied for 250 days or less in the year preceding the year of assessment by January 15  
88.13 of the assessment year. Those cabins or units and a proportionate share of the land on which  
88.14 they are located must be designated class 4c under this clause as otherwise provided. The  
88.15 remainder of the cabins or units and a proportionate share of the land on which they are  
88.16 located will be designated as class 3a. The owner of property desiring designation as class  
88.17 4c property under this clause must provide guest registers or other records demonstrating  
88.18 that the units for which class 4c designation is sought were not occupied for more than 250  
88.19 days in the year preceding the assessment if so requested. The portion of a property operated  
88.20 as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5)  
88.21 other nonresidential facility operated on a commercial basis not directly related to temporary  
88.22 and seasonal residential occupancy for recreation purposes does not qualify for class 4c.  
88.23 For the purposes of this paragraph, "recreational activities" means renting ice fishing houses,  
88.24 boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina  
88.25 services, launch services, or guide services; or selling bait and fishing tackle;

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

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

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

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



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

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

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

89.10 For purposes of this clause:

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

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

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

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

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

89.30 The organization shall maintain records of its charitable contributions and donations  
89.31 and of public meetings and events held on the property and make them available upon  
89.32 request any time to the assessor to ensure eligibility. An organization meeting the requirement  
89.33 under item (ii) must file an application by May 1 with the assessor for eligibility for the

90.1 current year's assessment. The commissioner shall prescribe a uniform application form  
90.2 and instructions;

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

90.7 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding  
90.8 manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as  
90.9 defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision  
90.10 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision  
90.11 13;

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

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

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

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

90.21 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be  
90.22 filed by the new owner with the assessor of the county where the property is located within  
90.23 60 days of the sale;

90.24 (8) a privately owned noncommercial aircraft storage hangar not exempt under section  
90.25 272.01, subdivision 2, and the land on which it is located, provided that:

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

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

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

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

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

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

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

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

91.12 (10) real property up to a maximum of three acres and operated as a restaurant as defined  
91.13 under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under  
91.14 section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to  
91.15 commercial purposes for not more than 250 consecutive days, or receives at least 60 percent  
91.16 of its annual gross receipts from business conducted during four consecutive months. Gross  
91.17 receipts from the sale of alcoholic beverages must be included in determining the property's  
91.18 qualification under item (ii). The property's primary business must be as a restaurant and  
91.19 not as a bar. Gross receipts from gift shop sales located on the premises must be excluded.  
91.20 Owners of real property desiring 4c classification under this clause must submit an annual  
91.21 declaration to the assessor by February 1 of the current assessment year, based on the  
91.22 property's relevant information for the preceding assessment year;

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

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

92.1 Class 4c property has a classification rate of 1.5 percent of market value, except that (i)  
92.2 each parcel of noncommercial seasonal residential recreational property under clause (12)  
92.3 has the same classification rates as class 4bb property, (ii) manufactured home parks assessed  
92.4 under clause (5), item (i), have the same classification rate as class 4b property, the market  
92.5 value of manufactured home parks assessed under clause (5), item (ii), have a classification  
92.6 rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by  
92.7 shareholders in the cooperative corporation or association and a classification rate of one  
92.8 percent if 50 percent or less of the lots are so occupied, and class I manufactured home  
92.9 parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent,  
92.10 (iii) commercial-use seasonal residential recreational property and marina recreational land  
92.11 as described in clause (11), has a classification rate of one percent for the first \$500,000 of  
92.12 market value, and 1.25 percent for the remaining market value, (iv) the market value of  
92.13 property described in clause (4) has a classification rate of one percent, (v) the market value  
92.14 of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent,  
92.15 (vi) that portion of the market value of property in clause (9) qualifying for class 4c property  
92.16 has a classification rate of 1.25 percent, and (vii) property qualifying for classification under  
92.17 clause (3) that is owned or operated by a congressionally chartered veterans organization  
92.18 has a classification rate of one percent. The commissioner of veterans affairs must provide  
92.19 a list of congressionally chartered veterans organizations to the commissioner of revenue  
92.20 by June 30, 2017, and by January 1, 2018, and each year thereafter.

92.21 (e) Class 4d property is qualifying low-income rental housing certified to the assessor  
92.22 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of  
92.23 the units in the building qualify as low-income rental housing units as certified under section  
92.24 273.128, subdivision 3, only the proportion of qualifying units to the total number of units  
92.25 in the building qualify for class 4d. The remaining portion of the building shall be classified  
92.26 by the assessor based upon its use. Class 4d also includes the same proportion of land as  
92.27 the qualifying low-income rental housing units are to the total units in the building. For all  
92.28 properties qualifying as class 4d, the market value determined by the assessor must be based  
92.29 on the normal approach to value using normal unrestricted rents.

92.30 (f) The first tier of market value of class 4d property has a classification rate of 0.75  
92.31 percent. The remaining value of class 4d property has a classification rate of 0.25 percent.  
92.32 For the purposes of this paragraph, the "first tier of market value of class 4d property" means  
92.33 the market value of each housing unit up to the first tier limit. For the purposes of this  
92.34 paragraph, all class 4d property value must be assigned to individual housing units. The  
92.35 first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is

93.1 adjusted each year by the average statewide change in estimated market value of property  
 93.2 classified as class 4a and 4d under this section for the previous assessment year, excluding  
 93.3 valuation change due to new construction, rounded to the nearest \$1,000, provided, however,  
 93.4 that the limit may never be less than \$100,000. Beginning with assessment year 2015, the  
 93.5 commissioner of revenue must certify the limit for each assessment year by November 1  
 93.6 of the previous year.

93.7 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

93.8 Sec. 9. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended  
 93.9 to read:

93.10 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of  
 93.11 the market value of property owned by a veteran and serving as the veteran's homestead  
 93.12 under this section is excluded in determining the property's taxable market value if the  
 93.13 veteran has a service-connected disability of 70 percent or more as certified by the United  
 93.14 States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the  
 93.15 veteran must have been honorably discharged from the United States armed forces, as  
 93.16 indicated by United States Government Form DD214 or other official military discharge  
 93.17 papers.

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

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

93.22 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause  
 93.23 (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds  
 93.24 the legal or beneficial title to the homestead and permanently resides there, the exclusion  
 93.25 shall carry over to the benefit of the veteran's spouse for the current taxes payable year and  
 93.26 for eight additional taxes payable years or until such time as the spouse remarries, or sells,  
 93.27 transfers, or otherwise disposes of the property, whichever comes first, except as otherwise  
 93.28 provided in paragraph (n). Qualification under this paragraph requires an application under  
 93.29 paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's  
 93.30 marital status, ownership of the property, or use of the property as a permanent residence.

93.31 (d) If the spouse of a member of any branch or unit of the United States armed forces  
 93.32 who dies due to a service-connected cause while serving honorably in active service, as  
 93.33 indicated on United States Government Form DD1300 or DD2064, holds the legal or

94.1 beneficial title to a homestead and permanently resides there, the spouse is entitled to the  
94.2 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such  
94.3 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,  
94.4 whichever comes first, except as otherwise provided in paragraph (n).

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

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

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

94.15 (h) To qualify for a valuation exclusion under this subdivision a property owner must  
94.16 apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the  
94.17 exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion  
94.18 shall become effective for the following assessment year. Except as provided in paragraph  
94.19 (c), the owner of a property that has been accepted for a valuation exclusion must notify  
94.20 the assessor if there is a change in ownership of the property or in the use of the property  
94.21 as a homestead. When a property qualifying for a market value exclusion under this  
94.22 subdivision is sold or transferred, the exclusion must be removed for taxes payable in the  
94.23 following year, provided that the new owner may file a claim for an exclusion if eligible.

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

94.26 (j) For purposes of this subdivision:

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

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

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

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

95.1 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion  
95.2 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit  
95.3 under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries  
95.4 or sells, transfers, or otherwise disposes of the property, except as otherwise provided in  
95.5 paragraph (n), if:

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

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

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

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

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

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

95.15 (l) The purpose of this provision of law providing a level of homestead property tax  
95.16 relief for gravely disabled veterans, their primary family caregivers, and their surviving  
95.17 spouses is to help ease the burdens of war for those among our state's citizens who bear  
95.18 those burdens most heavily.

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

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

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

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

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

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

96.3 The exclusion for a spouse under this paragraph and paragraph (c), (d), or (k) may not  
 96.4 exceed a total of eight taxes payable years.

96.5 **EFFECTIVE DATE.** This section is effective beginning with assessments in 2018, for  
 96.6 taxes payable in 2019.

96.7 Sec. 10. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended  
 96.8 to read:

96.9 Subdivision 1. **Levy amount.** (a) The state general levy is levied against  
 96.10 commercial-industrial property and seasonal residential recreational property, as defined  
 96.11 in this section. The state general levy for commercial-industrial property is \$784,590,000  
 96.12 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational  
 96.13 property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section  
 96.14 is not treated as a local tax rate under section 469.177 and is not the levy of a governmental  
 96.15 unit under chapters 276A and 473F.

96.16 (b) The commissioner shall increase or decrease the preliminary or final rate for a year  
 96.17 as necessary to account for errors and tax base changes that affected a preliminary or final  
 96.18 rate for either of the two preceding years. Adjustments are allowed to the extent that the  
 96.19 necessary information is available to the commissioner at the time the rates for a year must  
 96.20 be certified, and for the following reasons:

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

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

96.23 (3) an increase or decrease in taxable value for commercial-industrial or seasonal  
 96.24 residential recreational property reported on the abstracts of tax lists submitted under section  
 96.25 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89  
 96.26 for the same year.

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

96.29 (c) Each year, the commissioner must reduce the state commercial-industrial levy under  
 96.30 paragraph (a) by the amount of state general tax that would be paid by property defined in  
 96.31 subdivision 2, paragraph (c), if it were not exempt.

96.32 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.



97.1 Sec. 11. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 2, is amended  
97.2 to read:

97.3 Subd. 2. **Commercial-industrial tax capacity.** (a) For the purposes of this section,  
97.4 "commercial-industrial tax capacity" means the tax capacity of all taxable property classified  
97.5 as class 3 or class 5(1) under section 273.13, excluding:

97.6 (1) the tax capacity attributable to the first \$100,000 of market value of each parcel of  
97.7 commercial-industrial property as defined under section 273.13, subdivision 24, clauses (1)  
97.8 and (2);

97.9 (2) electric generation attached machinery under class 3; ~~and~~

97.10 (3) property described in section 473.625; and

97.11 (4) property described in paragraph (c).

97.12 (b) County commercial-industrial tax capacity amounts are not adjusted for the captured  
97.13 net tax capacity of a tax increment financing district under section 469.177, subdivision 2,  
97.14 the net tax capacity of transmission lines deducted from a local government's total net tax  
97.15 capacity under section 273.425, or fiscal disparities contribution and distribution net tax  
97.16 capacities under chapter 276A or 473F. For purposes of this subdivision, the procedures  
97.17 for determining eligibility for tier 1 under section 273.13, subdivision 24, clauses (1) and  
97.18 (2), shall apply in determining the portion of a property eligible to be considered within the  
97.19 first \$100,000 of market value.

97.20 (c) Personal property that is part of an intrastate natural gas transportation or distribution  
97.21 pipeline system is exempt from the tax imposed under this section if:

97.22 (1) construction of the pipeline system began after January 1, 2018; and

97.23 (2) the property is located in an area:

97.24 (i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision  
97.25 3; and

97.26 (ii) in which households or businesses lacked access to natural gas distribution systems  
97.27 as of January 1, 2018.

97.28 The exemption under this paragraph applies for a period not to exceed 12 years, provided  
97.29 that once a property no longer qualifies, it may not subsequently qualify for the exemption  
97.30 under this paragraph.

97.31 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

98.1 Sec. 12. Minnesota Statutes 2016, section 275.066, is amended to read:

98.2 **275.066 SPECIAL TAXING DISTRICTS; DEFINITION.**

98.3 For the purposes of property taxation and property tax state aids, the term "special taxing  
98.4 districts" includes the following entities:

98.5 (1) watershed districts under chapter 103D;

98.6 (2) sanitary districts under sections 442A.01 to 442A.29;

98.7 (3) regional sanitary sewer districts under sections 115.61 to 115.67;

98.8 (4) regional public library districts under section 134.201;

98.9 (5) park districts under chapter 398;

98.10 (6) regional railroad authorities under chapter 398A;

98.11 (7) hospital districts under sections 447.31 to 447.38;

98.12 (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;

98.13 (9) Duluth Transit Authority under sections 458A.21 to 458A.37;

98.14 (10) regional development commissions under sections 462.381 to 462.398;

98.15 (11) housing and redevelopment authorities under sections 469.001 to 469.047;

98.16 (12) port authorities under sections 469.048 to 469.068;

98.17 (13) economic development authorities under sections 469.090 to 469.1081;

98.18 (14) Metropolitan Council under sections 473.123 to 473.549;

98.19 (15) Metropolitan Airports Commission under sections 473.601 to 473.679;

98.20 (16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;

98.21 (17) Morrison County Rural Development Financing Authority under Laws 1982, chapter  
98.22 437, section 1;

98.23 (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;

98.24 (19) East Lake County Medical Clinic District under Laws 1989, chapter 211, sections  
98.25 1 to 6;

98.26 (20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article 5,  
98.27 section 39;

99.1 (21) Middle Mississippi River Watershed Management Organization under sections  
99.2 103B.211 and 103B.241;

99.3 (22) emergency medical services special taxing districts under section 144F.01;

99.4 (23) a county levying under the authority of section 103B.241, 103B.245, or 103B.251;

99.5 (24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home  
99.6 under Laws 2003, First Special Session chapter 21, article 4, section 12;

99.7 (25) an airport authority created under section 360.0426; ~~and~~

99.8 (26) fire protection special taxing districts under section 299O.01; and

99.9 (27) any other political subdivision of the state of Minnesota, excluding counties, school  
99.10 districts, cities, and towns, that has the power to adopt and certify a property tax levy to the  
99.11 county auditor, as determined by the commissioner of revenue.

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

99.13 Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 13, is amended  
99.14 to read:

99.15 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
99.16 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
99.17 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
99.18 and any other state paid property tax credits in any calendar year, and after any refund  
99.19 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the  
99.20 year that the property tax is payable. In the case of a claimant who makes ground lease  
99.21 payments, "property taxes payable" includes the amount of the payments directly attributable  
99.22 to the property taxes assessed against the parcel on which the house is located. Regardless  
99.23 of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes  
99.24 payable" must be apportioned or reduced for the use of a portion of the claimant's homestead  
99.25 for a business purpose if the claimant deducts any business depreciation expenses for the  
99.26 use of a portion of the homestead or deducts expenses under section 280A of the Internal  
99.27 Revenue Code for a business operated in the claimant's homestead. For homesteads which  
99.28 are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads~~  
99.29 ~~which are~~ including manufactured homes located in a manufactured home community owned  
99.30 by a cooperative organized under chapter 308A or 308B, and park trailers taxed as  
99.31 manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall  
99.32 also include 17 percent of the gross rent paid in the preceding year for the site on which the  
99.33 homestead is located. When a homestead is owned by two or more persons as joint tenants

100.1 or tenants in common, such tenants shall determine between them which tenant may claim  
 100.2 the property taxes payable on the homestead. If they are unable to agree, the matter shall  
 100.3 be referred to the commissioner of revenue whose decision shall be final. Property taxes  
 100.4 are considered payable in the year prescribed by law for payment of the taxes.

100.5 In the case of a claim relating to "property taxes payable," the claimant must have owned  
 100.6 and occupied the homestead on January 2 of the year in which the tax is payable and (i) the  
 100.7 property must have been classified as homestead property pursuant to section 273.124, on  
 100.8 or before December 15 of the assessment year to which the "property taxes payable" relate;  
 100.9 or (ii) the claimant must provide documentation from the local assessor that application for  
 100.10 homestead classification has been made on or before December 15 of the year in which the  
 100.11 "property taxes payable" were payable and that the assessor has approved the application.

100.12 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable  
 100.13 in 2019.

100.14 Sec. 14. **[2990.01] FIRE PROTECTION SPECIAL TAXING DISTRICTS.**

100.15 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have  
 100.16 the meanings given unless the context clearly requires otherwise.

100.17 (b) "City" means a statutory or home rule charter city.

100.18 (c) "Governing body" means for a city, its city council; for a county, its county board;  
 100.19 and for a town, the board of supervisors.

100.20 (d) "Political subdivision" means a county, a city, or a township organized to provide  
 100.21 town government.

100.22 Subd. 2. **Authority to establish.** (a) Two or more political subdivisions may establish,  
 100.23 by resolution of their governing bodies, a special taxing district to provide fire protection  
 100.24 or emergency medical services or both in the area of the district, comprising the jurisdiction  
 100.25 of each of the political subdivisions forming the district. For a county that participates in  
 100.26 establishing a district, the county's jurisdiction comprises the unorganized territory of the  
 100.27 county that it designates in its resolution for inclusion in the district. The area of the special  
 100.28 taxing district does not need to be contiguous or its boundaries continuous.

100.29 (b) Before establishing a district under this section, the participating political subdivisions  
 100.30 must enter an agreement that specifies how any liabilities, other than debt issued under  
 100.31 subdivision 6, and assets of the district will be distributed if the district is dissolved. The  
 100.32 agreement may also include other terms, including a method for apportioning the levy of  
 100.33 the district among participating political subdivisions under subdivision 4, paragraph (b),

101.1 as the political subdivisions determine appropriate. The agreement must be adopted no later  
101.2 than upon passage of the resolution establishing the district under paragraph (a), but may  
101.3 be later amended by agreement of each of the political subdivisions participating in the  
101.4 district.

101.5 Subd. 3. **Board.** The special taxing district established under this section is governed  
101.6 by a board made up initially of representatives of each participating political subdivision  
101.7 in the proportions set out in the establishing resolution, subject to change as provided in the  
101.8 district's charter, if any, or in the district's bylaws. Each participating political subdivision's  
101.9 representative must be an elected member of the governing body of the political subdivision  
101.10 and serves at the pleasure of that participant's governing body.

101.11 Subd. 4. **Property tax levy.** (a) The board may levy a tax on the taxable real and personal  
101.12 property in the district. The tax levy may not exceed 0.096 percent of the estimated market  
101.13 value of the district, or \$1,100,000, whichever is less. The proceeds of the levy must be  
101.14 used as provided in subdivision 5. The board shall certify the levy at the times provided  
101.15 under section 275.07. The board shall provide the county with whatever information is  
101.16 necessary to identify the property that is located within the district. If the boundaries include  
101.17 a part of a parcel, the entire parcel is included in the district. The county auditors must  
101.18 spread, collect, and distribute the proceeds of the tax at the same time and in the same  
101.19 manner as provided by law for all other property taxes.

101.20 (b) As an alternative to paragraph (a), the board may apportion its levy among the political  
101.21 subdivisions that are members of the district under a formula or method, such as population,  
101.22 number of service calls, cost of providing service, the market value of improvements, or  
101.23 other measure or measures, that was approved by the governing body of each of the political  
101.24 subdivisions that is a member of the district. The amount of the levy allocated to each  
101.25 political subdivision must be added to that political subdivision's levy and spread at the  
101.26 same time and in the same manner as provided by law for other taxes. The proceeds of the  
101.27 levy must be collected and remitted to the district and used as provided in subdivision 5.

101.28 Subd. 5. **Use of levy proceeds.** The proceeds of property taxes levied under this section  
101.29 must be used to provide fire protection or emergency medical services to residents of the  
101.30 district and property located in the district, as well as to pay debt issued under subdivision  
101.31 6. Services may be provided by employees of the district or by contracting for services  
101.32 provided by other governmental or private entities.

101.33 Subd. 6. **Debt.** (a) The district may incur debt under chapter 475 when the board  
101.34 determines doing so is necessary to accomplish its duties.

102.1 (b) In addition, the board of the district may issue certificates of indebtedness or capital  
102.2 notes under section 412.301 to purchase capital equipment. In applying section 412.301,  
102.3 paragraph (e), to the district the following rules apply:

102.4 (1) the taxable property of the entire district must be used to calculate the percent of  
102.5 estimated market value; and

102.6 (2) "the number of voters at the last municipal election" means the sum of the number  
102.7 of voters at the last municipal election for each of the cities that is a member of the district  
102.8 plus the number of registered voters in each town that is a participating member of the  
102.9 district.

102.10 Subd. 7. **Powers.** (a) In addition to authority expressly granted in this section, a special  
102.11 taxing district may exercise any power that may be exercised by any of its participating  
102.12 political subdivisions and that is necessary or reasonable to support the services set out in  
102.13 subdivision 5. The district may only levy the taxes authorized in subdivision 4. These powers  
102.14 include, without limitation, the authority to participate in state programs and to enforce or  
102.15 carry out state laws related to fire protection or emergency medical services, including  
102.16 programs providing state aid, reimbursement or funding of employee benefits, authorizing  
102.17 local enforcement of state standards, and similar authority. These include but are not limited  
102.18 to fire protection related programs and political subdivision powers or responsibilities under  
102.19 chapters 299A and 424A; sections 6.495, 69.011, and 353.64; and any administrative rules  
102.20 related to the fire code.

102.21 (b) To the extent that the district's authority under this subdivision overlaps with or may  
102.22 conflict with the authority of the participating political subdivision, the agreement under  
102.23 subdivision 2, paragraph (b), must provide for allocation of those powers or responsibilities  
102.24 between the participating political subdivisions and the district and may provide for resolution  
102.25 of conflicts in the exercise of those powers.

102.26 Subd. 8. **Additions and withdrawals.** (a) Additional eligible political subdivisions may  
102.27 be added to a special taxing district under this section as provided by the board of the district  
102.28 and agreed to in a resolution of the governing body of the political subdivision proposed to  
102.29 be added.

102.30 (b) A political subdivision may withdraw from a special taxing district under this section  
102.31 by resolution of its governing body. The political subdivision must notify the board of the  
102.32 special taxing district of the withdrawal by providing a copy of the resolution at least two  
102.33 years in advance of the proposed withdrawal. The taxable property of the withdrawing  
102.34 member is subject to the property tax levy under subdivision 4 for the two taxes payable

103.1 years following the notice of the withdrawal, unless the board and the withdrawing member  
 103.2 agree otherwise by a resolution adopted by each of their governing bodies. If a political  
 103.3 subdivision withdraws from a district for which debt was issued under subdivision 6 when  
 103.4 the political subdivision was a participating member of the district and which is outstanding  
 103.5 when the political subdivision withdraws from the district, the taxable property of the  
 103.6 withdrawing political subdivision remains subject to the special taxing district debt levy  
 103.7 until that outstanding debt has been paid or defeased. If the district's property levy to repay  
 103.8 the debt was apportioned among the political subdivisions under an alternative formula or  
 103.9 method under subdivision 4, paragraph (b), the withdrawing political subdivision is subject  
 103.10 to the same percentage of the debt levy as applied in the taxes payable year immediately  
 103.11 before its withdrawal from the district.

103.12 (c) Notwithstanding subdivision 2, a special taxing district comprised of two political  
 103.13 subdivisions continues to exist even if one of the political subdivisions withdraws.

103.14 Subd. 9. **Dissolution.** The special taxing district may be dissolved by resolution approved  
 103.15 by majority vote of the board. If the special taxing district is dissolved, the assets and  
 103.16 liabilities may be assigned to a successor entity, if any, or otherwise disposed of for public  
 103.17 purposes as provided in the agreement adopted under subdivision 2, paragraph (b), or  
 103.18 otherwise agreed to by the participating political subdivisions. A district may not be dissolved  
 103.19 until all debt issued under subdivision 6 has been paid or defeased.

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

103.21 Sec. 15. Minnesota Statutes 2016, section 473H.08, subdivision 1, is amended to read:

103.22 Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until either  
 103.23 the landowner or, the authority, or a state agency or governmental unit initiates expiration  
 103.24 as provided in this section.

103.25 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 103.26 applies to any agricultural preserve where the previously required eight-year termination  
 103.27 period under Minnesota Statutes, section 473H.08, has not yet expired.

103.28 Sec. 16. Minnesota Statutes 2016, section 473H.08, is amended by adding a subdivision  
 103.29 to read:

103.30 Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires  
 103.31 immediately when a state agency or other governmental unit purchases the property or  
 103.32 obtains an easement over the property for the purpose of creating or expanding a public

104.1 trail or public park. This subdivision applies only to the portion of the agricultural preserve  
 104.2 acquired for trail or park purposes, and any portion of the property not acquired for trail or  
 104.3 park purposes shall remain an agricultural preserve.

104.4 (b) The acquiring state agency or governmental unit shall give notice of the expiration  
 104.5 under paragraph (a) to the authority. The notice must specify the portion of the property  
 104.6 being removed from the agricultural preserve and the date on which that portion expires.

104.7 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 104.8 applies to any agricultural preserve where the previously required eight-year termination  
 104.9 period under Minnesota Statutes, section 473H.08, has not yet expired.

104.10 Sec. 17. Minnesota Statutes 2016, section 473H.08, subdivision 4, is amended to read:

104.11 Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a,  
 104.12 or upon notice served by the authority as provided in subdivision 3, the authority shall  
 104.13 forward the original notice to the county recorder for recording, or to the registrar of titles  
 104.14 if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan  
 104.15 Council, and the county soil and water conservation district of the date of expiration.

104.16 Designation as an agricultural preserve and all benefits and limitations accruing through  
 104.17 sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The  
 104.18 restrictive covenant contained in the application shall terminate on the date of expiration.

104.19 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 104.20 applies to any agricultural preserve where the previously required eight-year termination  
 104.21 period under Minnesota Statutes, section 473H.08, has not yet expired.

104.22 Sec. 18. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by  
 104.23 Laws 2013, chapter 143, article 4, section 35, is amended to read:

104.24 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009,  
 104.25 and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

104.26 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

104.27 Sec. 19. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws  
 104.28 2013, chapter 143, article 4, section 36, is amended to read:

104.29 Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution  
 104.30 of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance  
 104.31 Special Taxing District for the purpose of providing fire or ambulance services, or both,



105.1 throughout the district. In this section, "municipality" means home rule charter and statutory  
 105.2 cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and  
 105.3 ambulance services of the municipalities that receive fire or ambulance services, or both,  
 105.4 from the district. Upon application, any other municipality may join the district with the  
 105.5 agreement of the municipalities that comprise the district at the time of its application to  
 105.6 join.

105.7 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 105.8 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 105.9 subdivision 3.

105.10 Sec. 20. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

105.11 Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board  
 105.12 is governed by a board made up initially of one or more elected officials of the governing  
 105.13 body of each participating municipality in the proportions set out in the establishing  
 105.14 resolution, subject to change as provided in the district's charter, if any, or in the district's  
 105.15 bylaws. Each municipality's representatives serve at the pleasure of that municipality's  
 105.16 governing body.

105.17 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 105.18 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 105.19 subdivision 3.

105.20 Sec. 21. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws  
 105.21 2013, chapter 143, article 4, section 37, is amended to read:

105.22 Subd. 3. **Tax.** The district board may impose a property tax on taxable property as  
 105.23 provided in this subdivision to pay the costs of providing fire or ambulance services, or  
 105.24 both, throughout the district as well as to pay debt issued under subdivision 4. The board  
 105.25 shall annually determine the total amount of the levy that is attributable to the cost of  
 105.26 providing fire services and the cost of providing ambulance services within the primary  
 105.27 service area. For those municipalities that only receive ambulance services, the costs for  
 105.28 the provision of ambulance services shall be levied against taxable property within those  
 105.29 municipalities at a rate necessary not to exceed 0.019 percent of the estimated market value.  
 105.30 For those municipalities that receive both fire and ambulance services, the tax shall be  
 105.31 imposed at a rate that does not exceed 0.2835 percent of estimated market value.

106.1 When a member municipality opts to receive fire service from the district or an additional  
 106.2 municipality becomes a member of the district, the cost of providing fire services to that  
 106.3 community shall be determined by the board and added to the maximum levy amount.

106.4 Each county auditor of a county that contains a municipality subject to the tax under  
 106.5 this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District.  
 106.6 The district may also impose other fees or charges as allowed by law for the provision of  
 106.7 fire and ambulance services.

106.8 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 106.9 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 106.10 subdivision 3.

106.11 Sec. 22. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

106.12 Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for  
 106.13 a municipality ~~by Minnesota Statutes, chapter 475, when necessary to accomplish its duties,~~  
 106.14 as defined in Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision  
 106.15 1, paragraph (c), under Minnesota Statutes, chapter 475, and may issue certificates of  
 106.16 indebtedness or capital notes in the manner provided for a city under Minnesota Statutes,  
 106.17 section 412.301, when necessary to accomplish its duties. The debt service for debt, the  
 106.18 proceeds of which financed capital costs for ambulance service, shall be levied against  
 106.19 taxable property within those municipalities in the primary service area. The debt service  
 106.20 for debt, the proceeds of which financed capital costs for fire service, shall be levied against  
 106.21 taxable property within those municipalities receiving fire services.

106.22 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 106.23 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 106.24 subdivision 3.

106.25 Sec. 23. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

106.26 Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district  
 106.27 may be given only in the month of January, with a minimum of twelve months notice of  
 106.28 intent to withdraw. Withdrawal becomes effective for taxes levied pursuant to subdivision  
 106.29 3 in the year when the notice is given. A property tax levied by the district on taxable  
 106.30 property located in a withdrawing municipality to make debt service payments for obligations  
 106.31 issued by the district pursuant to subdivision 4 shall remain in effect until the obligations  
 106.32 outstanding on the date of withdrawal are satisfied, including any property tax levied in

107.1 connection with a refunding of such obligations. The district and its members may develop  
 107.2 and agree upon other continuing obligations after withdrawal of a municipality.

107.3 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 107.4 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 107.5 subdivision 3.

107.6 Sec. 24. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective  
 107.7 date, is amended to read:

107.8 **EFFECTIVE DATE; APPLICATION.** This section is effective for applications and  
 107.9 certifications made in 2018 and thereafter, except the repeal of the exclusion of land under  
 107.10 item (iii) is effective retroactively for payments due under Minnesota Statutes, section  
 107.11 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive  
 107.12 payments, the following requirements must be met: (1) the owner of land exceeding 60,000  
 107.13 acres that is subject to a single conservation easement funded under Minnesota Statutes,  
 107.14 section 97A.056 or a comparable permanent easement conveyed to a governmental or  
 107.15 nonprofit entity, must submit an application to the commissioner of revenue, in a form and  
 107.16 manner and at a time acceptable to the commissioner, establishing that the affected property  
 107.17 and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this  
 107.18 section; (2) the owner and each county in which the land is located must certify to the  
 107.19 commissioner that no petitions challenging the market value of the property are pending  
 107.20 under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must  
 107.21 be satisfied by October 1, 2017. No interest accrues on payment under this section for  
 107.22 periods before November 1, 2017.

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

107.24 Sec. 25. **STUDY OF VALUATION METHOD OF PIPELINE AND PUBLIC**  
 107.25 **UTILITY OPERATING PROPERTY.**

107.26 (a) The commissioner of revenue shall study and prepare a report on the current methods  
 107.27 used to value the operating property of pipelines and public utilities, as defined in Minnesota  
 107.28 Statutes, section 216B.02, subdivision 4, in the state of Minnesota.

107.29 (b) The report must:

107.30 (1) describe, in detail, prior and current methods used to value pipeline and public utility  
 107.31 operating property in Minnesota;

108.1 (2) evaluate whether the current methods used produce an accurate estimate of market  
 108.2 value;

108.3 (3) compile and explain, in detail, the number of state-assessed pipeline and public utility  
 108.4 valuations that have been appealed in the last 20 years, and the extent to which the market  
 108.5 value was increased or reduced, by agreement, settlement, or judgment, and list and provide  
 108.6 detail on the taxing jurisdictions that have been issued a refund order in the last 20 years as  
 108.7 a result of agreement, settlement, or judgment, including the year and amount paid;

108.8 (4) report the costs incurred by all taxing jurisdictions relating to the appeals and litigation  
 108.9 to settle any disputes in the last 20 years;

108.10 (5) evaluate the extent to which host political subdivisions and communities are  
 108.11 adequately compensated under the existing Minnesota property tax system for the external  
 108.12 costs imposed by pipeline and public utility systems;

108.13 (6) describe, analyze, and compare the methods used to value pipeline and public utility  
 108.14 operating property in other states, not limited to border states; and

108.15 (7) make recommendations and prepare legislation on improvements or alternative  
 108.16 valuation methods for pipeline and public utility operating property.

108.17 (c) The commissioner shall report the findings of the study to the committees of the  
 108.18 house of representatives and senate having jurisdiction over taxes by February 15, 2019,  
 108.19 and file the report as required by Minnesota Statutes, section 3.195.

108.20 **EFFECTIVE DATE.** This section is effective July 1, 2018.

## 108.21 **ARTICLE 5**

### 108.22 **PUBLIC FINANCE**

108.23 Section 1. Minnesota Statutes 2016, section 103E.611, subdivision 2, is amended to read:

108.24 Subd. 2. **Interest.** (a) Interest is an additional drainage lien on all property until paid.

108.25 The interest rate on the drainage lien principal from the date the drainage lien statement is  
 108.26 recorded must be set by the board but may not exceed the rate determined by the state court  
 108.27 administrator for judgments under section 549.09, or six percent, whichever is greater.

108.28 (b) Before the tax lists for the year are given to the county treasurer, the auditor shall  
 108.29 compute the interest on the unpaid balance of the drainage lien at the rate set by the board.  
 108.30 The amount of interest must be computed on the entire unpaid principal from the date the  
 108.31 drainage lien was recorded to August 15 of the next calendar year, and afterwards from  
 108.32 August 15 to August 15 of each year.

109.1 (c) Interest is due and payable after November 1 of each year the drainage lien principal  
109.2 or interest is due and unpaid.

109.3 Sec. 2. Minnesota Statutes 2016, section 471.831, subdivision 1, is amended to read:

109.4 Subdivision 1. **Any relief under bankruptcy code.** A municipality, as defined in  
109.5 subdivision 2, may file a petition and seek any relief available to it under United States  
109.6 Code, title 11, as amended ~~through December 31, 1996.~~

109.7 Sec. 3. Minnesota Statutes 2016, section 474A.02, subdivision 22b, is amended to read:

109.8 Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned  
109.9 facility, or a facility ~~owned by a nonprofit organization~~ that is used for district heating or  
109.10 cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds  
109.11 of public facilities bonds as defined under section 474A.02, subdivision 23a.

109.12 Sec. 4. Minnesota Statutes 2016, section 475.521, subdivision 1, is amended to read:

109.13 Subdivision 1. **Definitions.** For purposes of this section, the following terms have the  
109.14 meanings given.

109.15 (a) "Bonds" mean an obligation defined under section 475.51.

109.16 (b) "Capital improvement" means acquisition or betterment of public lands, buildings  
109.17 or other improvements for the purpose of a city hall, town hall, library, public safety facility,  
109.18 and public works facility. An improvement must have an expected useful life of five years  
109.19 or more to qualify. Capital improvement does not include light rail transit or any activity  
109.20 related to it, or a park, road, bridge, administrative building other than a city or town hall,  
109.21 or land for any of those facilities. For purposes of this section, "capital improvement"  
109.22 includes expenditures for purposes described in this paragraph that have been incurred by  
109.23 a municipality before approval of a capital improvement plan, if such expenditures are  
109.24 included in a capital improvement plan approved on or before the date of the public hearing  
109.25 under subdivision 2 regarding issuance of bonds for such expenditures.

109.26 (c) "Municipality" means a home rule charter or statutory city or a town ~~described in~~  
109.27 ~~section 368.01, subdivision 1 or 1a.~~

## 109.28 ARTICLE 6

### 109.29 MISCELLANEOUS

109.30 Section 1. Minnesota Statutes 2016, section 62V.05, subdivision 2, is amended to read:

110.1 Subd. 2. **Operations funding.** ~~(a) Prior to January 1, 2015, MNsure shall retain or collect~~  
110.2 ~~up to 1.5 percent of total premiums for individual and small group market health plans and~~  
110.3 ~~dental plans sold through MNsure to fund the cash reserves of MNsure, but the amount~~  
110.4 ~~collected shall not exceed a dollar amount equal to 25 percent of the funds collected under~~  
110.5 ~~section 62E.11, subdivision 6, for calendar year 2012.~~

110.6 ~~(b) Beginning January 1, 2015, MNsure shall retain or collect up to 3.5 percent of total~~  
110.7 ~~premiums for individual and small group market health plans and dental plans sold through~~  
110.8 ~~MNsure to fund the operations of MNsure, but the amount collected shall not exceed a~~  
110.9 ~~dollar amount equal to 50 percent of the funds collected under section 62E.11, subdivision~~  
110.10 ~~6, for calendar year 2012.~~

110.11 ~~(e)~~ (a) Beginning January 1, 2016, through December 31, 2018, MNsure shall retain or  
110.12 collect up to 3.5 percent of total premiums for individual and small group market health  
110.13 plans and dental plans sold through MNsure to fund the operations of MNsure, but the  
110.14 amount collected may never exceed a dollar amount greater than 100 percent of the funds  
110.15 collected under section 62E.11, subdivision 6, for calendar year 2012.

110.16 ~~(d) For fiscal years 2014 and 2015, the commissioner of management and budget is~~  
110.17 ~~authorized to provide cash flow assistance of up to \$20,000,000 from the special revenue~~  
110.18 ~~fund or the statutory general fund under section 16A.671, subdivision 3, paragraph (a), to~~  
110.19 ~~MNsure. Any funds provided under this paragraph shall be repaid, with interest, by June~~  
110.20 ~~30, 2015.~~

110.21 (b) Beginning January 1, 2019, MNsure shall retain or collect up to two percent of total  
110.22 premiums for individual and small group health plans and dental plans sold through MNsure  
110.23 to fund the operations of MNsure, but the amount collected may never exceed a dollar  
110.24 amount greater than 25 percent of the funds collected under section 62E.11, subdivision 6,  
110.25 for calendar year 2012.

110.26 ~~(e)~~ (c) Funding for the operations of MNsure shall cover any compensation provided to  
110.27 navigators participating in the navigator program.

110.28 (d) Interagency agreements between MNsure and the Department of Human Services,  
110.29 and the Public Assistance Cost Allocation Plan for the Department of Human Services shall  
110.30 not be modified to reflect any changes to the percentage of premiums that MNsure is allowed  
110.31 to retain or collect under this section, and no additional funding shall be transferred from  
110.32 the Department of Human Services to MNsure as a result of any changes to the percentage  
110.33 of premiums that MNsure is allowed to retain or collect under this section.

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

111.1 Sec. 2. Minnesota Statutes 2016, section 62V.05, subdivision 5, is amended to read:

111.2 Subd. 5. **Health carrier and health plan requirements; participation.** (a) Beginning  
 111.3 January 1, 2015, the board may establish certification requirements for health carriers and  
 111.4 health plans to be offered through MNsure that satisfy federal requirements under ~~section~~  
 111.5 ~~1311(e)(1) of the Affordable Care Act, Public Law 111-148~~ United States Code, title 42,  
 111.6 section 18031(c)(1).

111.7 (b) Paragraph (a) does not apply if by June 1, 2013, the legislature enacts regulatory  
 111.8 requirements that:

111.9 (1) apply uniformly to all health carriers and health plans in the individual market;

111.10 (2) apply uniformly to all health carriers and health plans in the small group market; and

111.11 (3) satisfy minimum federal certification requirements under ~~section 1311(e)(1) of the~~  
 111.12 ~~Affordable Care Act, Public Law 111-148~~ United States Code, title 42, section 18031(c)(1).

111.13 (c) In accordance with ~~section 1311(e) of the Affordable Care Act, Public Law 111-148~~  
 111.14 United States Code, title 42, section 18031(e), the board shall establish policies and  
 111.15 procedures for certification and selection of health plans to be offered as qualified health  
 111.16 plans through MNsure. The board shall certify and select a health plan as a qualified health  
 111.17 plan to be offered through MNsure, if:

111.18 (1) the health plan meets the minimum certification requirements established in paragraph  
 111.19 (a) or the market regulatory requirements in paragraph (b);

111.20 (2) the board determines that making the health plan available through MNsure is in the  
 111.21 interest of qualified individuals and qualified employers;

111.22 (3) the health carrier applying to offer the health plan through MNsure also applies to  
 111.23 offer health plans at each actuarial value level and service area that the health carrier currently  
 111.24 offers in the individual and small group markets; and

111.25 (4) the health carrier does not apply to offer health plans in the individual and small  
 111.26 group markets through MNsure under a separate license of a parent organization or holding  
 111.27 company under section 60D.15, that is different from what the health carrier offers in the  
 111.28 individual and small group markets outside MNsure.

111.29 (d) In determining the interests of qualified individuals and employers under paragraph  
 111.30 (c), clause (2), the board may not exclude a health plan for any reason specified under ~~section~~  
 111.31 ~~1311(e)(1)(B) of the Affordable Care Act, Public Law 111-148~~ United States Code, title  
 111.32 42, section 18031(e)(1)(B). ~~The board may consider:~~

- 112.1 ~~(1) affordability;~~
- 112.2 ~~(2) quality and value of health plans;~~
- 112.3 ~~(3) promotion of prevention and wellness;~~
- 112.4 ~~(4) promotion of initiatives to reduce health disparities;~~
- 112.5 ~~(5) market stability and adverse selection;~~
- 112.6 ~~(6) meaningful choices and access;~~
- 112.7 ~~(7) alignment and coordination with state agency and private sector purchasing strategies~~
- 112.8 ~~and payment reform efforts; and~~
- 112.9 ~~(8) other criteria that the board determines appropriate.~~
- 112.10 (e) A health plan that meets the minimum certification requirements under paragraph
- 112.11 (c) and United States Code, title 42, section 18031(c)(1), and any regulations and guidance
- 112.12 issued under that section, is deemed to be in the interest of qualified individuals and qualified
- 112.13 employers. The board shall not establish certification requirements for health carriers and
- 112.14 health plans for participation in MNsure that are in addition to the certification requirements
- 112.15 under paragraph (c) and United States Code, title 42, section 18031(c)(1), and any regulations
- 112.16 and guidance issued under that section. The board shall not determine the cost of, cost-sharing
- 112.17 elements of, or benefits provided in health plans sold through MNsure.
- 112.18 ~~(e)~~ (f) For qualified health plans offered through MNsure on or after January 1, 2015,
- 112.19 the board shall establish policies and procedures under paragraphs (c) and (d) for selection
- 112.20 of health plans to be offered as qualified health plans through MNsure by February 1 of
- 112.21 each year, beginning February 1, 2014. The board shall consistently and uniformly apply
- 112.22 all policies and procedures and any requirements, standards, or criteria to all health carriers
- 112.23 and health plans. For any policies, procedures, requirements, standards, or criteria that are
- 112.24 defined as rules under section 14.02, subdivision 4, the board may use the process described
- 112.25 in subdivision 9.
- 112.26 ~~(f) For 2014, the board shall not have the power to select health carriers and health plans~~
- 112.27 ~~for participation in MNsure. The board shall permit all health plans that meet the certification~~
- 112.28 ~~requirements under section 1311(c)(1) of the Affordable Care Act, Public Law 111-148, to~~
- 112.29 ~~be offered through MNsure.~~
- 112.30 (g) Under this subdivision, the board shall have the power to verify that health carriers
- 112.31 and health plans are properly certified to be eligible for participation in MNsure.



113.1 (h) The board has the authority to decertify health carriers and health plans that fail to  
 113.2 maintain compliance with ~~section 1311(e)(1) of the Affordable Care Act, Public Law 111-148~~  
 113.3 United States Code, title 42, section 18031(c)(1).

113.4 (i) For qualified health plans offered through MNsure beginning January 1, 2015, health  
 113.5 carriers must use the most current addendum for Indian health care providers approved by  
 113.6 the Centers for Medicare and Medicaid Services and the tribes as part of their contracts with  
 113.7 Indian health care providers. MNsure shall comply with all future changes in federal law  
 113.8 with regard to health coverage for the tribes.

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

113.10 Sec. 3. Minnesota Statutes 2016, section 62V.05, subdivision 10, is amended to read:

113.11 Subd. 10. **Limitations; risk-bearing.** (a) The board shall not bear insurance risk or enter  
 113.12 into any agreement with health care providers to pay claims.

113.13 (b) Nothing in this subdivision shall prevent MNsure from providing insurance for its  
 113.14 employees.

113.15 (c) The commissioner of human services shall not bear insurance risk or enter into any  
 113.16 agreement with providers to pay claims for any health coverage administered by the  
 113.17 commissioner that is made available for purchase through the MNsure Web site as an  
 113.18 alternative to purchasing a qualifying health plan through MNsure or an individual health  
 113.19 plan offered outside of MNsure.

113.20 (d) Nothing in this subdivision shall prohibit:

113.21 (1) the commissioner of human services from administering the medical assistance  
 113.22 program under chapter 256B and the MinnesotaCare program under chapter 256L, as long  
 113.23 as health coverage under these programs is not purchased by the individual through the  
 113.24 MNsure Web site; and

113.25 (2) employees of the Department of Human Services from obtaining insurance from the  
 113.26 state employee group insurance program.

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

113.28 Sec. 4. Minnesota Statutes 2016, section 62V.08, is amended to read:

113.29 **62V.08 REPORTS.**

113.30 (a) MNsure shall submit a report to the legislature by January 15, 2015, and each January  
 113.31 15 thereafter, on: (1) the performance of MNsure operations; (2) meeting MNsure

114.1 responsibilities; (3) an accounting of MNsure budget activities; (4) practices and procedures  
 114.2 that have been implemented to ensure compliance with data practices laws, and a description  
 114.3 of any violations of data practices laws or procedures; and (5) the effectiveness of the  
 114.4 outreach and implementation activities of MNsure in reducing the rate of uninsurance.

114.5 (b) MNsure must publish its administrative and operational costs on a Web site to educate  
 114.6 consumers on those costs. The information published must include: (1) the amount of  
 114.7 premiums and federal premium subsidies collected; (2) the amount and source of revenue  
 114.8 received under section 62V.05, subdivision 1, paragraph (b), clause (3); (3) the amount and  
 114.9 source of any other fees collected for purposes of supporting operations; and (4) any misuse  
 114.10 of funds as identified in accordance with section 3.975. The Web site must be updated at  
 114.11 least annually.

114.12 (c) As part of the report required to be submitted to the legislature in paragraph (a) and  
 114.13 the information required to be published in paragraph (b), MNsure shall include the total  
 114.14 amount spent on business continuity planning, data privacy protection, and cyber security  
 114.15 provisions.

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

114.17 Sec. 5. Minnesota Statutes 2017 Supplement, section 298.17, is amended to read:

114.18 **298.17 OCCUPATION TAXES TO BE APPORTIONED; REFUND.**

114.19 (a) All occupation taxes paid by persons, copartnerships, companies, joint stock  
 114.20 companies, corporations, and associations, however or for whatever purpose organized,  
 114.21 engaged in the business of mining or producing iron ore or other ores, when collected shall  
 114.22 be apportioned and distributed in accordance with the Constitution of the state of Minnesota,  
 114.23 article X, section 3, in the manner following: 90 percent shall be deposited in the state  
 114.24 treasury and credited to the general fund of which four-ninths shall be used for the support  
 114.25 of elementary and secondary schools; and ten percent of the proceeds of the tax imposed  
 114.26 by this section shall be deposited in the state treasury and credited to the general fund for  
 114.27 the general support of the university.

114.28 (b) Of the money apportioned to the general fund by this section, the following allocations  
 114.29 must be made:

114.30 (1) there is annually appropriated and credited to the mining environmental and regulatory  
 114.31 account in the special revenue fund an amount equal to that which would have been generated  
 114.32 by a 2-1/2 cent tax imposed by section 298.24 on each taxable ton produced in the preceding  
 114.33 calendar year. Money in the mining environmental and regulatory account is appropriated

115.1 annually to the commissioner of natural resources to fund agency staff to work on  
 115.2 environmental issues and provide regulatory services for ferrous and nonferrous mining  
 115.3 operations in this state. Payment to the mining environmental and regulatory account shall  
 115.4 be made by July 1 annually. The commissioner of natural resources shall execute an  
 115.5 interagency agreement with the Pollution Control Agency to assist with the provision of  
 115.6 environmental regulatory services such as monitoring and permitting required for ferrous  
 115.7 and nonferrous mining operations;

115.8 (2) there is annually appropriated and credited to the Iron Range resources and  
 115.9 rehabilitation account in the special revenue fund an amount equal to that which would have  
 115.10 been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced  
 115.11 in the preceding calendar year, to be expended for the purposes of section 298.22. The  
 115.12 money appropriated shall be used (i) to provide environmental development grants to local  
 115.13 governments located within any county in region 3 as defined in governor's executive order  
 115.14 number 60, issued on June 12, 1970, that does not contain a municipality qualifying pursuant  
 115.15 to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants  
 115.16 to businesses located within any such county, provided that the county board or an advisory  
 115.17 group appointed by the county board to provide recommendations on economic development  
 115.18 shall make recommendations to the commissioner of Iron Range resources and rehabilitation  
 115.19 regarding the loans. Of the money allocated to Koochiching County, one-third must be paid  
 115.20 to the Koochiching County Economic Development Commission. Payment to the Iron  
 115.21 Range resources and rehabilitation account shall be made by May 15 annually; and

115.22 (3) there is annually appropriated and credited to the Iron Range resources and  
 115.23 rehabilitation account in the special revenue fund for transfer to the Iron Range school  
 115.24 consolidation and cooperatively operated school account under section 298.28, subdivision  
 115.25 7a, an amount equal to that which would have been generated by a six cent tax imposed by  
 115.26 section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the  
 115.27 Iron Range resources and rehabilitation account shall be made by May 15 annually.

115.28 (c) ~~The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to~~  
 115.29 ~~provide environmental development grants to local governments located within any county~~  
 115.30 ~~in region 3 as defined in governor's executive order number 60, issued on June 12, 1970,~~  
 115.31 ~~which does not contain a municipality qualifying pursuant to section 273.134, paragraph~~  
 115.32 ~~(b), or (ii) to provide economic development loans or grants to businesses located within~~  
 115.33 ~~any such county, provided that the county board or an advisory group appointed by the~~  
 115.34 ~~county board to provide recommendations on economic development shall make~~  
 115.35 ~~recommendations to the commissioner of Iron Range resources and rehabilitation regarding~~

116.1 ~~the loans. Payment to the Iron Range resources and rehabilitation account shall be made by~~  
 116.2 ~~May 15 annually~~ The total amount of refunds issued under this paragraph in any year shall  
 116.3 not exceed \$5,000,000.

116.4 ~~(d) Of the money allocated to Koochiching County, one-third must be paid to the~~  
 116.5 ~~Koochiching County Economic Development Commission.~~

116.6 **EFFECTIVE DATE.** This section is effective beginning with distributions made in  
 116.7 2019 and thereafter.

116.8 Sec. 6. Minnesota Statutes 2017 Supplement, section 298.227, is amended to read:

116.9 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

116.10 An amount equal to that distributed pursuant to each taconite producer's taxable  
 116.11 production and qualifying sales under section 298.28, subdivision 9a, shall be held by the  
 116.12 commissioner of Iron Range resources and rehabilitation in a separate taconite economic  
 116.13 development fund for each taconite and direct reduced ore producer. Money from the fund  
 116.14 for each producer shall be released by the commissioner after review by a joint committee  
 116.15 consisting of an equal number of representatives of the salaried employees and the  
 116.16 nonsalaried production and maintenance employees of that producer. The District 11 director  
 116.17 of the United States Steelworkers of America, on advice of each local employee president,  
 116.18 shall select the employee members. In nonorganized operations, the employee committee  
 116.19 shall be elected by the nonsalaried production and maintenance employees. The review  
 116.20 must be completed no later than six months after the producer presents a proposal for  
 116.21 expenditure of the funds to the committee. The funds held pursuant to this section may be  
 116.22 released only for workforce development ~~and associated public facility improvement,~~  
 116.23 ~~concurrent reclamation, or for acquisition of plant and stationary mining equipment and,~~  
 116.24 ~~facilities for the producer,~~ or for research and development in Minnesota on new mining,  
 116.25 ~~or taconite, iron, or steel production technology, but only if the producer provides a matching~~  
 116.26 ~~expenditure equal to the amount of the distribution to be used for the same purpose beginning~~  
 116.27 ~~with distributions in 2014. Effective for proposals for expenditures of money from the fund~~  
 116.28 ~~beginning May 26, 2007, the commissioner may not release the funds before the next~~  
 116.29 ~~scheduled meeting of the board.~~ If a proposed expenditure is not approved by the  
 116.30 commissioner, after consultation with the advisory board, the funds must be deposited in  
 116.31 the taconite environmental protection fund under sections 298.222 to 298.225. If a taconite  
 116.32 production facility is sold after operations at the facility had ceased, any money remaining  
 116.33 in the fund for the former producer may be released to the purchaser of the facility on the  
 116.34 terms otherwise applicable to the former producer under this section. If a producer fails to

117.1 provide matching funds for a proposed expenditure within six months after the commissioner  
 117.2 approves release of the funds, the funds are available for release to another producer in  
 117.3 proportion to the distribution provided and under the conditions of this section may be  
 117.4 released by the commissioner for deposit in the taconite area environmental protection fund  
 117.5 created in section 298.223. Any portion of the fund which is not released by the commissioner  
 117.6 within one year of its deposit in the fund shall be ~~divided between~~ distributed to the taconite  
 117.7 environmental protection fund created in section 298.223 and the Douglas J. Johnson  
 117.8 economic protection trust fund created in section 298.292 for placement in their respective  
 117.9 special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite  
 117.10 environmental protection fund and one-third to the Douglas J. Johnson economic protection  
 117.11 trust fund.

117.12 **EFFECTIVE DATE.** This section is effective July 1, 2018.

117.13 Sec. 7. Minnesota Statutes 2017 Supplement, section 298.28, subdivision 7a, is amended  
 117.14 to read:

117.15 Subd. 7a. **Iron Range school consolidation and cooperatively operated school account.**

117.16 (a) The following amounts must be allocated to the commissioner of Iron Range resources  
 117.17 and rehabilitation to be deposited in the Iron Range school consolidation and cooperatively  
 117.18 operated school account that is hereby created:

117.19 (1)(i) for distributions in 2015 through 2023, ten cents per taxable ton of the tax imposed  
 117.20 under section 298.24; and

117.21 (ii) for distributions beginning in 2024, five cents per taxable ton of the tax imposed  
 117.22 under section 298.24;

117.23 (2) the amount as determined under section 298.17, paragraph (b), clause (3);

117.24 (3)(i) for distributions in 2015, an amount equal to two-thirds of the increased tax  
 117.25 proceeds attributable to the increase in the implicit price deflator as provided in section  
 117.26 298.24, subdivision 1, with the remaining one-third to be distributed to the Douglas J.  
 117.27 Johnson economic protection trust fund;

117.28 (ii) for distributions in 2016, an amount equal to two-thirds of the sum of the increased  
 117.29 tax proceeds attributable to the increase in the implicit price deflator as provided in section  
 117.30 298.24, subdivision 1, for distribution years 2015 and 2016, with the remaining one-third  
 117.31 to be distributed to the Douglas J. Johnson economic protection trust fund; and

117.32 (iii) for distributions in 2017 and thereafter, an amount equal to two-thirds of the sum  
 117.33 of the increased tax proceeds attributable to the increase in the implicit price deflator as

118.1 provided in section 298.24, subdivision 1, for distribution years 2015, 2016, and 2017, with  
118.2 the remaining one-third to be distributed to the Douglas J. Johnson economic protection  
118.3 trust fund; and

118.4 (4) any other amount as provided by law.

118.5 (b) Expenditures from this account may be approved as ongoing annual expenditures  
118.6 and shall be made only to provide disbursements to assist school districts with the payment  
118.7 of bonds that were issued for qualified school projects, or for any other school disbursement  
118.8 as approved by the commissioner of Iron Range resources and rehabilitation after consultation  
118.9 with the Iron Range Resources and Rehabilitation Board. For purposes of this section,  
118.10 "qualified school projects" means school projects within the taconite assistance area as  
118.11 defined in section 273.1341, that were (1) approved, by referendum, after April 3, 2006;  
118.12 and (2) approved by the commissioner of education pursuant to section 123B.71.

118.13 (c) Beginning in fiscal year 2019, the disbursement to school districts for payments for  
118.14 bonds issued under section 123A.482, subdivision 9, must be increased each year to offset  
118.15 any reduction in debt service equalization aid that the school district qualifies for in that  
118.16 year, under section 123B.53, subdivision 6, compared with the amount the school district  
118.17 qualified for in fiscal year 2018.

118.18 (d) No expenditure under this section shall be made unless approved by the commissioner  
118.19 of Iron Range resources and rehabilitation after consultation with the Iron Range Resources  
118.20 and Rehabilitation Board.

118.21 **EFFECTIVE DATE.** This section is effective for distributions beginning in 2018 and  
118.22 thereafter.

118.23 Sec. 8. Minnesota Statutes 2016, section 298.28, subdivision 9a, is amended to read:

118.24 Subd. 9a. **Taconite economic development fund.** (a) 25.1 cents per ton for distributions  
118.25 in 2002 and thereafter must be paid to the taconite economic development fund. No  
118.26 distribution shall be made under this paragraph in 2004 or any subsequent year in which  
118.27 total industry production falls below 30 million tons. Distribution shall only be made to a  
118.28 Minnesota taconite pellet producer's fund under section 298.227 if the producer timely pays  
118.29 its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the  
118.30 due dates provided by an administrative agreement with the commissioner.

118.31 (b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold  
118.32 in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed  
118.33 pellets shall be paid to the taconite economic development fund. The amount paid shall not

119.1 exceed \$700,000 annually for all ~~companies~~ Minnesota taconite pellet producers. If the  
 119.2 initial amount to be paid to the fund exceeds this amount, each ~~company's~~ Minnesota taconite  
 119.3 pellet producer's payment shall be prorated so the total does not exceed \$700,000.

119.4 **EFFECTIVE DATE.** This section is effective retroactively from December 31, 2016.

119.5 Sec. 9. Laws 2015, chapter 71, article 12, section 8, is amended to read:

119.6 Sec. 8. **EXPANDED ACCESS TO QUALIFIED HEALTH PLANS AND**  
 119.7 **SUBSIDIES.**

119.8 The commissioner of commerce, in consultation with the Board of Directors of MNsure  
 119.9 and the MNsure Legislative Oversight Committee, shall develop a proposal to allow  
 119.10 individuals to purchase qualified health plans outside of MNsure directly from health plan  
 119.11 companies and to allow eligible individuals to receive advanced premium tax credits and  
 119.12 cost-sharing reductions when purchasing these health plans. The commissioner shall seek  
 119.13 all federal waivers and approvals necessary to implement this proposal and shall submit the  
 119.14 necessary federal waivers and approvals to the federal government no later than October 1,  
 119.15 2018. The commissioner shall submit a draft proposal to the MNsure board and the MNsure  
 119.16 Legislative Oversight Committee ~~at least 30 days before submitting a final proposal to the~~  
 119.17 ~~federal government~~ no later than September 1, 2018, and shall notify the board and legislative  
 119.18 oversight committee of any federal decision or action related to the proposal.

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

119.20 Sec. 10. Laws 2017, First Special Session chapter 1, article 4, section 31, is amended to  
 119.21 read:

119.22 Sec. 31. **APPROPRIATION; FIRE REMEDIATION GRANTS.**

119.23 \$1,392,258 is appropriated in fiscal year 2018 from the general fund to the commissioner  
 119.24 of public safety for grants to remediate the effects of fires in the city of Melrose on September  
 119.25 8, 2016. The commissioner must allocate the grants as follows:

119.26 (1) \$1,296,458 to the city of Melrose; and

119.27 (2) \$95,800 to Stearns County.

119.28 A grant recipient must use the money appropriated under this section for remediation  
 119.29 costs, including disaster recovery, infrastructure, reimbursement for emergency personnel  
 119.30 costs, reimbursement for equipment costs, and reimbursements for property tax abatements,

120.1 incurred by public or private entities as a result of the fires. This is a onetime appropriation  
 120.2 and is available until June 30, ~~2018~~ 2021.

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

120.4 Sec. 11. **RATES FOR INDIVIDUAL MARKET HEALTH AND DENTAL PLANS**  
 120.5 **FOR 2019.**

120.6 (a) Health carriers must take into account the reduction in the premium withhold  
 120.7 percentage under Minnesota Statutes, section 62V.05, subdivision 2, applicable beginning  
 120.8 in calendar year 2019 for individual market health plans and dental plans sold through  
 120.9 MNSure when setting rates for individual market health plans and dental plans for calendar  
 120.10 year 2019.

120.11 (b) For purposes of this section, "dental plan," "health carrier," "health plan," and  
 120.12 "individual market" have the meanings given in Minnesota Statutes, section 62V.02.

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

120.14 Sec. 12. **TRANSFER 2018 DISTRIBUTION ONLY.**

120.15 For the 2018 distribution, the fund established under Minnesota Statutes, section 298.28,  
 120.16 subdivision 7, shall receive ten cents per ton of any excess of the balance remaining after  
 120.17 distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6.

120.18 **EFFECTIVE DATE.** This section is effective for the 2018 distribution and the transfer  
 120.19 must be made within ten days of the August 2018 payment.

## 120.20 **ARTICLE 7**

### 120.21 **DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY CHANGES**

120.22 Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

120.23 Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner  
 120.24 shall allocate all funds as provided in subdivision 4 and shall ~~notify~~, by June 1, certify to  
 120.25 the commissioner of revenue the amounts to be paid.

120.26 (b) Following ~~notification~~ certification from the commissioner ~~of transportation~~, the  
 120.27 commissioner of revenue shall distribute the specified funds to cities in the same manner  
 120.28 as local government aid under chapter 477A. An appropriation to the commissioner ~~of~~  
 120.29 ~~transportation~~ under this section is available to the commissioner of revenue for the purposes  
 120.30 specified in this paragraph.



121.1 (c) Notwithstanding other law to the contrary, in order to receive distributions under  
 121.2 this section, a city must conform to the standards in section 477A.017, subdivision 2. A city  
 121.3 that receives funds under this section must make and preserve records necessary to show  
 121.4 that the funds are spent in compliance with subdivision 4.

121.5 **EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

121.6 Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

121.7 Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from  
 121.8 the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend  
 121.9 or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed  
 121.10 assessor, or any other person employed by an assessment jurisdiction or contracting with  
 121.11 an assessment jurisdiction for the purpose of valuing or classifying property for property  
 121.12 tax purposes, for any of the following causes or acts:

121.13 (1) failure to complete required training;

121.14 (2) inefficiency or neglect of duty;

121.15 (3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota  
 121.16 Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3,  
 121.17 article 1, section 38;

121.18 (4) conviction of a crime involving moral turpitude;

121.19 (5) failure to faithfully and fully perform his or her duties through malfeasance,  
 121.20 misfeasance, or nonfeasance; or

121.21 (6) any other cause or act that in the board's opinion warrants a refusal to issue a license  
 121.22 or the imposition of a sanction provided under this subdivision.

121.23 (b) When appropriate for the level of infraction, a written warning must be given to  
 121.24 assessors who have no prior identified infractions. The warning must identify the infraction  
 121.25 and, as appropriate, detail future expectations of performance and behavior. Fines must not  
 121.26 exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence  
 121.27 thereafter, and suspensions must not exceed one year for each occurrence, depending in  
 121.28 each case upon the severity of the infraction and the level of negligence or intent. The  
 121.29 commissioner of revenue shall give notice to an applicant or licensee of the commissioner's  
 121.30 recommendation that the board impose sanctions or refuse to grant or renew a license. An  
 121.31 action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse  
 121.32 to grant or renew a license is subject to review in a contested case hearing under chapter

122.1 14. A licensee must submit a request for a hearing to the board within 30 days of the notice  
 122.2 date of the commissioner's recommendation for sanctions or for refusal to grant or renew  
 122.3 a license.

122.4 **EFFECTIVE DATE.** This section is effective for sanctions or refusals to grant or renew  
 122.5 a license recommended by the commissioner of revenue after June 30, 2018.

122.6 Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended  
 122.7 to read:

122.8 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7,  
 122.9 whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by  
 122.10 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,  
 122.11 grantee or the legal agent of either shall file a certificate of value with the county auditor  
 122.12 in the county in which the property is located when the deed or other document is presented  
 122.13 for recording. Contract for deeds are subject to recording under section 507.235, subdivision  
 122.14 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration  
 122.15 thereof, paid or to be paid, including the amount of any lien or liens assumed. The items  
 122.16 and value of personal property transferred with the real property must be listed and deducted  
 122.17 from the sale price. The certificate of value shall include the classification to which the  
 122.18 property belongs for the purpose of determining the fair market value of the property, and  
 122.19 shall include any proposed change in use of the property known to the person filing the  
 122.20 certificate that could change the classification of the property. The certificate shall include  
 122.21 financing terms and conditions of the sale which are necessary to determine the actual,  
 122.22 present value of the sale price for purposes of the sales ratio study. If the property is being  
 122.23 acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code  
 122.24 of 1986, as amended through December 31, 2006, that must be indicated on the certificate.  
 122.25 The commissioner of revenue shall promulgate administrative rules specifying the financing  
 122.26 terms and conditions which must be included on the certificate. The certificate of value  
 122.27 must include the Social Security number or the federal employer identification number of  
 122.28 the grantors and grantees. However, a married person who is not an owner of record and  
 122.29 who is signing a conveyance instrument along with the person's spouse solely to release  
 122.30 and convey their marital interest, if any, in the real property being conveyed is not a grantor  
 122.31 for the purpose of the preceding sentence. A statement in the deed that is substantially in  
 122.32 the following form is sufficient to allow the county auditor to accept a certificate for filing  
 122.33 without the Social Security number of the named spouse: "(Name) claims no ownership  
 122.34 interest in the real property being conveyed and is executing this instrument solely to release  
 122.35 and convey a marital interest, if any, in that real property." The identification numbers of

123.1 the grantors and grantees are private data on individuals or nonpublic data as defined in  
 123.2 section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or  
 123.3 nonpublic data may be disclosed to the commissioner of revenue for purposes of tax  
 123.4 administration. The information required to be shown on the certificate of value is limited  
 123.5 to the information required as of the date of the acknowledgment on the deed or other  
 123.6 document to be recorded.

123.7 **EFFECTIVE DATE.** This section is effective for certificates of value filed after  
 123.8 December 31, 2018.

123.9 Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

123.10 Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument  
 123.11 by which any real property in this state is granted, assigned, transferred, or otherwise  
 123.12 conveyed. The tax applies against the net consideration. For purposes of the tax, the  
 123.13 conversion of a corporation to a limited liability company, a limited liability company to a  
 123.14 corporation, a partnership to a limited partnership, a limited partnership to another limited  
 123.15 partnership or other entity, or a similar conversion of one entity to another does not grant,  
 123.16 assign, transfer, or convey real property.

123.17 (b) The tax is determined in the following manner: (1) when transfers are made by  
 123.18 instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is  
 123.19 \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value  
 123.20 of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less,  
 123.21 the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or  
 123.22 encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net  
 123.23 consideration.

123.24 (c) If, within six months from the date of a designated transfer, an ownership interest in  
 123.25 the grantee entity is transferred by an initial owner to any person or entity with the result  
 123.26 that the designated transfer would not have been a designated transfer if made to the grantee  
 123.27 entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration  
 123.28 for the designated transfer. If the subsequent transfer of ownership interests was reasonably  
 123.29 expected at the time of the designated transfer, the applicable penalty under section 287.31,  
 123.30 subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30  
 123.31 days of the subsequent transfer that caused the tax to be imposed under this paragraph.  
 123.32 Involuntary transfers of ownership shall not be considered transfers of ownership under this  
 123.33 paragraph. The commissioner may adopt rules defining the types of transfers to be considered  
 123.34 involuntary.

124.1 (d) The tax is due at the time a taxable deed or instrument is presented for recording,  
 124.2 except as provided in paragraph (c). The commissioner may require the tax to be documented  
 124.3 in a manner prescribed by the commissioner, and may require that the documentation be  
 124.4 attached to and recorded as part of the deed or instrument. The county recorder or registrar  
 124.5 of titles shall accept the attachment for recording as part of the deed or instrument and may  
 124.6 not require, as a condition of recording a deed or instrument, evidence that a transfer is a  
 124.7 designated transfer in addition to that required by the commissioner. Such an attachment  
 124.8 shall not, however, provide actual or constructive notice of the information contained therein  
 124.9 for purposes of determining any interest in the real property. The commissioner shall  
 124.10 prescribe the manner in which the tax due under paragraph (c) is to be paid and may require  
 124.11 grantees of designated transfers to file with the commissioner subsequent statements verifying  
 124.12 that the tax provided under paragraph (c) does not apply.

124.13 **EFFECTIVE DATE.** This section is effective for deeds recorded after December 31,  
 124.14 2018.

## 124.15 **ARTICLE 8**

### 124.16 **DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES**

124.17 Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

124.18 Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been  
 124.19 revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose  
 124.20 to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis  
 124.21 for the revocation or cancellation, the date of the revocation or cancellation, and ~~stating~~  
 124.22 ~~whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the  
 124.23 permit was reinstated.

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

124.25 Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

### 124.26 **297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.**

124.27 **Subdivision 1. Definitions.** (a) The following definitions apply for the purposes of this  
 124.28 section.

124.29 (b) "Applicant" means an individual, corporation, or partnership. Applicant also includes  
 124.30 any officer of a corporation or member of a partnership.

125.1 (c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable  
 125.2 under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been  
 125.3 issued an order assessing sales and use tax under section 270C.33, subdivision 4.

125.4 Subd. 2. **Permits issued.** Except as provided in subdivision 3, the commissioner shall  
 125.5 must issue a permit to each applicant who has complied with section 297A.83, and with  
 125.6 section 297A.92 if security is required. A person is considered to have a permit if the person  
 125.7 has a Minnesota tax identification number issued by the commissioner that is currently  
 125.8 active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is  
 125.9 not assignable and is valid only for the person in whose name it is granted and for the  
 125.10 transaction of business at the places designated on the permit.

125.11 Subd. 3. **Permits not issued.** (a) Except as provided in paragraph (b), the commissioner  
 125.12 must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

125.13 (b) The commissioner must issue a permit to an applicant if an appeal period of an order  
 125.14 assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner  
 125.15 may cancel a permit issued under this paragraph in the manner provided in subdivision 4  
 125.16 if the applicant owes delinquent sales tax after the appeal period has ended.

125.17 Subd. 4. **Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues  
 125.18 a permit that does not conform with the requirements of this section or applicable rules, the  
 125.19 commissioner may cancel the permit upon notice to the permit holder. The notice must be  
 125.20 served by first class and certified mail at the permit holder's last known address. The  
 125.21 cancellation is effective immediately.

125.22 (b) If a permit holder shows that a canceled permit was issued in conformance with the  
 125.23 requirements of this section and applicable rules, the commissioner must reissue the permit.

125.24 **EFFECTIVE DATE.** This section is effective for permit applications filed after  
 125.25 December 31, 2018.

125.26 Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

125.27 **297A.85 CANCELLATION OF PERMITS.**

125.28 The commissioner may cancel a permit if one of the following conditions occurs:

125.29 (1) the permit holder has not filed a sales or use tax return for at least one year;

125.30 (2) the permit holder has not reported any sales or use tax liability on the permit holder's  
 125.31 returns for at least two years;

125.32 (3) the permit holder requests cancellation of the permit; ~~or~~

126.1 (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision  
 126.2 2, paragraph (a); or

126.3 (5) the permit is subject to cancellation under section 297A.84.

126.4 **EFFECTIVE DATE.** This section is effective for permit applications filed after  
 126.5 December 31, 2018.

## 126.6 **ARTICLE 9**

### 126.7 **DEPARTMENT OF REVENUE; PARTNERSHIP TAX; POLICY CHANGES**

126.8 Section 1. Minnesota Statutes 2017 Supplement, section 270C.445, subdivision 6, is  
 126.9 amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

127.31 (l) The commissioner may impose an administrative penalty, in addition to the penalty  
127.32 under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under  
127.33 paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case

128.1 procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under  
128.2 this paragraph, the tax preparer assessed the penalty may request a hearing to review the  
128.3 penalty order. The request for hearing must be made in writing and must be served on the  
128.4 commissioner at the address specified in the order. The hearing request must specifically  
128.5 state the reasons for seeking review of the order. The cease and desist order issued under  
128.6 paragraph (b) is not subject to review in a proceeding to challenge the penalty order under  
128.7 this paragraph. The date on which a request for hearing is served by mail is the postmark  
128.8 date on the envelope in which the request for hearing is mailed. If the tax preparer does not  
128.9 timely request a hearing, the penalty order becomes a final order of the commissioner and  
128.10 is not subject to review by any court or agency. A penalty imposed by the commissioner  
128.11 under this paragraph may be collected and enforced by the commissioner as an income tax  
128.12 liability. There is no right to make a claim for refund under section 289A.50 of the penalty  
128.13 imposed under this paragraph. A penalty imposed under this paragraph is public data.

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

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

128.19 (o) Notwithstanding any other law, the commissioner may impose a penalty or take other  
128.20 action under this subdivision against a tax preparer, with respect to a return, within the  
128.21 period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

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

128.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
128.26 31, 2017, except that for partnerships that make an election under Code of Federal  
128.27 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
128.28 to the same tax periods to which the election relates.

128.29 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.31, subdivision 1, is amended  
128.30 to read:

128.31 Subdivision 1. **Individual income, fiduciary income, mining company, corporate**  
128.32 **franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining



129.1 company, and corporate franchise taxes, and interest and penalties, must be paid by the  
129.2 taxpayer upon whom the tax is imposed, except in the following cases:

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

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

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

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

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

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

129.22 (c) The taxes imposed under sections 289A.35, paragraph (b), 289A.383, subdivision  
129.23 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the  
129.24 general partners.

129.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
129.26 31, 2017, except that for partnerships that make an election under Code of Federal  
129.27 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
129.28 to the same tax periods to which the election relates.

129.29 Sec. 3. Minnesota Statutes 2017 Supplement, section 289A.37, subdivision 2, is amended  
129.30 to read:

129.31 Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous  
129.32 refund occurs when the commissioner issues a payment to a person that exceeds the amount

130.1 the person is entitled to receive under law. An erroneous refund is considered an  
 130.2 underpayment of tax on the date issued.

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

130.5 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a  
 130.6 taxpayer, including but not limited to refunds of claims made under section 290.06,  
 130.7 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;  
 130.8 290.0681; or 290.0692; or chapter 290A; or

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

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

130.15 (d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be  
 130.16 conducted under ~~section~~ sections 289A.38 to 289A.384.

130.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 130.18 31, 2017, except that for partnerships that make an election under Code of Federal  
 130.19 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 130.20 to the same tax periods to which the election relates.

130.21 Sec. 4. Minnesota Statutes 2016, section 289A.38, subdivision 10, is amended to read:

130.22 Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding  
 130.23 any other provision of this chapter, if a taxpayer whose net income is determined under  
 130.24 section 290.01, subdivision 19, omits from income an amount that will under the Internal  
 130.25 Revenue Code extend the statute of limitations for the assessment of federal income taxes,  
 130.26 or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting  
 130.27 in adjustments by the Internal Revenue Service, then the period of assessment and  
 130.28 determination of tax will be that under the Internal Revenue Code. When a change is made  
 130.29 to federal income during the extended time provided under this subdivision, the provisions  
 130.30 under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions  
 130.31 apply.

130.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 130.33 31, 2017, except that for partnerships that make an election under Code of Federal

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

131.3 **Sec. 5. [289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

131.4 Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified,  
131.5 the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

131.6 Subd. 2. **Administrative adjustment request.** "Administrative adjustment request"  
131.7 means an administrative adjustment request filed by a partnership under section 6227 of  
131.8 the Internal Revenue Code.

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

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

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

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

131.17 Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount  
131.18 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an  
131.19 item of preference, or any other item that is used by a taxpayer to compute a tax administered  
131.20 under this chapter for the reviewed year whether that change results from action by the  
131.21 Internal Revenue Service or other competent authority, including a partnership-level audit,  
131.22 or the filing of an amended federal return, federal refund claim, or an administrative  
131.23 adjustment request by the taxpayer.

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

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

131.31 Subd. 10. **Final determination date.** (a) "Final determination date" means:

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

132.5 (2) for a federal adjustment arising from the filing of an amended federal return, a federal  
132.6 refund claim, or the filing by a partnership of an administrative adjustment request, the day  
132.7 which the amended return, refund claim, or administrative adjustment request was filed; or

132.8 (3) for agreements required to be signed by the Internal Revenue Service and the taxpayer,  
132.9 the date on which the last party signed the agreement.

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

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

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

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

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

132.19 Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section  
132.20 7701(a)(2) of the Internal Revenue Code.

132.21 Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by  
132.22 the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63,  
132.23 subchapter C, of the Internal Revenue Code, which results in federal adjustments including  
132.24 reallocation adjustments and adjustments to partnership-related items.

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

132.29 Subd. 17. **Reallocation adjustment.** "Reallocation adjustment" means a federal  
132.30 adjustment, or final federal adjustment, that changes the shares of items of partnership  
132.31 income, gain, loss, expense, or credit allocated to partners. The term positive reallocation  
132.32 adjustment means reallocation adjustments that would increase state taxable income for

133.1 partners, and the term negative reallocation adjustment means reallocation adjustments that  
 133.2 would decrease state taxable income for partners.

133.3 Subd. 18. **Resident partner.** "Resident partner" means an individual partner or individual  
 133.4 indirect partner who is a resident of Minnesota under section 290.01, subdivision 7.

133.5 Subd. 19. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that  
 133.6 is subject to a partnership-level audit from which federal adjustments arise.

133.7 Subd. 20. **Tiered partner.** "Tiered partner" means any partner that is a partnership or  
 133.8 pass-through entity.

133.9 Subd. 21. **Unrelated business taxable income.** "Unrelated business taxable income"  
 133.10 has the same meaning as defined in section 512 of the Internal Revenue Code.

133.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 133.12 31, 2017, except that for partnerships that make an election under Code of Federal  
 133.13 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 133.14 to the same tax periods to which the election relates.

133.15 Sec. 6. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

133.16 (a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment  
 133.17 report with the commissioner reporting all final federal adjustments by the Internal Revenue  
 133.18 Service or other competent authority.

133.19 (b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment  
 133.20 report with the commissioner reporting any federal adjustments reported by the taxpayer  
 133.21 to the Internal Revenue Service, including but not limited to:

133.22 (1) federal refund claims;

133.23 (2) a change reported on a timely filed amended federal income tax return; and

133.24 (3) a change reported on an amended return filed pursuant to section 6225(c) of the  
 133.25 Internal Revenue Code.

133.26 (c) In the case of a final federal adjustment arising from a partnership-level audit or an  
 133.27 administrative adjustment request filed by a partnership under section 6227 of the Internal  
 133.28 Revenue Code, a taxpayer must report adjustments as provided under section 289A.383,  
 133.29 and not this section.

133.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 133.31 31, 2017, except that for partnerships that make an election under Code of Federal

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

134.3 **Sec. 7. [289A.383] REPORTING AND PAYMENT REQUIREMENTS.**

134.4 **Subdivision 1. State partnership representative.** (a) With respect to an action required  
134.5 or permitted to be taken by a partnership under this section, or in a proceeding under section  
134.6 270C.35 or 271.06, the state partnership representative for the reviewed year has the sole  
134.7 authority to act on behalf of the partnership, and its direct partners and indirect partners are  
134.8 bound by those actions.

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

134.12 **Subd. 2. Reporting and payment requirements for partnerships and tiered partners.**

134.13 (a) Unless an audited partnership makes the election in subdivision 3, then, for all final  
134.14 federal adjustments the audited partnership must comply with paragraph (b) and each direct  
134.15 partner of the audited partnership, other than a tiered partner, must comply with paragraph  
134.16 (c).

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

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

134.20 (2) notify each of its direct partners of their distributive share of the adjustments;

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

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

134.29 (c) No later than 180 days after the final determination date, each direct partner, other  
134.30 than a tiered partner, who is subject to a tax administered under this chapter, other than the  
134.31 sales tax, must:

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

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

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

135.10 (1) no later than 90 days after the final determination date, file a completed federal  
 135.11 adjustment report, including the residency information for all individual partners, both direct  
 135.12 and indirect, and information pertaining to all other partners as prescribed by the  
 135.13 commissioner, and notify the commissioner that it is making the election under this  
 135.14 subdivision; and

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

135.17 (i) exclude from final federal adjustments and any positive reallocation adjustments the  
 135.18 distributive share of these adjustments made to an exempt partner that is not unrelated  
 135.19 business taxable income;

135.20 (ii) exclude from final federal adjustments and any positive reallocation adjustments the  
 135.21 distributive share of these adjustments made to a partner that has filed a federal adjustment  
 135.22 report and paid the applicable tax, as required under subdivision 2, for the distributive share  
 135.23 of adjustments reported on a federal return under section 6225(c) of the Internal Revenue  
 135.24 Code;

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

135.28 (iv) allocate and apportion at the partnership level using sections 290.17 to 290.20 all  
 135.29 remaining final federal adjustments and positive reallocation adjustments for the reviewed  
 135.30 year;

135.31 (v) determine the total distributive share of the allocated and apportioned final federal  
 135.32 adjustments and positive reallocation adjustments determined in items (iii) and (iv) that are  
 135.33 attributable to:

- 136.1 (A) resident partners;
- 136.2 (B) corporate partners and exempt partners; and
- 136.3 (C) the total distributive share amount allocated to all other partners;
- 136.4 (vi) for the total distributive share of net final federal adjustments plus positive
- 136.5 reallocation adjustments attributed to corporate partners and exempt partners under item
- 136.6 (v), subitem (B), multiply the total by the highest tax rate in section 290.06, subdivision 1,
- 136.7 for the reviewed year, and calculate interest and penalties as applicable under this chapter;
- 136.8 (vii) for the total distributive share of net final federal adjustments plus positive
- 136.9 reallocation adjustments attributable to resident partners, and all other partners under item
- 136.10 (v), subitems (A) and (C), multiply the total by the highest tax rate in section 290.06,
- 136.11 subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable
- 136.12 under this chapter; and
- 136.13 (viii) add the amount determined in item (vi) to the amount determined in item (vii),
- 136.14 and pay all applicable taxes, penalties, and interest to the commissioner.
- 136.15 (b) An audited partnership may not make an election under this subdivision to report:
- 136.16 (1) a federal adjustment, including a positive reallocation adjustment, that results in
- 136.17 unitary business income to a corporate partner required to file as a member of a combined
- 136.18 report under section 290.17, subdivision 4; or
- 136.19 (2) any final federal adjustments resulting from an administrative adjustment request.
- 136.20 **Subd. 4. Tiered partners and indirect partners.** (a) Each tiered partner and each
- 136.21 indirect partner of an audited partnership that reported final federal adjustments pursuant
- 136.22 to subdivision 2, paragraph (b), clause (1), or this subdivision, must:
- 136.23 (1) within 90 days of the report comply with the filing, reporting, and payment
- 136.24 requirements of subdivision 2, paragraph (b); or
- 136.25 (2) make the election under subdivision 3 as though it were the audited partnership.
- 136.26 (b) Each direct partner in a partnership making a report under paragraph (a) must, within
- 136.27 180 days of the report, comply with the filing, reporting, and payment requirements of
- 136.28 subdivision 2, paragraph (c).
- 136.29 (c) Notwithstanding the interim time requirements in this subdivision and subdivisions
- 136.30 2 and 3, all reports and payments required to be made by the tiered and indirect partners
- 136.31 under this section are required to be made within 90 days after the time for the filing and



137.1 furnishing of statements to tiered partners and their partners as established by the Internal  
 137.2 Revenue Service under section 6226 of the Internal Revenue Code.

137.3 **Subd. 5. Effects of election by partnership or tiered partner and payment of amount**

137.4 **due. (a) Unless the commissioner determines otherwise, the election under subdivision 3**  
 137.5 **is irrevocable.**

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

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

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

137.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 137.19 31, 2017, except that for partnerships that make an election under Code of Federal  
 137.20 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 137.21 to the same tax periods to which the election relates.

137.22 **Sec. 8. [289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND**  
 137.23 **ADDITIONAL AMOUNTS.**

137.24 **Subdivision 1. Assessment of additional tax, interest, and penalties.** The commissioner  
 137.25 may assess additional tax, interest, and penalties following a final federal adjustment:

137.26 **(1) arising from an audit by the Internal Revenue Service, including a partnership-level**  
 137.27 **audit;**

137.28 **(2) reported by the taxpayer on an amended federal tax return; or**

137.29 **(3) as part of an administrative adjustment request on or before the dates provided in**  
 137.30 **this section.**

137.31 **Subd. 2. Timely and untimely reported federal adjustments.** If a taxpayer files a  
 137.32 federal adjustment report, within or after the periods prescribed in section 289A.382 or

138.1 289A.383, the commissioner may assess additional Minnesota amounts related to the federal  
 138.2 adjustments including in-lieu-of amounts, taxes, interest, and penalties at the later of:

138.3 (1) the expiration of the period of limitations in section 289A.38; or

138.4 (2) the expiration of the one-year period following the date of the filing with the  
 138.5 commissioner of the federal adjustments report.

138.6 Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal  
 138.7 adjustments report, the commissioner may assess additional amounts related to the federal  
 138.8 adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

138.9 (1) the expiration of the period of limitations in section 289A.38; or

138.10 (2) the expiration of the six-year period following the final determination date.

138.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 138.12 31, 2017, except that for partnerships that make an election under Code of Federal  
 138.13 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 138.14 to the same tax periods to which the election relates.

138.15 Sec. 9. **[289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX**  
 138.16 **ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL**  
 138.17 **REVENUE SERVICE.**

138.18 Notwithstanding the general period of limitations on claims for refund in section 289A.40,  
 138.19 taxpayers subject to the reporting requirements of sections 289A.382 and 289A.383 may  
 138.20 file claims for refund related to federal adjustments made by the Internal Revenue Service  
 138.21 on or before the last day for the assessment of tax under section 289A.384.

138.22 **EFFECTIVE DATE.** This section is effective for tax years beginning after December  
 138.23 31, 2017, except that for partnerships that make an election under Code of Federal  
 138.24 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 138.25 to the same tax periods to which the election relates.

138.26 Sec. 10. Minnesota Statutes 2016, section 289A.42, is amended to read:

138.27 **289A.42 CONSENT TO EXTEND STATUTE.**

138.28 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in  
 138.29 sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim  
 138.30 for refund, both the commissioner and the taxpayer have consented in writing to the  
 138.31 assessment or filing of a claim for refund after that time, the tax may be assessed or the

139.1 claim for refund filed at any time before the expiration of the agreed-upon period. The  
 139.2 period may be extended by later agreements in writing before the expiration of the period  
 139.3 previously agreed upon. The taxpayer and the commissioner may also agree to extend the  
 139.4 period for collection of the tax.

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

139.9 (1) for the periods provided in section ~~289A.38, subdivisions 8 and 9;~~ 289A.384,  
 139.10 subdivisions 2 and 3.

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

139.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 139.18 31, 2017, except that for partnerships that make an election under Code of Federal  
 139.19 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 139.20 to the same tax periods to which the election relates.

139.21 Sec. 11. Minnesota Statutes 2016, section 289A.60, subdivision 24, is amended to read:

139.22 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to  
 139.23 the commissioner a change or correction of the person's federal return in the manner and  
 139.24 time prescribed in ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383, there  
 139.25 must be added to the tax an amount equal to ten percent of the amount of any underpayment  
 139.26 of Minnesota tax attributable to the federal change.

139.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 139.28 31, 2017, except that for partnerships that make an election under Code of Federal  
 139.29 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 139.30 to the same tax periods to which the election relates.

140.1 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.31, subdivision 1, is amended  
140.2 to read:

140.3 Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under  
140.4 ~~section~~ sections 289A.35, paragraph (b), and 289A.383, subdivision 3, a partnership as such  
140.5 shall not be subject to the income tax imposed by this chapter, but is subject to the tax  
140.6 imposed under section 290.0922. Persons carrying on business as partners shall be liable  
140.7 for income tax only in their separate or individual capacities.

140.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
140.9 31, 2017, except that for partnerships that make an election under Code of Federal  
140.10 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
140.11 to the same tax periods to which the election relates.

140.12 Sec. 13. Minnesota Statutes 2016, section 297F.17, subdivision 6, is amended to read:

140.13 Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the  
140.14 commissioner during the one-year period beginning with the timely filing of the taxpayer's  
140.15 federal income tax return containing the bad debt deduction that is being claimed. Claimants  
140.16 under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision~~  
140.17 ~~7~~ sections 289A.382 and 289A.383.

140.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
140.19 31, 2017, except that for partnerships that make an election under Code of Federal  
140.20 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
140.21 to the same tax periods to which the election relates.

140.22 Sec. 14. Minnesota Statutes 2016, section 297G.16, subdivision 7, is amended to read:

140.23 Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with  
140.24 the commissioner within one year of the filing of the taxpayer's income tax return containing  
140.25 the bad debt deduction that is being claimed. Claimants under this subdivision are subject  
140.26 to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.384.

140.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
140.28 31, 2017, except that for partnerships that make an election under Code of Federal  
140.29 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
140.30 to the same tax periods to which the election relates.

141.1 Sec. 15. Minnesota Statutes 2016, section 469.319, subdivision 4, is amended to read:

141.2 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter  
141.3 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an  
141.4 amended return with the commissioner of revenue and pay any taxes required to be repaid  
141.5 within 30 days after becoming subject to repayment under this section. The amount required  
141.6 to be repaid is determined by calculating the tax for the period or periods for which repayment  
141.7 is required without regard to the exemptions and credits allowed under section 469.315.

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

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

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

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

141.29 (f) For determining the tax required to be repaid, a reduction of a state or local sales or  
141.30 use tax is deemed to have been received on the date that the good or service was purchased  
141.31 or first put to a taxable use. In the case of an income tax or franchise tax, including the credit  
141.32 payable under section 469.318, a reduction of tax is deemed to have been received for the  
141.33 two most recent tax years that have ended prior to the date that the business became subject  
141.34 to repayment under this section. In the case of a property tax, a reduction of tax is deemed

142.1 to have been received for the taxes payable in the year that the business became subject to  
 142.2 repayment under this section and for the taxes payable in the prior year.

142.3 (g) The commissioner may assess the repayment of taxes under paragraph (d) any time  
 142.4 within two years after the business becomes subject to repayment under subdivision 1, or  
 142.5 within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections  
 142.6 289A.38 to 289A.384, whichever period is later. The county auditor may send the statement  
 142.7 under paragraph (c) any time within three years after the business becomes subject to  
 142.8 repayment under subdivision 1.

142.9 (h) A business is not entitled to any income tax or franchise tax benefits, including  
 142.10 refundable credits, for any part of the year in which the business becomes subject to  
 142.11 repayment under this section nor for any year thereafter. Property is not exempt from tax  
 142.12 under section 272.02, subdivision 64, for any taxes payable in the year following the year  
 142.13 in which the property became subject to repayment under this section nor for any year  
 142.14 thereafter. A business is not eligible for any sales tax benefits beginning with goods or  
 142.15 services purchased or first put to a taxable use on the day that the business becomes subject  
 142.16 to repayment under this section.

142.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 142.18 31, 2017, except that for partnerships that make an election under Code of Federal  
 142.19 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 142.20 to the same tax periods to which the election relates.

142.21 Sec. 16. **REPEALER.**

142.22 Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

142.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 142.24 31, 2017, except that for partnerships that make an election under Code of Federal  
 142.25 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 142.26 to the same tax periods to which the election relates.

## 142.27 **ARTICLE 10**

### 142.28 **DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND CORPORATE** 142.29 **FRANCHISE TAXES; TECHNICAL CHANGES**

142.30 Section 1. Minnesota Statutes 2016, section 289A.38, subdivision 7, is amended to read:

142.31 Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference,  
 142.32 deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any

143.1 period, as reported to the Internal Revenue Service is changed or corrected by the  
 143.2 commissioner of Internal Revenue or other officer of the United States or other competent  
 143.3 authority, or where a renegotiation of a contract or subcontract with the United States results  
 143.4 in a change in income, items of tax preference, deductions, credits, or withholding tax, or,  
 143.5 in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall  
 143.6 report the change or correction or renegotiation results in writing to the commissioner. The  
 143.7 report must be submitted within 180 days after the final determination and must be in the  
 143.8 form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or  
 143.9 income tax return conceding the accuracy of the federal determination or a letter detailing  
 143.10 how the federal determination is incorrect or does not change the Minnesota tax. An amended  
 143.11 Minnesota income tax return must be accompanied by an amended property tax refund  
 143.12 return, if necessary. A taxpayer filing an amended federal tax return must also file a copy  
 143.13 of the amended return with the commissioner of revenue within 180 days after filing the  
 143.14 amended return.

143.15 (b) For the purposes of paragraph (a), a change or correction includes any case where a  
 143.16 taxpayer reaches a closing agreement or a compromise with the Internal Revenue Service  
 143.17 under section 7121 or 7122 of the Internal Revenue Code.

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

143.19 Sec. 2. Minnesota Statutes 2017 Supplement, section 290.0137, is amended to read:

143.20 **290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT**  
 143.21 **SALE GAINS.**

143.22 (a) In the case of a nonresident individual or a person who becomes a nonresident  
 143.23 individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized  
 143.24 upon a sale of the assets of, or any interest in, an S corporation or partnership that operated  
 143.25 in Minnesota during the year of sale, including any income or gain to be recognized in future  
 143.26 years pursuant to an installment sale method of reporting under the Internal Revenue Code.

143.27 (1) For the purposes of this paragraph, an individual who becomes a nonresident of  
 143.28 Minnesota in any year after an installment sale is required to recognize the full amount of  
 143.29 any income or gain described in this paragraph on the individual's final Minnesota resident  
 143.30 tax return to the extent that such income has not been recognized in a prior year.

143.31 (2) For the purposes of this section, "realized" has the meaning given in section 1001(b)  
 143.32 of the Internal Revenue Code.

144.1 (3) For the purposes of this section, "installment sale" means any installment sale under  
 144.2 section 453 of the Internal Revenue Code and any other sale that is reported utilizing a  
 144.3 method of accounting authorized under subchapter E of the Internal Revenue Code that  
 144.4 allows taxpayers to delay reporting or recognizing a realized gain until a future year.

144.5 ~~(4) For the purposes of this section, "allocable amount" means the full amount to be~~  
 144.6 ~~apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned~~  
 144.7 ~~to Minnesota under section 290.17.~~

144.8 (b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing  
 144.9 unrecognized installment sale gains by making an election under this paragraph. The election  
 144.10 must be filed on a form to be determined or prescribed by the commissioner and must be  
 144.11 filed by the due date of the individual income tax return, including any extension. Electing  
 144.12 taxpayers must make an irrevocable agreement to:

144.13 (1) file Minnesota tax returns in all subsequent years when gains from the installment  
 144.14 sales are recognized and reported to the Internal Revenue Service;

144.15 (2) allocate gains to the state of Minnesota as though the gains were realized in the year  
 144.16 of sale under section 290.17, 290.191, or 290.20; and

144.17 (3) include all relevant federal tax documents reporting the installment sale with  
 144.18 subsequent Minnesota tax returns.

144.19 (c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must  
 144.20 be excluded from taxable net income in any future year that the taxpayer files a Minnesota  
 144.21 tax return to the extent that the income or gain has already been subject to tax pursuant to  
 144.22 paragraph (a).

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

144.24 Sec. 3. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

144.25 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes  
 144.26 imposed by this chapter upon married individuals filing joint returns and surviving spouses  
 144.27 as defined in section 2(a) of the Internal Revenue Code must be computed by applying to  
 144.28 their taxable net income the following schedule of rates:

144.29 (1) On the first \$35,480, 5.35 percent;

144.30 (2) On all over \$35,480, but not over \$140,960, 7.05 percent;

144.31 (3) On all over \$140,960, but not over \$250,000, 7.85 percent;



145.1 (4) On all over \$250,000, 9.85 percent.

145.2 Married individuals filing separate returns, estates, and trusts must compute their income  
145.3 tax by applying the above rates to their taxable income, except that the income brackets  
145.4 will be one-half of the above amounts after the adjustment required in subdivision 2d.

145.5 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
145.6 computed by applying to taxable net income the following schedule of rates:

145.7 (1) On the first \$24,270, 5.35 percent;

145.8 (2) On all over \$24,270, but not over \$79,730, 7.05 percent;

145.9 (3) On all over \$79,730, but not over \$150,000, 7.85 percent;

145.10 (4) On all over \$150,000, 9.85 percent.

145.11 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying as  
145.12 a head of household as defined in section 2(b) of the Internal Revenue Code must be  
145.13 computed by applying to taxable net income the following schedule of rates:

145.14 (1) On the first \$29,880, 5.35 percent;

145.15 (2) On all over \$29,880, but not over \$120,070, 7.05 percent;

145.16 (3) On all over \$120,070, but not over \$200,000, 7.85 percent;

145.17 (4) On all over \$200,000, 9.85 percent.

145.18 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax  
145.19 of any individual taxpayer whose taxable net income for the taxable year is less than an  
145.20 amount determined by the commissioner must be computed in accordance with tables  
145.21 prepared and issued by the commissioner of revenue based on income brackets of not more  
145.22 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in  
145.23 this subdivision, provided that the commissioner may disregard a fractional part of a dollar  
145.24 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

145.25 (e) An individual who is not a Minnesota resident for the entire year must compute the  
145.26 individual's Minnesota income tax as provided in this subdivision. After the application of  
145.27 the nonrefundable credits provided in this chapter, the tax liability must then be multiplied  
145.28 by a fraction in which:

145.29 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
145.30 defined in section 62 of the Internal Revenue Code and increased by:

146.1 (i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11,  
146.2 and 290.0137, paragraph (a); and reduced by

146.3 (ii) the Minnesota assignable portion of the subtraction for United States government  
146.4 interest under section 290.0132, subdivision 2, ~~and~~ the subtractions under ~~section~~ sections  
146.5 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying  
146.6 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

146.7 (2) the denominator is the individual's federal adjusted gross income as defined in section  
146.8 62 of the Internal Revenue Code, increased by:

146.9 (i) ~~the amounts specified in section~~ additions required under sections 290.0131,  
146.10 subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

146.11 (ii) ~~the amounts specified in section~~ subtractions under sections 290.0132, subdivisions  
146.12 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

146.13 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective for taxable years  
146.14 beginning after December 31, 2017. The amendment to paragraph (e) is effective the day  
146.15 following final enactment.

146.16 Sec. 4. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

146.17 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
146.18 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for  
146.19 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage  
146.20 determined under paragraph (b). For the purpose of making the adjustment as provided in  
146.21 this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets  
146.22 as they existed for taxable years beginning after December 31, 2012, and before January 1,  
146.23 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts  
146.24 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
146.25 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
146.26 \$5, it must be rounded up to the nearest \$10 amount.

146.27 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
146.28 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
146.29 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the  
146.30 commissioner shall then determine the percent change from the 12 months ending on August  
146.31 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from  
146.32 the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the  
146.33 year preceding the taxable year. The commissioner shall determine the rate bracket for

147.1 married filing separate returns after this adjustment is done. The rate bracket for married  
 147.2 filing separate must be one-half of the rate bracket for married filing joint. The determination  
 147.3 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall  
 147.4 not be subject to the Administrative Procedure Act contained in chapter 14.

147.5 No later than December 15 of each year, the commissioner shall announce the specific  
 147.6 percentage that will be used to adjust the tax rate brackets.

147.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 147.8 31, 2017.

147.9 Sec. 5. Minnesota Statutes 2016, section 290.92, subdivision 28, is amended to read:

147.10 Subd. 28. **Payments to horse racing license holders.** Effective with payments made  
 147.11 after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission  
 147.12 who makes a payment for personal or professional services to a holder of a class C license  
 147.13 issued by the commission, except an amount paid as a purse, shall deduct from the payment  
 147.14 and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount  
 147.15 paid to that individual by the same person during the calendar year exceeds \$600. For  
 147.16 purposes of the provisions of this section, a payment to any person which is subject to  
 147.17 withholding under this subdivision must be treated as if the payment was a wage paid by  
 147.18 an employer to an employee. Every individual who is to receive a payment which is subject  
 147.19 to withholding under this subdivision shall furnish the license holder with a statement, made  
 147.20 under the penalties of perjury, containing the name, address, and Social Security account  
 147.21 number of the person receiving the payment. No withholding is required if the individual  
 147.22 presents a signed certificate from the individual's employer which states that the individual  
 147.23 is an employee of that employer. A nonresident individual who holds a class C license must  
 147.24 be treated as an athlete for purposes of applying the provisions of subdivision 4a and section  
 147.25 290.17, subdivision 2~~(1)(b)(ii)~~(a)(2)(ii).

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

147.27 Sec. 6. Minnesota Statutes 2017 Supplement, section 462D.03, subdivision 2, is amended  
 147.28 to read:

147.29 Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate  
 147.30 a first-time home buyer as the qualified beneficiary of the account ~~by April 15 of the year~~  
 147.31 in a form and manner prescribed by the commissioner following the taxable year in which  
 147.32 the account was established. The account holder may be the qualified beneficiary. The  
 147.33 account holder may change the designated qualified beneficiary at any time, but no more

148.1 than one qualified beneficiary may be designated for an account at any one time. For purposes  
 148.2 of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing  
 148.3 the designated qualified beneficiary of an account does not affect computation of the ten-year  
 148.4 period under section 462D.06, subdivision 2.

148.5 (b) The commissioner shall establish a process for account holders to notify the state  
 148.6 that permits recording of the account, the account holder or holders, any transfers under  
 148.7 section 462D.04, subdivision 2, and the designated qualified beneficiary for each account.  
 148.8 This may be done upon filing the account holder's income tax return or in any other way  
 148.9 the commissioner determines to be appropriate.

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

## 148.11 **ARTICLE 11**

### 148.12 **DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES**

148.13 Section 1. Minnesota Statutes 2016, section 297A.68, subdivision 17, is amended to read:

148.14 Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and  
 148.15 rebuilding parts and materials, and lubricants, for the following are exempt:

148.16 (1) ships or vessels used or to be used principally in interstate or foreign commerce ~~are~~  
 148.17 ~~exempt;~~ and

148.18 (2) vessels with a gross registered tonnage of at least 3,000 tons ~~are exempt.~~

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

148.20 Sec. 2. Minnesota Statutes 2016, section 297A.68, subdivision 44, is amended to read:

148.21 Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible  
 148.22 personal property or taxable services by a qualified business, ~~as defined in section 116J.8738,~~  
 148.23 are exempt if:

148.24 (1) the commissioner of employment and economic development certifies to the  
 148.25 commissioner of revenue, in a format approved by the commissioner of revenue, that the  
 148.26 qualified business meets the requirements under section 116J.8738;

148.27 (2) the business subsidy agreement provides that the exemption under this subdivision  
 148.28 applies;

148.29 ~~(2)~~ (3) the property or services are primarily used or consumed at the facility in greater  
 148.30 Minnesota identified in the business subsidy agreement; and

149.1 ~~(3)~~ (4) the purchase was made and delivery received during the duration of the  
 149.2 ~~certification of the business as a qualified business under section 116J.8738~~ business subsidy  
 149.3 agreement.

149.4 (b) Purchase and use of construction materials and supplies used or consumed in, and  
 149.5 equipment incorporated into, the construction of improvements to real property in greater  
 149.6 Minnesota are exempt if the improvements after completion of construction are to be used  
 149.7 in the conduct of the trade or business of the qualified business, ~~as defined in section~~  
 149.8 ~~116J.8738~~ and the commissioner of employment and economic development certifies to  
 149.9 the commissioner of revenue, in a format approved by the commissioner of revenue, that  
 149.10 the qualified business meets the requirements under section 116J.8738. This exemption  
 149.11 applies regardless of whether the purchases are made by the business or a contractor.

149.12 (c) The exemptions under this subdivision apply to a local sales and use tax.

149.13 (d) The tax on purchases imposed under this subdivision must be imposed and collected  
 149.14 as if the rate under section 297A.62 applied, and then refunded in the manner provided in  
 149.15 section 297A.75. The total amount refunded for a facility over the certification period is  
 149.16 limited to the amount listed in the business subsidy agreement. No more than \$7,000,000  
 149.17 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be  
 149.18 allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are  
 149.19 made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and  
 149.20 the commissioner of revenue must first allocate refunds to qualified businesses eligible for  
 149.21 a refund in the preceding fiscal year. Any portion of the balance of funds allocated for  
 149.22 refunds under this paragraph does not cancel and shall be carried forward to and available  
 149.23 for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for  
 149.24 an eligible refund claim that carries over to a subsequent fiscal year, the interest on the  
 149.25 amount carried over must be paid on the refund no sooner than from 90 days after July 1  
 149.26 of the fiscal year in which funds are available for the eligible claim.

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

149.28 Sec. 3. Minnesota Statutes 2016, section 297A.71, subdivision 45, is amended to read:

149.29 Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used  
 149.30 or consumed in, capital equipment incorporated into, and privately owned infrastructure in  
 149.31 support of the construction, improvement, or expansion of a biopharmaceutical manufacturing  
 149.32 facility in the state are exempt if the commissioner of employment and economic  
 149.33 development certifies to the commissioner of revenue that the following criteria are met:

150.1 (1) the facility is used for the manufacturing of biologics;

150.2 (2) the total capital investment made at the facility exceeds \$50,000,000; and

150.3 (3) the facility creates and maintains at least 190 full-time equivalent positions at the  
150.4 facility. These positions must be new jobs in Minnesota and not the result of relocating jobs  
150.5 that currently exist in Minnesota.

150.6 (b) The tax must be imposed and collected as if the rate under section 297A.62 applied,  
150.7 and refunded in the manner provided in section 297A.75.

150.8 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility  
150.9 must:

150.10 (1) initially apply to the ~~Department~~ commissioner of employment and economic  
150.11 development for certification no later than one year from the final completion date of  
150.12 construction, improvement, or expansion of the facility; and

150.13 (2) for each year that the owner of the biopharmaceutical manufacturing facility applies  
150.14 for a refund, the ~~owner~~ commissioner must have received written certification from the  
150.15 ~~Department~~ commissioner of employment and economic development that the facility has  
150.16 met the criteria of paragraph (a).

150.17 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund  
150.18 payable to date, with the commissioner making annual payments of the remaining refund  
150.19 until all of the refund has been paid.

150.20 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are  
150.21 interchangeable and mean medical drugs or medicinal preparations produced using  
150.22 technology that uses biological systems, living organisms, or derivatives of living organisms  
150.23 to make or modify products or processes for specific use. The medical drugs or medicinal  
150.24 preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

150.26 Sec. 4. Minnesota Statutes 2016, section 297A.77, is amended by adding a subdivision to  
150.27 read:

150.28 Subd. 5. **Records must be kept.** Every person liable for any tax imposed by this chapter,  
150.29 or for the collection thereof, shall keep such records, render such statements, make such  
150.30 returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

151.1 **ARTICLE 12**151.2 **DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES**

151.3 Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

151.4 Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing,  
151.5 made, or derived from tobacco that is intended for human consumption, whether chewed,  
151.6 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or  
151.7 any component, part, or accessory of a tobacco product, including, but not limited to, cigars;  
151.8 cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking  
151.9 tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing  
151.10 tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds  
151.11 and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco  
151.12 products includes vapor products. Tobacco products excludes any tobacco product that has  
151.13 been approved by the United States Food and Drug Administration for sale as a tobacco  
151.14 cessation product, as a tobacco dependence product, or for other medical purposes, and is  
151.15 being marketed and sold solely for such an approved purpose.

151.16 (b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco  
151.17 products includes a premium cigar, as defined in subdivision 13a.

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

151.19 Sec. 2. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to  
151.20 read:

151.21 Subd. 22b. **Vapor products.** (a) "Vapor products" means any cartridge, bottle, or other  
151.22 package that contains nicotine made or derived from tobacco, that is in a solution that is  
151.23 consumed, or meant to be consumed, through the use of a heating element, power source,  
151.24 electronic circuit, or other electronic, chemical, or mechanical means that produces vapor  
151.25 from the nicotine. This paragraph expires December 31, 2018.

151.26 (b) Beginning January 1, 2019, "vapor products" means any cartridge, bottle, or other  
151.27 package that contains nicotine, including nicotine produced from sources other than tobacco,  
151.28 that is in a solution that is consumed, or meant to be consumed, through the use of a heating  
151.29 element, power source, electronic circuit, or other electronic, chemical, or mechanical means  
151.30 that produces vapor from the nicotine.

151.31 (c) Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo,  
151.32 electronic pipe, or similar product or device, and any batteries, heating elements, or other

152.1 components, parts, or accessories sold with and meant to be used in the consumption of the  
 152.2 nicotine solution.

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

152.4 Sec. 3. Minnesota Statutes 2016, section 297F.01, subdivision 23, is amended to read:

152.5 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price at which a  
 152.6 distributor purchases a tobacco product. Wholesale sales price includes the applicable federal  
 152.7 excise tax, freight charges, or packaging costs, regardless of whether they were included in  
 152.8 the purchase price. Wholesale sales price of a vapor product does not include the cost of a  
 152.9 product, device, component, part, or accessory described in subdivision 22b that is sold  
 152.10 with a nicotine solution if the distributor sells the cartridge of nicotine solution separately  
 152.11 and can isolate the cost of the product, device, component, part, or accessory.

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

### 152.13 **ARTICLE 13**

#### 152.14 **DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL CHANGES**

152.15 Section 1. Minnesota Statutes 2016, section 270C.85, subdivision 2, is amended to read:

152.16 Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following  
 152.17 powers and duties in administering the property tax laws:;

152.18 ~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local  
 152.19 assessors and local boards of review throughout the state as to their duties under the laws  
 152.20 of the state;;

152.21 ~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws  
 152.22 relating to the liability and punishment of public officers and officers and agents of  
 152.23 corporations for failure or negligence to comply with the provisions of the property tax  
 152.24 laws, and cause complaints to be made against local assessors, members of boards of  
 152.25 equalization, members of boards of review, or any other assessing or taxing officer, to the  
 152.26 proper authority, for their removal from office for misconduct or negligence of duty;;

152.27 ~~(c)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions  
 152.28 or proceedings for removal, forfeiture, and punishment, for violation of the property tax  
 152.29 laws in their respective districts or counties;;

152.30 ~~(d)~~ (4) require town, city, county, and other public officers to report and certify  
 152.31 information, at the parcel level or in the aggregate, as to the assessment and taxation of real



153.1 and personal property, and such other information as may be needful in the work of the  
 153.2 commissioner, in such form as the commissioner may prescribe. The commissioner shall  
 153.3 prescribe the content, format, manner, and time of filing of all required reports and  
 153.4 certifications;

153.5 ~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each  
 153.6 even-numbered year, and to each member of the legislature, on or before November 15 of  
 153.7 each even-numbered year, the report of the department for the preceding years, showing all  
 153.8 the taxable property subject to the property tax laws and the value of the same, in tabulated  
 153.9 form;

153.10 ~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the  
 153.11 assessors faithfully discharge their duties; and

153.12 ~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial  
 153.13 special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property"  
 153.14 means property that:

153.15 ~~(1)~~ (i) is designed and equipped for a particular type of industry;

153.16 ~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

153.17 ~~(3)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

153.18 ~~(4)~~ (iv) has a total estimated market value of \$10,000,000 or greater based on the  
 153.19 assessor's preliminary determination.

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

153.21 Sec. 2. Minnesota Statutes 2017 Supplement, section 270C.89, subdivision 1, is amended  
 153.22 to read:

153.23 Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the  
 153.24 commissioner a copy of ~~the abstract~~ preliminary assessment information that the  
 153.25 commissioner may require under section 270C.85, subdivision 2, clause (4), that will be  
 153.26 acted upon by the local and county boards of review. The abstract must list the real and  
 153.27 personal property in the county itemized by assessment districts. The assessor of each county  
 153.28 in the state shall file with the commissioner, within ten working days following final action  
 153.29 of the local board of review or equalization and within five days following final action of  
 153.30 the county board of equalization, any changes made by the local or county board. ~~The~~  
 153.31 ~~information must be filed in the manner prescribed by the commissioner.~~

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

154.1 Sec. 3. Minnesota Statutes 2016, section 270C.89, subdivision 2, is amended to read:

154.2 Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after  
 154.3 adjustments by the State Board of Equalization and inclusion of any omitted property shall  
 154.4 be ~~submitted~~ reported to the commissioner ~~on or before September 1 of each calendar year~~  
 154.5 under section 270C.85, subdivision 2, clause (4). ~~The final abstract must separately report~~  
 154.6 ~~the captured tax capacity of tax increment financing districts under section 469.177,~~  
 154.7 ~~subdivision 2, the areawide net tax capacity contribution values determined under sections~~  
 154.8 ~~276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line~~  
 154.9 ~~credit under section 273.42.~~

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

154.11 Sec. 4. Minnesota Statutes 2016, section 270C.91, is amended to read:

154.12 **270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY;**  
 154.13 **DUTIES OF COUNTY AUDITOR.**

154.14 A record of all proceedings of the commissioner affecting any change in the net tax  
 154.15 capacity of any property, as revised by the State Board of Equalization, shall be kept by the  
 154.16 commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of  
 154.17 each county wherein such property is situated, on or before June 30 ~~or 30 days after~~  
 154.18 ~~submission of the abstract required by section 270C.89, whichever is later.~~ This record shall  
 154.19 specify the amounts or amount, or both, added to or deducted from the net tax capacity of  
 154.20 the real property of each of the several towns and cities, and of the real property not in towns  
 154.21 or cities, also the percent or amount of both, added to or deducted from the several classes  
 154.22 of personal property in each of the towns and cities, and also the amount added to or deducted  
 154.23 from the assessment of any person. The county auditor shall add to or deduct from such  
 154.24 tract or lot, or portion thereof, of any real property in the county the required percent or  
 154.25 amount, or both, on the net tax capacity thereof as it stood after equalized by the county  
 154.26 board, adding in each case a fractional sum of 50 cents or more, and deducting in each case  
 154.27 any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or  
 154.28 lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of  
 154.29 personal property in the county the required percent or amount, or both, on the net tax  
 154.30 capacity thereof as it stood after equalized by the county board, adding or deducting in  
 154.31 manner aforesaid any fractional sum so that no net tax capacity of any separate class of  
 154.32 personal property shall contain a fraction of a dollar, and add to or deduct from assessment  
 154.33 of any person, as they stood after equalization by the county board, the required amounts  
 154.34 to agree with the assessments as returned by the commissioner.

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

155.2 Sec. 5. Minnesota Statutes 2016, section 273.061, subdivision 9, is amended to read:

155.3 Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~  
155.4 are as follows:

155.5 (1) to make all assessments, based upon the appraised values reported by the local  
155.6 assessors or assistants and the county assessor's own knowledge of the value of the property  
155.7 assessed;

155.8 (2) to personally view and determine the value of any property ~~which~~ that because of  
155.9 its type or character may be difficult for the local assessor to appraise;

155.10 (3) to make all changes ordered by the local boards of review, relative to the net tax  
155.11 capacity of the property of any individual, firm or corporation after notice has been given  
155.12 and hearings held as provided by law;

155.13 (4) to enter all assessments in the assessment books, furnished by the county auditor,  
155.14 with each book and the tabular statements for each book in correct balance;

155.15 (5) to prepare all assessment cards, charts, maps and any other forms prescribed by the  
155.16 commissioner of revenue;

155.17 (6) to attend the meeting of the county board of equalization; to investigate and report  
155.18 on any assessment ordered by said board; to enter all changes made by said board in the  
155.19 assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~  
155.20 information reported to the commissioner under section 270C.85, subdivision 2, clause (4);  
155.21 to enter all changes made by the State Board of Equalization in the assessment books; to  
155.22 deduct all exemptions authorized by law from each assessment and certify to the county  
155.23 auditor the taxable value of each parcel of land, as described and listed in the assessment  
155.24 books by the county auditor, and the taxable value of the personal property of each person,  
155.25 firm, or corporation assessed;

155.26 (7) to investigate and make recommendations relative to all applications for the abatement  
155.27 of taxes or applications for the reduction of the net tax capacity of any property; and

155.28 (8) to perform all other duties relating to the assessment of property for the purpose of  
155.29 taxation which may be required by the commissioner of revenue.

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

156.1 Sec. 6. Minnesota Statutes 2017 Supplement, section 273.0755, is amended to read:

156.2 **273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.**

156.3 (a) Beginning with the four-year period starting on July 1, 2000, every person licensed  
156.4 by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall  
156.5 successfully complete a weeklong Minnesota laws course sponsored by the Department of  
156.6 Revenue at least once in every four-year period. An assessor need not attend the course if  
156.7 they successfully pass the test for the course.

156.8 (b) The commissioner of revenue may require that each county, and each city for which  
156.9 the city assessor performs the duties of county assessor, have ~~(i)~~ (1) a person on the assessor's  
156.10 staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii)~~ (2) an  
156.11 officer or employee who is certified by the Department of Revenue in tax calculations, and  
156.12 ~~(iii)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper  
156.13 preparation of ~~abstracts of assessment. The commissioner of revenue may require that each~~  
156.14 ~~county have an officer or employee who is certified by the Department of Revenue in the~~  
156.15 ~~proper preparation of abstracts of tax lists~~ information reported to the commissioner under  
156.16 section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after  
156.17 four years.

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

156.24 (d) When the commissioner of revenue determines that an individual or board that  
156.25 performs functions related to property tax administration has performed those functions in  
156.26 a manner that is not uniform or equitable, the commissioner may require that the individual  
156.27 or members of the board complete supplemental training. The commissioner may not require  
156.28 that an individual complete more than 32 hours of supplemental training pursuant to this  
156.29 paragraph. If the individual is required to complete supplemental training due to that  
156.30 individual's membership on a local or county board of appeal and equalization, the  
156.31 commissioner may not require that the individual complete more than two hours of  
156.32 supplemental training.

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

157.1 Sec. 7. Minnesota Statutes 2016, section 273.113, subdivision 3, is amended to read:

157.2 Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the  
157.3 commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the~~  
157.4 ~~commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax  
157.5 lost to the county from the property tax credit under subdivision 2. Any prior year adjustments  
157.6 must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review  
157.7 the certifications to determine their accuracy. The commissioner may make the changes in  
157.8 the certification that are considered necessary or return a certification to the county auditor  
157.9 for corrections. The commissioner shall reimburse each taxing district, other than school  
157.10 districts, for the taxes lost. The payments must be made at the time provided in section  
157.11 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax  
157.12 is distributed. Reimbursements to school districts must be made as provided in section  
157.13 273.1392. The amount necessary to make the reimbursements under this section is annually  
157.14 appropriated from the general fund to the commissioner of revenue.

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

157.16 Sec. 8. Minnesota Statutes 2016, section 273.119, subdivision 2, is amended to read:

157.17 Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the  
157.18 county conservation account created in section 40A.152 to the county revenue fund to  
157.19 reimburse the fund for the cost of the property tax credit. The county auditor shall certify  
157.20 to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with~~  
157.21 ~~the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of  
157.22 tax lost to the county from the property tax credit under subdivision 1 and the extent that  
157.23 the tax lost exceeds funds available in the county conservation account. Any prior year  
157.24 adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue  
157.25 shall review the certifications to determine their accuracy. The commissioner may make  
157.26 the changes in the certification that are considered necessary or return a certification to the  
157.27 county auditor for corrections. The commissioner shall reimburse each taxing district, other  
157.28 than school districts, from the Minnesota conservation fund under section 40A.151 for the  
157.29 taxes lost in excess of the county account. The payments must be made at the time provided  
157.30 in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion  
157.31 that the ad valorem tax is distributed.

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

158.1 Sec. 9. Minnesota Statutes 2016, section 273.1231, subdivision 3, is amended to read:

158.2 Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a  
158.3 geographic area for which:

158.4 (1)(i) the president of the United States, the secretary of agriculture, or the administrator  
158.5 of the Small Business Administration has determined that a disaster exists pursuant to federal  
158.6 law, or

158.7 (ii) a local emergency has been declared pursuant to section 12.29; and

158.8 (2) an application by the local unit of government requesting property tax relief under  
158.9 this section has been received by the governor and approved by the executive council.

158.10 (b) The executive council must not approve an application unless:

158.11 (1) a completed disaster survey is included; and

158.12 (2) within the boundaries of the applicant, (i) the average damage for the buildings that  
158.13 are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged,  
158.14 or the total dollar amount of damage to all taxable buildings equals or exceeds one percent  
158.15 of the total taxable market value of buildings for the applicant as reported to the commissioner  
158.16 of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the  
158.17 assessment in the year prior to the year of the damage.

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

158.19 Sec. 10. Minnesota Statutes 2016, section 273.136, subdivision 2, is amended to read:

158.20 Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall  
158.21 determine, not later than April 1 of each year, the amount of reduction resulting from section  
158.22 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph  
158.23 (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county~~  
158.24 ~~auditors pursuant to section 275.29~~ information reported to the commissioner under section  
158.25 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts~~  
158.26 ~~of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall  
158.27 submit to the St. Louis County auditor, on or before April 15, the amount of the first half  
158.28 payment payable hereunder and on or before September 15 the amount of the second half  
158.29 payment.

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

159.1 Sec. 11. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended  
159.2 to read:

159.3 Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural  
159.4 homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural  
159.5 credit. The credit is computed using the property's agricultural credit market value, defined  
159.6 for this purpose as the property's market value excluding the market value of the house,  
159.7 garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of  
159.8 the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the  
159.9 property's agricultural credit market value in excess of \$115,000, subject to a maximum  
159.10 credit of \$490 for a full agricultural homestead. In the case of property that is classified as  
159.11 part homestead and part nonhomestead solely because not all the owners occupy or farm  
159.12 the property, not all the owners have qualifying relatives occupying or farming the property,  
159.13 or solely because not all the spouses of owners occupy the property, the credit is computed  
159.14 on the amount of agricultural credit market value corresponding to the percentage of  
159.15 homestead, and the maximum credit equals \$490 multiplied by the percentage of homestead.  
159.16 The percentage of homestead is equal to 100 divided by the number of owners of the property,  
159.17 or, in the case of a trust, the number of grantors of the trust that owns the property.

159.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

159.19 Sec. 12. Minnesota Statutes 2016, section 273.1384, subdivision 3, is amended to read:

159.20 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions  
159.21 allowed under subdivision 2 within the county for each taxes payable year and shall certify  
159.22 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~  
159.23 ~~by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause  
159.24 (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists~~. The  
159.25 commissioner shall review the certifications for accuracy, and may make such changes as  
159.26 are deemed necessary, or return the certification to the county auditor for correction. The  
159.27 credit under this section must be used to proportionately reduce the net tax capacity-based  
159.28 property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

159.30 Sec. 13. Minnesota Statutes 2017 Supplement, section 273.1387, subdivision 3, is amended  
159.31 to read:

159.32 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions  
159.33 allowed under this section within the county for each taxes payable year and shall certify

160.1 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~  
 160.2 ~~under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year  
 160.3 adjustments shall also be certified ~~on the abstracts of tax lists~~. The commissioner shall  
 160.4 review the certifications for accuracy, and may make such changes as are deemed necessary,  
 160.5 or return the certification to the county auditor for correction. The credit under this section  
 160.6 must be used to reduce the school district net tax capacity-based property tax as provided  
 160.7 in section 273.1393.

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

160.9 Sec. 14. Minnesota Statutes 2016, section 273.18, is amended to read:

160.10 **273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY**  
 160.11 **BY COUNTY AUDITORS.**

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

160.17 (b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision~~  
 160.18 ~~7,~~ The county auditor shall include ~~on the abstract of assessment of exempt real property~~  
 160.19 ~~filed under this section~~ in the exempt property information that the commissioner may  
 160.20 require under section 270C.85, subdivision 2, clause (4), the total number of acres of all  
 160.21 natural resources lands for which in lieu payments are made under sections 477A.11 to  
 160.22 477A.14. The assessor shall estimate its market value, provided that if the assessor is not  
 160.23 able to estimate the market value of the land on a per parcel basis, the assessor shall furnish  
 160.24 the commissioner of revenue with an estimate of the average value per acre of this land  
 160.25 within the county.

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

160.27 Sec. 15. Minnesota Statutes 2016, section 274.14, is amended to read:

160.28 **274.14 LENGTH OF SESSION; RECORD.**

160.29 The board must meet after the second Friday in June on at least one meeting day and  
 160.30 may meet for up to ten consecutive meeting days. The actual meeting dates must be contained  
 160.31 on the valuation notices mailed to each property owner in the county as provided in section  
 160.32 273.121. For this purpose, "meeting days" is defined as any day of the week excluding



161.1 Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken  
 161.2 by the county board of review after June 30 is valid, except for corrections permitted in  
 161.3 sections 273.01 and 274.01. The county auditor shall keep an accurate record of the  
 161.4 proceedings and orders of the board. The record must be published like other proceedings  
 161.5 of county commissioners. A copy of the published record must be sent to the commissioner  
 161.6 of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days  
 161.7 following final action of the county board of equalization.

161.8 For counties that conduct either regular board of review meetings or open book meetings,  
 161.9 at least one of the meeting days must include a meeting that does not end before 7:00 p.m.  
 161.10 For counties that require taxpayer appointments for the board of review, appointments must  
 161.11 include some available times that extend until at least 7:00 p.m. The county may have a  
 161.12 Saturday meeting in lieu of, or in addition to, the extended meeting times under this  
 161.13 paragraph.

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

161.15 Sec. 16. Minnesota Statutes 2016, section 274.16, is amended to read:

161.16 **274.16 CORRECTED LISTS, ~~ABSTRACTS.~~**

161.17 The county assessor or, in Ramsey County, the official designated by the board of county  
 161.18 commissioners shall calculate the changes of the assessment lists determined by the county  
 161.19 board of equalization, and make corrections accordingly, in the real or personal lists, or  
 161.20 both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's  
 161.21 office, and one must be forwarded to the commissioner of revenue as provided in section  
 161.22 270C.89.

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

161.24 Sec. 17. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended  
 161.25 to read:

161.26 Subdivision 1. **Levy amount.** The state general levy is levied against  
 161.27 commercial-industrial property and seasonal residential recreational property, as defined  
 161.28 in this section. The state general levy for commercial-industrial property is \$784,590,000  
 161.29 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational  
 161.30 property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section  
 161.31 is not treated as a local tax rate under section 469.177 and is not the levy of a governmental  
 161.32 unit under chapters 276A and 473F.

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

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

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

162.8 (3) an increase or decrease in taxable value for commercial-industrial or seasonal  
 162.9 residential recreational property reported ~~on the abstracts of tax lists submitted under section~~  
 162.10 ~~275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~  
 162.11 to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

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

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

162.15 Sec. 18. Minnesota Statutes 2016, section 290B.09, subdivision 1, is amended to read:

162.16 Subdivision 1. **Determination; payment.** The county auditor shall determine the total  
 162.17 current year's deferred amount of property tax under this chapter in the county, and ~~submit~~  
 162.18 ~~report~~ those amounts ~~as part of the abstracts of tax lists submitted by the county auditors~~  
 162.19 ~~under section 275.29~~ to the commissioner under section 270C.85, subdivision 2, clause (4).

162.20 The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The  
 162.21 commissioner of revenue, after such review, shall pay the deferred amount of property tax  
 162.22 to each county treasurer on or before August 31.

162.23 The county treasurer shall distribute as part of the October settlement the funds received  
 162.24 as if they had been collected as a part of the property tax.

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

162.26 Sec. 19. Minnesota Statutes 2016, section 469.177, subdivision 1, is amended to read:

162.27 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment  
 162.28 financing plan, the auditor of any county in which the district is situated shall, upon request  
 162.29 of the authority, certify the original net tax capacity of the tax increment financing district  
 162.30 and that portion of the district overlying any subdistrict as described in the tax increment  
 162.31 financing plan and shall certify in each year thereafter the amount by which the original net

163.1 tax capacity has increased or decreased as a result of a change in tax exempt status of  
163.2 property within the district and any subdistrict, reduction or enlargement of the district or  
163.3 changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after  
163.4 receipt of the request and sufficient information to identify the parcels included in the district.  
163.5 The certification relates to the taxes payable year as provided in subdivision 6.

163.6 (b) If the classification under section 273.13 of property located in a district changes to  
163.7 a classification that has a different assessment ratio, the original net tax capacity of that  
163.8 property must be redetermined at the time when its use is changed as if the property had  
163.9 originally been classified in the same class in which it is classified after its use is changed.

163.10 (c) The amount to be added to the original net tax capacity of the district as a result of  
163.11 previously tax exempt real property within the district becoming taxable equals the net tax  
163.12 capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information  
163.13 reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that  
163.14 assessment was made more than one year prior to the date of title transfer rendering the  
163.15 property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If  
163.16 improvements are made to tax exempt property after the municipality approves the district  
163.17 and before the parcel becomes taxable, the assessor shall, at the request of the authority,  
163.18 separately assess the estimated market value of the improvements. If the property becomes  
163.19 taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the  
163.20 parcel, excluding the separately assessed improvements. If substantial taxable improvements  
163.21 were made to a parcel after certification of the district and if the property later becomes tax  
163.22 exempt, in whole or part, as a result of the authority acquiring the property through  
163.23 foreclosure or exercise of remedies under a lease or other revenue agreement or as a result  
163.24 of tax forfeiture, the amount to be added to the original net tax capacity of the district as a  
163.25 result of the property again becoming taxable is the amount of the parcel's value that was  
163.26 included in original net tax capacity when the parcel was first certified. The amount to be  
163.27 added to the original net tax capacity of the district as a result of enlargements equals the  
163.28 net tax capacity of the added real property as most recently certified by the commissioner  
163.29 of revenue as of the date of modification of the tax increment financing plan pursuant to  
163.30 section 469.175, subdivision 4.

163.31 (d) If the net tax capacity of a property increases because the property no longer qualifies  
163.32 under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open  
163.33 Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act,  
163.34 chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because  
163.35 platted, unimproved property is improved or market value is increased after approval of the

164.1 plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be  
164.2 added to the original net tax capacity. If the net tax capacity of a property increases because  
164.3 the property no longer qualifies for the homestead market value exclusion under section  
164.4 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax  
164.5 capacity if the original construction of the affected home was completed before the date the  
164.6 assessor certified the original net tax capacity of the district.

164.7 (e) The amount to be subtracted from the original net tax capacity of the district as a  
164.8 result of previously taxable real property within the district becoming tax exempt or  
164.9 qualifying in whole or part for an exclusion from taxable market value, or a reduction in  
164.10 the geographic area of the district, shall be the amount of original net tax capacity initially  
164.11 attributed to the property becoming tax exempt, being excluded from taxable market value,  
164.12 or being removed from the district. If the net tax capacity of property located within the tax  
164.13 increment financing district is reduced by reason of a court-ordered abatement, stipulation  
164.14 agreement, voluntary abatement made by the assessor or auditor or by order of the  
164.15 commissioner of revenue, the reduction shall be applied to the original net tax capacity of  
164.16 the district when the property upon which the abatement is made has not been improved  
164.17 since the date of certification of the district and to the captured net tax capacity of the district  
164.18 in each year thereafter when the abatement relates to improvements made after the date of  
164.19 certification. The county auditor may specify reasonable form and content of the request  
164.20 for certification of the authority and any modification thereof pursuant to section 469.175,  
164.21 subdivision 4.

164.22 (f) If a parcel of property contained a substandard building or improvements described  
164.23 in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if  
164.24 the authority elects to treat the parcel as occupied by a substandard building under section  
164.25 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174,  
164.26 subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the  
164.27 parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated  
164.28 market value of the parcel for the year in which the building or other improvements were  
164.29 demolished or removed, but applying the classification rates for the current year.

164.30 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,  
164.31 paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of  
164.32 the land as the original tax capacity for any parcel in the district that contains a building  
164.33 that suffered substantial damage as a result of the disaster or emergency.

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

165.1 Sec. 20. **REPEALER.**

165.2 Minnesota Statutes 2016, section 275.29, is repealed.

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

165.4 **ARTICLE 14**

165.5 **DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES**

165.6 Section 1. Minnesota Statutes 2016, section 272.02, subdivision 27, is amended to read:

165.7 Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~**  
 165.8 **veterans with a disability.** Real and personal property is exempt if it is located in the  
 165.9 Superior National Forest, and owned or leased and operated by a nonprofit organization  
 165.10 that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue  
 165.11 Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a  
 165.12 disability and their families.

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

165.14 Sec. 2. Minnesota Statutes 2016, section 272.02, subdivision 81, is amended to read:

165.15 Subd. 81. **Certain recreational property for ~~disabled~~ veterans with a disability.** Real  
 165.16 and personal property is exempt if it is located in a county in the metropolitan area with a  
 165.17 population of less than 500,000 according to the 2000 federal census, and owned or leased  
 165.18 and operated by a nonprofit organization, and primarily used to provide recreational  
 165.19 opportunities for ~~disabled~~ veterans with a disability and their families.

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

165.21 Sec. 3. Minnesota Statutes 2016, section 273.032, is amended to read:

165.22 **273.032 MARKET VALUE DEFINITION.**

165.23 (a) Unless otherwise provided, for the purpose of determining any property tax levy  
 165.24 limitation based on market value or any limit on net debt, the issuance of bonds, certificates  
 165.25 of indebtedness, or capital notes based on market value, any qualification to receive state  
 165.26 aid based on market value, or any state aid amount based on market value, the terms "market  
 165.27 value," "estimated market value," and "market valuation," whether equalized or unequalized,  
 165.28 mean the estimated market value of taxable property within the local unit of government  
 165.29 before any of the following or similar adjustments for:

165.30 (1) the market value exclusions under:

- 166.1 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);
- 166.2 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);
- 166.3 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);
- 166.4 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);
- 166.5 (v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or
- 166.6 family caregiver); or
- 166.7 (vi) section 273.13, subdivision 35 (homestead market value exclusion); or
- 166.8 (2) the deferment of value under:
- 166.9 (i) the Minnesota Agricultural Property Tax Law, section 273.111;
- 166.10 (ii) the Aggregate Resource Preservation Law, section 273.1115;
- 166.11 (iii) the Minnesota Open Space Property Tax Law, section 273.112;
- 166.12 (iv) the rural preserves property tax program, section 273.114; or
- 166.13 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or
- 166.14 (3) the adjustments to tax capacity for:
- 166.15 (i) tax increment financing under sections 469.174 to 469.1794;
- 166.16 (ii) fiscal disparities under chapter 276A or 473F; or
- 166.17 (iii) powerline credit under section 273.425.
- 166.18 (b) Estimated market value under paragraph (a) also includes the market value of
- 166.19 tax-exempt property if the applicable law specifically provides that the limitation,
- 166.20 qualification, or aid calculation includes tax-exempt property.
- 166.21 (c) Unless otherwise provided, "market value," "estimated market value," and "market
- 166.22 valuation" for purposes of property tax levy limitations and calculation of state aid, refer
- 166.23 to the estimated market value for the previous assessment year and for purposes of limits
- 166.24 on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the
- 166.25 estimated market value as last finally equalized.
- 166.26 (d) For purposes of a provision of a home rule charter or of any special law that is not
- 166.27 codified in the statutes and that imposes a levy limitation based on market value or any limit
- 166.28 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market
- 166.29 value, the terms "market value," "taxable market value," and "market valuation," whether
- 166.30 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

167.2 Sec. 4. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended  
167.3 to read:

167.4 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and  
167.5 (c), real estate which is residential and used for homestead purposes is class 1a. In the case  
167.6 of a duplex or triplex in which one of the units is used for homestead purposes, the entire  
167.7 property is deemed to be used for homestead purposes. The market value of class 1a property  
167.8 must be determined based upon the value of the house, garage, and land.

167.9 The first \$500,000 of market value of class 1a property has a net classification rate of  
167.10 one percent of its market value; and the market value of class 1a property that exceeds  
167.11 \$500,000 has a classification rate of 1.25 percent of its market value.

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

167.14 (1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is  
167.15 blind and the ~~blind person's~~ spouse of the person who is blind;

167.16 (2) any person who is permanently and totally disabled or by the ~~disabled~~ person with  
167.17 a disability and the ~~disabled person's~~ spouse of the person with a disability; or

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

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

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

167.27 Permanently and totally disabled for the purpose of this subdivision means a condition  
167.28 which is permanent in nature and totally incapacitates the person from working at an  
167.29 occupation which brings the person an income. The first \$50,000 market value of class 1b  
167.30 property has a net classification rate of .45 percent of its market value. The remaining market  
167.31 value of class 1b property is classified as class 1a or class 2a property, whichever is  
167.32 appropriate.

168.1 (c) Class 1c property is commercial use real and personal property that abuts public  
168.2 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by  
168.3 the Department of Natural Resources, and is devoted to temporary and seasonal residential  
168.4 occupancy for recreational purposes but not devoted to commercial purposes for more than  
168.5 250 days in the year preceding the year of assessment, and that includes a portion used as  
168.6 a homestead by the owner, which includes a dwelling occupied as a homestead by a  
168.7 shareholder of a corporation that owns the resort, a partner in a partnership that owns the  
168.8 resort, or a member of a limited liability company that owns the resort even if the title to  
168.9 the homestead is held by the corporation, partnership, or limited liability company. For  
168.10 purposes of this paragraph, property is devoted to a commercial purpose on a specific day  
168.11 if any portion of the property, excluding the portion used exclusively as a homestead, is  
168.12 used for residential occupancy and a fee is charged for residential occupancy. Class 1c  
168.13 property must contain three or more rental units. A "rental unit" is defined as a cabin,  
168.14 condominium, townhouse, sleeping room, or individual camping site equipped with water  
168.15 and electrical hookups for recreational vehicles. Class 1c property must provide recreational  
168.16 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill  
168.17 or cross-country ski equipment; provide marina services, launch services, or guide services;  
168.18 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred  
168.19 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies  
168.20 for class 1c even though it may remain available for rent. A camping pad offered for rent  
168.21 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of  
168.22 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If  
168.23 the same owner owns two separate parcels that are located in the same township, and one  
168.24 of those properties is classified as a class 1c property and the other would be eligible to be  
168.25 classified as a class 1c property if it was used as the homestead of the owner, both properties  
168.26 will be assessed as a single class 1c property; for purposes of this sentence, properties are  
168.27 deemed to be owned by the same owner if each of them is owned by a limited liability  
168.28 company, and both limited liability companies have the same membership. The portion of  
168.29 the property used as a homestead is class 1a property under paragraph (a). The remainder  
168.30 of the property is classified as follows: the first \$600,000 of market value is tier I, the next  
168.31 \$1,700,000 of market value is tier II, and any remaining market value is tier III. The  
168.32 classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25  
168.33 percent. Owners of real and personal property devoted to temporary and seasonal residential  
168.34 occupancy for recreation purposes in which all or a portion of the property was devoted to  
168.35 commercial purposes for not more than 250 days in the year preceding the year of assessment  
168.36 desiring classification as class 1c, must submit a declaration to the assessor designating the



169.1 cabins or units occupied for 250 days or less in the year preceding the year of assessment  
169.2 by January 15 of the assessment year. Those cabins or units and a proportionate share of  
169.3 the land on which they are located must be designated as class 1c as otherwise provided.  
169.4 The remainder of the cabins or units and a proportionate share of the land on which they  
169.5 are located must be designated as class 3a commercial. The owner of property desiring  
169.6 designation as class 1c property must provide guest registers or other records demonstrating  
169.7 that the units for which class 1c designation is sought were not occupied for more than 250  
169.8 days in the year preceding the assessment if so requested. The portion of a property operated  
169.9 as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5)  
169.10 other nonresidential facility operated on a commercial basis not directly related to temporary  
169.11 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

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

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

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

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

169.26 Sec. 5. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended  
169.27 to read:

169.28 Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a)  
169.29 All or a portion of the market value of property owned by a veteran and serving as the  
169.30 veteran's homestead under this section is excluded in determining the property's taxable  
169.31 market value if the veteran has a service-connected disability of 70 percent or more as  
169.32 certified by the United States Department of Veterans Affairs. To qualify for exclusion  
169.33 under this subdivision, the veteran must have been honorably discharged from the United

170.1 States armed forces, as indicated by United States Government Form DD214 or other official  
170.2 military discharge papers.

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

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

170.7 (c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under  
170.8 paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the  
170.9 veteran the spouse holds the legal or beneficial title to the homestead and permanently  
170.10 resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the  
170.11 current taxes payable year and for eight additional taxes payable years or until such time  
170.12 as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever  
170.13 comes first. Qualification under this paragraph requires an application under paragraph (h),  
170.14 and a spouse must notify the assessor if there is a change in the spouse's marital status,  
170.15 ownership of the property, or use of the property as a permanent residence.

170.16 (d) If the spouse of a member of any branch or unit of the United States armed forces  
170.17 who dies due to a service-connected cause while serving honorably in active service, as  
170.18 indicated on United States Government Form DD1300 or DD2064, holds the legal or  
170.19 beneficial title to a homestead and permanently resides there, the spouse is entitled to the  
170.20 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such  
170.21 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,  
170.22 whichever comes first.

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

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

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

171.1 (h) To qualify for a valuation exclusion under this subdivision a property owner must  
171.2 apply to the assessor by July 1 of the first assessment year for which the exclusion is sought.  
171.3 For an application received after July 1, the exclusion shall become effective for the following  
171.4 assessment year. Except as provided in paragraph (c), the owner of a property that has been  
171.5 accepted for a valuation exclusion must notify the assessor if there is a change in ownership  
171.6 of the property or in the use of the property as a homestead.

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

171.9 (j) For purposes of this subdivision:

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

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

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

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

171.17 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion  
171.18 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit  
171.19 under paragraph (b), clause (2), for eight tax payable years or until the spouse remarries  
171.20 or sells, transfers, or otherwise disposes of the property if:

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

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

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

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

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

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

171.30 (l) The purpose of this provision of law providing a level of homestead property tax  
171.31 relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and

172.1 their surviving spouses is to help ease the burdens of war for those among our state's citizens  
172.2 who bear those burdens most heavily.

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

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

172.6 Sec. 6. Minnesota Statutes 2016, section 289A.08, subdivision 6, is amended to read:

172.7 Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married  
172.8 to each other must file a joint Minnesota income tax return if they filed a joint federal income  
172.9 tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax  
172.10 returns, they must file separate Minnesota income tax returns. This election to file a joint  
172.11 or separate return must be changed if they change their election for federal purposes. In the  
172.12 event taxpayers desire to change their election, the change must be done in the manner and  
172.13 on the form prescribed by the commissioner.

172.14 The determination of whether an individual is married shall be made under the provisions  
172.15 of section 7703 of the Internal Revenue Code.

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

172.17 Sec. 7. Minnesota Statutes 2016, section 289A.25, subdivision 1, is amended to read:

172.18 Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership  
172.19 must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax.  
172.20 For individuals, the term "estimated tax" means the amount the taxpayer estimates is the  
172.21 sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations,  
172.22 and partnerships, the term estimated tax means the amount the taxpayer estimates is the  
172.23 sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax  
172.24 imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent  
172.25 person, the payments must be made by the individual's guardian. If joint payments on  
172.26 estimated tax are made but a joint return is not made for the taxable year, the estimated tax  
172.27 for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or  
172.28 may be divided between them.

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

173.1 Sec. 8. Minnesota Statutes 2016, section 289A.31, subdivision 2, is amended to read:

173.2 Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by a ~~husband~~  
173.3 ~~and wife~~ spouses, the liability for the tax is joint and several. A spouse who qualifies for  
173.4 relief from a liability attributable to an underpayment under section 6015(b) of the Internal  
173.5 Revenue Code is relieved of the state income tax liability on the underpayment.

173.6 (b) In the case of individuals who were a ~~husband and wife~~ married as determined in  
173.7 section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their  
173.8 legal separation, or prior to the death of one of the individuals, for tax liabilities reported  
173.9 on a joint or combined return, the liability of each person is limited to the proportion of the  
173.10 tax due on the return that equals that person's proportion of the total tax due if ~~the husband~~  
173.11 ~~and wife~~ each spouse filed separate returns for the taxable year. This provision is effective  
173.12 only when the commissioner receives written notice of the marriage dissolution, legal  
173.13 separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may  
173.14 be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more  
173.15 than 60 days before receipt by the commissioner of the written notice.

173.16 (c) A request for calculation of separate liability pursuant to paragraph (b) for taxes  
173.17 reported on a return must be made within six years after the due date of the return. For  
173.18 calculation of separate liability for taxes assessed by the commissioner under section 289A.35  
173.19 or 289A.37, the request must be made within six years after the date of assessment. The  
173.20 commissioner is not required to calculate separate liability if the remaining unpaid liability  
173.21 for which recalculation is requested is \$100 or less.

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

173.23 Sec. 9. Minnesota Statutes 2016, section 289A.37, subdivision 6, is amended to read:

173.24 Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return  
173.25 is filed by a ~~husband and wife~~ spouses, an order of assessment may be a single joint notice.  
173.26 If the commissioner has been notified by either spouse that that spouse's address has changed  
173.27 and if that spouse requests it, then, instead of the single joint notice mailed to the last known  
173.28 address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be  
173.29 sent to the requesting spouse at the address designated by the requesting spouse. The other  
173.30 joint notice must be mailed to the other spouse at that spouse's last known address. An  
173.31 assessment is not invalid for failure to send it to a spouse if the spouse actually receives the  
173.32 notice in the same period as if it had been mailed to that spouse at the correct address or if  
173.33 the spouse has failed to provide an address to the commissioner other than the last known  
173.34 address.

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

174.2 Sec. 10. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

174.3 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal  
174.4 taxable income of the individual's subtraction base amount. The excess of the subtraction  
174.5 base amount over the taxable net income computed without regard to the subtraction for  
174.6 the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5,  
174.7 may be used to reduce the amount of a lump sum distribution subject to tax under section  
174.8 290.032.

174.9 (b)(1) The initial subtraction base amount equals

174.10 (i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

174.11 (ii) \$9,600 for a single taxpayer, and

174.12 (iii) \$6,000 for a married taxpayer filing a separate federal return.

174.13 (2) The qualified individual's initial subtraction base amount, then, must be reduced by  
174.14 the sum of nontaxable retirement and disability benefits and one-half of the amount of  
174.15 adjusted gross income in excess of the following thresholds:

174.16 (i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified  
174.17 individuals,

174.18 (ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one  
174.19 spouse is a qualified individual, and

174.20 (iii) \$9,000 for a married taxpayer filing a separate federal return.

174.21 (3) In the case of a qualified individual who is under the age of 65, the maximum amount  
174.22 of the subtraction base may not exceed the taxpayer's disability income.

174.23 (4) The resulting amount is the subtraction base amount.

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

174.25 Sec. 11. Minnesota Statutes 2016, section 290.0802, subdivision 3, is amended to read:

174.26 Subd. 3. **Restrictions; married couples.** Except in the case of ~~a husband and wife~~  
174.27 spouses who live apart at all times during the taxable year, if the taxpayer is married at the  
174.28 close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers  
174.29 file joint federal and state income tax returns for the taxable year.

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

175.1 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended  
175.2 to read:

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

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

175.7 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
175.8 55(b)(2) of the Internal Revenue Code;

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

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

175.12 (ii) the medical expense deduction;

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

175.14 (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

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

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

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

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

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

175.28 (i) interest income as defined in section 290.0132, subdivision 2;

175.29 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
175.30 3, to the extent included in federal alternative minimum taxable income;

176.1 (iii) the amount of investment interest paid or accrued within the taxable year on  
176.2 indebtedness to the extent that the amount does not exceed net investment income, as defined  
176.3 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted  
176.4 in computing federal adjusted gross income;

176.5 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,  
176.6 subdivisions 7, 9 to 15, 17, 21, 24, and 26; and

176.7 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,  
176.8 paragraph (c).

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

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

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

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

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

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

176.20 Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended  
176.21 to read:

176.22 Subd. 3. **Income.** (a) "Income" means the sum of the following:

176.23 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

176.24 (2) the sum of the following amounts to the extent not included in clause (1):

176.25 (i) all nontaxable income;

176.26 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,  
176.27 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss  
176.28 carryover allowed under section 469(b) of the Internal Revenue Code;

176.29 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a  
176.30 solvent individual excluded from gross income under section 108(g) of the Internal Revenue  
176.31 Code;



- 177.1 (iv) cash public assistance and relief;
- 177.2 (v) any pension or annuity (including railroad retirement benefits, all payments received  
177.3 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
177.4 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
177.5 by the claimant or spouse and which funding payments were excluded from federal adjusted  
177.6 gross income in the years when the payments were made;
- 177.7 (vi) interest received from the federal or a state government or any instrumentality or  
177.8 political subdivision thereof;
- 177.9 (vii) workers' compensation;
- 177.10 (viii) nontaxable strike benefits;
- 177.11 (ix) the gross amounts of payments received in the nature of disability income or sick  
177.12 pay as a result of accident, sickness, or other disability, whether funded through insurance  
177.13 or otherwise;
- 177.14 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
177.15 1986, as amended through December 31, 1995;
- 177.16 (xi) contributions made by the claimant to an individual retirement account, including  
177.17 a qualified voluntary employee contribution; simplified employee pension plan;  
177.18 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
177.19 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
177.20 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
177.21 the claimant and spouse;
- 177.22 (xii) to the extent not included in federal adjusted gross income, distributions received  
177.23 by the claimant or spouse from a traditional or Roth style retirement account or plan;
- 177.24 (xiii) nontaxable scholarship or fellowship grants;
- 177.25 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;
- 177.26 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
177.27 Code;
- 177.28 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
177.29 Code; and
- 177.30 (xvii) the amount deducted for certain expenses of elementary and secondary school  
177.31 teachers under section 62(a)(2)(D) of the Internal Revenue Code.

178.1 In the case of an individual who files an income tax return on a fiscal year basis, the  
178.2 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in  
178.3 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced  
178.4 by the amount of a net operating loss carryback or carryforward or a capital loss carryback  
178.5 or carryforward allowed for the year.

178.6 (b) "Income" does not include:

178.7 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

178.8 (2) amounts of any pension or annuity which was exclusively funded by the claimant  
178.9 or spouse and which funding payments were not excluded from federal adjusted gross  
178.10 income in the years when the payments were made;

178.11 (3) to the extent included in federal adjusted gross income, amounts contributed by the  
178.12 claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed  
178.13 the retirement base amount reduced by the amount of contributions excluded from federal  
178.14 adjusted gross income, but not less than zero;

178.15 (4) surplus food or other relief in kind supplied by a governmental agency;

178.16 (5) relief granted under this chapter;

178.17 (6) child support payments received under a temporary or final decree of dissolution or  
178.18 legal separation; or

178.19 (7) restitution payments received by eligible individuals and excludable interest as  
178.20 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,  
178.21 Public Law 107-16.

178.22 (c) The sum of the following amounts may be subtracted from income:

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

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

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

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

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

178.28 (6) if the claimant or claimant's spouse ~~was disabled~~ had a disability or attained the age  
178.29 of 65 on or before December 31 of the year for which the taxes were levied or rent paid,  
178.30 the exemption amount.

179.1 (d) For purposes of this subdivision, the "exemption amount" means the exemption  
179.2 amount under section 151(d) of the Internal Revenue Code for the taxable year for which  
179.3 the income is reported; "retirement base amount" means the deductible amount for the  
179.4 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue  
179.5 Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue  
179.6 Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional  
179.7 or Roth style retirement account or plan" means retirement plans under sections 401, 403,  
179.8 408, 408A, and 457 of the Internal Revenue Code.

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

179.10 Sec. 14. Minnesota Statutes 2016, section 290A.03, subdivision 4, is amended to read:

179.11 Subd. 4. **Household.** "Household" means a claimant and an individual related to the  
179.12 claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

179.14 Sec. 15. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 8, is amended  
179.15 to read:

179.16 Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined  
179.17 under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3)  
179.18 of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a  
179.19 resident of this state as provided in chapter 290 during the calendar year for which the claim  
179.20 for relief was filed.

179.21 (b) In the case of a claim relating to rent constituting property taxes, the claimant shall  
179.22 have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu  
179.23 of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem  
179.24 taxes, are payable at some time during the calendar year covered by the claim.

179.25 (c) "Claimant" shall not include a resident of a nursing home, intermediate care facility,  
179.26 long-term residential facility, or a facility that accepts housing support payments whose  
179.27 rent constituting property taxes is paid pursuant to the Supplemental Security Income  
179.28 program under title XVI of the Social Security Act, the Minnesota supplemental aid program  
179.29 under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX  
179.30 of the Social Security Act, or the housing support program under chapter 256I.

179.31 If only a portion of the rent constituting property taxes is paid by these programs, the  
179.32 resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant

180.1 to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as  
180.2 defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income  
180.3 from the above sources other than vendor payments under the medical assistance program  
180.4 and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b),  
180.5 plus vendor payments under the medical assistance program, to determine the allowable  
180.6 refund pursuant to this chapter.

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

180.15 (e) In the case of a claim for rent constituting property taxes of a part-year Minnesota  
180.16 resident, the income and rental reflected in this computation shall be for the period of  
180.17 Minnesota residency only. Any rental expenses paid which may be reflected in arriving at  
180.18 federal adjusted gross income cannot be utilized for this computation. When two individuals  
180.19 of a household are able to meet the qualifications for a claimant, they may determine among  
180.20 them as to who the claimant shall be. If they are unable to agree, the matter shall be referred  
180.21 to the commissioner of revenue whose decision shall be final. If a homestead property owner  
180.22 was a part-year Minnesota resident, the income reflected in the computation made pursuant  
180.23 to section 290A.04 shall be for the entire calendar year, including income not assignable to  
180.24 Minnesota.

180.25 (f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~  
180.26 married to each other, the rent shall be deemed to be paid equally by each, and separate  
180.27 claims shall be filed by each. The income of each shall be each renter's household income  
180.28 for purposes of computing the amount of credit to be allowed.

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

180.30 Sec. 16. Minnesota Statutes 2016, section 290A.05, is amended to read:

180.31 **290A.05 COMBINED HOUSEHOLD INCOME.**

180.32 If a person occupies a homestead with another person ~~or persons~~ not related to the person  
180.33 as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on

181.1 contract, and has property tax payable with respect to the homestead, the household income  
 181.2 of the claimant or claimants for the purpose of computing the refund allowed by section  
 181.3 290A.04 shall include the total income received by the other persons residing in the  
 181.4 homestead. For purposes of this section, "dependent" includes a parent of the claimant or  
 181.5 spouse who lives in the claimant's homestead and does not have an ownership interest in  
 181.6 the homestead. If a person occupies a homestead with another person or persons not related  
 181.7 to the person as husband and wife the person's spouse or as dependents, the property tax  
 181.8 payable or rent constituting property tax shall be reduced as follows.

181.9 If the other person or persons are residing at the homestead under rental or lease  
 181.10 agreement, the amount of property tax payable or rent constituting property tax shall be that  
 181.11 portion not covered by the rental agreement.

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

181.13 Sec. 17. Minnesota Statutes 2016, section 290A.08, is amended to read:

181.14 **290A.08 ONE CLAIMANT PER HOUSEHOLD.**

181.15 Only one claimant per household per year is entitled to relief under this chapter. Payment  
 181.16 of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant.  
 181.17 The commissioner, upon written request, may issue separate checks, to the ~~husband and~~  
 181.18 ~~wife~~ spouses for one-half of the relief provided the original check has not been issued or  
 181.19 has been returned. Individuals related as ~~husband and wife~~ spouses who were married during  
 181.20 the year may elect to file a joint claim which shall include each spouse's income, rent  
 181.21 constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who  
 181.22 were married for the entire year and were domiciled in the same household for the entire  
 181.23 year must file a joint claim. The maximum dollar amount allowable for a joint claim shall  
 181.24 not exceed the amount that one person could receive.

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

181.26 Sec. 18. Minnesota Statutes 2016, section 290A.09, is amended to read:

181.27 **290A.09 PROOF OF CLAIM.**

181.28 Every claimant shall supply to the commissioner of revenue, in support of the claim,  
 181.29 proof of eligibility under this chapter, including but not limited to amount of rent paid or  
 181.30 property taxes accrued, name and address of owner or managing agent of property rented,  
 181.31 changes in homestead, household membership, household income, size and nature of property  
 181.32 claimed as a homestead.

182.1 ~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the  
182.2 form and manner as the commissioner may prescribe. The department may require  
182.3 examination and certification by the claimant's physician or by a physician designated by  
182.4 the commissioner. The cost of any examination shall be borne by the claimant, unless the  
182.5 examination proves the disability, in which case the cost of the examination shall be borne  
182.6 by the commissioner.

182.7 A determination of disability of a claimant by the Social Security Administration under  
182.8 Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

182.10 Sec. 19. Minnesota Statutes 2016, section 297A.61, subdivision 18, is amended to read:

182.11 Subd. 18. ~~Disabled Person with a disability.~~ "Disabled Person with a disability" means  
182.12 an individual who has a permanent and total disability as defined in section 273.13,  
182.13 subdivision 22.

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

182.15 Sec. 20. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 6, is amended  
182.16 to read:

182.17 Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for  
182.18 and served exclusively to individuals who are 60 years of age or over and their spouses or  
182.19 to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit  
182.20 organizations, or churches, or pursuant to any program funded in whole or in part through  
182.21 United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or  
182.22 served, are exempt. Taxable food sold through vending machines is not exempt.

182.23 (b) Prepared food, candy, and soft drinks purchased for and served exclusively to children  
182.24 who are less than 14 years of age or ~~disabled~~ children with a disability who are less than  
182.25 16 years of age and who are attending a child care or early childhood education program,  
182.26 are exempt if they are:

182.27 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,  
182.28 subdivision 4, and that primarily serves families with income of 250 percent or less of  
182.29 federal poverty guidelines; and

182.30 (2) prepared at the site of the child care facility.

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

183.1 Sec. 21. Minnesota Statutes 2016, section 297A.67, subdivision 12, is amended to read:

183.2 Subd. 12. **Parts and accessories used to make a motor vehicle disabled accessible**  
 183.3 **to a person with a disability.** Parts, accessories, and labor charges that are used solely to  
 183.4 modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

183.6 Sec. 22. Minnesota Statutes 2016, section 297A.70, subdivision 3, is amended to read:

183.7 Subd. 3. **Sales of certain goods and services to government.** (a) The following sales  
 183.8 to or use by the specified governments and political subdivisions of the state are exempt:

183.9 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire  
 183.10 apparatus to a political subdivision;

183.11 (2) machinery and equipment, except for motor vehicles, used directly for mixed  
 183.12 municipal solid waste management services at a solid waste disposal facility as defined in  
 183.13 section 115A.03, subdivision 10;

183.14 (3) chore and homemaking services to a political subdivision of the state to be provided  
 183.15 to elderly individuals or ~~disabled individuals~~ persons with a disability;

183.16 (4) telephone services to the Office of MN.IT Services that are used to provide  
 183.17 telecommunications services through the MN.IT services revolving fund;

183.18 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased  
 183.19 or authorized by and for the use of an organized fire department, fire protection district, or  
 183.20 fire company regularly charged with the responsibility of providing fire protection to the  
 183.21 state or a political subdivision;

183.22 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma  
 183.23 protection, if purchased by a law enforcement agency of the state or a political subdivision  
 183.24 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

183.25 (7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles  
 183.26 are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt  
 183.27 from taxation under section 473.448, or exempt from the motor vehicle sales tax under  
 183.28 section 297B.03, clause (12);

183.29 (8) equipment designed to process, dewater, and recycle biosolids for wastewater  
 183.30 treatment facilities of political subdivisions, and materials incidental to installation of that  
 183.31 equipment;

184.1 (9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads,  
 184.2 trails, or firebreaks when purchased by an agency of the state or a political subdivision of  
 184.3 the state;

184.4 (10) purchases by the Metropolitan Council or the Department of Transportation of  
 184.5 vehicles and repair parts to equip operations provided for in section 174.90, including, but  
 184.6 not limited to, the Northstar Corridor Rail project; and

184.7 (11) purchases of water used directly in providing public safety services by an organized  
 184.8 fire department, fire protection district, or fire company regularly charged with the  
 184.9 responsibility of providing fire protection to the state or a political subdivision.

184.10 (b) For purposes of this subdivision, "firefighters personal protective equipment" means  
 184.11 helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including  
 184.12 pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls;  
 184.13 goggles; self-contained breathing apparatus; canister filter masks; personal alert safety  
 184.14 systems; spanner belts; optical or thermal imaging search devices; and all safety equipment  
 184.15 required by the Occupational Safety and Health Administration.

184.16 (c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed  
 184.17 and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded  
 184.18 in the manner provided in section 297A.75.

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

184.20 Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 4, is amended  
 184.21 to read:

184.22 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b),  
 184.23 to the following "nonprofit organizations" are exempt:

184.24 (1) a corporation, society, association, foundation, or institution organized and operated  
 184.25 exclusively for charitable, religious, or educational purposes if the item purchased is used  
 184.26 in the performance of charitable, religious, or educational functions;

184.27 (2) any senior citizen group or association of groups that:

184.28 (i) in general limits membership to persons who are either age 55 or older, or ~~physically~~  
 184.29 ~~disabled~~ persons with a physical disability;

184.30 (ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit  
 184.31 purposes, not including housing, no part of the net earnings of which inures to the benefit  
 184.32 of any private shareholders; and



185.1 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

185.2 (3) an organization that qualifies for an exemption for memberships under subdivision  
185.3 12 if the item is purchased and used in the performance of the organization's mission.

185.4 For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery  
185.5 owned by a religious organization.

185.6 (b) This exemption does not apply to the following sales:

185.7 (1) building, construction, or reconstruction materials purchased by a contractor or a  
185.8 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed  
185.9 maximum price covering both labor and materials for use in the construction, alteration, or  
185.10 repair of a building or facility;

185.11 (2) construction materials purchased by tax-exempt entities or their contractors to be  
185.12 used in constructing buildings or facilities that will not be used principally by the tax-exempt  
185.13 entities;

185.14 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),  
185.15 and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67,  
185.16 subdivision 2, except wine purchased by an established religious organization for sacramental  
185.17 purposes or as allowed under subdivision 9a; and

185.18 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as  
185.19 provided in paragraph (c).

185.20 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,  
185.21 subdivision 11, only if the vehicle is:

185.22 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a  
185.23 passenger automobile, as defined in section 168.002, if the automobile is designed and used  
185.24 for carrying more than nine persons including the driver; and

185.25 (2) intended to be used primarily to transport tangible personal property or individuals,  
185.26 other than employees, to whom the organization provides service in performing its charitable,  
185.27 religious, or educational purpose.

185.28 (d) A limited liability company also qualifies for exemption under this subdivision if  
185.29 (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
185.30 purchased qualify for the exemption.

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

186.1 Sec. 24. Minnesota Statutes 2016, section 297A.70, subdivision 16, is amended to read:

186.2 Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

186.3 (1) services primarily for children, adults accompanying children, or persons with  
186.4 ~~disabilities~~ a disability; or

186.5 (2) educational or religious activities;

186.6 ~~and~~ if the camp or facilities are owned and operated by an exempt organization under section  
186.7 501(c)(3) of the Internal Revenue Code.

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

186.9 Sec. 25. Minnesota Statutes 2016, section 297A.71, subdivision 22, is amended to read:

186.10 Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons**  
186.11 **with a disability.** Building materials and equipment sold to, or stored, used, or consumed  
186.12 by, a nonprofit organization are exempt if:

186.13 (1) the materials and equipment are used or incorporated into modifying an existing  
186.14 residential structure to make it ~~disabled~~ accessible to persons with a disability; and

186.15 (2) the materials and equipment used in the modification would qualify for an exemption  
186.16 under either subdivision 11 or 12 if made by the current owner of the residence.

186.17 For purposes of this subdivision, "nonprofit organization" means any nonprofit  
186.18 corporation, society, association, foundation, or institution organized and operated exclusively  
186.19 for charitable, religious, educational, or civic purposes; or a veterans' group exempt from  
186.20 federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

186.22 Sec. 26. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended  
186.23 to read:

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

186.27 (1) building materials for an agricultural processing facility exempt under section  
186.28 297A.71, subdivision 13;

186.29 (2) building materials for mineral production facilities exempt under section 297A.71,  
186.30 subdivision 14;

- 187.1 (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- 187.2 (4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt
- 187.3 under section 297A.71, subdivision 11;
- 187.4 (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- 187.5 (6) materials and supplies for qualified low-income housing under section 297A.71,
- 187.6 subdivision 23;
- 187.7 (7) materials, supplies, and equipment for municipal electric utility facilities under
- 187.8 section 297A.71, subdivision 35;
- 187.9 (8) equipment and materials used for the generation, transmission, and distribution of
- 187.10 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
- 187.11 37;
- 187.12 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
- 187.13 (a), clause (10);
- 187.14 (10) materials, supplies, and equipment for construction or improvement of projects and
- 187.15 facilities under section 297A.71, subdivision 40;
- 187.16 (11) materials, supplies, and equipment for construction, improvement, or expansion
- 187.17 of:
- 187.18 (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,
- 187.19 section 297A.71, subdivision 42;
- 187.20 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
- 187.21 45;
- 187.22 (iii) a research and development facility exempt under Minnesota Statutes 2014, section
- 187.23 297A.71, subdivision 46; and
- 187.24 (iv) an industrial measurement manufacturing and controls facility exempt under
- 187.25 Minnesota Statutes 2014, section 297A.71, subdivision 47;
- 187.26 (12) enterprise information technology equipment and computer software for use in a
- 187.27 qualified data center exempt under section 297A.68, subdivision 42;
- 187.28 (13) materials, supplies, and equipment for qualifying capital projects under section
- 187.29 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- 187.30 (14) items purchased for use in providing critical access dental services exempt under
- 187.31 section 297A.70, subdivision 7, paragraph (c);

188.1 (15) items and services purchased under a business subsidy agreement for use or  
 188.2 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision  
 188.3 44;

188.4 (16) building materials, equipment, and supplies for constructing or replacing real  
 188.5 property exempt under section 297A.71, subdivision 49; and

188.6 (17) building materials, equipment, and supplies for constructing or replacing real  
 188.7 property exempt under section 297A.71, subdivision 50, paragraph (b).

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

188.9 Sec. 27. Minnesota Statutes 2016, section 297B.01, subdivision 14, is amended to read:

188.10 Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued  
 188.11 in money for a sale, whether paid in money or otherwise. The purchase price excludes the  
 188.12 amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is  
 188.13 taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter,  
 188.14 the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted  
 188.15 from the total selling price to establish the purchase price of the vehicle being sold and the  
 188.16 trade-in allowance allowed by the seller shall constitute the purchase price of the motor  
 188.17 vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle  
 188.18 is acquired by gift or by any other transfer for a nominal or no monetary consideration shall  
 188.19 also include the average value of similar motor vehicles, established by standards and guides  
 188.20 as determined by the motor vehicle registrar. The purchase price in those instances where  
 188.21 a motor vehicle is manufactured by a person who registers it under the laws of this state  
 188.22 shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean  
 188.23 the amount expended for materials, labor, and other properly allocable costs of manufacture,  
 188.24 except that in the absence of actual expenditures for the manufacture of a part or all of the  
 188.25 motor vehicle, manufactured costs shall mean the reasonable value of the completed motor  
 188.26 vehicle.

188.27 (b) The term "purchase price" shall not include the portion of the value of a motor vehicle  
 188.28 due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to  
 188.29 persons with a disability.

188.30 (c) The term "purchase price" shall not include the transfer of a motor vehicle by way  
 188.31 of gift between a ~~husband and wife~~ spouses or parent and child, or to a nonprofit organization  
 188.32 as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer  
 188.33 of a motor vehicle by a guardian to a ward when there is no monetary consideration and the

189.1 title to such vehicle was registered in the name of the guardian, as guardian, only because  
189.2 the ward was a minor.

189.3 (d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift  
189.4 between a foster parent and foster child. For purposes of this subdivision, a foster relationship  
189.5 exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as  
189.6 a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the  
189.7 county verifies that the child was a state ward or in permanent foster care.

189.8 (e) There shall not be included in "purchase price" the amount of any tax imposed by  
189.9 the United States upon or with respect to retail sales whether imposed upon the retailer or  
189.10 the consumer.

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

189.12 Sec. 28. Minnesota Statutes 2017 Supplement, section 297B.01, subdivision 16, is amended  
189.13 to read:

189.14 Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells,"  
189.15 "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor  
189.16 vehicle, whether absolutely or conditionally, for a consideration in money or by exchange  
189.17 or barter for any purpose other than resale in the regular course of business.

189.18 (b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or  
189.19 by holding it in an effort to so lease it, and which is put to no other use by the owner other  
189.20 than resale after such lease or effort to lease, shall be considered property purchased for  
189.21 resale.

189.22 (c) The terms also shall include any transfer of title or ownership of a motor vehicle by  
189.23 other means, for or without consideration, except that these terms shall not include:

189.24 (1) the acquisition of a motor vehicle by inheritance from or by bequest of, or  
189.25 transfer-on-death of title by, a decedent who owned it;

189.26 (2) the transfer of a motor vehicle which was previously licensed in the names of two  
189.27 or more joint tenants and subsequently transferred without monetary consideration to one  
189.28 or more of the joint tenants;

189.29 (3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer  
189.30 licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with  
189.31 no monetary or other consideration or expectation of consideration and the parties to the  
189.32 transfer submit an affidavit to that effect at the time the title transfer is recorded;

190.1 (4) the transfer of a motor vehicle by gift between:

190.2 (i) spouses;

190.3 (ii) parents and a child; or

190.4 (iii) grandparents and a grandchild;

190.5 (5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~

190.6 spouses in a divorce proceeding; or

190.7 (6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from

190.8 federal income taxation under section 501(c)(3) of the Internal Revenue Code when the

190.9 motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

190.11 Sec. 29. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date,

190.12 is amended to read:

190.13 **EFFECTIVE DATE.** This section is effective for (1) petitions and appeals filed after

190.14 June 30, 2017, for which notices of entry of order are mailed before July 1, 2018, and (2)

190.15 notices of entry of order mailed after June 30, 2018.

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

APPENDIX  
Article locations in UEH4385-1

ARTICLE 1	FEDERAL TAX CONFORMITY.....	Page.Ln 2.33
ARTICLE 2	INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES.....	Page.Ln 56.3
ARTICLE 3	SALES, USE, AND EXCISE TAXES.....	Page.Ln 75.24
ARTICLE 4	PROPERTY TAX.....	Page.Ln 82.18
ARTICLE 5	PUBLIC FINANCE.....	Page.Ln 108.21
ARTICLE 6	MISCELLANEOUS.....	Page.Ln 109.28
ARTICLE 7	DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY CHANGES.....	Page.Ln 120.20
ARTICLE 8	DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES.....	Page.Ln 124.15
ARTICLE 9	DEPARTMENT OF REVENUE; PARTNERSHIP TAX; POLICY CHANGES.....	Page.Ln 126.6
ARTICLE 10	DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES; TECHNICAL CHANGES.....	Page.Ln 142.27
ARTICLE 11	DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES.....	Page.Ln 148.11
ARTICLE 12	DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES.....	Page.Ln 151.1
ARTICLE 13	DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL CHANGES.....	Page.Ln 152.13
ARTICLE 14	DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES.....	Page.Ln 165.4

**275.29 ABSTRACTS TO COMMISSIONER OF REVENUE.**

Not later than March 31, in each year, the county auditor shall make and transmit to the commissioner of revenue, in such form as may be prescribed by the commissioner of revenue, complete abstracts of the tax lists of the county, showing the number of acres of land assessed; its value, including the structures thereon; the value of town and city lots, including structures; the total value of all taxable personal property in the several assessment districts; the aggregate amount of all taxable property in the county, and the total amount of taxes levied therein for state, county, town, and all other purposes for that year.

**289A.10 FILING REQUIREMENTS FOR ESTATE TAX RETURNS.**

Subd. 1a. **Recapture tax return required.** If a disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as defined under section 291.03, subdivision 8, paragraph (c), or personal representative of the decedent's estate must submit a recapture tax return to the commissioner.

**289A.12 FILING REQUIREMENTS FOR INFORMATION RETURNS AND REPORTS.**

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

**289A.18 DUE DATES FOR FILING OF RETURNS.**

Subd. 3a. **Recapture tax return.** A recapture tax return must be filed with the commissioner within six months after the date of the disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a).

**289A.20 DUE DATES FOR MAKING PAYMENTS OF TAX.**

Subd. 3a. **Recapture tax.** The additional estate tax imposed by section 291.03, subdivision 11, paragraph (b), is due and payable on or before the expiration of the date provided by section 291.03, subdivision 11, paragraph (c).

**289A.38 LIMITATIONS ON TIME FOR ASSESSMENT OF TAX.**

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

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

Subd. 9. **Report made of change or correction of federal return.** If a taxpayer is required to make a report under subdivision 7, and does report the change or files a copy of the amended return, the commissioner may recompute and reassess the tax due, including a refund (1) within one year



after the report or amended return is filed with the commissioner, notwithstanding any period of limitations to the contrary, or (2) within any other applicable period stated in this section, whichever period is longer. The period provided for the carryback of any amount of loss or credit is also extended as provided in this subdivision, notwithstanding any law to the contrary. If the commissioner has completed a field audit of the taxpayer, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, the additional tax due or refund is limited to only those changes that are required to be made to the return which relate to the changes made on the federal return. This subdivision does not apply to sales and use tax.

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

#### **290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.**

Subd. 7. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

Subd. 11. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

#### **290.0133 CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.**

Subd. 13. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

Subd. 14. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

#### **290.10 NONDEDUCTIBLE ITEMS.**

Subd. 2. **Fines, fees, and penalties.** (a) Except as provided in this subdivision, no deduction from taxable income for a trade or business expense under section 162(a) of the Internal Revenue Code shall be allowed for any amount paid or incurred, whether by suit, agreement, or otherwise, to, or at the direction of, a government or entity described in paragraph (d) in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

(b) Exception for amounts constituting restitution or paid to come into compliance with the law. Paragraph (a) does not apply to any amount which:

(1) the taxpayer establishes:

(i) constitutes restitution, including remediation of property for damage or harm caused by or which may be caused by the violation of any law or the potential violation of any law; or

(ii) is paid to come into compliance with any law which was violated or involved in the investigation or inquiry; and

(2) is identified as restitution or as an amount paid to come into compliance with the law, as the case may be, in the court order or settlement agreement.

This paragraph does not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

(c) Paragraph (a) does not apply to any amount paid or incurred by order of a court in a suit in which no government or entity described in paragraph (d) is a party.

(d) An entity is described in this paragraph if it is:

(1) a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, in connection with a qualified board or exchange, as defined in section 1256(g)(7) of the Internal Revenue Code, or;

APPENDIX  
Repealed Minnesota Statutes: UEH4385-1

(2) to the extent provided in federal regulations, a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, as part of performing an essential governmental function.

(e) Paragraph (a) does not apply to any amount paid or incurred as taxes due.

**291.03 RATES.**

Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the meanings given in this subdivision.

(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code, or a trust whose present beneficiaries are all family members as defined in section 2032A(e)(2) of the Internal Revenue Code.

(c) "Qualified heir" means a family member who acquired qualified property upon the death of the decedent and satisfies the requirement under subdivision 9, clause (7), or subdivision 10, clause (5), for the property.

(d) "Qualified property" means qualified small business property under subdivision 9 and qualified farm property under subdivision 10.

Subd. 9. **Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

(3) During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

(4) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(5) The property does not consist of cash, cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business. For property consisting of shares of stock or other ownership interests in an entity, the value of cash, cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business held by the corporation or other entity must be deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death.

(6) The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent.

(7) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

APPENDIX  
Repealed Minnesota Statutes: UEH4385-1

(8) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of agricultural land and is owned by a person or entity that is either not subject to or is in compliance with section 500.24.

(3) For property taxes payable in the taxable year of the decedent's death, the property is classified as class 2a property under section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural relative homestead, or special agricultural homestead under section 273.124.

(4) The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent either by ownership of the agricultural land or pursuant to holding an interest in an entity that is not subject to or is in compliance with section 500.24.

(5) The property is classified for property tax purposes as class 2a property under section 273.13, subdivision 23, for three years following the date of death of the decedent.

(6) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces qualified small business property excluded under subdivision 9 with similar property, then the qualified heir will not be treated as having disposed of an interest in the qualified property.

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).