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State of Minnesota

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HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2438

- 03/17/2025 Authored by Davids, Koznick, Koegel and Gander
The bill was read for the first time and referred to the Committee on Transportation Finance and Policy
- 04/21/2025 Adoption of Report: Amended and re-referred to the Committee on Taxes
- 04/22/2025 Adoption of Report: Re-referred to the Committee on Ways and Means
- 04/24/2025 Adoption of Report: Placed on the General Register as Amended
Read for the Second Time
- 04/28/2025 Calendar for the Day, Amended
Read Third Time as Amended
Passed by the House as Amended and transmitted to the Senate to include Floor Amendments
- 05/05/2025 Passed by the Senate as Amended and returned to the House
Refused to concur and a Conference Committee was appointed
- 05/19/2025 Pursuant to Joint Rule 3.02(a), the Conference Committee was discharged and the bill was laid on the table
- 05/16/2026 Bill was taken from the Table
Refused to concur and a Conference Committee was appointed
- 05/17/2026 Read Third Time as Amended by Conference
Bill was laid on the Table as Amended by Conference
Bill was taken from the Table as Amended by Conference
Bill was repassed as Amended by Conference
Read Third Time as Amended by Conference and repassed by the Senate
- 05/20/2026 Presented to Governor
- 05/27/2026 Governor Approval

1.1 A bill for an act

1.2 relating to financing and operation of state and local government; modifying

1.3 individual income taxes, corporate franchise taxes, property taxes and credits, local

1.4 government aids, sales and use taxes, minerals taxes, tax increment financing

1.5 provisions, public finance provisions, and other various taxes and tax-related

1.6 provisions; providing for federal income tax conformity; modifying income tax

1.7 credits; modifying provisions related to claims for income tax refunds; providing

1.8 for a direct free filing system for individual income taxes; extending the

1.9 pass-through entity tax; providing for seasonal tax base replacement aid; modifying

1.10 property tax exemptions and classifications; providing a onetime increase in

1.11 homestead credit refunds; modifying distributions of minerals tax proceeds and

1.12 exemptions for contributions to certain funds; exempting certain sales and

1.13 purchases; providing for return of funds, cancellations, and transfers; making minor

1.14 policy and technical changes; requiring reports; appropriating money; amending

1.15 Minnesota Statutes 2024, sections 41A.30, subdivisions 1, 2, 7; 41B.0391, by

1.16 adding a subdivision; 123B.53, subdivision 1; 123B.535, subdivision 1; 126C.17,

1.17 by adding a subdivision; 270B.14, subdivision 3, by adding a subdivision; 270B.15;

1.18 270C.055, by adding a subdivision; 270C.56, subdivision 1; 272.02, subdivision

1.19 101, by adding a subdivision; 273.032; 273.111, subdivision 9; 289A.02,

1.20 subdivision 7; 289A.08, subdivisions 7, 7a; 289A.40, subdivision 1; 289A.60,

1.21 subdivision 6; 290.01, subdivisions 19, as amended, 29, 31; 290.0122, subdivision

1.22 4; 290.0131, subdivision 15, by adding subdivisions; 290.0132, by adding

1.23 subdivisions; 290.0133, by adding subdivisions; 290.0134, by adding subdivisions;

1.24 290.0137; 290.033; 290.06, subdivisions 2h, 40; 290.067; 290.0921, subdivision

1.25 3; 290.0922, subdivisions 2, 3; 290.21, subdivisions 9, 10; 290A.03, subdivision

1.26 15; 291.005, subdivision 1; 295.52, subdivision 5; 297A.68, by adding a

1.27 subdivision; 297A.993, subdivision 4; 297B.03; 298.225; 298.227; 298.28,

1.28 subdivisions 2, 3, 4, 7a, 8, 9a, 9b, 11, by adding a subdivision; 298.282, subdivision

1.29 1; 383A.80, subdivision 4; 383B.80, subdivision 4; 428B.02, subdivision 4;

1.30 469.060, subdivision 3; 469.0773; 469.081, subdivision 3a; 469.176, subdivision

1.31 2; 477A.30, subdivision 8; Minnesota Statutes 2025 Supplement, sections 41A.30,

1.32 subdivision 5; 41B.0391, subdivisions 2, 4, 6a; 126C.13, subdivision 4; 268.19,

1.33 subdivision 1; 273.13, subdivision 22; 290.06, subdivisions 2c, 23a; 290.091,

1.34 subdivision 2; 297A.75, subdivisions 1, 2, 3; 297A.94; 299C.061, subdivision 6;

1.35 299C.76, subdivision 1; 412.341, subdivision 3; Laws 2021, First Special Session

1.36 chapter 14, article 9, sections 9; 11; Laws 2023, chapter 64, article 15, section 24;

1.37 Laws 2025, First Special Session chapter 13, article 5, section 11, subdivision 3;

1.38 Laws 2026, chapter 100, article 1, section 2; proposing coding for new law in

2.1 Minnesota Statutes, chapters 289A; 290; repealing Minnesota Statutes 2024,
2.2 sections 272.02, subdivision 64; 272.029, subdivision 7; 273.25; 273.65; 273.66;
2.3 273.67; 274.07; 289A.12, subdivision 15; 290.06, subdivision 29; 297A.68,
2.4 subdivision 37; 428B.02, subdivision 7; 469.310; 469.311; 469.312; 469.313;
2.5 469.314; 469.315; 469.316; 469.317; 469.318; 469.3181; 469.319; 469.3191;
2.6 469.3192; 469.3193; 469.320; 469.3201; 477A.085; Laws 2026, chapter 100,
2.7 article 1, section 3.

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

2.9

ARTICLE 1

2.10

FEDERAL CONFORMITY

2.11 Section 1. Minnesota Statutes 2024, section 289A.02, subdivision 7, is amended to read:

2.12 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
2.13 Revenue Code" means the Internal Revenue Code of 1986, as amended through May 1,
2.14 ~~2023~~ 2026.

2.15 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
2.16 the changes incorporated by federal changes are effective retroactively at the same time the
2.17 changes were effective for federal purposes.

2.18 Sec. 2. Minnesota Statutes 2024, section 290.01, subdivision 19, as amended by Laws
2.19 2026, chapter 88, article 1, section 170, is amended to read:

2.20 Subd. 19. **Net income.** (a) For a trust or estate taxable under section 290.03, and a
2.21 corporation taxable under section 290.02, the term "net income" means the federal taxable
2.22 income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through
2.23 the date named in this subdivision, incorporating the federal effective dates of changes to
2.24 the Internal Revenue Code and any elections made by the taxpayer in accordance with the
2.25 Internal Revenue Code in determining federal taxable income for federal income tax
2.26 purposes, and with the modifications provided in sections 290.0131 to 290.0136 and 290.035.

2.27 (b) For an individual, the term "net income" means federal adjusted gross income with
2.28 the modifications provided in sections 290.0131, 290.0132, ~~and~~ 290.0135 to 290.0137, and
2.29 290.035.

2.30 (c) In the case of a regulated investment company or a fund thereof, as defined in section
2.31 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
2.32 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
2.33 except that:

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

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

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

3.10 (d) The net income of a real estate investment trust as defined and limited by section
3.11 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
3.12 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

3.16 (f) The Internal Revenue Code of 1986, as amended through May 1, ~~2023~~ 2026, applies
3.17 for taxable years beginning after December 31, 1996.

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

3.21 (h) In the case of a partnership electing to file a composite return under section 289A.08,
3.22 subdivision 7, "net income" means the partner's share of federal adjusted gross income from
3.23 the partnership modified by section 290.035 and the additions provided in section 290.0131,
3.24 subdivisions 8 to 10, 16, 17, ~~and~~ 19, and 24 to 26, and the subtractions provided in: (1)
3.25 section 290.0132, subdivisions 9, 27, 28, ~~and~~ 31, 40, and 41, to the extent the amount is
3.26 assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132,
3.27 subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only
3.28 allowed on the composite tax computation to the extent the electing partner would have
3.29 been allowed the subtraction.

3.30 (i) In the case of a qualifying entity electing to pay the pass-through entity tax under
3.31 section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal
3.32 adjusted gross income from the qualifying entity modified by section 290.035 and the
3.33 additions provided in section 290.0131, subdivisions 5, 8 to 10, 16, 17, ~~and~~ 19, and 24 to

4.1 26, and the subtractions provided in: (1) section 290.0132, subdivisions 3, 9, 27, 28, ~~and~~
4.2 31, 40, and 41, to the extent the amount is assignable or allocable to Minnesota under section
4.3 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section
4.4 290.0132, subdivision 9, is only allowed on the pass-through entity tax computation to the
4.5 extent the qualifying owners would have been allowed the subtraction. The income of both
4.6 a resident and nonresident qualifying owner is allocated and assigned to this state as provided
4.7 for nonresident partners and shareholders under sections 290.17, 290.191, and 290.20.

4.8 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
4.9 the changes incorporated by federal changes are effective retroactively at the same time the
4.10 changes were effective for federal purposes.

4.11 Sec. 3. Minnesota Statutes 2024, section 290.01, subdivision 31, is amended to read:

4.12 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
4.13 Revenue Code" means the Internal Revenue Code of 1986, as amended through May 1,
4.14 ~~2023~~ 2026. Internal Revenue Code also includes any uncodified provision in federal law
4.15 that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota
4.16 law.

4.17 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
4.18 the changes incorporated by federal changes are effective retroactively at the same time the
4.19 changes were effective for federal purposes.

4.20 Sec. 4. Minnesota Statutes 2024, section 290.0122, subdivision 4, is amended to read:

4.21 Subd. 4. **Charitable contributions.** (a) A taxpayer is allowed a deduction for charitable
4.22 contributions. The deduction equals the amount of the charitable contribution deduction
4.23 allowable to the taxpayer under section 170 of the Internal Revenue Code, including the
4.24 denial of the deduction under section 408(d)(8), except that ~~the provisions of section~~
4.25 ~~170(b)(1)(G) apply regardless of~~, notwithstanding section 170(b)(1)(I) of the Internal
4.26 Revenue Code, the deduction is limited to contributions in excess of one percent of the
4.27 taxpayer's contribution base for the taxable year.

4.28 (b) For taxable years beginning after December 31, 2017, the determination of carryover
4.29 amounts must be made by applying the rules under section 170 of the Internal Revenue
4.30 Code based on the charitable contribution deductions claimed and allowable under this
4.31 section.

5.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.2 31, 2025.

5.3 Sec. 5. Minnesota Statutes 2024, section 290.0131, subdivision 15, is amended to read:

5.4 Subd. 15. **529 plan addition.** The lesser of the following amounts is an addition:

5.5 (1) the total distributions for the taxable year from a qualified plan under section 529 of
5.6 the Internal Revenue Code, owned by the taxpayer, that are expended for:

5.7 (i) qualified higher education expenses under section 529(c)(7) of the Internal Revenue
5.8 Code (expenses for tuition for elementary or secondary public, private, or religious school);
5.9 and

5.10 (ii) qualified postsecondary credentialing expenses, as defined in section 529(f) of the
5.11 Internal Revenue Code; or

5.12 (2) the total amount required to be reported to the taxpayer by any trustee of a qualified
5.13 tuition plan under section 529 of the Internal Revenue Code as earnings on Internal Revenue
5.14 Service Form 1099Q for the taxable year.

5.15 **EFFECTIVE DATE.** This section is effective retroactively from the same time as the
5.16 changes under section 70414 of Public Law 119-21 became effective.

5.17 Sec. 6. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision
5.18 to read:

5.19 Subd. 21. **Disallowed educational assistance payments.** (a) The amount of disallowed
5.20 educational assistance payments is an addition.

5.21 (b) For the purposes of this subdivision, "disallowed educational assistance payments"
5.22 means the following amounts that are excluded from gross income under section 127 of the
5.23 Internal Revenue Code:

5.24 (1) payments of principal and interest described in section 127(c)(1)(B) of the Internal
5.25 Revenue Code; plus

5.26 (2) the combined amount of educational assistance described in sections 127(c)(1)(A)
5.27 and 127(c)(1)(C) of the Internal Revenue Code in excess of \$5,250.

5.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.29 31, 2025.

6.1 Sec. 7. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision
6.2 to read:

6.3 Subd. 22. **Qualified transportation fringe.** (a) The amount of qualified transportation
6.4 fringe in excess of the prior law limit is an addition.

6.5 (b) For the purposes of this subdivision:

6.6 (1) "prior law limit" means the limitation under section 132(f)(2) of the Internal Revenue
6.7 Code, except adjusted for inflation by substituting "1998" for "1997" in section 132(f)(6)
6.8 of the Internal Revenue Code; and

6.9 (2) "qualified transportation fringe" has the meaning given in section 132(f) of the
6.10 Internal Revenue Code.

6.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.12 31, 2025.

6.13 Sec. 8. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision
6.14 to read:

6.15 Subd. 23. **Services performed in the Sinai Peninsula and other areas.** The amount
6.16 excluded from gross income attributable to services performed in the areas listed in section
6.17 70118 of Public Law 119-21 is an addition.

6.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.19 31, 2025.

6.20 Sec. 9. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision
6.21 to read:

6.22 Subd. 24. **Opportunity zone capital gain income.** (a) The amount of opportunity zone
6.23 capital gain income is an addition.

6.24 (b) For the purposes of this subdivision, "opportunity zone capital gain income" equals
6.25 the sum of:

6.26 (1) the amount of gains the taxpayer excluded from gross income or deferred in the
6.27 taxable year under section 1400Z-2(a) of the Internal Revenue Code due to a deferral under
6.28 section 1400Z-2(b)(1) of the Internal Revenue Code; and

6.29 (2) for a gain on an investment in the taxable year, the amount by which the taxpayer's
6.30 basis in the investment was increased under section 1400Z-2(b)(2)(B) or 1400Z-2(c) of the
6.31 Internal Revenue Code.

7.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
7.2 31, 2026.

7.3 Sec. 10. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision
7.4 to read:

7.5 Subd. 25. **Interest on loans secured by rural or agricultural real property.** The
7.6 amount of interest excluded from gross income under section 139L of the Internal Revenue
7.7 Code is an addition.

7.8 **EFFECTIVE DATE.** This section is effective retroactively from the same time as
7.9 section 70435 of Public Law 119-21 became effective.

7.10 Sec. 11. Minnesota Statutes 2024, section 290.0131, is amended by adding a subdivision
7.11 to read:

7.12 Subd. 26. **Business meals provided on fishing boats or at fish processing facilities;**
7.13 **expenses for bona fide transactions.** The sum of the following amounts is an addition:

7.14 (1) the amount of business meal expenses in excess of the 50 percent limitation that are
7.15 allowed as a deduction under section 274(n)(2)(C) of the Internal Revenue Code; plus

7.16 (2) the amount of expenses allowed as a deduction under section 274(e)(8) of the Internal
7.17 Revenue Code.

7.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
7.19 31, 2025.

7.20 Sec. 12. Minnesota Statutes 2024, section 290.0132, is amended by adding a subdivision
7.21 to read:

7.22 Subd. 40. **Previously taxed capital gains in an opportunity zone.** The amount of a
7.23 gain that was deferred under section 1400Z-2 of the Internal Revenue Code that was
7.24 previously recognized as an addition under section 290.0131, subdivision 24, and was
7.25 recognized in the taxable year is a subtraction. The subtraction is not allowed for the increase
7.26 in basis described in section 290.0131, subdivision 24, paragraph (b), clause (2).

7.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
7.28 31, 2026.

8.1 Sec. 13. Minnesota Statutes 2024, section 290.0132, is amended by adding a subdivision
8.2 to read:

8.3 Subd. 41. **Net CFC tested income.** The amount calculated under section 290.034,
8.4 paragraph (a), clause (2), is a subtraction. The subtraction must not exceed the amount of
8.5 net CFC tested income calculated under section 290.034 for the taxable year.

8.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.7 31, 2025.

8.8 Sec. 14. Minnesota Statutes 2024, section 290.0133, is amended by adding a subdivision
8.9 to read:

8.10 Subd. 16. **Research and experimental expenditures amortization.** (a) Eighty percent
8.11 of the amount of the deduction claimed for domestic research or experimental expenditures
8.12 under section 174A(a) of the Internal Revenue Code is an addition.

8.13 (b) For a taxpayer making the election under Public Law 119-21, section 70302,
8.14 subsection (f)(1), 80 percent of the amount of any deduction claimed retroactively for a
8.15 taxable year is an addition.

8.16 (c) For a taxpayer making an election under Public Law 119-21, section 70302, subsection
8.17 (f)(2)(A)(i) or (ii), the amount of the deduction claimed for unamortized amounts is an
8.18 addition.

8.19 **EFFECTIVE DATE.** Paragraphs (a) and (c) are effective retroactively for taxable years
8.20 beginning after December 31, 2024. Paragraph (b) is effective retroactively for taxable years
8.21 beginning after December 31, 2021.

8.22 Sec. 15. Minnesota Statutes 2024, section 290.0133, is amended by adding a subdivision
8.23 to read:

8.24 Subd. 17. **Opportunity zone capital gain income.** (a) The amount of opportunity zone
8.25 capital gain income is an addition.

8.26 (b) For the purposes of this subdivision, "opportunity zone capital gain income" equals
8.27 the sum of:

8.28 (1) the amount of gains the taxpayer excluded from gross income or deferred in the
8.29 taxable year under section 1400Z-2(a) of the Internal Revenue Code due to a deferral under
8.30 section 1400Z-2(b)(1) of the Internal Revenue Code; and

9.1 (2) for a gain on an investment in the taxable year, the amount by which the taxpayer's
9.2 basis in the investment was increased under section 1400Z-2(b)(2)(B) or 1400Z-2(c) of the
9.3 Internal Revenue Code.

9.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.5 31, 2026.

9.6 Sec. 16. Minnesota Statutes 2024, section 290.0133, is amended by adding a subdivision
9.7 to read:

9.8 Subd. 18. **Interest on loans secured by rural or agricultural real property.** The
9.9 amount of interest excluded from gross income under section 139L of the Internal Revenue
9.10 Code is an addition.

9.11 **EFFECTIVE DATE.** This section is effective retroactively from the same time as
9.12 section 70435 of Public Law 119-21 became effective.

9.13 Sec. 17. Minnesota Statutes 2024, section 290.0133, is amended by adding a subdivision
9.14 to read:

9.15 Subd. 19. **Business meals provided on fishing boats or at fish processing facilities;**
9.16 **expenses for bona fide transactions.** The sum of the following amounts is an addition:

9.17 (1) the amount of business meal expenses in excess of the 50 percent limitation that are
9.18 allowed as a deduction under section 274(n)(2)(C) of the Internal Revenue Code; plus

9.19 (2) the amount of expenses allowed as a deduction under section 274(e)(8) of the Internal
9.20 Revenue Code.

9.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.22 31, 2025.

9.23 Sec. 18. Minnesota Statutes 2024, section 290.0134, is amended by adding a subdivision
9.24 to read:

9.25 Subd. 22. **Research and experimental expenditures amortization.** (a) In each of the
9.26 four taxable years immediately following the taxable year in which an addition is required
9.27 under section 290.0133, subdivision 16, paragraph (a) or (b), an amount equal to one-fourth
9.28 of the amount of the addition is a subtraction.

9.29 (b) For the taxable year in which an addition is required under section 290.0133,
9.30 subdivision 16, paragraph (c), and for each of the taxable years immediately following that
9.31 taxable year, an amount equal to the amortized amount is a subtraction. For purposes of this

10.1 paragraph, "amortized amount" means the amount of the deduction allowed for an
10.2 expenditure in a taxable year under section 174A of the Internal Revenue Code if the taxpayer
10.3 did not make the election under Public Law 119-21, section 70302, subsection (f)(2)(A)(i)
10.4 or (ii).

10.5 **EFFECTIVE DATE.** Paragraph (a) is effective retroactively for taxable years beginning
10.6 after December 31, 2022. Paragraph (b) is effective retroactively for taxable years beginning
10.7 after December 31, 2024.

10.8 Sec. 19. Minnesota Statutes 2024, section 290.0134, is amended by adding a subdivision
10.9 to read:

10.10 Subd. 23. **Previously taxed capital gains in an opportunity zone.** The amount of a
10.11 gain that was deferred under section 1400Z-2 of the Internal Revenue Code that was
10.12 previously recognized as an addition under section 290.0133, subdivision 17, and was
10.13 recognized in the taxable year is a subtraction. The subtraction is not allowed for the increase
10.14 in basis described in section 290.0133, subdivision 21, paragraph (b), clause (2).

10.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.16 31, 2026.

10.17 Sec. 20. Minnesota Statutes 2024, section 290.0134, is amended by adding a subdivision
10.18 to read:

10.19 Subd. 24. **Net CFC tested income.** The amount calculated under section 290.034,
10.20 paragraph (a), clause (2), is a subtraction. The subtraction must not exceed the amount of
10.21 net CFC tested income calculated under section 290.034 for the taxable year.

10.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
10.23 31, 2025.

10.24 Sec. 21. Minnesota Statutes 2024, section 290.033, is amended to read:

10.25 **290.033 NET INVESTMENT INCOME TAX.**

10.26 (a) For purposes of this section, "net investment income" has the meaning given in
10.27 section 1411(c) of the Internal Revenue Code, ~~excluding~~ except:

10.28 (1) net investment income excludes the net gain attributable to the disposition of property
10.29 classified as class 2a under section 273.13, subdivision 23; and

10.30 (2) net investment income is adjusted for capital gains in an opportunity zone, as provided
10.31 in paragraph (e).

11.1 (b) In addition to the tax computed under section 290.06, subdivision 2c, a tax is imposed
11.2 on the net investment income of individuals, estates, and trusts in excess of \$1,000,000 at
11.3 a rate of one percent.

11.4 (c) For an individual who is not a Minnesota resident for the entire taxable year, the tax
11.5 under this subdivision must be calculated as if the individual is a Minnesota resident for the
11.6 entire year, and that amount must be multiplied by a fraction in which:

11.7 (1) the numerator is net investment income allocable under section 290.17 to Minnesota;
11.8 and

11.9 (2) the denominator is the total amount of net investment income for the taxable year.

11.10 (d) For an estate or trust, the tax on net investment income must be computed by
11.11 multiplying the net investment income tax liability by a fraction, the numerator of which is
11.12 the amount of the estate or trust's net investment income allocated to the state pursuant to
11.13 the provisions of sections 290.17, 290.191, and 290.20, and the denominator of which is
11.14 the taxpayer's total net investment income.

11.15 (e) For a taxpayer with an addition under section 290.0131, subdivision 24, net investment
11.16 income is increased by the amount of the addition. For a taxpayer with a subtraction under
11.17 section 290.0132, subdivision 40, net investment income is reduced by the amount of the
11.18 subtraction.

11.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
11.20 31, 2026.

11.21 Sec. 22. **[290.034] NET CFC TESTED INCOME.**

11.22 (a) The amount of net CFC tested income for Minnesota purposes is calculated as follows:

11.23 (1) any amounts included in federal taxable income pursuant to section 951A of the
11.24 Internal Revenue Code as modified under section 290.035; minus

11.25 (2) the amount calculated under section 951A(b)(2)(A) of the Internal Revenue Code,
11.26 as amended through May 1, 2023. The calculation excludes section 951A(b)(2)(B). Any
11.27 internal references to the calculation refer to the Internal Revenue Code as amended through
11.28 May 1, 2023.

11.29 (b) The result of the calculation under paragraph (a) must not be less than zero.

11.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
11.31 31, 2025.

12.1 Sec. 23. **[290.035] ADJUSTMENT FOR NET CFC TESTED INCOME AND**
12.2 **SUBPART F INCOME.**

12.3 For purposes of determining a United States shareholder's Net CFC tested income under
12.4 section 951A of the Internal Revenue Code or subpart F income under section 951 of the
12.5 Internal Revenue Code, the provisions of Public Law 119-21 relating to the permanent
12.6 extension of the look-thru rule under section 70351 do not apply.

12.7 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
12.8 the changes incorporated by federal changes are effective retroactively at the same time the
12.9 changes were effective for federal purposes.

12.10 Sec. 24. Minnesota Statutes 2025 Supplement, section 290.06, subdivision 2c, is amended
12.11 to read:

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

12.16 (1) On the first \$38,770, 5.35 percent;

12.17 (2) On all over \$38,770, but not over \$154,020, 6.8 percent;

12.18 (3) On all over \$154,020, but not over \$269,010, 7.85 percent;

12.19 (4) On all over \$269,010, 9.85 percent.

12.20 Married individuals filing separate returns, estates, and trusts must compute their income
12.21 tax by applying the above rates to their taxable income, except that the income brackets
12.22 will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

12.25 (1) On the first \$26,520, 5.35 percent;

12.26 (2) On all over \$26,520, but not over \$87,110, 6.8 percent;

12.27 (3) On all over \$87,110, but not over \$161,720, 7.85 percent;

12.28 (4) On all over \$161,720, 9.85 percent.

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

13.1 (1) On the first \$32,650, 5.35 percent;

13.2 (2) On all over \$32,650, but not over \$131,190, 6.8 percent;

13.3 (3) On all over \$131,190, but not over \$214,980, 7.85 percent;

13.4 (4) On all over \$214,980, 9.85 percent.

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

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

13.16 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
13.17 defined in section 62 of the Internal Revenue Code and increased by:

13.18 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19,
13.19 and 20 to 26, and 290.0137, paragraph (a); and reduced by

13.20 (ii) the Minnesota assignable portion of the subtraction for United States government
13.21 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,
13.22 subdivisions 9, 14, 15, 18, 27, 31, ~~and 32, 40, and 41~~, and 290.0137, paragraph (c), after
13.23 applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17;
13.24 and

13.25 (2) the denominator is the individual's federal adjusted gross income as defined in section
13.26 62 of the Internal Revenue Code, increased by:

13.27 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, 17, 19,
13.28 and 20 to 26, and 290.0137, paragraph (a); and reduced by

13.29 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 14, 15, 18, 27, 31, ~~and~~
13.30 32, 40, and 41, and 290.0137, paragraph (c).

13.31 (f) If an individual who is not a Minnesota resident for the entire year is a qualifying
13.32 owner of a qualifying entity that elects to pay tax as provided in section 289A.08, subdivision

14.1 7a, paragraph (b), the individual must compute the individual's Minnesota income tax as
14.2 provided in paragraph (e), and also must include, to the extent attributed to the electing
14.3 qualifying entity:

14.4 (1) in paragraph (e), clause (1), item (i), and paragraph (e), clause (2), item (i), the
14.5 addition under section 290.0131, subdivision 5; and

14.6 (2) in paragraph (e), clause (1), item (ii), and paragraph (e), clause (2), item (ii), the
14.7 subtraction under section 290.0132, subdivision 3.

14.8 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
14.9 the changes incorporated by federal changes are effective retroactively at the same time the
14.10 changes were effective for federal purposes.

14.11 Sec. 25. Minnesota Statutes 2024, section 290.06, subdivision 2h, is amended to read:

14.12 Subd. 2h. **Section 529 plan recapture.** (a) For the purposes of this subdivision:

14.13 (1) the definitions under section 290.0684 apply;

14.14 (2) "account owner" means an individual who owns one or more qualified accounts;

14.15 (3) "credit ratio" means the ratio of (i) two times the total amount of credits that an
14.16 account owner claimed under section 290.0684 for contributions to the account owner's
14.17 qualified accounts to (ii) the total contributions in all taxable years to the account owner's
14.18 qualified accounts;

14.19 (4) "qualified higher education expenses" has the meaning given in section 529(e)(3) of
14.20 the Internal Revenue Code, except:

14.21 (i) section 529(c)(7) does not apply; and

14.22 (ii) qualified higher education expenses do not include qualified postsecondary
14.23 credentialing expenses, as defined in section 529(f) of the Internal Revenue Code; and

14.24 (5) "subtraction ratio" means the ratio of (i) the total amount of subtractions that an
14.25 account owner claimed under section 290.0132, subdivision 23, for contributions to the
14.26 account owner's qualified accounts to (ii) the total contributions in all taxable years to the
14.27 account owner's qualified accounts.

14.28 (b) If a distribution from a qualified account is used for a purpose other than to pay for
14.29 qualified higher education expenses, the account owner must pay an additional tax equal
14.30 to:

14.31 (1) 50 percent of the product of the credit ratio and the amount of the distribution; plus

15.1 (2) ten percent of the product of the subtraction ratio and the amount of the distribution.

15.2 (c) The additional tax under this subdivision does not apply to any portion of a distribution
15.3 that is subject to the additional tax under section 529(c)(6) of the Internal Revenue Code.

15.4 **EFFECTIVE DATE.** This section is effective retroactively from the same time as the
15.5 changes under section 70414 of Public Law 119-21 became effective.

15.6 Sec. 26. Minnesota Statutes 2024, section 290.067, is amended to read:

15.7 **290.067 DEPENDENT CARE CREDIT.**

15.8 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax
15.9 due from the taxpayer ~~and a spouse, if any,~~ under this chapter an amount equal to ~~the~~
15.10 ~~dependent care credit for which the taxpayer is eligible pursuant to the provisions of section~~
15.11 ~~21 of the Internal Revenue Code except that in determining whether the child qualified as~~
15.12 ~~a dependent, income received as a Minnesota family investment program grant or allowance~~
15.13 ~~to or on behalf of the child must not be taken into account in determining whether the child~~
15.14 ~~received more than half of the child's support from the taxpayer~~ the taxpayer's eligible
15.15 dependent care expenses, as determined under subdivision 1a, multiplied by the taxpayer's
15.16 credit percentage, as determined under subdivision 1b. The credit is reduced by five percent
15.17 of adjusted gross income in excess of \$65,610.

15.18 ~~(b) If a child who has not attained the age of six years at the close of the taxable year is~~
15.19 ~~care for at a licensed family day care home operated by the child's parent, the taxpayer is~~
15.20 ~~deemed to have paid employment-related expenses. If the child is 16 months old or younger~~
15.21 ~~at the close of the taxable year, the amount of expenses deemed to have been paid equals~~
15.22 ~~the maximum limit for one qualifying individual under section 21(e) and (d) of the Internal~~
15.23 ~~Revenue Code. If the child is older than 16 months of age but has not attained the age of~~
15.24 ~~six years at the close of the taxable year, the amount of expenses deemed to have been paid~~
15.25 ~~equals the amount the licensee would charge for the care of a child of the same age for the~~
15.26 ~~same number of hours of care.~~

15.27 (c) If a taxpayer:

15.28 (1) ~~has a child who has not attained the age of one year at the close of the taxable year;~~
15.29 ~~and~~

15.30 (2) ~~does not participate in a dependent care assistance program as defined in section 129~~
15.31 ~~of the Internal Revenue Code, in lieu of the actual employment related expenses paid for~~
15.32 ~~that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)~~
15.33 ~~the earned income of the taxpayer or (ii) the amount of the maximum limit for one qualifying~~

16.1 ~~individual under section 21(e) and (d) of the Internal Revenue Code will be deemed to be~~
16.2 ~~the employment related expense paid for that child. The earned income limitation of section~~
16.3 ~~21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed~~
16.4 ~~amounts apply regardless of whether any employment related expenses have been paid.~~

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

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

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

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

16.15 ~~(e) (b) In the case of a nonresident or part-year resident, the credit determined under this~~
16.16 ~~section 21 of the Internal Revenue Code must be allocated based on the ratio by which the~~
16.17 ~~earned income of the claimant and the claimant's spouse from Minnesota sources bears to~~
16.18 ~~the total earned income of the claimant and the claimant's spouse using the percentage~~
16.19 ~~calculated under section 290.06, subdivision 2c, paragraph (e).~~

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

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

16.26 ~~(h) For taxpayers with federal adjusted gross income in excess of \$52,230, the credit is~~
16.27 ~~equal to the lesser of the credit otherwise calculated under this subdivision, or the amount~~
16.28 ~~equal to \$600 minus five percent of federal adjusted gross income in excess of \$52,230 for~~
16.29 ~~taxpayers with one qualifying individual, or \$1,200 minus five percent of federal adjusted~~
16.30 ~~gross income in excess of \$52,230 for taxpayers with two or more qualifying individuals,~~
16.31 ~~but in no case is the credit less than zero.~~

16.32 ~~(c) For the purposes of this section, the following terms have the meanings given:~~

17.1 (1) "employment-related expenses" has the meaning given in section 21(b)(2) of the
17.2 Internal Revenue Code; and

17.3 (2) "qualifying individual" has the meaning given in section 21(b)(1) of the Internal
17.4 Revenue Code, except that in determining whether the child qualified as a dependent income
17.5 received as a Minnesota family investment program grant or allowance to or on behalf of
17.6 the child must not be taken into account in determining whether the child received more
17.7 than half of the child's support from the taxpayer.

17.8 Subd. 1a. **Eligible dependent care expenses.** (a) A taxpayer's eligible dependent care
17.9 expenses equals the amount of employment-related expenses incurred during the taxable
17.10 year, subject to the limitation in paragraph (b).

17.11 (b) A taxpayer's eligible dependent care expenses are limited to:

17.12 (1) \$3,000 if there was one qualifying individual with respect to the taxpayer; or

17.13 (2) \$6,000 if there were two or more qualifying individuals with respect to the taxpayer.

17.14 (c) The limits under paragraph (b), clauses (1) and (2), are reduced by the amount of
17.15 dependent care assistance excluded from gross income under section 129 of the Internal
17.16 Revenue Code for the taxable year.

17.17 (d) For the purposes of determining employment-related expenses, the provisions of
17.18 section 21(d) of the Internal Revenue Code apply.

17.19 Subd. 1b. **Credit percentage.** (a) The credit percentage equals 35 percent, subject to
17.20 the reductions in paragraph (b).

17.21 (b) A taxpayer's credit percentage is reduced by one percentage point for each \$2,000,
17.22 or fraction thereof, by which the taxpayer's adjusted gross income exceeds \$15,000, until
17.23 the credit percentage equals 20 percent.

17.24 Subd. 2b. **Inflation adjustment.** The commissioner shall annually adjust the dollar
17.25 amount of the income threshold at which the maximum credit begins to be reduced under
17.26 adjusted gross income amount in subdivision 1, paragraph (a), as provided in section 270C.22.
17.27 The statutory year is taxable year ~~2019~~ 2026.

17.28 Subd. 2c. **Deemed expenses.** (a) If a child who has not attained the age of six years at
17.29 the close of the taxable year is cared for at a licensed family day care home operated by the
17.30 child's parent, the taxpayer is deemed to have paid employment-related expenses. The
17.31 amount of expenses deemed to have been paid equals the amount the licensee would charge

18.1 for the care of a child of the same age for the same number of hours of care up to the
18.2 maximum eligible expenses allowed, as determined under subdivisions 1a and 1b.

18.3 (b) If a taxpayer, regardless of filing status:

18.4 (1) has a qualifying individual who has not attained the age of one year at the close of
18.5 the taxable year; and

18.6 (2) used the deemed amount under paragraph (a) in lieu of the actual employment-related
18.7 expenses paid for that child, the amount of deemed employment-related expenses equals
18.8 the lesser of:

18.9 (i) the earned income of the taxpayer; or

18.10 (ii) the amount of the maximum limit for one qualified individual under subdivision 1a.

18.11 The earned income limitation of section 21(d) of the Internal Revenue Code does not apply
18.12 to this deemed amount. These deemed amounts apply regardless of whether any
18.13 employment-related expenses have been paid.

18.14 Subd. 3. **Credit to be refundable; appropriation.** If the amount of credit which a
18.15 claimant would be eligible to receive pursuant to this subdivision exceeds the claimant's
18.16 tax liability under this chapter, the excess amount of the credit shall be refunded to the
18.17 claimant by the commissioner of revenue. The amount needed to pay the refunds required
18.18 by this section is appropriated to the commissioner from the general fund.

18.19 Subd. 4. **Right to file claim.** The right to file a claim under this section shall be personal
18.20 to the claimant and shall not survive death, but such right may be exercised on behalf of a
18.21 claimant by the claimant's legal guardian or attorney-in-fact. When a claimant dies after
18.22 having filed a timely claim the amount thereof shall be disbursed to another member of the
18.23 household as determined by the commissioner of revenue. If the claimant was the only
18.24 member of a household, the claim may be paid to the claimant's personal representative,
18.25 but if neither is appointed and qualified within two years of the filing of the claim, the
18.26 amount of the claim shall escheat to the state.

18.27 Subd. 7. **Special rules.** For purposes of this section, the special rules of section 21(e)
18.28 of the Internal Revenue Code apply.

18.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
18.30 31, 2025.

19.1 Sec. 27. Minnesota Statutes 2025 Supplement, section 290.091, subdivision 2, is amended
19.2 to read:

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

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

19.7 (1) the taxpayer's federal alternative minimum taxable income as defined in section
19.8 55(b)(1)(D) of the Internal Revenue Code;

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

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

19.12 (ii) the medical expense deduction;

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

19.14 (iv) the impairment-related work expenses of a person with a disability;

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

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

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

19.26 (6) the amount of ~~addition~~ additions required by section 290.0131, subdivisions 9, 10,
19.27 ~~and 16, and 21 to 26~~;

19.28 (7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent
19.29 not included in the addition required under clause (6); and

20.1 (8) to the extent not included in federal alternative minimum taxable income, the amount
20.2 of foreign-derived intangible income deducted under section 250 of the Internal Revenue
20.3 Code;

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

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

20.6 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
20.7 3, to the extent included in federal alternative minimum taxable income;

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

20.12 (iv) amounts subtracted from federal taxable or adjusted gross income as provided by
20.13 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, 26 to 29, 31, and 34 to ~~39~~ 41;

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

20.16 (vi) the amount allowable as a Minnesota itemized deduction under section 290.0122,
20.17 subdivision 7.

20.18 In the case of an estate or trust, alternative minimum taxable income must be computed
20.19 as provided in section 59(c) of the Internal Revenue Code, except alternative minimum
20.20 taxable income must be increased by the addition in section 290.0131, subdivision 16.

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

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

20.24 (d) "Regular tax" means the tax that would be imposed under this chapter (without regard
20.25 to this section, section 290.033, and section 290.032), reduced by the sum of the
20.26 nonrefundable credits allowed under this chapter.

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

20.29 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
20.30 the changes incorporated by federal changes are effective retroactively at the same time the
20.31 changes were effective for federal purposes.

21.1 Sec. 28. Minnesota Statutes 2024, section 290.21, subdivision 9, is amended to read:

21.2 Subd. 9. **Controlled foreign corporations.** The net income of a corporation that is
21.3 included pursuant to section 951 of the Internal Revenue Code as modified under section
21.4 290.035 is dividend income.

21.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
21.6 31, 2025.

21.7 Sec. 29. Minnesota Statutes 2024, section 290.21, subdivision 10, is amended to read:

21.8 Subd. 10. ~~Global intangible low-taxed~~ **Net CFC tested income.** ~~Any amounts included~~
21.9 ~~in taxable income pursuant to section 951A of the Internal Revenue Code, are~~ The amount
21.10 of net CFC tested income calculated under section 290.034 is dividend income.

21.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
21.12 31, 2025.

21.13 Sec. 30. Minnesota Statutes 2024, section 290A.03, subdivision 15, is amended to read:

21.14 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue
21.15 Code of 1986, as amended through May 1, ~~2023~~ 2026.

21.16 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
21.17 the changes incorporated by federal changes are effective retroactively at the same time the
21.18 changes were effective for federal purposes.

21.19 Sec. 31. Minnesota Statutes 2024, section 291.005, subdivision 1, is amended to read:

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

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

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

21.29 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,
21.30 as amended through May 1, ~~2023~~ 2026.

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

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

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

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

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

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

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

22.23 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue
22.24 Code, owned by a nonresident decedent and that is normally kept or located in this state
22.25 because it is on loan to an organization, qualifying as exempt from taxation under section
22.26 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is
22.27 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

22.31 For a nonresident decedent with an ownership interest in a pass-through entity with
22.32 assets that include real or tangible personal property, situs of the real or tangible personal
22.33 property, including qualified works of art, is determined as if the pass-through entity does

23.1 not exist and the real or tangible personal property is personally owned by the decedent. If
23.2 the pass-through entity is owned by a person or persons in addition to the decedent, ownership
23.3 of the property is attributed to the decedent in proportion to the decedent's capital ownership
23.4 share of the pass-through entity.

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

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

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

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

23.12 (iv) a trust to the extent the property is includable in the decedent's federal gross estate;
23.13 but excludes

23.14 (v) an entity whose ownership interest securities are traded on an exchange regulated
23.15 by the Securities and Exchange Commission as a national securities exchange under section
23.16 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

23.17 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
23.18 the changes incorporated by federal changes are effective retroactively at the same time the
23.19 changes were effective for federal purposes.

23.20 **ARTICLE 2**

23.21 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

23.22 Section 1. Minnesota Statutes 2024, section 41A.30, subdivision 1, is amended to read:

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

23.25 (b) "Aircraft" has the meaning given in section 296A.01, subdivision 3.

23.26 (c) "Aviation gasoline" has the meaning given in section 296A.01, subdivision 7.

23.27 (d) "Commissioner" means the commissioner of agriculture.

23.28 (e) "Jet fuel" has the meaning given in section 296A.01, subdivision 8.

23.29 (f) "Qualifying taxpayer" means a taxpayer, as defined in section 290.01, subdivision
23.30 6, that is engaged in the business of:

- 24.1 (1) producing sustainable aviation fuel; or
- 24.2 (2) blending sustainable aviation fuel with aviation gasoline or jet fuel.
- 24.3 (g) "Sustainable aviation fuel" means liquid fuel that:
- 24.4 (1) is derived from:
- 24.5 (i) biomass, as defined in section 41A.15, subdivision 2e, that is produced in the United
- 24.6 States, provided that any agricultural feedstocks are from planted crops and crop residue
- 24.7 harvested from agricultural land cleared or cultivated any time prior to December 19, 2007,
- 24.8 that is either actively managed or fallow;
- 24.9 (ii) gaseous carbon oxides; or
- 24.10 (iii) hydrogen that has a carbon intensity not greater than four kilograms of carbon
- 24.11 dioxide equivalent per kilogram of hydrogen produced;
- 24.12 (2) is not derived from palm fatty acid distillates; and
- 24.13 (3) achieves at least a 50 percent life cycle greenhouse gas emissions reduction in
- 24.14 comparison with petroleum-based aviation gasoline, aviation turbine fuel, and jet fuel as
- 24.15 determined by a test that shows:
- 24.16 (i) that the fuel production pathway achieves at least a 50 percent life cycle greenhouse
- 24.17 gas emissions reduction in comparison with petroleum-based aviation gasoline, aviation
- 24.18 turbine fuel, and jet fuel utilizing the most recent version of Argonne National Laboratory's
- 24.19 Greenhouse Gases, Regulated Emissions, and Energy Use in Technologies (GREET) model
- 24.20 that accounts for reduced emissions throughout the fuel production process; or
- 24.21 (ii) that the fuel production pathway achieves at least a 50 percent reduction of the
- 24.22 aggregate attributional core life cycle emissions and the positive induced land use change
- 24.23 values under the life cycle methodology for sustainable aviation fuels adopted by the
- 24.24 International Civil Aviation Organization with the agreement of the United States.
- 24.25 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
- 24.26 after December 31, 2024, for sustainable aviation fuel sold after June 30, 2025.

24.27 Sec. 2. Minnesota Statutes 2024, section 41A.30, subdivision 2, is amended to read:

24.28 Subd. 2. **Tax credit establishment.** (a) A qualifying taxpayer may claim a tax credit

24.29 against the tax due under chapter 290 equal to \$1.50 for each gallon of sustainable aviation

24.30 fuel that is:

25.1 (1) produced in Minnesota or blended with aviation or gasoline or jet fuel in Minnesota,
25.2 provided that carbon oxides sequestered as part of the production process are not used as a
25.3 tertiary injectant in a qualified enhanced oil recovery project; and

25.4 (2) sold in Minnesota to a purchaser who certifies that the sustainable aviation fuel is
25.5 for use as fuel in an aircraft departing from an airport in Minnesota.

25.6 (b) The credit may be claimed only after approval and certification by the commissioner
25.7 and is limited to the amount stated on the credit certificate issued under subdivision 3. A
25.8 qualifying taxpayer must apply to the commissioner for certification and allocation of a
25.9 credit in a form and manner prescribed by the commissioner.

25.10 (c) A qualifying taxpayer may claim a credit for blending or producing sustainable
25.11 aviation fuel, but not both. If sustainable aviation fuel is blended with aviation gasoline or
25.12 jet fuel, the credit is allowed only for the portion of sustainable aviation fuel that is included
25.13 in the blended fuel.

25.14 (d) If the amount of credit that the taxpayer is eligible to receive under this section
25.15 exceeds the liability for tax under chapter 290, the commissioner of revenue must refund
25.16 the excess to the taxpayer.

25.17 (e) Subject to the commissioner's certification, a qualifying taxpayer may claim a
25.18 supplemental tax credit against the tax due under chapter 290 equal to the rate of \$0.02 per
25.19 gallon for each additional whole percentage carbon intensity reduction beyond 50 percent,
25.20 but capped at \$2.00 per gallon.

25.21 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
25.22 after December 31, 2024, for sustainable aviation fuel sold after June 30, 2025.

25.23 Sec. 3. Minnesota Statutes 2025 Supplement, section 41A.30, subdivision 5, is amended
25.24 to read:

25.25 Subd. 5. **Allocation limits.** (a) Subject to additional rollover allocation as provided in
25.26 paragraph (b), for tax credits allowed under subdivision 2, the commissioner must not issue
25.27 credit certificates for more than ~~\$11,600,000~~ \$36,900,000 in total, allocated as follows:

25.28 (1) \$7,400,000 for fiscal year 2025; and

25.29 (2) \$2,100,000 for each of fiscal years year 2026 and 2027;

25.30 (3) \$7,400,000 for fiscal year 2027;

25.31 (4) \$5,300,000 for fiscal year 2028; and

26.1 (5) \$2,100,000 for each fiscal year from 2029 through 2035.

26.2 (b) Any portion of a fiscal year's credits that is not allocated by the commissioner does
26.3 not cancel and may be carried forward to subsequent fiscal years until ~~all credits have been~~
26.4 ~~allocated~~ the entire allocation has been made, except that the commissioner must not issue
26.5 any credit certificates for fiscal years beginning after June 30, ~~2030~~ 2035, and any unallocated
26.6 amounts cancel on that date.

26.7 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
26.8 after December 31, 2025.

26.9 Sec. 4. Minnesota Statutes 2024, section 41A.30, subdivision 7, is amended to read:

26.10 Subd. 7. **Expiration.** This section expires for taxable years beginning after December
26.11 31, ~~2030~~ 2035.

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

26.13 Sec. 5. Minnesota Statutes 2025 Supplement, section 41B.0391, subdivision 2, is amended
26.14 to read:

26.15 Subd. 2. **Tax credit for owners of agricultural assets.** (a) An owner of agricultural
26.16 assets may take a credit against the tax due under chapter 290 for the sale or rental of
26.17 agricultural assets to a beginning farmer in the amount allocated by the authority under
26.18 subdivision 4, or, for taxable years beginning after December 31, 2025, and before January
26.19 1, 2027, subdivision 4a. An owner of agricultural assets is eligible for allocation of a credit
26.20 equal to:

26.21 (1) eight percent of the lesser of the sale price or the fair market value of the agricultural
26.22 asset, up to a maximum of \$50,000;

26.23 (2) ten percent of the gross rental income in each of the first, second, and third years of
26.24 a rental agreement, up to a maximum of \$7,000 per year; or

26.25 (3) 15 percent of the cash equivalent of the gross rental income in each of the first,
26.26 second, and third years of a share rent agreement, up to a maximum of \$10,000 per year.

26.27 (b) A qualifying rental agreement includes cash rent of agricultural assets or a share rent
26.28 agreement. The agricultural asset must be rented at prevailing community rates as determined
26.29 by the authority.

26.30 (c) The credit may be claimed only after approval and certification by the authority, and
26.31 is limited to the amount stated on the certificate issued under subdivision 4. An owner of

27.1 agricultural assets must apply to the authority for certification and allocation of a credit, in
27.2 a form and manner prescribed by the authority.

27.3 (d) An owner of agricultural assets or beginning farmer may terminate a rental agreement,
27.4 including a share rent agreement, for reasonable cause upon approval of the authority. If a
27.5 rental agreement is terminated without the fault of the owner of agricultural assets, the tax
27.6 credits shall not be retroactively disallowed. In determining reasonable cause, the authority
27.7 must look at which party was at fault in the termination of the agreement. If the authority
27.8 determines the owner of agricultural assets did not have reasonable cause, the owner of
27.9 agricultural assets must repay all credits received as a result of the rental agreement to the
27.10 commissioner of revenue. The repayment is additional income tax for the taxable year in
27.11 which the authority makes its decision or when a final adjudication under subdivision 5,
27.12 paragraph (a), is made, whichever is later.

27.13 (e) The credit is limited to the liability for tax as computed under chapter 290 for the
27.14 taxable year. If the amount of the credit determined under this section for any taxable year
27.15 exceeds this limitation, the excess is a beginning farmer incentive credit carryover according
27.16 to section 290.06, subdivision 37.

27.17 (f) For purposes of the credit for the sale of agricultural land only, the family member
27.18 definitional exclusions in subdivision 1, paragraph (c), clauses (4) and (5), do not apply.
27.19 For a sale to a family member to qualify for the credit, the sales price of the agricultural
27.20 land must equal or exceed the assessed value of the land as of the date of the sale. For
27.21 purposes of this paragraph, "sale to a family member" means a sale to a beginning farmer
27.22 in which the beginning farmer or the beginning farmer's spouse is a family member of:

27.23 (1) the owner of the agricultural land; or

27.24 (2) a partner, member, shareholder, or trustee of the owner of the agricultural land.

27.25 (g) For a sale to a limited land access farmer, the credit rate under paragraph (a), clause
27.26 (1), is 12 percent rather than eight percent.

27.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
27.28 31, 2025.

27.29 Sec. 6. Minnesota Statutes 2025 Supplement, section 41B.0391, subdivision 4, is amended
27.30 to read:

27.31 Subd. 4. **Authority duties.** (a) The authority shall:

28.1 (1) approve and certify or recertify beginning farmers as eligible for the program under
28.2 this section;

28.3 (2) approve and certify or recertify owners of agricultural assets as eligible for the tax
28.4 credit under subdivision 2 subject to the allocation limits in paragraph (c), provided that the
28.5 allocation limits in paragraph (c) do not apply for credits allocated in taxable years beginning
28.6 after December 31, 2025, and before January 1, 2027;

28.7 (3) provide necessary and reasonable assistance and support to beginning farmers for
28.8 qualification and participation in financial management programs approved by the authority;

28.9 (4) refer beginning farmers to agencies and organizations that may provide additional
28.10 pertinent information and assistance; and

28.11 (5) notwithstanding section 41B.211, the Rural Finance Authority must share information
28.12 with the commissioner of revenue to the extent necessary to administer provisions under
28.13 this subdivision and section 290.06, subdivisions 37 and 38. The Rural Finance Authority
28.14 must annually notify the commissioner of revenue of approval and certification or
28.15 recertification of beginning farmers and owners of agricultural assets under this section.
28.16 For credits under subdivision 2, the notification must include the amount of credit approved
28.17 by the authority and stated on the credit certificate.

28.18 (b) The certification of a beginning farmer or an owner of agricultural assets under this
28.19 section is valid for the year of the certification and the two following years, after which
28.20 time the beginning farmer or owner of agricultural assets must apply to the authority for
28.21 recertification.

28.22 (c) For credits for owners of agricultural assets allowed under subdivision 2, the authority
28.23 must not allocate more than \$6,500,000 for taxable years beginning after December 31,
28.24 2022, and before January 1, 2024, and \$4,000,000 for taxable years beginning after December
28.25 31, 2023. The authority must allocate credits on a first-come, first-served basis beginning
28.26 on January 1 of each year, except that recertifications for the second and third years of
28.27 credits under subdivision 2, paragraph (a), clauses (1) and (2), have first priority. Any
28.28 amount authorized but not allocated for taxable years ending before January 1, 2023, is
28.29 canceled and is not allocated for future taxable years. For taxable years beginning after
28.30 December 31, 2022, any amount authorized but not allocated in any taxable year does not
28.31 cancel and is added to the allocation for the next taxable year. For each taxable year, 50
28.32 percent of newly allocated credits must be allocated to limited land access farmers. Any
28.33 portion of a taxable year's newly allocated credits that is reserved for limited land access

29.1 farmers that is not allocated by September 30 of the taxable year is available for allocation
29.2 to other credit allocations beginning on October 1.

29.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
29.4 31, 2025.

29.5 Sec. 7. Minnesota Statutes 2024, section 41B.0391, is amended by adding a subdivision
29.6 to read:

29.7 **Subd. 4a. Temporary removal of allocation limitation.** For taxable years beginning
29.8 after December 31, 2025, and before January 1, 2027, the allocation limitations in subdivision
29.9 4, paragraph (c), do not apply. This subdivision expires January 1, 2027.

29.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
29.11 31, 2025.

29.12 Sec. 8. Minnesota Statutes 2025 Supplement, section 41B.0391, subdivision 6a, is amended
29.13 to read:

29.14 **Subd. 6a. Report to legislature.** (a) No later than February 1 each year the Rural Finance
29.15 Authority, in consultation with the commissioner of revenue, must provide a report to the
29.16 chairs and ranking minority members of the legislative committees having jurisdiction over
29.17 agriculture, economic development, rural development, and taxes, in compliance with
29.18 sections 3.195 and 3.197, on the beginning farmer tax credits under this section.

29.19 (b) The report must include background information on beginning farmers in Minnesota
29.20 and any other information the commissioner and authority find relevant to evaluating the
29.21 effect of the credits on increasing opportunities for and the number of beginning farmers.

29.22 (c) For credits issued under subdivision 2, paragraph (a), clauses (1) to (3), the report
29.23 must include:

29.24 (1) the number and amount of credits issued under each clause;

29.25 (2) the geographic distribution of credits issued under each clause;

29.26 (3) the type of agricultural assets for which credits were issued under clause (1);

29.27 (4) the number and geographic distribution of beginning farmers whose purchase or
29.28 rental of assets resulted in credits for the seller or owner of the asset;

29.29 (5) the number and amount of credits disallowed under subdivision 2, paragraph (d);

29.30 (6) data on the number of beginning farmers by geographic region, including:

30.1 (i) the number of beginning farmers by race and ethnicity, as those terms are applied in
30.2 the 2020 United States Census; and

30.3 (ii) to the extent available, the number of beginning farmers who are limited land access
30.4 farmers; and

30.5 (7) the number and amount of credit applications that exceeded the allocation available
30.6 under subdivision 4 in each year.

30.7 (d) For credits issued under subdivision 3, the report must include:

30.8 (1) the number and amount of credits issued;

30.9 (2) the geographic distribution of credits;

30.10 (3) a listing and description of each approved financial management program for which
30.11 credits were issued; and

30.12 (4) a description of the approval procedure for financial management programs not on
30.13 the list maintained by the authority, as provided in subdivision 3, paragraph (a).

30.14 **EFFECTIVE DATE.** This section is effective for reports due for credits issued for
30.15 taxable years beginning after December 31, 2025.

30.16 Sec. 9. Minnesota Statutes 2024, section 289A.08, subdivision 7a, is amended to read:

30.17 Subd. 7a. **Pass-through entity tax.** (a) For the purposes of this subdivision, the following
30.18 terms have the meanings given:

30.19 (1) "income" has the meaning given in section 290.01, subdivision 19, paragraph (i).
30.20 The income of a resident qualifying owner of a qualifying entity that is a partnership or
30.21 limited liability company taxed as a partnership under the Internal Revenue Code is not
30.22 subject to allocation outside this state as provided for resident individuals under section
30.23 290.17, subdivision 1, paragraph (a). The income of a nonresident qualifying owner of a
30.24 qualifying entity and the income of a resident qualifying owner of a qualifying entity that
30.25 is an S corporation, including a qualified subchapter S subsidiary organized under section
30.26 1361(b)(3)(B) of the Internal Revenue Code, are allocated and assigned to this state as
30.27 provided for nonresident partners and shareholders under sections 290.17, 290.191, and
30.28 290.20;

30.29 (2) "qualifying entity" means a partnership, limited liability company taxed as a
30.30 partnership or S corporation, or S corporation including a qualified subchapter S subsidiary
30.31 organized under section 1361(b)(3)(B) of the Internal Revenue Code that has at least one

31.1 qualifying owner. Qualifying entity does not include a publicly traded partnership, as defined
31.2 in section 7704 of the Internal Revenue Code; and

31.3 (3) "qualifying owner" means:

31.4 (i) a resident or nonresident individual or estate that is a partner, member, or shareholder
31.5 of a qualifying entity;

31.6 (ii) a resident or nonresident trust that is a shareholder of a qualifying entity that is an
31.7 S corporation; or

31.8 (iii) a disregarded entity that has a qualifying owner as its single owner.

31.9 (b) For taxable years beginning after December 31, 2020, a qualifying entity may elect
31.10 to file a return and pay the pass-through entity tax imposed under paragraph (c). The election:

31.11 (1) must be made on or before the due date or extended due date of the qualifying entity's
31.12 pass-through entity tax return;

31.13 (2) must exclude partners, members, shareholders, or owners who are not qualifying
31.14 owners;

31.15 (3) may only be made by qualifying owners who collectively hold more than 50 percent
31.16 of the ownership interests in the qualifying entity held by qualifying owners;

31.17 (4) is binding on all qualifying owners who have an ownership interest in the qualifying
31.18 entity; and

31.19 (5) once made is irrevocable for the taxable year.

31.20 (c) Subject to the election in paragraph (b), a pass-through entity tax is imposed on a
31.21 qualifying entity in an amount equal to the sum of the tax liability of each qualifying owner.

31.22 (d) The amount of a qualifying owner's tax liability under paragraph (c) is the amount
31.23 of the qualifying owner's income multiplied by the highest tax rate for individuals under
31.24 section 290.06, subdivision 2c. The computation of a qualifying owner's net investment
31.25 income tax liability must be computed under section 290.033. When making this
31.26 determination:

31.27 (1) nonbusiness deductions, standard deductions, or personal exemptions are not allowed;
31.28 and

31.29 (2) a credit or deduction is allowed only to the extent allowed to the qualifying owner.

32.1 (e) The amount of each credit and deduction used to determine a qualifying owner's tax
32.2 liability under paragraph (d) must also be used to determine that qualifying owner's income
32.3 tax liability under chapter 290.

32.4 (f) This subdivision does not negate the requirement that a qualifying owner pay estimated
32.5 tax if the qualifying owner's tax liability would exceed the requirements set forth in section
32.6 289A.25. The qualifying owner's liability to pay estimated tax on the qualifying owner's
32.7 tax liability as determined under paragraph (d) is, however, satisfied when the qualifying
32.8 entity pays estimated tax in the manner prescribed in section 289A.25 for composite estimated
32.9 tax.

32.10 (g) A qualifying owner's adjusted basis in the interest in the qualifying entity, and the
32.11 treatment of distributions, is determined as if the election to pay the pass-through entity tax
32.12 under paragraph (b) is not made.

32.13 (h) To the extent not inconsistent with this subdivision, for purposes of this chapter, a
32.14 pass-through entity tax return must be treated as a composite return and a qualifying entity
32.15 filing a pass-through entity tax return must be treated as a partnership filing a composite
32.16 return.

32.17 (i) The provisions of subdivision 17 apply to the election to pay the pass-through entity
32.18 tax under this subdivision.

32.19 (j) If a nonresident qualifying owner of a qualifying entity making the election to file
32.20 and pay the tax under this subdivision has no other Minnesota source income, filing of the
32.21 pass-through entity tax return is a return for purposes of subdivision 1, provided that the
32.22 nonresident qualifying owner must not have any Minnesota source income other than the
32.23 income from the qualifying entity, other electing qualifying entities, and other partnerships
32.24 electing to file a composite return under subdivision 7. If it is determined that the nonresident
32.25 qualifying owner has other Minnesota source income, the inclusion of the income and tax
32.26 liability for that owner under this provision will not constitute a return to satisfy the
32.27 requirements of subdivision 1. The tax paid for the qualifying owner as part of the
32.28 pass-through entity tax return is allowed as a payment of the tax by the qualifying owner
32.29 on the date on which the pass-through entity tax return payment was made.

32.30 (k) Once a credit is claimed by a qualifying owner under section 290.06, subdivision
32.31 40, a qualifying entity cannot receive a refund for tax paid under this subdivision for any
32.32 amounts claimed under that section by the qualifying owners. Once a credit is claimed under
32.33 section 290.06, subdivision 40, any refund must be claimed in conjunction with a return
32.34 filed by the qualifying owner.

33.1 (l) This subdivision expires ~~at the same time and on the same terms as section~~
33.2 ~~164(b)(6)(B) of the Internal Revenue Code~~ for taxable years beginning after December 31,
33.3 2027, except that the expiration of this subdivision does not affect the commissioner's
33.4 authority to audit or power of examination and assessments for credits claimed under this
33.5 section.

33.6 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2026.

33.7 Sec. 10. **[289A.081] DIRECT FREE FILING OF INDIVIDUAL RETURNS.**

33.8 (a) The commissioner must establish an electronic filing system through which taxpayers
33.9 may directly file an electronic individual income tax return free of charge. The commissioner
33.10 may contract with a software vendor to develop the filing system required under this section,
33.11 but the vendor must not offer paid tax preparation services for Minnesota individual income
33.12 taxpayers for tax years that the system is active, and the filing system must be made available
33.13 on the Department of Revenue website. The commissioner must not limit access to the
33.14 system based on a taxpayer's income.

33.15 (b) To the extent feasible, the commissioner must coordinate the state filing system
33.16 under this section with any federal filing systems established for free filing of federal tax
33.17 returns.

33.18 (c) The commissioner must make the system required under this section available for
33.19 taxable years beginning after December 31, 2026. At a minimum, the system must allow
33.20 taxpayers to claim:

33.21 (1) the marriage penalty credit under section 290.0675;

33.22 (2) the education credit under section 290.0674;

33.23 (3) the child and working family credits under sections 290.0661 and 290.0671;

33.24 (4) the dependent care credit under section 290.067;

33.25 (5) the student loan credit under section 290.0682; and

33.26 (6) the renter's credit under section 290.0693.

33.27 (d) The commissioner may establish an electronic filing system through which individual
33.28 taxpayers may file a federal income tax return for free.

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

34.1 Sec. 11. Minnesota Statutes 2024, section 290.01, subdivision 19, as amended by Laws
34.2 2026, chapter 88, article 1, section 170, is amended to read:

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

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

34.12 (c) In the case of a regulated investment company or a fund thereof, as defined in section
34.13 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
34.14 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
34.15 except that:

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

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

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

34.25 (d) The net income of a real estate investment trust as defined and limited by section
34.26 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
34.27 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

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

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

35.4 (h) In the case of a partnership electing to file a composite return under section 289A.08,
35.5 subdivision 7, "net income" means the partner's share of federal adjusted gross income from
35.6 the partnership modified by the additions provided in section 290.0131, subdivisions 8 to
35.7 10, 16, 17, and 19, and the subtractions provided in: (1) section 290.0132, subdivisions 9,
35.8 27, 28, and 31, to the extent the amount is assignable or allocable to Minnesota under section
35.9 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section
35.10 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent
35.11 the electing partner would have been allowed the subtraction.

35.12 (i) In the case of a qualifying entity electing to pay the pass-through entity tax under
35.13 section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal
35.14 adjusted gross income from the qualifying entity modified by the additions provided in
35.15 section 290.0131, subdivisions 5, 8 to 10, 16, 17, and 19, and the subtractions provided in:
35.16 (1) section 290.0132, subdivisions 3, 9, 27, 28, and 31, to the extent the amount is assignable
35.17 or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14.
35.18 The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the
35.19 pass-through entity tax computation to the extent the qualifying owners would have been
35.20 allowed the subtraction. ~~The income of both a resident and nonresident qualifying owner~~
35.21 ~~is allocated and assigned to this state as provided for nonresident partners and shareholders~~
35.22 ~~under sections 290.17, 290.191, and 290.20.~~

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

35.24 Sec. 12. Minnesota Statutes 2025 Supplement, section 290.06, subdivision 23a, is amended
35.25 to read:

35.26 Subd. 23a. **Pass-through entity tax paid to another state.** (a) A credit is allowed against
35.27 the tax imposed on a qualifying entity under section 289A.08, subdivision 7a, for
35.28 pass-through entity tax paid to another state. The credit under this subdivision is allowed
35.29 as a credit for taxes paid to another state under subdivision 22, paragraph (a), and may only
35.30 be claimed by a qualifying owner. The credit allowed under this subdivision must be claimed
35.31 in a manner prescribed by the commissioner.

35.32 (b) This subdivision expires ~~at the same time and on the same terms as section~~
35.33 ~~164(b)(6)(B) of the Internal Revenue Code~~ for taxable years beginning after December 31,
35.34 2027, except that the expiration of this subdivision does not affect the commissioner's

36.1 authority to audit or power of examination and assessments for credits claimed under this
36.2 section.

36.3 (c) As used in this subdivision, the following terms have the meanings given:

36.4 (1) "income" has the meaning provided in section 290.01, subdivision 19, paragraph (i);

36.5 (2) "pass-through entity tax" means an entity-level tax imposed on the income of a
36.6 partnership, limited liability corporation, or S corporation;

36.7 (3) "qualifying entity" has the meaning provided in section 289A.08, subdivision 7a,
36.8 paragraph (a); and

36.9 (4) "qualifying owner" has the meaning provided in section 289A.08, subdivision 7a,
36.10 paragraph (b).

36.11 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2026.

36.12 Sec. 13. Minnesota Statutes 2024, section 290.06, subdivision 40, is amended to read:

36.13 Subd. 40. **Pass-through entity tax credit.** (a) A qualifying owner of a qualifying entity
36.14 that elects to pay the pass-through entity tax under section 289A.08, subdivision 7a, may
36.15 claim a credit against the tax due under this chapter equal to the amount of the owner's tax
36.16 liability as calculated under section 289A.08, subdivision 7a, paragraph (d). The
36.17 commissioner may disallow a credit if the tax liability of the qualifying entity has not been
36.18 paid.

36.19 (b) If the amount of the credit the taxpayer may claim under this subdivision exceeds
36.20 the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the
36.21 excess to the taxpayer. The amount necessary to pay the claim for the refund provided in
36.22 this subdivision is appropriated from the general fund to the commissioner of revenue.

36.23 (c) For purposes of this subdivision, "qualifying entity," "qualifying owner," and "tax
36.24 liability" have the meanings given in section 289A.08, subdivision 7a, paragraphs (a) and
36.25 (d).

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

36.27 Sec. 14. Laws 2023, chapter 64, article 15, section 24, is amended to read:

36.28 Sec. 24. **TAX FILING MODERNIZATION.**

36.29 Subdivision 1. **Account established; appropriation.** A tax filing modernization account
36.30 is established in the special revenue fund. All funds in the tax filing modernization account

37.1 are appropriated to the commissioner of revenue for the purposes specified in subdivision
37.2 3.

37.3 Subd. 2. **Transfer.** \$5,000,000 in fiscal year 2024 is transferred to the tax filing
37.4 modernization account from the general fund. This is a onetime transfer.

37.5 Subd. 3. **Eligible uses.** ~~(a) The commissioner of revenue may use funds in the tax filing~~
37.6 ~~modernization account to modernize the state process for filing individual income tax returns,~~
37.7 ~~including:~~

37.8 ~~(1) updating and reviewing changes to individual income tax forms resulting from this~~
37.9 ~~act;~~

37.10 ~~(2) coordinating the process for filing state individual income tax returns with free filing~~
37.11 ~~options for the federal income tax; and~~

37.12 ~~(3) development and implementation of~~ develop and implement state free filing options
37.13 for the individual income tax as provided in Minnesota Statutes, section 289A.081.

37.14 ~~(b) Beginning July 1, 2026, the commissioner of revenue may use any unspent funds in~~
37.15 ~~the tax filing modernization account to make taxpayer assistance grants to eligible~~
37.16 ~~organizations qualifying under section 7526A(e)(2)(B) of the Internal Revenue Code.~~

37.17 Subd. 4. **Unspent funds.** Any unspent funds in the tax filing modernization account
37.18 cancel to the general fund on June 30, ~~2027~~ 2029.

37.19 Subd. 5. **Sunset.** This section expires and the account is abolished on July 1, 2029.

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

37.21 Sec. 15. **INCOME TAX SUBTRACTION; NURSING FACILITY WORKFORCE**
37.22 **WAGE SUPPLEMENT PROGRAM.**

37.23 (a) For purposes of this section:

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

37.26 (2) the definitions in Minnesota Statutes, section 290.01.

37.27 (b) The amount of supplemental wage payments provided under Minnesota Statutes,
37.28 section 256R.60, is a subtraction.

37.29 (c) Payments under this section are excluded from income, as defined in Minnesota
37.30 Statutes, section 290A.03, subdivision 3.

38.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
38.2 31, 2025, and before January 1, 2027, only if S.F. 4476 is finally enacted at the 2026 regular
38.3 legislative session.

38.4 Sec. 16. **PASS-THROUGH ENTITY TAX; 2026 ESTIMATED PAYMENTS.**

38.5 For estimated payments due from pass-through entities under Minnesota Statutes, section
38.6 289A.08, subdivision 7a, paragraph (f), for taxable years beginning after December 31,
38.7 2025, and before January 1, 2027, no addition to tax is imposed under Minnesota Statutes,
38.8 section 289A.25, subdivision 2, if the first estimated payment is paid in full with the second
38.9 estimated payment, as required under Minnesota Statutes, section 289A.25, subdivision 3.

38.10 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
38.11 after December 31, 2025, and before January 1, 2027.

38.12 Sec. 17. **REVIVAL AND REENACTMENT.**

38.13 Minnesota Statutes, sections 289A.08, subdivision 7a, and 290.06, subdivision 23a, are
38.14 revived and reenacted retroactively from January 1, 2026.

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

38.16 Sec. 18. **APPROPRIATION; DIRECT FREE FILING SYSTEM.**

38.17 \$2,300,000 in fiscal year 2027 is appropriated from the general fund to the commissioner
38.18 of revenue for the direct free filing system required under Minnesota Statutes, section
38.19 289A.081. The base for this appropriation is \$3,500,000 in fiscal year 2028 and \$3,500,000
38.20 in fiscal year 2029.

38.21 **ARTICLE 3**

38.22 **SALES AND USE TAXES**

38.23 Section 1. Minnesota Statutes 2024, section 297A.68, is amended by adding a subdivision
38.24 to read:

38.25 Subd. 9a. **Championship golf tournaments admission and related events.** (a) The
38.26 granting of the privilege of admission to a world championship golf tournament sponsored
38.27 by the Professional Golfers' Association of America and to related events sponsored by the
38.28 Professional Golfers' Association of America is exempt.

38.29 (b) This subdivision expires July 1, 2030.

39.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
 39.2 30, 2026.

39.3 Sec. 2. Minnesota Statutes 2024, section 428B.02, subdivision 4, is amended to read:

39.4 Subd. 4. **Service charges; relationship to services.** (a) A municipality may impose a
 39.5 service charge on a business pursuant to this chapter for the purpose of providing activities
 39.6 and improvements that will provide benefits to a business that is located within the tourism
 39.7 improvement district and subject to the tourism improvement district service charge. Each
 39.8 business paying a service charge within a district must benefit directly or indirectly from
 39.9 improvements provided by a tourism improvement association, provided, however, the
 39.10 business need not benefit equally. Service charges must be based on a percent of gross
 39.11 business revenue, a fixed dollar amount per transaction, or any other reasonable method
 39.12 based upon benefit and approved by the municipality. A business may, but is not required
 39.13 to, collect the service charge imposed by this section from the purchaser. If separately stated
 39.14 on the invoice, bill of sale, or similar document given to the purchaser, the service charge
 39.15 is excluded from the sales price for purposes of the tax imposed under chapter 297A.

39.16 (b) Service charges may be used to cover the costs of collections, as well as other
 39.17 administrative costs associated with operating, forming, or maintaining the district.

39.18 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
 39.19 made after June 30, 2025.

39.20 ARTICLE 4

39.21 PROPERTY TAX AIDS AND CREDITS

39.22 Section 1. Minnesota Statutes 2025 Supplement, section 126C.13, subdivision 4, is amended
 39.23 to read:

39.24 Subd. 4. **General education aid.** ~~For fiscal year 2015 and later,~~ A district's general
 39.25 education aid equals:

39.26 (1) general education revenue, excluding operating capital revenue, equity revenue, local
 39.27 optional revenue, and transition revenue; plus

39.28 (2) operating capital aid under section 126C.10, subdivision 13b; plus

39.29 (3) equity aid under section 126C.10, subdivision 30; plus

39.30 (4) transition aid under section 126C.10, subdivision 33; plus

39.31 (5) shared time aid under section 126C.01, subdivision 7; plus

- 40.1 (6) referendum aid under section 126C.17, subdivisions 7 ~~and~~, 7a, and 7c; plus
- 40.2 (7) online learning aid under section 124D.096; plus
- 40.3 (8) local optional aid according to section 126C.10, subdivision 2e, paragraph (f).

40.4 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2028 and later.

40.5 Sec. 2. Minnesota Statutes 2024, section 126C.17, is amended by adding a subdivision to

40.6 read:

40.7 **Subd. 7c. Seasonal tax base replacement aid.** (a) For purposes of this subdivision,

40.8 "eligible school district" means a school district for which the seasonal tax base adjustment

40.9 factor under paragraph (c) is at least equal to 0.15. A school district determined eligible

40.10 under this paragraph for aid in fiscal year 2028 or any later fiscal year remains an eligible

40.11 school district for aid in any subsequent fiscal year.

40.12 (b) An eligible school district's seasonal tax base replacement aid equals the product of

40.13 (1) the seasonal tax base adjustment factor, and (2) the district's referendum equalization

40.14 levy calculated under subdivision 6, after any adjustment under subdivisions 7a and 7b.

40.15 (c) A district's seasonal tax base adjustment factor equals the lesser of 0.50 or the ratio

40.16 of (1) the seasonal market value for the district, to (2) the sum of the referendum market

40.17 value and the seasonal market value for the district. For the purposes of this paragraph,

40.18 "seasonal market value" means the market value of all taxable property classified as class

40.19 4c(12) under section 273.13.

40.20 (d) The amount calculated under paragraph (b) must be used to reduce the district's

40.21 referendum levy determined after the adjustments under subdivisions 7a and 7b.

40.22 **EFFECTIVE DATE.** This section is effective for taxes payable in 2027 and later.

40.23 Sec. 3. Minnesota Statutes 2024, section 272.02, subdivision 101, is amended to read:

40.24 **Subd. 101. Certain property owned by an Indian tribe.** (a) Property is exempt that:

40.25 (1) is located in a city of the first class with a population less than 100,000 as of the

40.26 2010 federal census;

40.27 (2) was on January 1, 2016, and is for the current assessment, owned by a federally

40.28 recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota;

40.29 and

41.1 (3) is used exclusively as a medical clinic or for a parking lot used exclusively to serve
41.2 the medical clinic.

41.3 (b) Property that qualifies for the exemption under this subdivision is limited to no more
41.4 than ~~two contiguous~~ five parcels and structures that do not exceed, in the aggregate, 30,000
41.5 square feet. Property acquired for single-family housing, market-rate apartments, agriculture,
41.6 or forestry does not qualify for this exemption. The exemption created by this subdivision
41.7 expires with taxes payable in ~~2028~~ 2038.

41.8 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2027.

41.9 Sec. 4. Minnesota Statutes 2024, section 272.02, is amended by adding a subdivision to
41.10 read:

41.11 **Subd. 110. Certain property owned by an Indian Tribe.** (a) Property is exempt that:

41.12 (1) is located in a city with a population greater than 12,400 but less than 12,800
41.13 according to the 2020 federal census;

41.14 (2) was on January 1, 2026, and is for the current assessment, owned by a federally
41.15 recognized Indian Tribe, or its instrumentality, that is located within the state; and

41.16 (3) is used to store medical clinic equipment and materials.

41.17 (b) Property that qualifies for exemption under this subdivision is limited to one parcel.
41.18 Any portion of the property used for housing, parking facilities, agriculture, or forestry does
41.19 not qualify for this exemption.

41.20 **EFFECTIVE DATE.** This section is effective beginning with property taxes payable
41.21 in 2027. For assessment year 2026 only, an exemption application under this section must
41.22 be filed with the county assessor by July 1, 2026.

41.23 Sec. 5. Minnesota Statutes 2025 Supplement, section 273.13, subdivision 22, is amended
41.24 to read:

41.25 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and
41.26 (c), real estate which is residential and used for homestead purposes is class 1a. In the case
41.27 of a duplex or triplex in which one of the units is used for homestead purposes, the entire
41.28 property is deemed to be used for homestead purposes. The market value of class 1a property
41.29 must be determined based upon the value of the house, garage, and land.

42.1 The first \$500,000 of market value of class 1a property has a net classification rate of
42.2 one percent of its market value; and the market value of class 1a property that exceeds
42.3 \$500,000 has a classification rate of 1.25 percent of its market value.

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

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

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

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

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

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

42.19 Permanently and totally disabled for the purpose of this subdivision means a condition
42.20 which is permanent in nature and totally incapacitates the person from working at an
42.21 occupation which brings the person an income. The first \$50,000 market value of class 1b
42.22 property has a net classification rate of 0.45 percent of its market value. The remaining
42.23 market value of class 1b property is classified as class 1a property, class 2a property, or
42.24 class 4d(2) property, whichever is appropriate.

42.25 (c) Class 1c property is commercial use real and personal property that abuts public
42.26 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
42.27 the Department of Natural Resources, and is devoted to temporary and seasonal residential
42.28 occupancy for recreational purposes but not devoted to commercial purposes for more than
42.29 250 days in the year preceding the year of assessment, and that includes a portion used as
42.30 a homestead by the owner, which includes a dwelling occupied as a homestead by a
42.31 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
42.32 resort, or a member of a limited liability company that owns the resort even if the title to
42.33 the homestead is held by the corporation, partnership, or limited liability company. For

43.1 purposes of this paragraph, property is devoted to a commercial purpose on a specific day
43.2 if any portion of the property, excluding the portion used exclusively as a homestead, is
43.3 used for residential occupancy and a fee is charged for residential occupancy. Class 1c
43.4 property must contain three or more rental units. A "rental unit" is defined as a cabin,
43.5 condominium, townhouse, sleeping room, or individual camping site equipped with water
43.6 and electrical hookups for recreational vehicles. Class 1c property must provide recreational
43.7 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill
43.8 or cross-country ski equipment; provide marina services, launch services, or guide services;
43.9 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred
43.10 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies
43.11 for class 1c even though it may remain available for rent. A camping pad offered for rent
43.12 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of
43.13 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If
43.14 the same owner owns two separate parcels that are located in the same township, and one
43.15 of those properties is classified as a class 1c property and the other would be eligible to be
43.16 classified as a class 1c property if it was used as the homestead of the owner, both properties
43.17 will be assessed as a single class 1c property; for purposes of this sentence, properties are
43.18 deemed to be owned by the same owner if each of them is owned by a limited liability
43.19 company, and both limited liability companies have the same membership. The portion of
43.20 the property used as a homestead is class 1a property under paragraph (a). The remainder
43.21 of the property is classified as follows: the first ~~\$600,000~~ \$1,500,000 of market value is tier
43.22 I, the next ~~\$1,700,000~~ \$3,000,000 of market value is tier II, and any remaining market value
43.23 is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent;
43.24 and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and
43.25 seasonal residential occupancy for recreation purposes in which all or a portion of the
43.26 property was devoted to commercial purposes for not more than 250 days in the year
43.27 preceding the year of assessment desiring classification as class 1c, must submit a declaration
43.28 to the assessor designating the cabins or units occupied for 250 days or less in the year
43.29 preceding the year of assessment by January 15 of the assessment year. Those cabins or
43.30 units and a proportionate share of the land on which they are located must be designated as
43.31 class 1c as otherwise provided. The remainder of the cabins or units and a proportionate
43.32 share of the land on which they are located must be designated as class 3a commercial. The
43.33 owner of property desiring designation as class 1c property must provide guest registers or
43.34 other records demonstrating that the units for which class 1c designation is sought were not
43.35 occupied for more than 250 days in the year preceding the assessment if so requested. The
43.36 portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center

44.1 or meeting room, and (5) other nonresidential facility operated on a commercial basis not
 44.2 directly related to temporary and seasonal residential occupancy for recreation purposes
 44.3 does not qualify for class 1c.

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

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

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

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

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

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

44.17 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2026.

44.18 Sec. 6. Minnesota Statutes 2025 Supplement, section 412.341, subdivision 3, is amended
 44.19 to read:

44.20 Subd. 3. **Change in membership; procedures.** (a) The number of commission members
 44.21 may be increased or decreased by ordinance within the permitted number of commissioner
 44.22 members as provided in subdivision 1, paragraph (a). The ordinance ~~changing~~ modifying
 44.23 the number of commission members must include a provision for maintaining staggered
 44.24 terms for commission members, provided that if the number of members is reduced, the
 44.25 reduction must be effected in such a manner that all incumbent members are permitted to
 44.26 serve their full terms. An ordinance adopted under this subdivision must not be effective
 44.27 until at least 45 days after its adoption.

44.28 (b) An ordinance ~~reducing~~ modifying the size of the commission shall not take effect
 44.29 and the question of whether to ~~reduce~~ modify the size of the commission must be placed
 44.30 on the ballot at the next general or special election if: (1) within 45 days of the ordinance's
 44.31 adoption by the city council, a petition is filed with the city clerk requesting that a referendum
 44.32 be held on ~~reducing~~ modifying the size of the commission; and (2) the petition is signed by

45.1 a number of eligible voters equal to at least 15 percent of the number of electors voting at
45.2 the most recent general election. The ballot question shall be substantially stated as follows:

45.3 "Shall the size of the public utilities commission be reduced (increased) from
45.4 members to.....members?"

45.5 The question shall be followed by the words "Yes" and "No" with an appropriate oval or
45.6 similar target shape before each in which a voter may record a choice. If a majority of the
45.7 votes cast on the question are in favor of ~~reducing~~ modifying the size of the commission,
45.8 the ordinance shall be considered approved and shall be effective immediately. If the majority
45.9 of votes cast on the question are against ~~reducing~~ modifying the size of the commission,
45.10 the ordinance shall not take effect.

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

45.12 Sec. 7. Minnesota Statutes 2024, section 469.0773, is amended to read:

45.13 **469.0773 LAKE CITY.**

45.14 Subdivision 1. **Establishment.** The city of Lake City may establish a port authority
45.15 commission that has the same powers as a port authority established under section 469.049
45.16 or other law, except that the port authority shall have no power to issue debt or bonds of
45.17 any kind or exercise powers of eminent domain. The port authority may request the city of
45.18 Lake City to levy a tax for the benefit of the port authority. Notwithstanding section 469.053,
45.19 subdivision 4, the city of Lake City may grant or deny the request to levy a tax. If the city
45.20 establishes a port authority commission, the city shall exercise all the powers relating to the
45.21 port authority granted to a city by sections 469.048 to 469.068 or other law. Notwithstanding
45.22 any law to the contrary, the city may choose the name of the commission.

45.23 Subd. 2. **Municipal housing and redevelopment authority.** If the city of Lake City
45.24 establishes a port authority commission under subdivision 1, the commission may exercise
45.25 the same powers as a municipal housing and redevelopment authority established under
45.26 sections 469.001 to 469.047 or other law, except that the port authority shall have no power
45.27 to levy taxes, issue debt or bonds of any kind, or exercise powers of eminent domain. The
45.28 city shall then exercise all the powers relating to the municipal housing and redevelopment
45.29 authority granted to a city by sections 469.001 to 469.047 or other law.

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

46.1 Sec. 8. Minnesota Statutes 2024, section 469.081, subdivision 3a, is amended to read:

46.2 Subd. 3a. **Terms of members.** Notwithstanding the enabling resolution or section
46.3 469.050, subdivision 4, the term length for an appointee to the Red Wing Port Authority
46.4 for a term beginning on or after January 1, 2011, shall be ~~three~~ six years.

46.5 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
46.6 city of Red Wing and its chief clerical officer comply with Minnesota Statutes, section
46.7 645.021, subdivisions 2 and 3.

46.8 Sec. 9. Minnesota Statutes 2024, section 477A.30, subdivision 8, is amended to read:

46.9 Subd. 8. **Expiration.** Distributions under this section expire after aids payable in 2028
46.10 2032 have been distributed.

46.11 Sec. 10. **CITY OF LAKE CITY; VALIDATION OF PRIOR ACT.**

46.12 Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Lake
46.13 City may approve, by resolution, Laws 2021, chapter 19, section 1, and file its approval
46.14 with the secretary of state by January 1, 2027. If approved under this paragraph, actions
46.15 undertaken by the city in accordance with Laws 2021, chapter 19, section 1, and Minnesota
46.16 Statutes, section 469.0773, are validated.

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

46.18 Sec. 11. **ONETIME INCREASE IN HOMESTEAD CREDIT REFUND.**

46.19 Subdivision 1. **Homestead credit refund.** For claims filed based on taxes payable in
46.20 2026, the commissioner shall increase by 14.88 percent the refund otherwise payable under
46.21 Minnesota Statutes, section 290A.04, subdivision 2.

46.22 Subd. 2. **No notification of appeal rights.** In adjusting homestead credit refunds under
46.23 this section, the commissioner is not required to provide information concerning appeal
46.24 rights that ordinarily must be provided whenever the commissioner adjusts refunds payable
46.25 under Minnesota Statutes, chapter 290A. Taxpayers retain all rights to appeal adjustments
46.26 under this section.

46.27 Subd. 3. **Appropriation.** The amount necessary to make the payments required under
46.28 this section is appropriated from the general fund to the commissioner of revenue.

46.29 **EFFECTIVE DATE.** This section is effective only for refunds based on property taxes
46.30 payable in 2026.

47.1 Sec. 12. **ONETIME SCHOOL DISTRICT SEASONAL TAX BASE REPLACEMENT**47.2 **AID.**

47.3 Subdivision 1. **Aid amount.** (a) For purposes of this subdivision, "eligible school district"
47.4 means a school district for which the seasonal tax base adjustment factor under paragraph
47.5 (c) is at least equal to 0.15.

47.6 (b) For fiscal year 2027 only, an eligible school district's seasonal tax base replacement
47.7 aid equals the product of (1) the seasonal tax base adjustment factor, and (2) the district's
47.8 referendum equalization levy calculated for fiscal year 2027 under Minnesota Statutes,
47.9 section 126C.17, subdivision 6, after any adjustment under Minnesota Statutes, section
47.10 126C.17, subdivisions 7a and 7b.

47.11 (c) A district's seasonal tax base adjustment factor equals the lesser of 0.50 or the ratio
47.12 of (1) the seasonal market value for the district, to (2) the sum of the referendum market
47.13 value and the seasonal market value for the district. For the purposes of this paragraph,
47.14 "seasonal market value" means the market value of all taxable property classified as class
47.15 4c(12) under Minnesota Statutes, section 273.13. The market values used for the calculation
47.16 under this paragraph must be the market values used to calculate levies payable in 2026.

47.17 Subd. 2. **Entitlement limit.** If the total initial aid entitlement calculated under subdivision
47.18 1 exceeds \$2,542,000, the commissioner of education must prorate the aid entitlement for
47.19 each district proportionately.

47.20 Subd. 3. **Payment.** This aid is 100 percent payable in fiscal year 2027.

47.21 Subd. 4. **Appropriation.** \$2,542,000 is appropriated in fiscal year 2027 from the general
47.22 fund to the commissioner of education for onetime school district seasonal tax base
47.23 replacement aid under this section. This is a onetime appropriation.

47.24 Sec. 13. **2027 AID CALCULATION.**

47.25 (a) Notwithstanding Minnesota Statutes, sections 477A.013 and 477A.014, for aids
47.26 payable in 2027 only, the commissioner of revenue must calculate and certify aid under
47.27 Minnesota Statutes, section 477A.013, subdivisions 8 and 9, as if Northern Township is
47.28 eligible to receive the aid in calendar year 2027. If, by January 31, 2027, Northern Township
47.29 has not incorporated as a city, the commissioner of revenue must within 30 days recalculate
47.30 and recertify aid under Minnesota Statutes, section 477A.013, subdivisions 8 and 9, without
47.31 including the township.

48.1 (b) The 2026 aid for the jurisdiction under paragraph (a) is assumed to be \$109.35
48.2 multiplied by the jurisdiction's 2024 population when calculating aid under Minnesota
48.3 Statutes, section 477A.013, subdivisions 8 and 9, for aids payable in 2027 only.

48.4 **EFFECTIVE DATE.** This section is effective for aids payable in 2027 only.

48.5 **ARTICLE 5**

48.6 **MINERALS TAXES**

48.7 Section 1. Minnesota Statutes 2024, section 298.225, is amended to read:

48.8 **298.225 APPROPRIATION.**

48.9 Subdivision 1. **Guaranteed distribution.** (a) Except as provided under ~~paragraph~~
48.10 ~~paragraphs~~ (c) to (f), the distribution of the taconite production tax as provided in section
48.11 298.28, subdivisions 3 to 5, 6, ~~paragraph~~ ~~paragraphs~~ (b) and (c), 7, and 8, shall equal the
48.12 lesser of the following amounts:

48.13 (1) the amount distributed pursuant to this section and section 298.28, with respect to
48.14 1983 production if the production for the year prior to the distribution year is no less than
48.15 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount
48.16 of the distributions shall be reduced proportionately at the rate of two percent for each
48.17 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000
48.18 tons; or

48.19 (2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs
48.20 (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this
48.21 section and section 298.28, with respect to 1983 production;

48.22 (ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b)
48.23 and (d), 75 percent of the amount distributed pursuant to this section and section 298.28,
48.24 with respect to 1983 production provided that the aid guarantee for distributions under
48.25 section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton
48.26 for production years 2014 and thereafter.

48.27 (b) The distribution of the taconite production tax as provided in section 298.28,
48.28 subdivision 2, shall equal the following amount:

48.29 (1) if the production for the year prior to the distribution year is at least 42,000,000
48.30 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
48.31 to 1999 production; or

49.1 (2) if the production for the year prior to the distribution year is less than 42,000,000
49.2 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
49.3 to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000
49.4 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

49.5 (c) The distribution of the taconite production tax under section 298.28, subdivision 3,
49.6 paragraph (a), must equal the amount distributed under 298.28, with respect to 1983
49.7 production.

49.8 (d) For the two years after the year in which Mesabi Metallics or its successor begins
49.9 producing tonnage subject to the taxes under section 298.24, the distribution of the taconite
49.10 production tax under section 298.28, subdivision 4, paragraph (b), clause (1), must equal
49.11 the amount distributed under section 298.28, with respect to 2023 production.

49.12 (e) For the two years after the year in which Mesabi Metallics or its successor begins
49.13 producing tonnage subject to the taxes under section 298.24, the distributions of the taconite
49.14 production tax under section 298.28, subdivision 4, paragraph (b), clause (2), items (i) to
49.15 (v), must equal the amounts distributed under section 298.28, with respect to 2023 production,
49.16 and the distributions of the taconite production tax to each school district under section
49.17 298.28, subdivision 4, paragraph (b), clause (2), item (vi), subitems (A) and (B), must equal
49.18 \$150,000.

49.19 (f) For the two years after the year in which Mesabi Metallics or its successor begins
49.20 producing tonnage subject to the taxes under section 298.24, the distributions of the taconite
49.21 production tax to each school district under section 298.28, subdivision 4, paragraph (d),
49.22 clause (3), items (i) and (ii), must equal \$100,000.

49.23 (g) For the two years after the year in which Mesabi Metallics or its successor begins
49.24 producing tonnage subject to the taxes under section 298.24, the distribution of the taconite
49.25 production tax under section 298.28, subdivision 11, paragraph (d), must equal 75 percent
49.26 of the amount that each school district received under Minnesota Statutes 1978, section
49.27 294.26, in calendar year 1977.

49.28 (h) For the two years after the year in which Mesabi Metallics or its successor begins
49.29 producing tonnage subject to the taxes under section 298.24, the distributions of the taconite
49.30 production tax to each of the city of Orr and the city of Winton under section 298.282,
49.31 subdivision 1, paragraph (a), must equal \$25,000, and the distributions of the taconite
49.32 production tax to each of the city of Cook and the city of Two Harbors under section 298.282,
49.33 subdivision 1, paragraph (a), must equal \$75,000.

50.1 Subd. 2. **Funding guaranteed distribution level.** (a) The money necessary for funding
50.2 the difference between the initial distribution made pursuant to section 298.28 and the
50.3 amount guaranteed in subdivision 1, paragraphs (a) to (c), is appropriated in equal proportions
50.4 from the initial current year distributions to the taconite environmental protection fund and
50.5 to the Douglas J. Johnson economic protection trust pursuant to section 298.28. If the initial
50.6 distributions to the taconite environmental protection fund and the Douglas J. Johnson
50.7 economic protection trust are insufficient to fund the difference, the commissioner of Iron
50.8 Range resources and rehabilitation shall make the payments of any remaining difference
50.9 from the corpus of the taconite environmental protection fund and the corpus of the Douglas
50.10 J. Johnson economic protection trust fund in equal proportions as directed by the
50.11 commissioner of revenue.

50.12 (b) The money necessary for funding the difference between the initial distribution made
50.13 pursuant to section 298.28 and the amount guaranteed in subdivision 1, paragraphs (d) to
50.14 (h), is appropriated from the initial current year distribution to the Douglas J. Johnson
50.15 economic protection trust pursuant to section 298.28. If the initial distribution to the Douglas
50.16 J. Johnson economic protection trust is insufficient to fund the difference, the commissioner
50.17 of Iron Range resources and rehabilitation shall make the payments of any remaining
50.18 difference from the corpus of the Douglas J. Johnson economic protection trust fund as
50.19 directed by the commissioner of revenue.

50.20 (c) If a taconite producer ceases beneficiation operations permanently and is required
50.21 by a special law to make bond payments for a school district, the Douglas J. Johnson
50.22 economic protection trust fund shall assume the payments of the taconite producer if the
50.23 producer ceases to make the needed payments. The commissioner of Iron Range resources
50.24 and rehabilitation shall make these school bond payments from the corpus of the Douglas
50.25 J. Johnson economic protection trust fund in the amounts certified by the commissioner of
50.26 revenue.

50.27 Sec. 2. Minnesota Statutes 2024, section 298.227, is amended to read:

50.28 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

50.29 (a) Except as provided in paragraph (b), an amount equal to that distributed pursuant to
50.30 each taconite producer's taxable production and qualifying sales under section 298.28,
50.31 subdivision 9a, shall be held by the commissioner of Iron Range resources and rehabilitation
50.32 in a separate taconite economic development fund for each taconite and direct reduced ore
50.33 producer. Money from the fund for each producer shall be released by the commissioner
50.34 after review by a joint committee consisting of an equal number of representatives of the

51.1 salaried employees and the nonsalaried production and maintenance employees of that
51.2 producer. The District 11 director of the United States Steelworkers of America, on advice
51.3 of each local employee president, shall select the employee members. In nonorganized
51.4 operations, the employee committee shall be elected by the nonsalaried production and
51.5 maintenance employees. The review must be completed no later than six months after the
51.6 producer presents a proposal for expenditure of the funds to the committee. The funds held
51.7 pursuant to this section may be released only for workforce development, concurrent
51.8 reclamation, plant and stationary mining equipment, facilities for the producer, or for research
51.9 and development in Minnesota on new mining, taconite, iron, or steel production technology,
51.10 but only if the producer provides a matching expenditure equal to the amount of the
51.11 distribution to be used for the same purpose. If a proposed expenditure is not approved by
51.12 the commissioner, after consultation with the advisory board, the funds must be deposited
51.13 in the taconite environmental protection fund under sections 298.222 to 298.225. If a taconite
51.14 production facility is sold after operations at the facility had ceased, any money remaining
51.15 in the fund for the former producer may be released to the purchaser of the facility on the
51.16 terms otherwise applicable to the former producer under this section. If a producer fails to
51.17 provide matching funds for a proposed expenditure within six months after the commissioner
51.18 approves release of the funds, the funds may be released by the commissioner for deposit
51.19 in the taconite area environmental protection fund created in section 298.223. Any portion
51.20 of the fund which is not released by the commissioner within one year of its deposit in the
51.21 fund shall be distributed to the taconite environmental protection fund.

51.22 (b) Notwithstanding any provision to the contrary, a producer operating Mesabi Metallics
51.23 or its successor may not receive a distribution under this section.

51.24 Sec. 3. Minnesota Statutes 2024, section 298.28, subdivision 2, is amended to read:

51.25 Subd. 2. **City or town where quarried or produced.** (a) 4.5 cents per gross ton of
51.26 merchantable iron ore concentrate, hereinafter referred to as "taxable ton," produced by
51.27 each producer except Mesabi Metallics or its successor, plus one cent per taxable ton
51.28 produced in 2023 from the proceeds of the taxes collected under section 298.24 from Mesabi
51.29 Metallics or its successor, plus the amount provided in paragraph (c), must be allocated to
51.30 the city or town in the county in which the lands from which taconite was mined or quarried
51.31 were located or within which the concentrate was produced. If the mining, quarrying, and
51.32 concentration, or different steps in either thereof are carried on in more than one taxing
51.33 district, the commissioner shall apportion equitably the proceeds of the part of the tax going
51.34 to cities and towns among such subdivisions upon the basis of attributing 50 percent of the
51.35 proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder

52.1 to the concentrating plant and to the processes of concentration, and with respect to each
52.2 thereof giving due consideration to the relative extent of such operations performed in each
52.3 such taxing district. The commissioner's order making such apportionment shall be subject
52.4 to review by the Tax Court at the instance of any of the interested taxing districts, in the
52.5 same manner as other orders of the commissioner.

52.6 (b)(1) Four cents per taxable ton produced by each producer except Mesabi Metallics
52.7 or its successor, and one cent per taxable ton produced in 2023 from the proceeds of the
52.8 taxes collected under section 298.24 from Mesabi Metallics or its successor shall be allocated
52.9 to cities and ~~organized~~ townships affected by mining because their boundaries are within
52.10 three miles of a taconite mine pit that:

52.11 (i) was actively mined by LTV Steel Mining Company in 1999; or

52.12 (ii) has been actively mined in at least one of the prior three years.

52.13 (2) If a city or town is located near more than one mine meeting the criteria under this
52.14 paragraph, the city or town is eligible to receive aid calculated from only the mine producing
52.15 the largest taxable tonnage. When more than one municipality qualifies for aid based on
52.16 one company's production, the aid must be apportioned among the municipalities in
52.17 proportion to their populations. The amounts distributed under this paragraph to each
52.18 ~~municipality~~ city and organized township must be used for infrastructure improvement
52.19 projects. The amounts distributed under this paragraph to counties on behalf of each
52.20 unorganized township must be used by the county for infrastructure improvement projects
52.21 within the unorganized township.

52.22 (c) The amount that would have been computed for the current year under Minnesota
52.23 Statutes 2008, section 126C.21, subdivision 4, for a school district shall be distributed to
52.24 the cities and townships within the school district in the proportion that their taxable net tax
52.25 capacity within the school district bears to the taxable net tax capacity of the school district
52.26 for property taxes payable in the year prior to distribution.

52.27 Sec. 4. Minnesota Statutes 2024, section 298.28, subdivision 3, is amended to read:

52.28 Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, produced by each producer except
52.29 Mesabi Metallics or its successor, plus two cents per taxable ton produced in 2023 from the
52.30 proceeds of the taxes collected under section 298.24 from Mesabi Metallics or its successor,
52.31 less any amount distributed under subdivision 8, and paragraph (b), must be allocated to
52.32 the taconite municipal aid account to be distributed as provided in section 298.282. The
52.33 amount allocated to the taconite municipal aid account must be annually increased in the

53.1 same proportion as the increase in the implicit price deflator as provided in section 298.24,
53.2 subdivision 1.

53.3 (b) An amount must be allocated to towns or cities that is annually certified by the county
53.4 auditor of a county containing a taconite tax relief area as defined in section 273.134,
53.5 paragraph (b), within which there is (1) an organized township if, as of January 2, 1982,
53.6 more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a
53.7 city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city
53.8 consists of iron ore.

53.9 (c) The amount allocated under paragraph (b) will be the portion of a township's or city's
53.10 certified levy equal to the proportion of (1) the difference between 50 percent of January
53.11 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980,
53.12 assessed value in the case of a city and its current assessed value to (2) the sum of its current
53.13 assessed value plus the difference determined in (1), provided that the amount distributed
53.14 shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a
53.15 city. For purposes of this limitation, population will be determined according to the 1980
53.16 decennial census conducted by the United States Bureau of the Census. If the current assessed
53.17 value of the township exceeds 50 percent of the township's January 2, 1982, assessed value,
53.18 or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980,
53.19 assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed
53.20 value," when used in reference to years other than 1980 or 1982, means the appropriate net
53.21 tax capacities multiplied by 10.2.

53.22 (d) In addition to other distributions under this subdivision, three cents per taxable ton
53.23 for distributions in 2009 must be allocated for distribution to towns that are entirely located
53.24 within the taconite tax relief area defined in section 273.134, paragraph (b). For distribution
53.25 in 2010 through 2014 and for distribution in 2018 and subsequent years, the three-cent
53.26 amount must be annually increased in the same proportion as the increase in the implicit
53.27 price deflator as provided in section 298.24, subdivision 1. The amount available under this
53.28 paragraph will be distributed to eligible towns on a per capita basis, provided that no town
53.29 may receive more than ~~\$50,000~~ \$70,000 in any year under this paragraph. Any amount of
53.30 the distribution that exceeds the ~~\$50,000~~ \$70,000 limitation for a town under this paragraph
53.31 must be redistributed on a per capita basis among the other eligible towns, to whose
53.32 distributions do not exceed ~~\$50,000~~ \$70,000.

54.1 Sec. 5. Minnesota Statutes 2024, section 298.28, subdivision 4, is amended to read:

54.2 Subd. 4. **School districts.** (a) 32.15 cents per taxable ton produced by each producer
54.3 except Mesabi Metallics or its successor, plus 32.72 cents per taxable ton produced by
54.4 Mesabi Metallics or its successor, plus \$300,000 from the proceeds of the taxes collected
54.5 under section 298.24 from Mesabi Metallics or its successor, plus the increase provided in
54.6 paragraph (b), clause (3), plus the increase provided in paragraph (d), less the amount that
54.7 would have been computed under Minnesota Statutes 2008, section 126C.21, subdivision
54.8 4, for the current year for that district, must be allocated to qualifying school districts to be
54.9 distributed, based upon the certification of the commissioner of revenue, under paragraphs
54.10 (b), (c), (d), and (f).

54.11 (b)(~~i~~)(1) 3.43 cents per taxable ton must be distributed to the school districts in which
54.12 the lands from which taconite was mined or quarried were located or within which the
54.13 concentrate was produced.

54.14 The distribution must be based on the apportionment formula prescribed in subdivision
54.15 2.

54.16 (~~ii~~)(2) Four cents per taxable ton from each taconite facility produced by each producer
54.17 except Mesabi Metallics or its successor, plus eight cents per taxable ton produced by Mesabi
54.18 Metallics or its successor, plus \$300,000 from the proceeds of the taxes collected under
54.19 section 298.24 from Mesabi Metallics or its successor must be distributed to each affected
54.20 school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

54.21 (~~1~~)(i) proceeds from Keewatin Taconite or its successor are distributed to Independent
54.22 School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor
54.23 districts;

54.24 (~~2~~)(ii) proceeds from the Hibbing Taconite Company or its successor are distributed to
54.25 Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor
54.26 districts;

54.27 (~~3~~)(iii) proceeds from the Mittal Steel Company and Minntac or their successors are
54.28 distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, ~~706, Virginia,~~
54.29 ~~2711, Mesabi East, and 2154, Eveleth-Gilbert~~ 2909, Rock Ridge, or their successor districts;

54.30 (~~4~~)(iv) proceeds from the Northshore Mining Company or its successor are distributed
54.31 to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or
54.32 their successor districts; ~~and~~

55.1 ~~(5)~~ (v) proceeds from United Taconite or its successor are distributed to Independent
 55.2 School Districts Nos. 2142, St. Louis County, and ~~2154, Eveleth-Gilbert~~ 2909, Rock Ridge,
 55.3 or their successor districts; and

55.4 (vi) proceeds from Mesabi Metallics or its successor are distributed as follows:

55.5 (A) \$150,000 to Independent School District No. 318, Grand Rapids, or its successor
 55.6 district;

55.7 (B) \$150,000 to Independent School District No. 696, Ely, or its successor district; and

55.8 (C) eight cents per taxable ton to Independent School Districts Nos. 316, Greenway,
 55.9 and 319, Nashwauk-Keewatin, or their successor districts.

55.10 Revenues that are required to be distributed to more than one district shall be apportioned
 55.11 according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled
 55.12 in the second previous year.

55.13 (3) Each school district that received a distribution under clause (2) in distribution year
 55.14 2024 shall receive, from the proceeds of the taxes collected under section 298.24 from
 55.15 Mesabi Metallics or its successor, an additional four cents per taxable ton produced in 2023
 55.16 by the producer from which the school district received a distribution under clause (2) in
 55.17 distribution year 2024.

55.18 ~~(c)(1)~~ (1) 24.72 cents per taxable ton, less any amount distributed under paragraph (e),
 55.19 shall be distributed to a group of school districts comprised of those school districts which
 55.20 qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a
 55.21 qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion
 55.22 to school district indexes as follows: for each school district, its pupil units determined
 55.23 under section 126C.05 for the prior school year shall be multiplied by the ratio of the average
 55.24 adjusted net tax capacity per pupil unit for school districts receiving aid under this clause
 55.25 as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior
 55.26 to distribution to the adjusted net tax capacity per pupil unit of the district. Each district
 55.27 shall receive that portion of the distribution which its index bears to the sum of the indices
 55.28 for all school districts that receive the distributions.

55.29 ~~(ii)~~ (2) Notwithstanding clause ~~(i)~~ (1), each school district that receives a distribution
 55.30 under sections 298.018; 298.24; and 298.25 to 298.28, exclusive of any amount received
 55.31 under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a
 55.32 tax on severed mineral values after reduction for any portion distributed to cities and towns
 55.33 under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy

56.1 reduction under section 126C.48, subdivision 8, for the second year prior to the year of the
56.2 distribution shall receive a distribution equal to the difference; the amount necessary to
56.3 make this payment shall be derived from proportionate reductions in the initial distribution
56.4 to other school districts under clause ~~(i)~~ (1). If there are insufficient tax proceeds to make
56.5 the distribution provided under this paragraph in any year, money must be transferred from
56.6 the taconite property tax relief account in subdivision 6, to the extent of the shortfall in the
56.7 distribution.

56.8 (d)(1) Any school district described in paragraph (c) where a levy increase pursuant to
56.9 section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001,
56.10 shall receive a distribution of 21.3 cents per taxable ton. Each district shall receive \$175
56.11 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second
56.12 previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8
56.13 percent times the district's taxable net tax capacity in 2011.

56.14 (2) Districts qualifying under paragraph (c) must receive additional taconite aid each
56.15 year equal to 22.5 percent of the amount obtained by subtracting:

56.16 (i) 1.8 percent of the district's net tax capacity for 2011, from:

56.17 (ii) the district's weighted average daily membership for fiscal year 2012, multiplied by
56.18 the sum of:

56.19 (A) \$415, plus

56.20 (B) the district's referendum revenue allowance for fiscal year 2013.

56.21 (3) In addition to amounts under clauses (1) and (2), 4.57 cents per taxable ton produced
56.22 in 2023 from the proceeds of the taxes collected under section 298.24 from Mesabi Metallica
56.23 or its successor must be distributed as follows:

56.24 (i) \$100,000 from the proceeds of Mesabi Metallica or its successor to Independent
56.25 School District No. 695, Chisholm, or its successor district;

56.26 (ii) \$100,000 from the proceeds of Mesabi Metallica or its successor to Independent
56.27 School District No. 696, Ely, or its successor district; and

56.28 (iii) the remainder to school districts eligible for a distribution under paragraph (b),
56.29 clause (1), based on the apportionment formula prescribed in subdivision 2.

56.30 If the total amount provided by paragraph (d), clauses (1) and (2), is insufficient to make
56.31 the payments herein required then the entitlement of \$175 per pupil unit shall be reduced
56.32 uniformly so as not to exceed the funds available. Any amounts received by a qualifying

57.1 school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce
57.2 general education aid which the district receives pursuant to section 126C.13 or the
57.3 permissible levies of the district. Any amount remaining after the payments provided in this
57.4 paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who
57.5 shall deposit the same in the taconite environmental protection fund and the Douglas J.
57.6 Johnson economic protection trust fund as provided in subdivision 11.

57.7 Each district receiving money according to this paragraph shall reserve the lesser of the
57.8 amount received under this paragraph or \$25 times the number of pupil units served in the
57.9 district. It may use the money for early childhood programs.

57.10 (e) There shall be distributed to any school district the amount which the school district
57.11 was entitled to receive under section 298.32 in 1975.

57.12 (f) Four cents per taxable ton must be distributed to qualifying school districts according
57.13 to the distribution specified in paragraph (b), clause ~~(ii)~~ (2), and 11 cents per taxable ton
57.14 must be distributed according to the distribution specified in paragraph (c). These amounts
57.15 are not subject to section 126C.48, subdivision 8.

57.16 Sec. 6. Minnesota Statutes 2024, section 298.28, subdivision 7a, is amended to read:

57.17 Subd. 7a. **Iron Range schools and community development account.** (a) The following
57.18 amounts must be allocated to the commissioner of Iron Range resources and rehabilitation
57.19 to be deposited in the Iron Range schools and community development account that is
57.20 hereby created:

57.21 (1)(i) for distributions in 2024 through 2032, 24 cents per taxable ton of the tax imposed
57.22 under section 298.24, (ii) for distributions beginning in 2033, ten cents per taxable ton of
57.23 the tax imposed under section 298.24;

57.24 (2) the amount as determined under section 298.17, paragraph (b), clause (3); ~~and~~

57.25 (3) for distributions in the year after the year in which Mesabi Metallics or its successor
57.26 begins producing tonnage subject to the taxes under section 298.24 through 2050, 20 cents
57.27 per taxable ton produced by Mesabi Metallics or its successor, provided that the allocation
57.28 under this clause must only be used for projects within Independent School District No.
57.29 316, Greenway, that are approved by referendum within five years of the date Mesabi
57.30 Metallics or its successor begins producing tonnage subject to the taxes under section 298.24,
57.31 and that are approved by the commissioner of Iron Range resources and rehabilitation after
57.32 review by the Iron Range Resources and Rehabilitation Advisory Board. If projects are not
57.33 approved by referendum within five years of the date Mesabi Metallics or its successor

58.1 begins producing tonnage subject to the taxes under section 298.24, or if the commissioner
58.2 determines that the allocation exceeds the amount necessary for approved projects, the
58.3 remainder of the allocation under this clause must be used as provided under paragraph (b);
58.4 and

58.5 (4) any other amount as provided by law.

58.6 (b) Expenditures from this account, except as provided in paragraph (a), clause (3), may
58.7 be approved as ongoing annual expenditures and shall be made only to provide for
58.8 disbursements to assist school districts with the payment of bonds that were issued for
58.9 qualified school projects, or for any other disbursements to school disbursement as approved
58.10 by the commissioner of Iron Range resources and rehabilitation after consultation with the
58.11 Iron Range Resources and Rehabilitation Board districts, or community development. For
58.12 purposes of this section, "qualified school projects" means school projects within the taconite
58.13 assistance area as defined in section 273.1341, that were (1) approved, by referendum, after
58.14 April 3, 2006; and (2) approved by the commissioner of education pursuant to section
58.15 123B.71.

58.16 (c) Beginning in fiscal year 2019, the disbursement to school districts for payments for
58.17 bonds issued under section 123A.482, subdivision 9, must be increased each year to offset
58.18 any reduction in debt service equalization aid that the school district qualifies for in that
58.19 year, under section 123B.53, subdivision 6, compared with the amount the school district
58.20 qualified for in fiscal year 2018.

58.21 (d) No expenditure under this section shall be made unless approved by the commissioner
58.22 of Iron Range resources and rehabilitation after consultation with the Iron Range Resources
58.23 and Rehabilitation Advisory Board.

58.24 Sec. 7. Minnesota Statutes 2024, section 298.28, subdivision 8, is amended to read:

58.25 Subd. 8. **Range Association of Municipalities and Schools.** 0.50 cent per taxable ton
58.26 produced by each producer except Mesabi Metallics or its successor shall be paid to the
58.27 Range Association of Municipalities and Schools, for the purpose of providing an areawide
58.28 approach to problems which demand coordinated and cooperative actions and which are
58.29 common to those areas of northeast Minnesota affected by operations involved in mining
58.30 iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting
58.31 the general welfare and economic development of the cities, towns, and school districts
58.32 within the Iron Range area of northeast Minnesota.

59.1 Sec. 8. Minnesota Statutes 2024, section 298.28, subdivision 9a, is amended to read:

59.2 Subd. 9a. **Taconite economic development fund.** (a) 25.1 cents per taxable ton ~~for~~
59.3 ~~distributions in 2002 and thereafter~~ produced by each producer except Mesabi Metallics or
59.4 its successor must be paid to the taconite economic development fund. No distribution shall
59.5 be made under this paragraph in ~~2004~~ 2027 or any subsequent year in which total industry
59.6 production in the preceding year, excluding production by MagIron or its successor at Plant
59.7 4 in Arbo Township and production by Mesabi Metallics or its successor, falls below 30
59.8 million tons. Distribution shall only be made to a Minnesota taconite pellet producer's fund
59.9 under section 298.227 if the producer timely pays its tax under section 298.24 by the dates
59.10 provided under section 298.27, or pursuant to the due dates provided by an administrative
59.11 agreement with the commissioner.

59.12 (b) An amount equal to 50 percent of the ~~tax~~ taxes collected under section 298.24 from
59.13 each producer except Mesabi Metallics or its successor for concentrate sold in the form of
59.14 pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall
59.15 be paid to the taconite economic development fund. The amount paid shall not exceed
59.16 \$700,000 annually for all Minnesota taconite pellet producers. If the initial amount to be
59.17 paid to the fund exceeds this amount, each Minnesota taconite pellet producer's payment
59.18 shall be prorated so the total does not exceed \$700,000.

59.19 Sec. 9. Minnesota Statutes 2024, section 298.28, subdivision 9b, is amended to read:

59.20 Subd. 9b. **Taconite environmental fund.** Five cents per taxable ton must be paid to the
59.21 taconite environmental fund for use under section 298.2961, subdivision 4.

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

59.23 Sec. 10. Minnesota Statutes 2024, section 298.28, is amended by adding a subdivision to
59.24 read:

59.25 Subd. 10a. **Insufficient proceeds.** If the proceeds of the taxes collected under section
59.26 298.24 from Mesabi Metallics or its successor are insufficient to fund the allocations
59.27 designated from those proceeds under this section, the following allocations and distributions
59.28 must be proportionally decreased such that the proceeds of the taxes collected under section
59.29 298.24 from Mesabi Metallics or its successor are sufficient to fund the allocations designated
59.30 from those proceeds under this section:

59.31 (1) allocations under this section calculated based on taxable tonnage produced in 2023;

- 60.1 (2) distributions under subdivision 4, paragraph (b), clause (2), item (vi), subitems (A)
60.2 and (B); and
- 60.3 (3) distributions under subdivision 4, paragraph (d), clause (3), items (i) and (ii).

60.4 Sec. 11. Minnesota Statutes 2024, section 298.28, subdivision 11, is amended to read:

60.5 Subd. 11. **Remainder.** (a) The proceeds of the tax imposed by section 298.24 which
60.6 remain after the distributions and payments in subdivisions 2 to ~~10~~ 10, as certified by the
60.7 commissioner of revenue, and paragraphs (b), (c), and (d) have been made, together with
60.8 interest earned on all money distributed under this section prior to distribution, shall be
60.9 divided between the taconite environmental protection fund created in section 298.223 and
60.10 the Douglas J. Johnson economic protection trust fund created in section 298.292 as follows:
60.11 Two-thirds to the taconite environmental protection fund and one-third to the Douglas J.
60.12 Johnson economic protection trust fund. The proceeds shall be placed in the respective
60.13 special accounts.

60.14 (b) There shall be distributed to each city, town, and county the amount that it received
60.15 under Minnesota Statutes 1978, section 294.26, in calendar year 1977; provided, however,
60.16 that (1) the amount distributed in 1981 to the unorganized territory number 2 of Lake County
60.17 and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company
60.18 will be distributed in 1982 and subsequent years to the unorganized territory number 2 of
60.19 Lake County and the towns of Beaver Bay and Stony River based on the miles of track of
60.20 Erie Mining Company in each taxing district; and (2) a city located within six miles of five
60.21 other cities qualifying for a distribution under section 298.282 shall receive a distribution
60.22 equal to \$5,000 under this paragraph in calendar year 2020 and subsequent years. The
60.23 distribution to all other cities and towns receiving a distribution under this paragraph shall
60.24 be reduced by the ratio that \$5,000 bears to the total aid distribution received by all cities
60.25 and towns under this paragraph.

60.26 (c) There shall be distributed to the Iron Range resources and rehabilitation account the
60.27 amounts it received in 1977 under Minnesota Statutes 1978, section 298.22. The amount
60.28 distributed under this paragraph shall be expended within or for the benefit of the taconite
60.29 assistance area defined in section 273.1341.

60.30 (d) There shall be distributed to each school district ~~62~~ 75 percent of the amount that it
60.31 received under Minnesota Statutes 1978, section 294.26, in calendar year 1977.

61.1 Sec. 12. Minnesota Statutes 2024, section 298.282, subdivision 1, is amended to read:

61.2 Subdivision 1. **Distribution of taconite municipal aid account.** (a) The amount
 61.3 deposited with the county as provided in section 298.28, subdivision 3, must be distributed
 61.4 as provided by this section among: (1) the municipalities located within a taconite assistance
 61.5 area under section 273.1341 that meet the criteria of section 273.1341, clause (1) or (2); (2)
 61.6 a township that contains a state park consisting primarily of an underground iron ore mine;
 61.7 (3) a city located within five miles of that state park; (4) the city of Cook in St. Louis County;
 61.8 (5) the city of Two Harbors in Lake County; (6) the city of Orr in St. Louis County; (7) the
 61.9 city of Winton in St. Louis County; and ~~(4)~~ (8) Breitung Township in St. Louis County,
 61.10 each being referred to in this section as a qualifying municipality. ~~The distribution to~~
 61.11 distributions to each of the city of Orr, the city of Winton, and Breitung Township under
 61.12 this subdivision shall be \$25,000 annually. The distributions to each of the city of Cook and
 61.13 the city of Two Harbors under this subdivision shall be \$75,000 annually.

61.14 (b) The amount deposited in the state general fund as provided in section 298.018,
 61.15 subdivision 1, must be distributed in the same manner as provided under paragraph (a),
 61.16 except that subdivisions 3, 4, and 5 do not apply, and the distributions shall be made on the
 61.17 dates provided under section 298.018, subdivision 1a.

61.18 Sec. 13. **EFFECTIVE DATE; REVISOR NOTIFICATION.**

61.19 (a) Sections 1 to 8 and 10 to 12 are effective for distributions in the year after the year
 61.20 in which Mesabi Metallics or its successor begins producing tonnage subject to the taxes
 61.21 under Minnesota Statutes, section 298.24, and thereafter. The commissioner of revenue
 61.22 must certify to the commissioner of Iron Range resources and rehabilitation when production
 61.23 begins.

61.24 (b) The commissioner of revenue must notify the revisor of statutes within 30 days of
 61.25 the certification under paragraph (a).

61.26 ARTICLE 6

61.27 TAX INCREMENT FINANCING

61.28 Section 1. Minnesota Statutes 2024, section 469.176, subdivision 2, is amended to read:

61.29 Subd. 2. **Excess increments.** (a) The authority ~~shall~~ must annually determine the amount
 61.30 of excess increments for a district, if any. This determination must be based on the tax
 61.31 increment financing plan in effect on December 31 of the year being reviewed and the
 61.32 increments ~~and other revenues~~ received as of December 31 of the year. ~~The authority must~~

62.1 ~~spend or return the excess increments under paragraph (e) within nine months after the end~~
 62.2 ~~of the year.~~ If the authority determines there are excess increments for a district, within nine
 62.3 months after December 31, the authority must:

62.4 (1) return the excess increments to the county auditor; and

62.5 (2) absent an outstanding qualifying pay-as-you-go contract and note, as defined under
 62.6 section 469.1763, subdivision 4, paragraph (e), decertify the district.

62.7 (b) The requirement to decertify under paragraph (a) is deferred if:

62.8 (1) within nine months after December 31, a modification of the tax increment financing
 62.9 plan is approved under section 469.175, subdivision 4; and

62.10 (2) the modification increases the total costs authorized to be paid with increments from
 62.11 the district by an amount greater than the excess increment determined under paragraph (a).

62.12 (c) The deferral permitted under paragraph (b) expires nine months following the next
 62.13 year for which:

62.14 (1) the authority determines an amount of excess increments exists;

62.15 (2) there are no further approved modifications to the tax increment financing plan that
 62.16 increase the total costs authorized to be paid with increments from the district by an amount
 62.17 greater than the excess increment; and

62.18 (3) the district has no outstanding qualifying pay-as-you-go contract and note.

62.19 ~~(b)~~ (d) For purposes of this subdivision, "excess increments" equals the excess of:

62.20 (1) total increments collected from the district since its certification, reduced by any
 62.21 excess increments ~~paid~~ returned under paragraph ~~(e), clause (4),~~ (e) for a prior year, over

62.22 (2) the total costs authorized by the tax increment financing plan to be paid with
 62.23 increments from the district, ~~reduced, but not below zero,~~ by the sum of:

62.24 ~~(i) the amounts of those authorized costs that have been paid from sources other than~~
 62.25 ~~tax increments from the district;~~

62.26 ~~(ii) revenues, other than tax increments from the district, that are dedicated for or~~
 62.27 ~~otherwise required to be used to pay those authorized costs and that the authority has received~~
 62.28 ~~and that are not included in item (i);~~

62.29 ~~(iii) the amount of principal and interest obligations due on outstanding bonds after~~
 62.30 ~~December 31 of the year and not prepaid under paragraph (e) in a prior year; and~~

63.1 (iv) increased by the sum of the transfers of increments made under section 469.1763,
63.2 subdivision 6, to reduce deficits in other districts made by December 31 of the year.

63.3 ~~(c) The authority shall use excess increment only to do one or more of the following:~~

63.4 ~~(1) prepay any outstanding bonds;~~

63.5 ~~(2) discharge the pledge of tax increment for any outstanding bonds;~~

63.6 ~~(3) pay into an escrow account dedicated to the payment of any outstanding bonds; or~~

63.7 ~~(4) return the excess amount to~~ (e) The county auditor ~~who shall~~ must distribute the
63.8 ~~excess amount~~ increments returned under paragraph (a) to the city or town, county, and
63.9 school district in which the tax increment financing district is located in direct proportion
63.10 to their respective local tax rates.

63.11 ~~(d) For purposes of a district for which the request for certification was made prior to~~
63.12 ~~August 1, 1979, excess increments equal the amount of increments on hand on December~~
63.13 ~~31, less the principal and interest obligations due on outstanding bonds or advances,~~
63.14 ~~qualifying under subdivision 1e, clauses (1), (2), (4), and (5), after December 31 of the year~~
63.15 ~~and not prepaid under paragraph (e).~~

63.16 ~~(e)~~ (f) The county auditor must, prior to February 1 of each year, report to the
63.17 commissioner of education the amount of any excess tax increment distributed to a school
63.18 district for the preceding taxable year.

63.19 ~~(f) For purposes of this subdivision, "outstanding bonds" means bonds which are secured~~
63.20 ~~by increments from the district.~~

63.21 ~~(g) The state auditor may exempt an authority from reporting the amounts calculated~~
63.22 ~~under this subdivision for a calendar year, if the authority certifies to the auditor in its report~~
63.23 ~~that the total amount authorized by the tax increment plan to be paid with increments from~~
63.24 ~~the district exceeds the sum of the total increments collected for the district for all years by~~
63.25 ~~20 percent.~~

63.26 **EFFECTIVE DATE.** This section applies to all districts and is effective for excess
63.27 increment determinations for calendar year 2026 and thereafter.

64.1 Sec. 2. Laws 2021, First Special Session chapter 14, article 9, section 9, is amended to
64.2 read:

64.3 **Sec. 9. CITY OF MOUNTAIN LAKE; TIF DISTRICT NO. 1-8; FIVE-YEAR RULE**
64.4 **EXTENSION.**

64.5 (a) The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities
64.6 must be undertaken within a five-year period from the date of certification of a tax increment
64.7 financing district, is extended by ~~a five-year~~ an eight-year period to April 1, 2029, for Tax
64.8 Increment Financing District No. 1-8, administered by the city of Mountain Lake or its
64.9 economic development authority.

64.10 (b) The requirement of Minnesota Statutes, section 469.1763, subdivision 4, relating to
64.11 the use of increment after the expiration of the five-year period under Minnesota Statutes,
64.12 section 469.1763, subdivision 3, is extended to the ~~11th~~ 14th year for Tax Increment
64.13 Financing District No. 1-8.

64.14 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
64.15 city of Mountain Lake and its chief clerical officer comply with the requirements of
64.16 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

64.17 Sec. 3. Laws 2021, First Special Session chapter 14, article 9, section 11, is amended to
64.18 read:

64.19 **Sec. 11. CITY OF WAYZATA; TIF DISTRICT NO. 6; EXPENDITURES**
64.20 **ALLOWED.**

64.21 (a) Notwithstanding Minnesota Statutes, ~~section~~ sections 469.176, subdivision 4l, and
64.22 469.1763, subdivision 2, the city of Wayzata may expend increments generated from Tax
64.23 Increment Financing District No. 6 for the design and construction of the lakefront pedestrian
64.24 walkway and community transient lake public access infrastructure related to the Panoway
64.25 on Wayzata Bay project, and all such expenditures are deemed expended on activities within
64.26 the district.

64.27 (b) Notwithstanding Minnesota Statutes, sections 469.176, subdivision 4l, and 469.1763,
64.28 subdivision 2, the city of Wayzata may expend increments generated from Tax Increment
64.29 Financing District No. 6 on the following projects:

64.30 (1) design and construction of the Eco Park, including shoreline restoration, marsh and
64.31 water quality improvements, a pier extension of the lakeside boardwalk, and creation of
64.32 eco-living classrooms;

65.1 (2) restoration of the Section Foreman House, including installation of a learning center
65.2 and community space; and

65.3 (3) expansion and remodeling of the Depot Park, including accessibility improvements
65.4 related to the Panoway on Wayzata Bay project.

65.5 (c) Notwithstanding Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4,
65.6 expenditures on projects in paragraph (b) are deemed expended on activities within the
65.7 district.

65.8 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
65.9 city of Wayzata and its chief clerical officer comply with the requirements of Minnesota
65.10 Statutes, section 645.021, subdivisions 2 and 3.

65.11 Sec. 4. Laws 2025, First Special Session chapter 13, article 5, section 11, subdivision 3,
65.12 is amended to read:

65.13 Subd. 3. **Expiration.** The authority to approve a tax increment financing plan to establish
65.14 a tax increment financing district under this section expires December 31, ~~2026~~ 2028.

65.15 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
65.16 city of Eden Prairie and its chief clerical officer comply with the requirements of Minnesota
65.17 Statutes, section 645.021, subdivisions 2 and 3.

65.18 Sec. 5. **CITY OF CHASKA; TAX INCREMENT FINANCING DISTRICT NO. 23.**

65.19 Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, the Chaska
65.20 Economic Development Authority may collect tax increment from Chaska Tax Increment
65.21 Financing District No. 23 for up to 35 years after receipt of the first increment.

65.22 **EFFECTIVE DATE.** This section is effective upon compliance by the governing bodies
65.23 of the city of Chaska, Carver County, and Independent School District No. 112 with the
65.24 requirements of Minnesota Statutes, section 469.1782, subdivision 2.

65.25 Sec. 6. **CITY OF COLUMBIA HEIGHTS; ALATUS TAX INCREMENT**
65.26 **FINANCING DISTRICT; FIVE-YEAR RULE EXTENSION; SIX-YEAR RULE**
65.27 **EXTENSION; DURATION EXTENSION.**

65.28 (a) The five-year period under Minnesota Statutes, section 469.1763, subdivision 3, is
65.29 extended to ten years and the period under Minnesota Statutes, section 469.1763, subdivision
65.30 4, relating to the use of increment after the expiration of the five-year period, is extended
65.31 to 11 years for the Alatus Tax Increment Financing District in the city of Columbia Heights.

66.1 (b) Notwithstanding Minnesota Statutes, section 469.176, subdivisions 1b and 1d, the
 66.2 city of Columbia Heights or its economic development authority may elect to extend the
 66.3 duration of the Alatus Tax Increment Financing District in the city of Columbia Heights by
 66.4 five years.

66.5 **EFFECTIVE DATE.** Paragraph (a) is effective the day after the governing body of the
 66.6 city of Columbia Heights and its chief clerical officer comply with the requirements of
 66.7 Minnesota Statutes, section 645.021, subdivisions 2 and 3. Paragraph (b) is effective upon
 66.8 compliance by the governing bodies of the city of Columbia Heights, Anoka County, and
 66.9 Independent School District No. 13 with the requirements of Minnesota Statutes, section
 66.10 469.1782, subdivision 2.

66.11 Sec. 7. **CITY OF HOPKINS; TAX INCREMENT FINANCING DISTRICT 1-6 (325**
 66.12 **BLAKE); FIVE-YEAR RULE EXTENSION; SIX-YEAR RULE EXTENSION.**

66.13 The five-year period under Minnesota Statutes, section 469.1763, subdivision 3, is
 66.14 extended to ten years and the period under Minnesota Statutes, section 469.1763, subdivision
 66.15 4, relating to the use of increment after the expiration of the five-year period, is extended
 66.16 to 11 years for Tax Increment Financing District 1-6 (325 Blake) in the city of Hopkins.

66.17 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
 66.18 city of Hopkins and its chief clerical officer comply with the requirements of Minnesota
 66.19 Statutes, section 645.021, subdivisions 2 and 3.

66.20 **ARTICLE 7**

66.21 **PUBLIC FINANCE**

66.22 Section 1. Minnesota Statutes 2024, section 297A.993, subdivision 4, is amended to read:

66.23 Subd. 4. **Bonds.** (a) A county may, by resolution, authorize, issue, and sell its bonds,
 66.24 notes, or other obligations for the purposes specified in subdivision 2. The county may also,
 66.25 by resolution, issue bonds to refund the bonds issued pursuant to this subdivision.

66.26 (b) The bonds may be limited obligations, payable solely from or secured by taxes levied
 66.27 under this section, and the county may also pledge its full faith, credit, and taxing power as
 66.28 additional security for the bonds. A regional railroad authority within the county may also
 66.29 pledge its taxing powers as additional security for the bonds.

66.30 (c) A county may issue and sell bonds in one or more series and without an election.
 66.31 The county may determine how the bonds shall be secured; how the bonds will bear interest,
 66.32 and the rate or rates, or variable rate; the rank or priority; how the bonds will be executed

67.1 and be payable, and how they will mature; and how the bonds will be subject to any defaults,
 67.2 redemptions, repurchases, tender options, or other terms. The county may also determine
 67.3 how the bonds shall be sold.

67.4 (d) The county may enter into and perform all contracts deemed necessary or desirable
 67.5 by it to issue and secure the bonds, including an indenture of trust with a trustee located
 67.6 within or outside of the state.

67.7 (e) Before issuing bonds qualifying under this section, the county must publish a notice
 67.8 of its intention to issue the bonds and the date and time of a hearing to obtain public comment
 67.9 on the matter. The notice must be published in the official newspaper of the county or in a
 67.10 newspaper of general circulation in the county. The notice must be published at least ~~14~~
 67.11 ten, but not more than 28, days before the date of the hearing.

67.12 (f) Any project financed with bonds issued under this section must be included in a
 67.13 capital improvement plan as defined in section 373.40, subdivision 3. For purposes of this
 67.14 paragraph, "project" means any project described in subdivision 2, notwithstanding section
 67.15 373.40, subdivision 1, paragraph (b).

67.16 (g) Except as otherwise provided in this subdivision, the bonds must be issued and sold
 67.17 in the manner provided under chapter 475.

67.18 Sec. 2. Minnesota Statutes 2024, section 469.060, subdivision 3, is amended to read:

67.19 Subd. 3. **Detail; maturity.** The port authority with the consent of its city's council shall
 67.20 set the date, denominations, place of payment, form, and details of the bonds. ~~The bonds~~
 67.21 ~~must mature serially.~~ The first installment must be due in not more than three years and the
 67.22 last in not more than 30 years from the date of issuance.

67.23 ARTICLE 8

67.24 MISCELLANEOUS

67.25 Section 1. Minnesota Statutes 2024, section 270B.14, is amended by adding a subdivision
 67.26 to read:

67.27 Subd. 25. **Exchange of criminal investigative data between Department of Revenue**
 67.28 **and Financial Crimes and Fraud Section.** (a) For purposes of this subdivision, "FCFS"
 67.29 **means the Financial Crimes and Fraud Section of the Bureau of Criminal Apprehension.**

67.30 (b) **The commissioner may disclose active criminal investigative data as classified under**
 67.31 **section 270B.03, subdivision 6, to the FCFS. The FCFS may disclose active criminal**
 67.32 **investigative data concerning tax administration to the commissioner as outlined in section**

68.1 299C.061, subdivision 6. The commissioner may enter into an agreement with the FCFS
68.2 outlining procedures to implement the exchange of information under this subdivision, but
68.3 an agreement may provide for the disclosure of data only to the extent allowed under this
68.4 subdivision. Disclosure is allowed only for the purpose of and to the extent necessary for
68.5 tax administration and for the purpose of and to the extent necessary for the FCFS to carry
68.6 out section 299C.061, subdivision 3.

68.7 (c) Data disclosed by the commissioner to the FCFS under this subdivision are classified
68.8 under section 270B.03, subdivision 6. Data disclosed by the FCFS to the commissioner
68.9 under section 299C.061, subdivision 6, are classified under section 13.82, subdivision 7.

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

68.11 Sec. 2. Minnesota Statutes 2024, section 270B.15, is amended to read:

68.12 **270B.15 DISCLOSURE TO LEGISLATIVE AUDITOR AND STATE AUDITOR;**
68.13 **INSPECTOR GENERAL.**

68.14 Subdivision 1. **Legislative auditor and state auditor.** (a) Returns and return information
68.15 must be disclosed to the legislative auditor to the extent necessary for the legislative auditor
68.16 to carry out sections 3.97 to 3.979.

68.17 (b) The commissioner must disclose return information, including the report required
68.18 under section 289A.12, subdivision 15, to the state auditor to the extent necessary to conduct
68.19 audits of job opportunity building zones as required under section 469.3201.

68.20 Subd. 2. **Inspector general.** Returns and return information must be disclosed to the
68.21 inspector general, as given meaning in section 15E.10, to the extent necessary for the
68.22 inspector general to carry out chapter 15E. The inspector general may disseminate data of
68.23 any classification to the commissioner for purposes of administering the provisions of section
68.24 290.036.

68.25 **EFFECTIVE DATE.** This section is effective January 1, 2027.

68.26 Sec. 3. Minnesota Statutes 2024, section 270C.56, subdivision 1, is amended to read:

68.27 Subdivision 1. **Liability imposed.** A person who, either singly or jointly with others,
68.28 has the control of, supervision of, or responsibility for filing returns or reports, paying taxes,
68.29 or collecting or withholding and remitting taxes and who fails to do so, or a person who is
68.30 liable under any other law, is liable for the payment of taxes arising under chapters 295,
68.31 296A, 297A, 297F, and 297G, or sections 290.036, 290.92, and 297E.02, and the applicable
68.32 penalties and interest on those taxes.

69.1 **EFFECTIVE DATE.** This section is effective for convictions of fraud made after
69.2 December 31, 2025.

69.3 Sec. 4. Minnesota Statutes 2024, section 289A.40, subdivision 1, is amended to read:

69.4 Subdivision 1. **Time limit; generally.** (a) Unless otherwise provided in this chapter, a
69.5 claim for a refund of an overpayment of state tax must be filed within 3-1/2 years from the
69.6 date prescribed for filing the return, plus any extension of time granted for filing the return,
69.7 but only if filed within the extended time, or ~~one year from the date of an order assessing~~
69.8 ~~tax under section 270C.33 or an order determining an appeal under section 270C.35,~~
69.9 ~~subdivision 8, or one year from the date of a return made by the commissioner under section~~
69.10 ~~270C.33, subdivision 3, upon payment in full of the tax, penalties, and interest shown on~~
69.11 ~~the order or return made by the commissioner~~ two years from the date the tax, penalties, or
69.12 interest was paid, whichever period expires later. ~~Claims for refund, except for taxes under~~
69.13 ~~chapter 297A, filed after the 3-1/2 year period but within the one-year period are limited to~~
69.14 ~~the amount of the tax, penalties, and interest on the order or return made by the commissioner~~
69.15 ~~and to issues determined by the order or return made by the commissioner.~~

69.16 ~~In the case of assessments under section 289A.38, subdivision 5 or 6, claims for refund~~
69.17 ~~under chapter 297A filed after the 3-1/2 year period but within the one-year period are~~
69.18 ~~limited to the amount of the tax, penalties, and interest on the order or return made by the~~
69.19 ~~commissioner that are due for the period before the 3-1/2 year period.~~

69.20 (b) For purposes of this subdivision, the amount of a refund is limited as follows:

69.21 (1) if the claim was filed by the taxpayer during the 3-1/2 year period prescribed in
69.22 paragraph (a), the refund must not exceed the tax, penalties, and interest paid within the
69.23 period, immediately preceding the filing of the claim, equal to 3-1/2 years plus any extension
69.24 of time granted for filing the return, but only if filed within the extended time;

69.25 (2) if the claim was not filed by the taxpayer within the 3-1/2 year period prescribed in
69.26 paragraph (a), the refund must not exceed the tax, penalties, and interest paid during the
69.27 two years immediately preceding the filing of the claim; and

69.28 (3) if no claim was filed by the taxpayer, the refund must not exceed the amount which
69.29 would be allowable under clause (1) or (2), if the claim was filed on the date the refund is
69.30 allowed.

69.31 (c) For purposes of this subdivision, the prepayment of tax made by withholding of tax
69.32 at the source or payment of estimated tax before the due date is considered paid on the last
69.33 day prescribed by law for the payment of the tax by the taxpayer. A return filed before the

70.1 last day prescribed for filing the return is considered to be filed on the last day. If an extension
70.2 for filing a return is granted, a return filed before the extended due date is considered to be
70.3 filed on the extended due date.

70.4 **EFFECTIVE DATE.** This section is effective the day following final enactment and
70.5 applies to claims for refund filed on or after that date.

70.6 Sec. 5. Minnesota Statutes 2024, section 289A.60, subdivision 6, is amended to read:

70.7 Subd. 6. **Penalty for failure to file, false or fraudulent return, evasion.** (a) If a person,
70.8 with intent to evade or defeat a tax or payment of tax, fails to file a return, files a false or
70.9 fraudulent return, or attempts in any other manner to evade or defeat a tax or payment of
70.10 tax, there is imposed on the person a penalty equal to 50 percent of the tax, less amounts
70.11 paid by the person on the basis of the false or fraudulent return, if any, due for the period
70.12 to which the return related.

70.13 (b) If a person files a false or fraudulent return that includes a claim for refund, there is
70.14 imposed on the person a penalty equal to 50 percent of the portion of any refund claimed
70.15 that is attributable to fraud. The penalty under this paragraph is in addition to any penalty
70.16 imposed under paragraph (a) or (c).

70.17 (c) If a person receives money, whether reported or not reported on a return, that is due
70.18 to fraud of a public program as defined in section 290.036, subdivision 1, there may be
70.19 imposed on the person a penalty equal to 100 percent of the amounts received attributable
70.20 to the fraud. The penalty under this paragraph is in addition to any penalty imposed under
70.21 paragraph (a) or (b). This penalty must not be assessed on any amounts already assessed
70.22 under section 290.036. Any amounts collected must be deposited to the tax relief account
70.23 identified in section 290.036, subdivision 5. The penalty under this paragraph is an order
70.24 of assessment by the commissioner that is appealable pursuant to chapters 270C and 271.

70.25 **EFFECTIVE DATE.** This section is effective for determinations of fraud made after
70.26 December 31, 2025.

70.27 Sec. 6. **[290.036] TAX ON AMOUNTS OBTAINED THROUGH FRAUD.**

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

70.30 (b) "First-tier rate" means the lowest rate cited in section 290.06, subdivision 2c,
70.31 paragraphs (a) to (c).

70.32 (c) "Public program" and "fraud" have the meanings given in section 13.357.

71.1 (d) "Program fraud amount" means the amount of money acquired directly or indirectly
71.2 by fraud of a public program that is certified to the commissioner under subdivision 4.
71.3 Program fraud amount excludes refunds for overpayment of taxes.

71.4 Subd. 2. **Tax imposed.** (a) A tax equal to 100 percent of the program fraud amount is
71.5 imposed on any person or organization convicted by a state or federal court of fraud.

71.6 (b) The tax under this section applies regardless of any amount of restitution, tax, or
71.7 penalty imposed on or paid by a person or organization described in paragraph (a).

71.8 (c) If multiple persons or organizations are convicted of the same fraud, the liability
71.9 shall be joint and several on the convicted persons or organizations.

71.10 (d) The assessment of this tax under paragraph (a) is considered a jeopardy assessment
71.11 or jeopardy collection as provided in section 270C.36.

71.12 Subd. 3. **Data sharing.** As authorized by section 270B.14, subdivision 25, the
71.13 commissioner may share with the Financial Crimes and Fraud Section of the Bureau of
71.14 Criminal Apprehension active investigative data related to enforcement of this section.

71.15 Subd. 4. **Agency certification.** (a) After a conviction of a person or organization of
71.16 fraud of a public program, the agency primarily responsible for administering the public
71.17 program must certify to the commissioner the name of the person or organization, the name
71.18 of the public program involved, and the amount of money the court determines the person
71.19 or organization was responsible for in the conviction, regardless of the restitution amount.

71.20 (b) The agency's certification must be in the form and manner prescribed by the
71.21 commissioner.

71.22 (c) An agency's certification to the commissioner is prima facie correct and valid. The
71.23 person or organization has the burden of establishing its incorrectness or invalidity in any
71.24 related action or proceeding.

71.25 Subd. 5. **Deposit of money.** (a) A tax relief account is established in the special revenue
71.26 fund. The commissioner must deposit the money collected from the tax imposed under this
71.27 section to the tax relief account.

71.28 (b) The funds will remain in this account until the following:

71.29 (1) by December 15 of each year, the commissioner must determine the amount in the
71.30 tax relief account and determine the amount of a reduction in the first-tier rate for the
71.31 following taxable year. The determination is based using the most recent November forecast
71.32 required under section 16A.103;

72.1 (2) when there is enough money accumulated in the tax relief account, the commissioner
72.2 must reduce the first-tier rate for the following taxable year. This reduction must be calculated
72.3 to approximate the amount currently on deposit in the tax relief fund. The reduction must
72.4 only be for that taxable year. The threshold for a reduction of the rate must not be below
72.5 one-tenth of one percent; and

72.6 (3) if the rate is reduced for the following taxable year under clause (2), the amounts in
72.7 the tax relief fund must be deposited in the general fund.

72.8 **EFFECTIVE DATE.** This section is effective for convictions of fraud made after
72.9 December 31, 2025.

72.10 Sec. 7. Minnesota Statutes 2025 Supplement, section 299C.061, subdivision 6, is amended
72.11 to read:

72.12 Subd. 6. **Data sharing authorized.** Notwithstanding chapter 13 or any other statute
72.13 related to the classification of government data to the contrary, state agencies making a
72.14 referral under subdivision 4 or 5 shall provide data related to the suspected fraudulent activity
72.15 to the Section, including data classified as not public. The Section may share active criminal
72.16 investigative data concerning insurance fraud with the Department of Commerce and active
72.17 criminal investigative data concerning tax administration with the Department of Revenue.
72.18 Data shared by the Section under this subdivision are classified under section 13.82,
72.19 subdivision 7.

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

72.21 Sec. 8. Minnesota Statutes 2024, section 383A.80, subdivision 4, is amended to read:

72.22 Subd. 4. **Expiration.** The authority to impose the tax under this section expires January
72.23 1, 2028 2036.

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

72.25 Sec. 9. Minnesota Statutes 2024, section 383B.80, subdivision 4, is amended to read:

72.26 Subd. 4. **Expiration.** The authority to impose the tax under this section expires January
72.27 1, 2028 2036.

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

73.1 Sec. 10. Laws 2026, chapter 100, article 1, section 2, is amended to read:

73.2 Sec. 2. **MINNESOTA HOUSING FINANCE AGENCY APPROPRIATIONS.**

73.3 (a) Notwithstanding Minnesota Statutes, sections 462A.20, subdivision 3, and 462A.21,
73.4 subdivision 10, \$25,000,000 in fiscal year 2027 is appropriated from the aggregated earnings
73.5 from investments of state appropriations made pursuant to Minnesota Statutes, section
73.6 462A.20, subdivision 3, in the housing development fund to the commissioner of the
73.7 Minnesota Housing Finance Agency for the following purposes:

73.8 (1) \$14,275,000 is for the workforce housing development program under Minnesota
73.9 Statutes, section 462A.39;

73.10 (2) \$4,000,000 is for the supportive housing program under Minnesota Statutes, section
73.11 462A.42, and must be used for the purposes provided in section 1, paragraph (b), except
73.12 that, as provided in section 1, paragraph (d), if this amount is not needed for those purposes,
73.13 it may be used for the purposes provided in Minnesota Statutes, section 462A.42;

73.14 (3) \$4,000,000 is for the manufactured home park infrastructure grant and loan program
73.15 under Minnesota Statutes, section 462A.2035, subdivision 1b;

73.16 (4) \$2,000,000 is for the family homeless prevention and assistance program under
73.17 Minnesota Statutes, section 462A.204, ~~and may be used in the manner provided in section~~
73.18 ~~3, subdivision 3.~~ Notwithstanding the procurement provisions outlined in Minnesota Statutes,
73.19 section 16C.06, subdivisions 1, 2, and 6, the agency may award grants to federally recognized
73.20 Indian Tribes, to existing program grantees, and to former program grantees. The agency
73.21 must consider community need, grantee capacity, and geographic distribution when awarding
73.22 money. Notwithstanding Minnesota Statutes, section 16B.97, the agency must use all
73.23 available methods and schedule of payments, including advanced payments, to effectuate
73.24 legislative intent. Money must be spent by December 31, 2026. The agency may, at its
73.25 discretion, redistribute unused or underutilized money among grantees to increase program
73.26 efficiency and effectiveness;

73.27 (5) \$425,000 is for the capacity-building grants program under Minnesota Statutes,
73.28 section 462A.21, subdivision 3b, for a grant to a statewide tenant education and hotline
73.29 service that provides free and confidential legal advice for all Minnesota renters. This amount
73.30 may be awarded to existing grantees notwithstanding Minnesota Statutes, section 16C.06,
73.31 subdivisions 1, 2, and 6;

74.1 (6) \$150,000 is for the homeownership education, counseling, and training program
74.2 under Minnesota Statutes, section 462A.209. This amount may be awarded to existing
74.3 grantees notwithstanding Minnesota Statutes, section 16C.06, subdivisions 1, 2, and 6; and

74.4 (7) \$150,000 is for the Minnesota Nice HomeShare pilot program established under
74.5 paragraph (b).

74.6 (b) The commissioner of the Minnesota Housing Finance Agency must award a grant
74.7 to St. Louis County for the county to establish and administer the Minnesota Nice HomeShare
74.8 pilot program to assist seniors in the counties of Lake, St. Louis, and Washington to reduce
74.9 living expenses by matching seniors who own homes with spare rooms to adults in need of
74.10 affordable housing. For the purposes of this section, "senior" means a person 55 years of
74.11 age or older. St. Louis County may partner with the Arrowhead Area Agency on Aging,
74.12 the other named counties in this paragraph, or organizations that advocate for seniors, to
74.13 promote the program. The program must:

74.14 (1) assist hosts and renters over the telephone, through a text chat function or by video;

74.15 (2) collect and process rental payments from renters and distribute payments to hosts in
74.16 a timely manner;

74.17 (3) protect the private information and data of hosts and renters;

74.18 (4) conduct background checks on hosts and renters, including contacting at least two
74.19 references for each host and renter;

74.20 (5) acquire from renters employment verification or proof of school enrollment; and

74.21 (6) review and process all applications.

74.22 (c) This is a onetime appropriation.

74.23 **Sec. 11. NUCLEAR ENERGY STUDY; APPROPRIATION.**

74.24 (a) \$500,000 in fiscal year 2027 is appropriated from the general fund to the commissioner
74.25 of commerce to contract with the Great Plains Institute to conduct a study to inform
74.26 policymakers regarding the potential impact of new nuclear generation on the public interest
74.27 of Minnesota, including affordability, reliability, environmental protection, and public
74.28 health. This is a onetime appropriation.

74.29 (b) The commissioner of commerce must ensure balanced representation of perspectives
74.30 in the study.

75.1 (c) The study must be completed no later than January 30, 2027, and must include, at a
75.2 minimum, discussion of:

75.3 (1) changes in federal regulations governing the licensing of nuclear-powered facilities
75.4 that may speed the review and approval process;

75.5 (2) technological advances made with respect to conventional nuclear-powered facilities
75.6 that affect safety and cost;

75.7 (3) full lifecycle costs, including capital costs, financing costs, construction risk, cost
75.8 overruns, decommissioning costs, waste management, and long-term liability exposure,
75.9 compared to alternative baseload resource options. The analysis must include historical
75.10 evidence from comparable projects in the United States and internationally;

75.11 (4) ratepayer impacts where new nuclear generation has been developed, including
75.12 effects on electricity rates; cost and schedule overruns unrelated to unique events, including
75.13 but not limited to the COVID pandemic; and the allocation of financial risk between
75.14 ratepayers and developers;

75.15 (5) public subsidies, tax expenditures, and financial incentives that may be applied to
75.16 new nuclear investments;

75.17 (6) the prospects for small modular reactors and factory-built portable modules with a
75.18 capacity up to 300 megawatts, including:

75.19 (i) the types of technologies available;

75.20 (ii) current licensing status; and

75.21 (iii) estimated costs;

75.22 (7) siting issues, including:

75.23 (i) the degree to which the requirement for proximity to water resources sufficient for
75.24 cooling purposes restricts possible locations of nuclear facilities, and what locations that
75.25 meet that requirement are available in this state;

75.26 (ii) the potential for colocating nuclear facilities with businesses that demand very large
75.27 amounts of electricity;

75.28 (iii) the environmental impacts of nuclear facilities, including impacts on the health of
75.29 nearby residents;

75.30 (iv) the prospects for acceptance of nuclear facilities by host communities, and best
75.31 practices for engaging communities on this issue; and

- 76.1 (v) how interconnection and transmission issues affect potential plant locations;
- 76.2 (8) nuclear waste issues, including:
- 76.3 (i) the amount and toxicity of radioactive waste produced by both conventional nuclear
- 76.4 technologies and small modular reactors;
- 76.5 (ii) the costs of on-site storage;
- 76.6 (iii) the prospects for developing permanent storage of radioactive waste at either a
- 76.7 federally owned or privately owned repository to which Minnesota's waste could be
- 76.8 transported; and
- 76.9 (iv) the feasibility and cost of reprocessing nuclear waste;
- 76.10 (9) the economic impacts of various nuclear technologies on a host community, including:
- 76.11 (i) increased employment levels during construction and operations;
- 76.12 (ii) increased local economic activity resulting from purchases made by the
- 76.13 nuclear-powered facility and its employees; and
- 76.14 (iii) potential tax revenue to local communities and schools, and to the state;
- 76.15 (10) impacts of new nuclear-powered electric generating plants on public safety officials
- 76.16 and emergency responders in host communities and adjacent areas with respect to emergency
- 76.17 planning efforts;
- 76.18 (11) how new nuclear generation would impact Minnesota's statutory greenhouse gas
- 76.19 reduction and carbon-free electricity goals;
- 76.20 (12) expected timelines from permitting through operation, including historical averages
- 76.21 and delays for similar projects;
- 76.22 (13) current Minnesota statutes and administrative rules that would require modification
- 76.23 in order to enable the construction and operation of nuclear reactors;
- 76.24 (14) the feasibility of replacing retiring generation assets in host communities with
- 76.25 advanced nuclear reactors; and
- 76.26 (15) the workforce required, workforce available, and training capacity needed to
- 76.27 construct and operate new nuclear reactors.
- 76.28 (d) The study must be conducted transparently, with all data, assumptions, and models
- 76.29 made publicly available.

77.1 (e) No later than February 1, 2027, the commissioner of commerce must submit the
77.2 study to the chairs and ranking minority members of the legislative committees with
77.3 jurisdiction over energy policy and finance.

77.4 Sec. 12. **CANCELLATIONS.**

77.5 \$15,000,000 of the fiscal year 2024 Minnesota forward fund account appropriation in
77.6 Laws 2023, chapter 53, article 21, section 7, paragraph (c), is canceled.

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

77.8 Sec. 13. **TRANSFER.**

77.9 \$15,000,000 in fiscal year 2027 is transferred from the Minnesota forward fund account
77.10 established in Minnesota Statutes, section 116J.8752, subdivision 3, to the general fund.
77.11 This is a onetime transfer.

77.12 Sec. 14. **TRANSFER.**

77.13 \$75,000,000 in fiscal year 2027 is transferred from the driver and vehicle services
77.14 operating account under Minnesota Statutes, section 299A.705, subdivision 1, to the general
77.15 fund. This is a onetime transfer.

77.16 Sec. 15. **RETURN OF UNUSED TAX-FORFEITED SETTLEMENT**

77.17 **APPROPRIATION; CANCELLATION.**

77.18 Subdivision 1. **Return of funds.** Notwithstanding the cancellation deadline established
77.19 in Laws 2024, chapter 113, section 1, subdivision 5, on June 29, 2026, the claims
77.20 administrator appointed under Laws 2024, chapter 113, to settle litigation related to the
77.21 state's retention of tax-forfeited lands, surplus proceeds from the sale of tax-forfeited lands,
77.22 and mineral rights in those lands, must return to the commissioner of management and
77.23 budget the lesser of \$40,000,000 or the amount of the appropriation under Laws 2024,
77.24 chapter 113, section 1, subdivision 5, that constitutes unspent funds in the net settlement
77.25 fund, as provided in the settlement and final judgment filed on December 16, 2024.

77.26 Subd. 2. **Cancellation.** The commissioner of management and budget must cancel the
77.27 amount received under subdivision 1 to the general fund within one day of the receipt of
77.28 the funds.

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

78.1 Sec. 16. **APPROPRIATION.**

78.2 \$38,000,000 is appropriated in fiscal year 2026 from the general fund to the commissioner
78.3 of the Minnesota Housing Finance Agency for the family homeless prevention and assistance
78.4 program under Minnesota Statutes, section 462A.204. This is a onetime appropriation and
78.5 is made available for the purposes of the housing development fund. Notwithstanding the
78.6 procurement provisions outlined in Minnesota Statutes, section 16C.06, subdivisions 1, 2,
78.7 and 6, the agency may award grants to federally recognized Indian Tribes, existing program
78.8 grantees, and former program grantees. The agency must consider community need, grantee
78.9 capacity, and geographic distribution when awarding money. Notwithstanding Minnesota
78.10 Statutes, section 16B.97, the agency must use all available methods and schedule of
78.11 payments, including advanced payments, to effectuate legislative intent. Money must be
78.12 spent by December 31, 2026. The agency may, at its discretion, redistribute unused or
78.13 underutilized money among grantees to increase program efficiency and effectiveness.

78.14 **EFFECTIVE DATE.** This section is effective the day following final enactment and
78.15 prevails over any contrary enactment made during the 2026 regular legislative session,
78.16 regardless of order of enactment.

78.17 Sec. 17. **REPEALER.**

78.18 Laws 2026, chapter 100, article 1, section 3, is repealed.

78.19 **EFFECTIVE DATE.** This section is effective the day following final enactment and
78.20 prevails over any contrary enactment made during the 2026 regular legislative session,
78.21 regardless of order of enactment.

78.22 **ARTICLE 9**78.23 **DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND CORPORATE**
78.24 **FRANCHISE TAXES**

78.25 Section 1. Minnesota Statutes 2024, section 289A.08, subdivision 7, is amended to read:

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

79.1 (b) The computation of a partner's tax liability must be determined by multiplying the
79.2 income allocated to that partner by the highest rate used to determine the tax liability for
79.3 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
79.4 deductions, or personal exemptions are not allowed. The computation of a partner's net
79.5 investment income tax liability must be computed under section 290.033.

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

79.10 (d) The electing partner must not have any Minnesota source income other than the
79.11 income from the partnership, other electing partnerships, and other qualifying entities
79.12 electing to file and pay the pass-through entity tax under subdivision 7a. If it is determined
79.13 that the electing partner has other Minnesota source income, the inclusion of the income
79.14 and tax liability for that partner under this provision will not constitute a return to satisfy
79.15 the requirements of subdivision 1. The tax paid for the individual as part of the composite
79.16 return is allowed as a payment of the tax by the individual on the date on which the composite
79.17 return payment was made. If the electing nonresident partner has no other Minnesota source
79.18 income, filing of the composite return is a return for purposes of subdivision 1.

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

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

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

79.31 (h) The composite return election provided in this subdivision is available to a nonresident
79.32 partner who incurs an accelerated gain on installment sales under section 290.0137, paragraph
79.33 (a). A nonresident partner who elects to defer the gain on installment sales under section
79.34 290.0137, paragraph (b), cannot utilize the composite return election for the partnership

80.1 until the recognition of the deferred gain is completed. A nonresident who makes the election
80.2 in section 290.0137, paragraph (b), must report the deferred gain on the nonresident's
80.3 individual income tax return in the manner prescribed by the commissioner.

80.4 ~~(h)~~ (i) A corporation defined in section 290.9725 and its nonresident shareholders may
80.5 make an election under this ~~paragraph~~ subdivision. The provisions covering the partnership
80.6 apply to the corporation and the provisions applying to the partner apply to the shareholder.

80.7 ~~(i)~~ (j) Estates and trusts distributing current income only and the nonresident individual
80.8 beneficiaries of the estates or trusts may make an election under this ~~paragraph~~ subdivision.
80.9 The provisions covering the partnership apply to the estate or trust. The provisions applying
80.10 to the partner apply to the beneficiary.

80.11 ~~(j)~~ (k) For the purposes of this subdivision, "income" has the meaning given in section
80.12 290.01, subdivision 19, paragraph (h).

80.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
80.14 31, 2025.

80.15 Sec. 2. Minnesota Statutes 2024, section 290.01, subdivision 19, as amended by Laws
80.16 2026, chapter 88, article 1, section 170, is amended to read:

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

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

80.26 (c) In the case of a regulated investment company or a fund thereof, as defined in section
80.27 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
80.28 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
80.29 except that:

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

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

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

81.8 (d) The net income of a real estate investment trust as defined and limited by section
81.9 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
81.10 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

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

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

81.19 (h) In the case of a partnership electing to file a composite return under section 289A.08,
81.20 subdivision 7, "net income" means the partner's share of federal adjusted gross income from
81.21 the partnership modified by:

81.22 (1) the additions provided in ~~section~~ sections 290.0131, subdivisions 8 to 10, 16, 17,
81.23 and 19, and 290.0137, paragraph (a); and

81.24 (2) the subtractions provided in: ~~(1)~~ (i) section 290.0132, subdivisions 9, 27, 28, and 31,
81.25 to the extent the amount is assignable or allocable to Minnesota under section 290.17; ~~and~~
81.26 ~~(2)~~ (ii) section 290.0132, subdivision 14; and (iii) section 290.0137, paragraph (c).

81.27 The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the
81.28 composite tax computation to the extent the electing partner would have been allowed the
81.29 subtraction.

81.30 (i) In the case of a qualifying entity electing to pay the pass-through entity tax under
81.31 section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal
81.32 adjusted gross income from the qualifying entity modified by the additions provided in
81.33 section 290.0131, subdivisions 5, 8 to 10, 16, 17, and 19, and the subtractions provided in:

82.1 (1) section 290.0132, subdivisions 3, 9, 27, 28, and 31, to the extent the amount is assignable
82.2 or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14.
82.3 The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the
82.4 pass-through entity tax computation to the extent the qualifying owners would have been
82.5 allowed the subtraction. The income of both a resident and nonresident qualifying owner
82.6 is allocated and assigned to this state as provided for nonresident partners and shareholders
82.7 under sections 290.17, 290.191, and 290.20.

82.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
82.9 31, 2025.

82.10 Sec. 3. Minnesota Statutes 2024, section 290.0137, is amended to read:

82.11 **290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT**
82.12 **SALE GAINS.**

82.13 (a) In the case of a nonresident individual or a person who becomes a nonresident
82.14 individual during the tax year, taxable net income shall include the amount realized upon
82.15 a sale of the assets of, or any interest in, an S corporation or partnership that operated in
82.16 Minnesota during the year of sale, including any income or gain to be recognized in future
82.17 years pursuant to an installment sale method of reporting under the Internal Revenue Code.

82.18 (1) For the purposes of this paragraph, an individual who becomes a nonresident of
82.19 Minnesota in any year after an installment sale is required to recognize the full amount of
82.20 any income or gain described in this paragraph on the individual's final Minnesota resident
82.21 tax return to the extent that such income has not been recognized in a prior year.

82.22 (2) For the purposes of this section, "realized" has the meaning given in section 1001(b)
82.23 of the Internal Revenue Code.

82.24 (3) For the purposes of this section, "installment sale" means any installment sale under
82.25 section 453 of the Internal Revenue Code and any other sale that is reported utilizing a
82.26 method of accounting authorized under subchapter E of the Internal Revenue Code that
82.27 allows taxpayers to delay reporting or recognizing a realized gain until a future year.

82.28 (b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing
82.29 unrecognized installment sale gains by making an election under this paragraph. The election
82.30 must be filed on a form to be determined or prescribed by the commissioner and must be
82.31 filed by the due date of the individual income tax return, including any extension. Electing
82.32 taxpayers must make an irrevocable agreement to:

83.1 (1) file Minnesota tax returns in all subsequent years when gains from the installment
83.2 sales are recognized and reported to the Internal Revenue Service;

83.3 (2) allocate gains to the state of Minnesota as though the gains were realized in the year
83.4 of sale under section 290.17, 290.191, or 290.20; and

83.5 (3) include all relevant federal tax documents reporting the installment sale with
83.6 subsequent Minnesota tax returns.

83.7 (c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must
83.8 be excluded from taxable net income in any future year that ~~the taxpayer files a Minnesota~~
83.9 ~~tax return~~ a composite Minnesota tax return is filed to the extent that the income or gain
83.10 has already been subject to tax pursuant to paragraph (a). If a composite Minnesota tax
83.11 return is not filed, then any income or gain recognized for Minnesota purposes under
83.12 paragraph (a) must be excluded from taxable net income in any future year in which the
83.13 taxpayer files a Minnesota tax return to the extent that the income or gain has already been
83.14 subject to tax pursuant to paragraph (a).

83.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
83.16 31, 2025.

83.17 ARTICLE 10

83.18 DEPARTMENT OF REVENUE; PROPERTY TAXES

83.19 Section 1. Minnesota Statutes 2024, section 273.032, is amended to read:

83.20 **273.032 MARKET VALUE DEFINITION.**

83.21 (a) Unless otherwise provided, for the purpose of determining any property tax levy
83.22 limitation based on market value or any limit on net debt, the issuance of bonds, certificates
83.23 of indebtedness, or capital notes based on market value, any qualification to receive state
83.24 aid based on market value, or any state aid amount based on market value, the terms "market
83.25 value," "estimated market value," and "market valuation," whether equalized or unequalized,
83.26 mean the estimated market value of taxable property within the local unit of government
83.27 before any of the following or similar adjustments for:

83.28 (1) the market value exclusions under:

83.29 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

83.30 ~~(ii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);~~

83.31 ~~(iii)~~ (ii) section 273.11, subdivision 21 (homestead property damaged by mold);

84.1 ~~(iv)~~ (iii) section 273.13, subdivision 34 (homestead of a veteran with a disability or
84.2 family caregiver); or

84.3 ~~(v)~~ (iv) section 273.13, subdivision 35 (homestead market value exclusion); or

84.4 (2) the deferment of value under:

84.5 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

84.6 (ii) the Aggregate Resource Preservation Law, section 273.1115;

84.7 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

84.8 (iv) the rural preserves property tax program, section 273.114; or

84.9 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

84.10 (3) the adjustments to tax capacity for:

84.11 (i) tax increment financing under sections 469.174 to 469.1794;

84.12 (ii) fiscal disparities under chapter 276A or 473F; or

84.13 (iii) powerline credit under section 273.425.

84.14 (b) Estimated market value under paragraph (a) also includes the market value of
84.15 tax-exempt property if the applicable law specifically provides that the limitation,
84.16 qualification, or aid calculation includes tax-exempt property.

84.17 (c) Unless otherwise provided, "market value," "estimated market value," and "market
84.18 valuation" for purposes of property tax levy limitations and calculation of state aid, refer
84.19 to the estimated market value for the previous assessment year and for purposes of limits
84.20 on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the
84.21 estimated market value as last finally equalized.

84.22 (d) For purposes of a provision of a home rule charter or of any special law that is not
84.23 codified in the statutes and that imposes a levy limitation based on market value or any limit
84.24 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market
84.25 value, the terms "market value," "taxable market value," and "market valuation," whether
84.26 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

84.28 Sec. 2. Minnesota Statutes 2024, section 273.111, subdivision 9, is amended to read:

84.29 Subd. 9. **Additional taxes.** ~~(a) Except as provided in paragraph (b),~~ When real property
84.30 which is being, or has been valued and assessed under this section no longer qualifies under

85.1 subdivision 3, the portion no longer qualifying shall be subject to additional taxes, in the
 85.2 amount equal to the difference between the taxes determined in accordance with subdivision
 85.3 4, and the amount determined under subdivision 5. Provided, however, that the amount
 85.4 determined under subdivision 5 shall not be greater than it would have been had the actual
 85.5 bona fide sale price of the real property at an arm's-length transaction been used in lieu of
 85.6 the market value determined under subdivision 5. Such additional taxes shall be extended
 85.7 against the property on the tax list for the current year, provided, however, that no interest
 85.8 or penalties shall be levied on such additional taxes if timely paid, and provided further,
 85.9 that such additional taxes shall only be levied with respect to the last three years that the
 85.10 said property has been valued and assessed under this section.

85.11 ~~(b) Real property that has been valued and assessed under this section prior to May 29,~~
 85.12 ~~2008, and that ceases to qualify under this section after May 28, 2008, and is withdrawn~~
 85.13 ~~from the program before August 16, 2010, is not subject to additional taxes under this~~
 85.14 ~~subdivision or subdivision 3, paragraph (c). If additional taxes have been paid under this~~
 85.15 ~~subdivision with respect to property described in this paragraph prior to April 3, 2009, the~~
 85.16 ~~county must repay the property owner in the manner prescribed by the commissioner of~~
 85.17 ~~revenue.~~

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

85.19 Sec. 3. **REPEALER.**

85.20 Minnesota Statutes 2024, sections 273.25; 273.65; 273.66; 273.67; 274.07; 428B.02,
 85.21 subdivision 7; and 477A.085, are repealed.

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

85.23 **ARTICLE 11**

85.24 **DEPARTMENT OF REVENUE; MISCELLANEOUS**

85.25 Section 1. Minnesota Statutes 2024, section 123B.53, subdivision 1, is amended to read:

85.26 Subdivision 1. **Definitions.** (a) For purposes of this section, the eligible debt service
 85.27 revenue of a district is defined as follows:

85.28 (1) the amount needed to produce between five and six percent in excess of the amount
 85.29 needed to meet when due the principal and interest payments on the obligations of the district
 85.30 for eligible projects according to subdivision 2, excluding the amounts listed in paragraph
 85.31 (b), minus

86.1 (2) the amount of debt service excess levy reduction for that school year calculated
86.2 according to the procedure established by the commissioner.

86.3 (b) The obligations in this paragraph are excluded from eligible debt service revenue:

86.4 (1) obligations under section 123B.61;

86.5 (2) the part of debt service principal and interest paid from the taconite environmental
86.6 protection fund or Douglas J. Johnson economic protection trust, excluding the portion of
86.7 taconite payments from the Iron Range schools and community development account under
86.8 section 298.28, subdivision 7a;

86.9 (3) obligations for long-term facilities maintenance under section 123B.595;

86.10 (4) obligations under section 123B.62; and

86.11 (5) obligations equalized under section 123B.535.

86.12 (c) For purposes of this section, if a preexisting school district reorganized under sections
86.13 123A.35 to 123A.43, 123A.46, and 123A.48 is solely responsible for retirement of the
86.14 preexisting district's bonded indebtedness or capital loans, debt service equalization aid
86.15 must be computed separately for each of the preexisting districts.

86.16 ~~(d) For purposes of this section, the adjusted net tax capacity determined according to~~
86.17 ~~sections 127A.48 and 273.1325 shall be adjusted to include the tax capacity of property~~
86.18 ~~generally exempted from ad valorem taxes under section 272.02, subdivision 64.~~

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

86.20 Sec. 2. Minnesota Statutes 2024, section 123B.535, subdivision 1, is amended to read:

86.21 Subdivision 1. **Definitions.** (a) For purposes of this section, the eligible natural disaster
86.22 debt service revenue of a district is defined as the amount needed to produce between five
86.23 and six percent in excess of the amount needed to meet when due the principal and interest
86.24 payments on the obligations of the district that would otherwise qualify under section
86.25 123B.53 under the following conditions:

86.26 (1) the district was impacted by a natural disaster event or area occurring January 1,
86.27 2005, or later, as declared by the President of the United States of America, which is eligible
86.28 for Federal Emergency Management Agency payments;

86.29 (2) the natural disaster caused \$500,000 or more in damages to school district buildings;
86.30 and

87.1 (3) the repair and replacement costs are not covered by insurance payments or Federal
87.2 Emergency Management Agency payments.

87.3 (b) For purposes of this section, the adjusted net tax capacity equalizing factor equals
87.4 the quotient derived by dividing the total adjusted net tax capacity of all school districts in
87.5 the state for the year before the year the levy is certified by the total number of adjusted
87.6 pupil units in the state for the year prior to the year the levy is certified.

87.7 ~~(c) For purposes of this section, the adjusted net tax capacity determined according to~~
87.8 ~~sections 127A.48 and 273.1325 shall be adjusted to include the tax capacity of property~~
87.9 ~~generally exempted from ad valorem taxes under section 272.02, subdivision 64.~~

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

87.11 Sec. 3. Minnesota Statutes 2025 Supplement, section 268.19, subdivision 1, is amended
87.12 to read:

87.13 Subdivision 1. **Use of data.** (a) Except as provided by this section, data gathered from
87.14 any person under the administration of the Minnesota Unemployment Insurance Law are
87.15 private data on individuals or nonpublic data not on individuals as defined in section 13.02,
87.16 subdivisions 9 and 12, and may not be disclosed except according to a district court order
87.17 or section 13.05. A subpoena is not considered a district court order. These data may be
87.18 disseminated to and used by the following agencies without the consent of the subject of
87.19 the data:

87.20 (1) state and federal agencies specifically authorized access to the data by state or federal
87.21 law;

87.22 (2) any agency of any other state or any federal agency charged with the administration
87.23 of an unemployment insurance program;

87.24 (3) any agency responsible for the maintenance of a system of public employment offices
87.25 for the purpose of assisting individuals in obtaining employment;

87.26 (4) the public authority responsible for child support in Minnesota or any other state in
87.27 accordance with section 518A.83;

87.28 (5) human rights agencies within Minnesota that have enforcement powers;

87.29 (6) the Department of Revenue to the extent necessary for its duties under Minnesota
87.30 laws;

87.31 (7) public and private agencies responsible for administering publicly financed assistance
87.32 programs for the purpose of monitoring the eligibility of the program's recipients;

88.1 (8) the Department of Labor and Industry, the Department of Commerce, and the Bureau
88.2 of Criminal Apprehension for uses consistent with the administration of their duties under
88.3 Minnesota law;

88.4 (9) the Department of Human Services and the Office of Inspector General and its agents
88.5 within the Department of Human Services, including county fraud investigators, for
88.6 investigations related to recipient or provider fraud and employees of providers when the
88.7 provider is suspected of committing public assistance fraud;

88.8 (10) the Department of Human Services for the purpose of evaluating medical assistance
88.9 services and supporting program improvement;

88.10 (11) local and state welfare agencies for monitoring the eligibility of the data subject
88.11 for assistance programs, or for any employment or training program administered by those
88.12 agencies, whether alone, in combination with another welfare agency, or in conjunction
88.13 with the department or to monitor and evaluate the statewide Minnesota family investment
88.14 program and other cash assistance programs, the Supplemental Nutrition Assistance Program,
88.15 and the Supplemental Nutrition Assistance Program Employment and Training program by
88.16 providing data on recipients and former recipients of Supplemental Nutrition Assistance
88.17 Program (SNAP) benefits, cash assistance under chapter 256, 256D, 256J, or 256K, child
88.18 care assistance under chapter 142E, or medical programs under chapter 256B or 256L or
88.19 formerly codified under chapter 256D;

88.20 (12) local and state welfare agencies for the purpose of identifying employment, wages,
88.21 and other information to assist in the collection of an overpayment debt in an assistance
88.22 program;

88.23 (13) local, state, and federal law enforcement agencies for the purpose of ascertaining
88.24 the last known address and employment location of an individual who is the subject of a
88.25 criminal investigation;

88.26 (14) the United States Immigration and Customs Enforcement has access to data on
88.27 specific individuals and specific employers provided the specific individual or specific
88.28 employer is the subject of an investigation by that agency;

88.29 (15) the Department of Health for the purposes of epidemiologic investigations;

88.30 (16) the Department of Corrections for the purposes of case planning and internal research
88.31 for preprobation, probation, and postprobation employment tracking of offenders sentenced
88.32 to probation and preconfinement and postconfinement employment tracking of committed
88.33 offenders;

89.1 ~~(17) the state auditor to the extent necessary to conduct audits of job opportunity building~~
 89.2 ~~zones as required under section 469.3201;~~

89.3 ~~(18)~~ (17) the Office of Higher Education for purposes of supporting program
 89.4 improvement, system evaluation, and research initiatives including the Statewide
 89.5 Longitudinal Education Data System;

89.6 ~~(19)~~ (18) the Family and Medical Benefits Division of the Department of Employment
 89.7 and Economic Development to be used as necessary to administer chapter 268B; and

89.8 ~~(20)~~ (19) the executive director or interim executive director of the Minnesota Secure
 89.9 Choice Retirement Program established under chapter 187 for the purposes of assisting with
 89.10 communication with employers and to verify employer compliance with chapter 187.

89.11 (b) Data on individuals and employers that are collected, maintained, or used by the
 89.12 department in an investigation under section 268.182 are confidential as to data on individuals
 89.13 and protected nonpublic data not on individuals as defined in section 13.02, subdivisions 3
 89.14 and 13, and must not be disclosed except under statute or district court order or to a party
 89.15 named in a criminal proceeding, administrative or judicial, for preparation of a defense.

89.16 (c) Data gathered by the department in the administration of the Minnesota unemployment
 89.17 insurance program must not be made the subject or the basis for any suit in any civil
 89.18 proceedings, administrative or judicial, unless the action is initiated by the department.

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

89.20 Sec. 4. Minnesota Statutes 2024, section 270B.14, subdivision 3, is amended to read:

89.21 Subd. 3. **Administration of enterprise and job opportunity programs.** The
 89.22 commissioner may disclose return information relating to the taxes imposed by chapters
 89.23 290 and 297A to the Department of Employment and Economic Development or a
 89.24 municipality with a border city enterprise zone as defined under section 469.166, but only
 89.25 as necessary to administer the funding limitations under section 469.169, ~~or to the Department~~
 89.26 ~~of Employment and Economic Development and appropriate officials from the local~~
 89.27 ~~government units in which a qualified business is located but only as necessary to enforce~~
 89.28 ~~the job opportunity building zone benefits under section 469.315.~~

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

90.1 Sec. 5. Minnesota Statutes 2024, section 270B.15, is amended to read:

90.2 **270B.15 DISCLOSURE TO LEGISLATIVE AUDITOR AND STATE AUDITOR.**

90.3 ~~(a)~~ Returns and return information must be disclosed to the legislative auditor to the
90.4 extent necessary for the legislative auditor to carry out sections 3.97 to 3.979.

90.5 ~~(b) The commissioner must disclose return information, including the report required~~
90.6 ~~under section 289A.12, subdivision 15, to the state auditor to the extent necessary to conduct~~
90.7 ~~audits of job opportunity building zones as required under section 469.3201.~~

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

90.9 Sec. 6. Minnesota Statutes 2024, section 270C.055, is amended by adding a subdivision
90.10 to read:

90.11 **Subd. 4. Venue.** Unless otherwise provided in chapter 289A, if two or more criminal
90.12 offenses under the state revenue laws or chapter 349 are committed by the same person in
90.13 more than one county, the accused may be prosecuted for all the offenses in any county in
90.14 which one of the offenses was committed.

90.15 **EFFECTIVE DATE.** This section is effective for criminal offenses committed after
90.16 July 31, 2026.

90.17 Sec. 7. Minnesota Statutes 2024, section 290.01, subdivision 29, is amended to read:

90.18 **Subd. 29. Taxable income.** The term "taxable income" means:

90.19 (1) for individuals, estates, and trusts, the same as taxable net income;

90.20 (2) for corporations, the taxable net income less

90.21 (i) the net operating loss deduction under section 290.095; and

90.22 (ii) the dividends received deduction under section 290.21, subdivision 4; and

90.23 ~~(iii) the exemption for operating in a job opportunity building zone under section 469.317.~~

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

90.25 Sec. 8. Minnesota Statutes 2024, section 290.0921, subdivision 3, is amended to read:

90.26 **Subd. 3. Alternative minimum taxable income.** "Alternative minimum taxable income"
90.27 is Minnesota net income as defined in section 290.01, subdivision 19, and includes the
90.28 adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of
90.29 the Internal Revenue Code. If a corporation files a separate company Minnesota tax return,

91.1 the minimum tax must be computed on a separate company basis. If a corporation is part
91.2 of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis.
91.3 The following adjustments must be made.

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

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

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

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

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

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

91.18 (7) The tax preference for charitable contributions of appreciated property under section
91.19 57(a)(6) of the Internal Revenue Code does not apply.

91.20 (8) For purposes of calculating the adjustment for adjusted current earnings in section
91.21 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it
91.22 is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable
91.23 income as defined in this subdivision, determined without regard to the adjustment for
91.24 adjusted current earnings in section 56(g) of the Internal Revenue Code.

91.25 (9) For purposes of determining the amount of adjusted current earnings under section
91.26 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4)
91.27 of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up
91.28 subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of
91.29 income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision
91.30 8.

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

92.1 ~~Items of tax preference must not be reduced below zero as a result of the modifications~~
92.2 ~~in this subdivision.~~

92.3 ~~(11)~~ (10) The subtraction for disallowed section 280E expenses under section 290.0134,
92.4 subdivision 19, is allowed as a deduction in determining alternative minimum taxable
92.5 income.

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

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

92.9 Sec. 9. Minnesota Statutes 2024, section 290.0922, subdivision 2, is amended to read:

92.10 Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this
92.11 section:

92.12 (1) corporations exempt from tax under section 290.05;

92.13 (2) real estate investment trusts;

92.14 (3) regulated investment companies or a fund thereof;

92.15 (4) entities having a valid election in effect under section 860D(b) of the Internal Revenue
92.16 Code;

92.17 (5) township mutual insurance companies; and

92.18 (6) cooperatives organized under chapter 308A, 308B, or 308C that provide housing
92.19 exclusively to persons age 55 and over and are classified as homesteads under section
92.20 273.124, subdivision 3; and.

92.21 ~~(7) a qualified business as defined under section 469.310, subdivision 11, if for the~~
92.22 ~~taxable year all of its property is located in a job opportunity building zone designated under~~
92.23 ~~section 469.314 and all of its payroll is a job opportunity building zone payroll under section~~
92.24 ~~469.310.~~

92.25 Entities not specifically exempted by this subdivision are subject to tax under this section,
92.26 notwithstanding section 290.05.

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

92.28 Sec. 10. Minnesota Statutes 2024, section 290.0922, subdivision 3, is amended to read:

92.29 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales apportioned
92.30 to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to

93.1 Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts
93.2 apportioned or attributed to Minnesota pursuant to any other apportionment formula
93.3 applicable to the taxpayer.

93.4 (b) "Minnesota property" means total Minnesota tangible property as provided in section
93.5 290.191, subdivisions 9 to 11, and any other tangible property located in Minnesota, ~~but~~
93.6 ~~does not include the property of a qualified business as defined under section 469.310,~~
93.7 ~~subdivision 11, that is located in a job opportunity building zone designated under section~~
93.8 ~~469.314.~~ Intangible property shall not be included in Minnesota property for purposes of
93.9 this section. Taxpayers who do not utilize tangible property to apportion income shall
93.10 nevertheless include Minnesota property for purposes of this section. On a return for a short
93.11 taxable year, the amount of Minnesota property owned, as determined under section 290.191,
93.12 shall be included in Minnesota property based on a fraction in which the numerator is the
93.13 number of days in the short taxable year and the denominator is 365.

93.14 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191,
93.15 subdivision 12, but does not include the job opportunity building zone payroll under section
93.16 469.310, subdivision 8, of a qualified business as defined under section 469.310, subdivision
93.17 11. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include
93.18 Minnesota payrolls for purposes of this section.

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

93.20 Sec. 11. Minnesota Statutes 2024, section 295.52, subdivision 5, is amended to read:

93.21 Subd. 5. **Volunteer ambulance services.** Volunteer ambulance services are not subject
93.22 to the tax under this section. For purposes of this requirement, "volunteer ambulance service"
93.23 means an ambulance service in which all of the individuals whose primary responsibility
93.24 is direct patient care meet the definition of volunteer ambulance attendant under section
93.25 144E.001, subdivision 15. The ambulance service may employ administrative and support
93.26 staff, and remain eligible for this exemption, if the primary responsibility of these staff is
93.27 not direct patient care.

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

94.1 Sec. 12. Minnesota Statutes 2025 Supplement, section 297A.75, subdivision 1, is amended
94.2 to read:

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

94.6 (1) building materials for an agricultural processing facility exempt under section
94.7 297A.71, subdivision 13;

94.8 (2) building materials for mineral production facilities exempt under section 297A.71,
94.9 subdivision 14;

94.10 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

94.11 (4) building materials used in a residence for veterans with a disability exempt under
94.12 section 297A.71, subdivision 11;

94.13 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

94.14 (6) materials and supplies for qualified low-income housing under section 297A.71,
94.15 subdivision 23;

94.16 (7) materials, supplies, and equipment for municipal electric utility facilities under
94.17 section 297A.71, subdivision 35;

94.18 ~~(8) equipment and materials used for the generation, transmission, and distribution of~~
94.19 ~~electrical energy and an aerial camera package exempt under section 297A.68, subdivision~~
94.20 ~~37;~~

94.21 ~~(9)~~ (8) commuter rail vehicle and repair parts under section 297A.70, subdivision 3,
94.22 paragraph (a), clause (10);

94.23 ~~(10)~~ (9) materials, supplies, and equipment for construction or improvement of projects
94.24 and facilities under section 297A.71, subdivision 40;

94.25 ~~(11)~~ (10) enterprise information technology equipment and computer software for use
94.26 in a qualified data center, qualified large-scale data center, or qualified refurbished data
94.27 center exempt under section 297A.68, subdivision 42;

94.28 ~~(12)~~ (11) materials, supplies, and equipment for qualifying capital projects under section
94.29 297A.71, subdivision 44, paragraphs (a) and (b);

94.30 ~~(13)~~ (12) items purchased for use in providing critical access dental services exempt
94.31 under section 297A.70, subdivision 7, paragraph (c);

95.1 ~~(14)~~ (13) items and services purchased under a business subsidy agreement for use or
95.2 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
95.3 44;

95.4 ~~(15)~~ (14) building materials, equipment, and supplies for constructing or replacing real
95.5 property exempt under section 297A.71, subdivisions ~~49~~; 50, paragraph (b)~~;~~₂ and 51;

95.6 ~~(16)~~ (15) building materials, equipment, and supplies for qualifying capital projects
95.7 under section 297A.71, subdivision 52;

95.8 ~~(17)~~ (16) building materials, equipment, and supplies for constructing, remodeling,
95.9 expanding, or improving a fire station, police station, or related facilities exempt under
95.10 section 297A.71, subdivision 53; and

95.11 ~~(18)~~ (17) building materials, equipment, and supplies for constructing, remodeling, or
95.12 improving a sustainable aviation fuel facility exempt under section 297A.71, subdivision
95.13 54.

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

95.15 Sec. 13. Minnesota Statutes 2025 Supplement, section 297A.75, subdivision 2, is amended
95.16 to read:

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

95.20 (1) for subdivision 1, clauses (1), (2), and ~~(13)~~ (12), the applicant must be the purchaser;

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

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

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

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

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

95.29 (7) for subdivision 1, clauses ~~(8), (11), and (14)~~ (10) and (13), the owner of the qualifying
95.30 business;

96.1 (8) for subdivision 1, clauses ~~(9), (10), (12), (16), and (17)~~ (8), (9), (11), (15), and (16),
 96.2 the applicant must be the governmental entity that owns or contracts for the project or
 96.3 facility;

96.4 (9) for subdivision 1, clause ~~(15)~~ (14), the applicant must be the owner or developer of
 96.5 the building or project; and

96.6 (10) for subdivision 1, clause ~~(18)~~ (17), the applicant must be the owner or developer
 96.7 of the sustainable aviation fuel facility.

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

96.9 Sec. 14. Minnesota Statutes 2025 Supplement, section 297A.75, subdivision 3, is amended
 96.10 to read:

96.11 Subd. 3. **Application.** (a) The application must include sufficient information to permit
 96.12 the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor,
 96.13 or builder, under subdivision 1, clauses (3) to ~~(12)~~ (11) or ~~(14) to (18)~~ (13) to (17), the
 96.14 contractor, subcontractor, or builder must furnish to the refund applicant a statement including
 96.15 the cost of the exempt items and the taxes paid on the items unless otherwise specifically
 96.16 provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to
 96.17 refunds under this section.

96.18 (b) An applicant may not file more than two applications per calendar year for refunds
 96.19 for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

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

96.21 Sec. 15. Minnesota Statutes 2025 Supplement, section 297A.94, is amended to read:

96.22 **297A.94 DEPOSIT OF REVENUES.**

96.23 (a) Except as provided in this section, the commissioner shall deposit the revenues,
 96.24 including interest and penalties, derived from the taxes imposed by this chapter in the state
 96.25 treasury and credit them to the general fund.

96.26 (b) The commissioner shall deposit taxes in the Minnesota agricultural and economic
 96.27 account in the special revenue fund if:

96.28 (1) the taxes are derived from sales and use of property and services purchased for the
 96.29 construction and operation of an agricultural resource project; and

96.30 (2) the purchase was made on or after the date on which a conditional commitment was
 96.31 made for a loan guaranty for the project under section 41A.04, subdivision 3.

97.1 The commissioner of management and budget shall certify to the commissioner the date on
97.2 which the project received the conditional commitment. The amount deposited in the loan
97.3 guaranty account must be reduced by any refunds and by the costs incurred by the Department
97.4 of Revenue to administer and enforce the assessment and collection of the taxes.

97.5 (c) The commissioner shall deposit the revenues, including interest and penalties, derived
97.6 from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3,
97.7 paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

97.8 (1) first to the general obligation special tax bond debt service account in each fiscal
97.9 year the amount required by section 16A.661, subdivision 3, paragraph (b); and

97.10 (2) after the requirements of clause (1) have been met, the balance to the general fund.

97.11 (d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit
97.12 in the state treasury the revenues collected under section 297A.64, subdivision 1, including
97.13 interest and penalties and minus refunds, and credit them to the highway user tax distribution
97.14 fund.

97.15 (e) The commissioner shall deposit the revenues, including interest and penalties,
97.16 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
97.17 general fund. By July 15 of each year the commissioner shall transfer to the highway user
97.18 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
97.19 subdivision 5, for the previous calendar year.

97.20 (f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit
97.21 of revenues under paragraph (d), the commissioner shall deposit into the state treasury and
97.22 credit to the highway user tax distribution fund an amount equal to the estimated revenues
97.23 derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or
97.24 rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The
97.25 commissioner shall estimate the amount of sales tax revenue deposited under this paragraph
97.26 based on the amount of revenue deposited under paragraph (d).

97.27 (g) Each month the commissioner must deposit an amount equal to the estimated revenues
97.28 derived from the taxes imposed under section 297A.62, subdivision 1, on the sale and
97.29 purchase of motor vehicle repair and replacement parts in the state treasury and credit:

97.30 (1) a percentage to the highway user tax distribution fund as follows:

97.31 (i) 43.5 percent in each of fiscal years 2024 and 2025;

97.32 (ii) 43 percent in fiscal year 2026;

- 98.1 (iii) 41 percent in fiscal year 2027;
- 98.2 (iv) 36 percent in fiscal year 2028;
- 98.3 (v) 30 percent in fiscal year 2029;
- 98.4 (vi) 36 percent in each of fiscal years 2030 to 2034;
- 98.5 (vii) 38.5 percent in fiscal year 2035;
- 98.6 (viii) 41 percent in fiscal year 2036; and
- 98.7 (ix) 43.5 percent in fiscal year 2037 and thereafter;
- 98.8 (2) a percentage to the transportation advancement account under section 174.49 as
- 98.9 follows:

- 98.10 (i) 3.5 percent in fiscal year 2024;
- 98.11 (ii) 4.5 percent in fiscal year 2025;
- 98.12 (iii) 5.5 percent in fiscal year 2026;
- 98.13 (iv) 7.5 percent in fiscal year 2027;
- 98.14 (v) 14.5 percent in fiscal year 2028;
- 98.15 (vi) 21.5 percent in fiscal year 2029;
- 98.16 (vii) 28.5 percent in fiscal year 2030;
- 98.17 (viii) 36.5 percent in fiscal year 2031;
- 98.18 (ix) 44.5 percent in fiscal year 2032; and
- 98.19 (x) 56.5 percent in fiscal year 2033 and thereafter; and
- 98.20 (3) the remainder in each fiscal year to the general fund.

98.21 After each February forecast, and prior to the following April 15, the commissioner shall

98.22 estimate the monthly deposit amount for use in the following fiscal year based on the estimate

98.23 of average revenue derived from the taxes imposed under section 297A.62, subdivision 1,

98.24 on the sale and purchase of motor vehicle repair and replacement parts from the department's

98.25 three most recent consumption tax models. If, after the commissioner estimates the monthly

98.26 deposit amounts and prior to July 1, the rate of tax imposed under section 297A.62,

98.27 subdivision 1, or the percentages specified under this paragraph are impacted by a law

98.28 change, then the commissioner must update the estimated deposit amount by July 15. For

98.29 purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01,

98.30 subdivision 11, and "motor vehicle repair and replacement parts" includes (i) all parts, tires,

99.1 accessories, and equipment incorporated into or affixed to the motor vehicle as part of the
99.2 motor vehicle maintenance and repair, and (ii) paint, oil, and other fluids that remain on or
99.3 in the motor vehicle as part of the motor vehicle maintenance or repair. For purposes of this
99.4 paragraph, "tire" means any tire of the type used on highway vehicles, if wholly or partially
99.5 made of rubber and if marked according to federal regulations for highway use.

99.6 (h) 81.56 percent of the revenues, including interest and penalties, transmitted to the
99.7 commissioner under section 297A.65, must be deposited by the commissioner in the state
99.8 treasury as follows:

99.9 (1) 47.5 percent of the receipts must be deposited in the heritage enhancement account
99.10 in the game and fish fund, and may be spent only on activities that improve, enhance, or
99.11 protect fish and wildlife resources, including conservation, restoration, and enhancement
99.12 of land, water, and other natural resources of the state;

99.13 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
99.14 be spent only for state parks and trails;

99.15 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
99.16 be spent only on metropolitan park and trail grants;

99.17 (4) three percent of the receipts must be deposited in the natural resources fund, and
99.18 may be spent only on local trail grants;

99.19 (5) two percent of the receipts must be deposited in the natural resources fund, and may
99.20 be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory,
99.21 and the Duluth Zoo; and

99.22 (6) 2.5 percent of the receipts must be deposited in the pollinator account established in
99.23 section 103B.101, subdivision 19.

99.24 (i) 1.5 percent of the revenues, including interest and penalties, transmitted to the
99.25 commissioner under section 297A.65 must be deposited in a regional parks and trails account
99.26 in the natural resources fund and may only be spent for parks and trails of regional
99.27 significance outside of the seven-county metropolitan area under section 85.535, based on
99.28 recommendations from the Greater Minnesota Regional Parks and Trails Commission under
99.29 section 85.536.

99.30 (j) 1.5 percent of the revenues, including interest and penalties, transmitted to the
99.31 commissioner under section 297A.65 must be deposited in an outdoor recreational
99.32 opportunities for underserved communities account in the natural resources fund and may
99.33 only be spent on projects and activities that connect diverse and underserved Minnesotans

100.1 through expanding cultural environmental experiences, exploration of their environment,
100.2 and outdoor recreational activities.

100.3 (k) The revenue dedicated under paragraph (h) may not be used as a substitute for
100.4 traditional sources of funding for the purposes specified, but the dedicated revenue shall
100.5 supplement traditional sources of funding for those purposes. Land acquired with money
100.6 deposited in the game and fish fund under paragraph (h) must be open to public hunting
100.7 and fishing during the open season, except that in aquatic management areas or on lands
100.8 where angling easements have been acquired, fishing may be prohibited during certain times
100.9 of the year and hunting may be prohibited. At least 87 percent of the money deposited in
100.10 the game and fish fund for improvement, enhancement, or protection of fish and wildlife
100.11 resources under paragraph (h) must be allocated for field operations.

100.12 (l) The commissioner must deposit the revenues, including interest and penalties minus
100.13 any refunds, derived from the sale of items regulated under section 624.20, subdivision 1,
100.14 that may be sold to persons 18 years old or older and that are not prohibited from use by
100.15 the general public under section 624.21, in the state treasury and credit:

100.16 (1) 25 percent to the volunteer fire assistance grant account established under section
100.17 88.068;

100.18 (2) 25 percent to the fire safety account established under section 297I.06, subdivision
100.19 3; and

100.20 (3) the remainder to the general fund.

100.21 For purposes of this paragraph, the percentage of total sales and use tax revenue derived
100.22 from the sale of items regulated under section 624.20, subdivision 1, that are allowed to be
100.23 sold to persons 18 years old or older and are not prohibited from use by the general public
100.24 under section 624.21, is a set percentage of the total sales and use tax revenues collected in
100.25 the state, with the percentage determined under Laws 2017, First Special Session chapter
100.26 1, article 3, section 39.

100.27 (m) The revenues deposited under paragraphs (a) to (l) do not include the revenues,
100.28 including interest and penalties, generated by the sales tax imposed under section 297A.62,
100.29 subdivision 1a, which must be deposited as provided under the Minnesota Constitution,
100.30 article XI, section 15.

100.31 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2026.

101.1 Sec. 16. Minnesota Statutes 2024, section 297B.03, is amended to read:

101.2 **297B.03 EXEMPTIONS.**

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

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

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

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

101.16 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota
101.17 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,
101.18 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,
101.19 as amended through December 16, 2016;

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

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

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

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

- 102.1 (9) purchase of a ready-mixed concrete truck;
- 102.2 (10) purchase or use of a motor vehicle by a town for use exclusively for road
102.3 maintenance, including snowplows and dump trucks, but not including automobiles, vans,
102.4 or pickup trucks;
- 102.5 (11) purchase or use of a motor vehicle by a corporation, society, association, foundation,
102.6 or institution organized and operated exclusively for charitable, religious, or educational
102.7 purposes, except a public school, university, or library, but only if the vehicle is:
- 102.8 (i) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
102.9 passenger automobile, as defined in section 168.002, if the automobile is designed and used
102.10 for carrying more than nine persons including the driver; and
- 102.11 (ii) intended to be used primarily to transport tangible personal property or individuals,
102.12 other than employees, to whom the organization provides service in performing its charitable,
102.13 religious, or educational purpose;
- 102.14 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide
102.15 transit service is exempt if the transit provider is either (i) receiving financial assistance or
102.16 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,
102.17 473.388, or 473.405;
- 102.18 ~~(13) purchase or use of a motor vehicle by a qualified business, as defined in section~~
102.19 ~~469.310, located in a job opportunity building zone, if the motor vehicle is principally~~
102.20 ~~garaged in the job opportunity building zone and is primarily used as part of or in direct~~
102.21 ~~support of the person's operations carried on in the job opportunity building zone. The~~
102.22 ~~exemption under this clause applies to sales, if the purchase was made and delivery received~~
102.23 ~~during the duration of the job opportunity building zone. The exemption under this clause~~
102.24 ~~also applies to any local sales and use tax;~~
- 102.25 ~~(14)~~ (13) purchase of a leased vehicle by the lessee who was a participant in a
102.26 lease-to-own program from a charitable organization that is:
- 102.27 (i) described in section 501(c)(3) of the Internal Revenue Code; and
- 102.28 (ii) licensed as a motor vehicle lessor under section 168.27, subdivision 4;
- 102.29 ~~(15)~~ (14) purchase of a motor vehicle used exclusively as a mobile medical unit for the
102.30 provision of medical or dental services by a federally qualified health center, as defined
102.31 under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget
102.32 Reconciliation Act of 1990; and

103.1 ~~(16)~~ (15) purchase of a motor vehicle by a veteran having a total service-connected
103.2 disability, as defined in section 171.01, subdivision 51.

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

103.4 Sec. 17. Minnesota Statutes 2025 Supplement, section 299C.76, subdivision 1, is amended
103.5 to read:

103.6 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following definitions
103.7 apply.

103.8 (b) "Federal tax information" means federal tax returns and return information or
103.9 information derived or created from federal tax returns, in possession of or control by the
103.10 requesting agency, that is covered by the safeguarding provisions of section 6103(p)(4) of
103.11 the Internal Revenue Code.

103.12 (c) "IRS Publication 1075" means Internal Revenue Service Publication 1075 that
103.13 provides guidance and requirements for the protection and confidentiality of federal tax
103.14 information as required in section 6103(p)(4) of the Internal Revenue Code.

103.15 (d) "National criminal history record information" means the Federal Bureau of
103.16 Investigation identification records as defined in Code of Federal Regulations, title 28,
103.17 section 20.3(d).

103.18 (e) "Requesting agency" means the Department of Revenue; Department of Employment
103.19 and Economic Development; Department of Human Services; Department of Children,
103.20 Youth, and Families; board of directors of MNsure; Department of Information Technology
103.21 Services; attorney general; Office of the Legislative Auditor; and counties.

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

103.23 Sec. 18. **REPEALER.**

103.24 Minnesota Statutes 2024, sections 272.02, subdivision 64; 272.029, subdivision 7;
103.25 289A.12, subdivision 15; 290.06, subdivision 29; 297A.68, subdivision 37; 469.310; 469.311;
103.26 469.312; 469.313; 469.314; 469.315; 469.316; 469.317; 469.318; 469.3181; 469.319;
103.27 469.3191; 469.3192; 469.3193; 469.320; and 469.3201, are repealed.

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

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ARTICLE 2	INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES..	Page.Ln 23.20
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ARTICLE 9	CORPORATE FRANCHISE TAXES.....	Page.Ln 78.22
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272.02 EXEMPT PROPERTY.

Subd. 64. **Job opportunity building zone property.** (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a job opportunity building zone, designated under section 469.314, are exempt from ad valorem taxes levied under chapter 275.

(b) Improvements to real property, and tangible personal property, of an agricultural production facility located within an agricultural processing facility zone, designated under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

(c) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.310.

(d) The exemption applies beginning for the first assessment year after designation of the job opportunity building zone by the commissioner of employment and economic development. The exemption applies to each assessment year that begins during the duration of the job opportunity building zone. To be exempt, the property must be occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement and relocation agreement, if required, by July 1 of the assessment year. This exemption does not apply to:

(1) the levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) other school district levies included in the debt service levy of the district under section 123B.55.

(e) Except for property of a business that was exempt under this subdivision for taxes payable in 2008, a business must notify the county assessor in writing of eligibility under this subdivision by July 1 in order to begin receiving the exemption under this subdivision for taxes payable in the following year. The business need not annually notify the county assessor of its continued exemption under this subdivision, but must notify the county assessor immediately if the exemption no longer applies.

272.029 WIND ENERGY PRODUCTION TAX.

Subd. 7. **Exemption.** The tax imposed under this section does not apply to electricity produced by wind energy conversion systems located in a job opportunity building zone for the duration of the zone. The exemption applies beginning for the first calendar year after designation of the zone and applies to each calendar year that begins during the designation of the zone. The exemption only applies if the owner of the system is a qualified business under section 469.310, subdivision 11, who has entered into a business subsidy agreement that covers the land on which the system is situated.

273.25 LISTS TO BE VERIFIED.

Every person required to list property for taxation shall make out and deliver to the assessor, upon blanks furnished by the assessor, a verified statement of all personal property owned on January 2 of the current year. The person shall also make separate statements in like manner of all personal property possessed or controlled by the person and required by this chapter to be listed for taxation as agent or attorney, guardian, parent, trustee, executor, administrator, receiver, accounting officer, partner, factor, or in any other capacity; but no person shall be required to include in the statement any share of the capital stock of any company or corporation which it is required to list and return as its capital and property for taxation in this state.

273.65 FAILURE TO LIST; EXAMINATION UNDER OATH; DUTIES OF ASSESSOR.

When the assessor shall be of opinion that the person listing property for that person, or for any other person, company, or corporation, has not made a full, fair, and complete list thereof, the assessor may examine such person, under oath, in regard to the amount of the property required to be listed; and, if such person shall refuse to make full discovery under oath, the assessor may list the property of such person, or the person's principal, according to the assessor's best judgment and information.

273.66 OWNER ABSENT OR SICK.

If any person required to list property be sick or absent when the assessor calls for a list thereof, the assessor shall leave at the office or usual place of residence or business of such person a written or printed notice requiring such person to make out and leave at a place, and on or before a day

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named therein, the statement or list required by this chapter. The date of leaving such notice, and the name of the person so required to list, shall be noted by the assessor in the assessment book.

273.67 PROCEDURE WHEN OWNER DOES NOT LIST OR IS NOT SWORN.

When any person whose duty it is to list shall refuse or neglect to list personal property when called on by the assessor, or to take and subscribe the required oath in regard to the truth of a statement, or any part thereof, the assessor shall enter opposite the name of such person, in an appropriate column, the words "refused to list," or "refused to swear," as the case may be; and when any person whose duty it is to list is absent, or unable from sickness to list, the assessor shall enter opposite the name of such person, in an appropriate column, the word "absent" or "sick." The assessor may administer oaths to all persons who by this chapter are required to swear, or whom the assessor may require to testify, and may examine, upon oath, any person supposed to have knowledge of the amount or value of the personal property of any person refusing to list or to verify a list of personal property.

274.07 LIST BY PERSON SICK OR ABSENT.

If any person required to list property for taxation is prevented by sickness or absence from listing it with the assessor, the person, or the person's agent in charge of the property, may give the auditor a statement of the property value as required by this chapter at any time before the taxes are extended by the county auditor. The auditor shall list the property and correct the corresponding items in the return made by the assessor. No statement may be received from any person who refused or neglected to attest to the statement when required by the assessor. No statement may be received from any person, unless the person makes and files with it an affidavit of absence from the town or district without design to avoid the listing of the property, or was prevented by sickness from giving the assessor the required statement when asked to do so.

289A.12 FILING REQUIREMENTS FOR INFORMATION RETURNS AND REPORTS.

Subd. 15. **Report of job opportunity zone benefits; penalty for failure to file report.** (a) By October 15 of each year, every qualified business, as defined under section 469.310, subdivision 11, must file with the commissioner, on a form prescribed by the commissioner, a report listing the tax benefits under section 469.315 received by the business for the previous year.

(b) The commissioner shall send notice to each business that fails to timely submit the report required under paragraph (a). The notice shall demand that the business submit the report within 60 days. Where good cause exists, the commissioner may extend the period for submitting the report as long as a request for extension is filed by the business before the expiration of the 60-day period. The commissioner shall notify the commissioner of employment and economic development and the appropriate job opportunity subzone administrator whenever notice is sent to a business under this paragraph.

(c) A business that fails to submit the report as required under paragraph (b) is no longer a qualified business under section 469.310, subdivision 11, and is subject to the repayment provisions of section 469.319.

290.06 RATES OF TAX; CREDITS.

Subd. 29. **Job opportunity building zone job credit.** A taxpayer that is a qualified business, as defined in section 469.310, subdivision 11, is allowed a credit as determined under section 469.318 against the tax imposed by this chapter.

297A.68 BUSINESS EXEMPTIONS.

Subd. 37. **Job opportunity building zones.** (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.310, are exempt if the property or services are primarily used or consumed in a job opportunity building zone designated under section 469.314. For purposes of this subdivision, an aerial camera package, including any camera, computer, and navigation device contained in the package, that is used in an aircraft that is operated under a Federal Aviation Administration Restricted Airworthiness Certificate according to Code of Federal Regulations, title 14, part 21, section 21.25(b)(3), relating to aerial surveying, and that is based, maintained, and dispatched from a job opportunity building zone, qualifies as primarily used or consumed in a job opportunity building zone if the imagery acquired from the aerial camera package is returned to the job opportunity building zone for processing. The exemption for an aerial camera package is limited as provided in this subdivision and the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided

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in section 297A.75. The total amount of the aerial camera package exemption refunded for all taxpayers for all fiscal years is limited to \$50,000 in taxes.

(b) Purchase and use of construction materials and supplies used or consumed in, and equipment incorporated into, the construction of improvements to real property in a job opportunity building zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.310. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d) This subdivision applies to sales, if the purchase was made and delivery received during the duration of the zone.

(e) Notwithstanding the restriction in paragraph (a), which requires items purchased to be primarily used or consumed in the zone, purchases by a qualified business that is an electrical cooperative located in Meeker County of equipment and materials used for the generation, transmission, and distribution of electrical energy are exempt under this subdivision, except that:

(1) the exemption for materials and equipment used or consumed outside the zone must not exceed \$200,000 in taxes for all taxpayers for all fiscal years; and

(2) no sales and use tax exemption is allowed for equipment purchased for resale.

For purposes of this paragraph, the tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

428B.02 ESTABLISHMENT OF TOURISM IMPROVEMENT DISTRICT.

Subd. 7. **Notice to the commissioner of revenue.** Within 30 days of adoption of the ordinance, the governing body must send a copy of the ordinance to the commissioner of revenue.

469.310 DEFINITIONS.

Subdivision 1. **Scope.** For purposes of sections 469.310 to 469.320, the following terms have the meanings given.

Subd. 2. **Agricultural processing facility.** "Agricultural processing facility" means one or more facilities or operations that transform, package, sort, or grade livestock or livestock products, agricultural commodities, or plants or plant products into goods that are used for intermediate or final consumption including goods for nonfood use, and surrounding property.

Subd. 3. **Applicant.** "Applicant" means a local government unit or units applying for designation of an area as a job opportunity building zone or a joint powers board, established under section 471.59, acting on behalf of two or more local government units.

Subd. 4. **Commissioner.** "Commissioner" means the commissioner of employment and economic development.

Subd. 4a. **Create automotive recovery zone.** "Create automotive recovery zone" means a zone designated by the commissioner under section 469.314 that contains a motor vehicle assembly facility.

Subd. 5. **Development plan.** "Development plan" means a plan meeting the requirements of section 469.311.

Subd. 6. **Job opportunity building zone or zone.** "Job opportunity building zone" or "zone" means a zone designated by the commissioner under section 469.314, and includes an agricultural processing facility zone and a create automotive recovery zone.

Subd. 7. **Job opportunity building zone percentage or zone percentage.** "Job opportunity building zone percentage" or "zone percentage" means the following fraction reduced to a percentage:

(1) the numerator of the fraction is:

(i) the ratio of the taxpayer's property factor under section 290.191 located in the zone for the taxable year over the property factor numerator determined under section 290.191, plus

(ii) the ratio of the taxpayer's job opportunity building zone payroll factor under subdivision 8 over the payroll factor numerator determined under section 290.191; and

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(2) the denominator of the fraction is two.

When calculating the zone percentage for a business that is part of a unitary business as defined under section 290.17, subdivision 4, the denominator of the payroll and property factors is the Minnesota payroll and property of the unitary business as reported on the combined report under section 290.17, subdivision 4, paragraph (h).

Subd. 8. Job opportunity building zone payroll factor. "Job opportunity building zone payroll factor" or "job opportunity building zone payroll" is that portion of the payroll factor under section 290.191 that represents:

(1) wages or salaries paid to an individual for services performed in a job opportunity building zone; or

(2) wages or salaries paid to individuals working from offices within a job opportunity building zone if their employment requires them to work outside the zone and the work is incidental to the work performed by the individual within the zone.

Subd. 9. Local government unit. "Local government unit" means a statutory or home rule charter city, county, town, the Department of Iron Range Resources and Rehabilitation, regional development commission, or a federally designated economic development district.

Subd. 10. Person. "Person" includes an individual, corporation, partnership, limited liability company, association, or any other entity.

Subd. 11. Qualified business. (a) A person carrying on a trade or business at a place of business located within a job opportunity building zone is a qualified business for the purposes of sections 469.310 to 469.320 according to the criteria in paragraphs (b) to (f).

(b) A person is a qualified business only on those parcels of land for which the person has entered into a business subsidy agreement, as required under section 469.313, with the appropriate local government unit in which the parcels are located.

(c) Prior to execution of the business subsidy agreement, the local government unit must consider the following factors:

- (1) how wages compare to the regional industry average;
- (2) the number of jobs that will be provided relative to overall employment in the community;
- (3) the economic outlook for the industry the business will engage in;
- (4) sales that will be generated from outside the state of Minnesota;
- (5) how the business will build on existing regional strengths or diversify the regional economy;
- (6) how the business will increase capital investment in the zone; and
- (7) any other criteria the commissioner deems necessary.

(d) A person that relocates a trade or business from outside a job opportunity building zone into a zone is not a qualified business unless the business meets all of the requirements of paragraphs (b) and (c) and:

(1) increases full-time employment in the first full year of operation within the job opportunity building zone by a minimum of five jobs or 20 percent, whichever is greater, measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clause (1) are not met for the taxable year or for taxes payable during the year in which the requirements were not met; and

(iii) contains any other terms the commissioner determines appropriate.

(e) The commissioner may waive the requirements under paragraph (d), clause (1), if the commissioner determines that the qualified business will substantially achieve the factors under this subdivision.

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(f) A business is not a qualified business if, at its location or locations in the zone, the business is primarily engaged in making retail sales to purchasers who are physically present at the business's zone location.

(g) A qualifying business must pay each employee compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110 percent of the federal poverty level for a family of four.

(h) A public utility, as defined in section 336B.01, is not a qualified business.

(i) A business operating in a create automotive recovery zone is a qualified business only if it engages in the assembly of motor vehicles at the zone location.

Subd. 12. **Relocates.** (a) "Relocates" means that the trade or business:

(1) ceases one or more operations or functions at another location in Minnesota and begins performing substantially the same operations or functions at a location in a job opportunity building zone; or

(2) reduces employment at another location in Minnesota during a period starting one year before and ending one year after it begins operations in a job opportunity building zone and its employees in the job opportunity building zone are engaged in the same line of business as the employees at the location where it reduced employment.

(b) "Relocate" does not include an expansion by a business that establishes a new facility that does not replace or supplant an existing operation or employment, in whole or in part.

(c) "Trade or business" includes any business entity that is substantially similar in operation or ownership to the business entity seeking to be a qualified business under this section.

Subd. 13. **Relocation payroll percentage.** "Relocation payroll percentage" is a fraction, the numerator of which is the zone payroll of the business for the tax year minus the payroll from the relocated operations in the last full year of operations prior to the relocation, and the denominator of which is the zone payroll of the business for the tax year. The relocation payroll percentage of a business that is not a relocating business is 100 percent.

Subd. 14. **Motor vehicle assembly facility.** "Motor vehicle assembly facility" means a manufacturing facility with at least 500 employees that is used to assemble motor vehicles and is located in a city of the first class.

469.311 DEVELOPMENT PLAN.

(a) An applicant for designation of a job opportunity building zone must adopt a written development plan for the zone before submitting the application to the commissioner.

(b) The development plan must contain, at least, the following:

(1) a map of the proposed zone that indicates the geographic boundaries of the zone, the total area, and present use and conditions generally of the land and structures within those boundaries;

(2) evidence of community support and commitment from local government, local workforce investment boards, school districts, and other education institutions, business groups, and the public;

(3) a description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, reduce the local regulatory burden, and identify job-training opportunities;

(4) current social, economic, and demographic characteristics of the proposed zone and anticipated improvements in education, health, human services, and employment if the zone is created;

(5) a description of anticipated activity in the zone and each subzone, including, but not limited to, industrial use, industrial site reuse, commercial or retail use, and residential use; and

(6) any other information required by the commissioner.

469.312 JOB OPPORTUNITY BUILDING ZONES; LIMITATIONS.

Subdivision 1. **Maximum size.** A job opportunity building zone may not exceed 5,000 acres. For a zone designated as an agricultural processing facility zone, the zone also may not exceed the size of a site necessary for the agricultural processing facility, including ancillary operations and space for expansion in the reasonably foreseeable future. For a zone designated as a create automotive

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recovery zone, the zone also may not exceed the size of the site necessary for the assembly of motor vehicles, including ancillary operations and space for expansion in the reasonably foreseeable future.

Subd. 2. **Subzones.** The area of a job opportunity building zone may consist of one or more noncontiguous areas or subzones.

Subd. 3. **Outside metropolitan area.** Except for a create automotive recovery zone, the area of a job opportunity building zone must be located outside of the metropolitan area, as defined in section 473.121, subdivision 2.

Subd. 4. **Border city development zones.** (a) The area of a job opportunity building zone may not include the area of a border city development zone designated under section 469.1731. The city may remove property from a border city development zone contingent upon the area being designated as a job opportunity building zone. Before removing a parcel of property from a border city development zone, the city must obtain the written consent to the removal from each recipient that is located on the parcel and receives incentives under the border city development zone. Consent of any other property owner or taxpayer in the border city development zone is not required.

(b) A city may not provide tax incentives under section 469.1734 to individuals or businesses for operations or activity in a job opportunity building zone.

Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The applicant may request a shorter duration. The commissioner may specify a shorter duration, regardless of the requested duration.

(b) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by three calendar years for each parcel of property that meets the following requirements:

(1) the qualified business operates an ethanol plant, as defined in section 41A.09, on the site that includes the parcel; and

(2) the business subsidy agreement was executed after April 30, 2006.

(c) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by five calendar years for each parcel of property that meets the following requirements:

(1) the parcel is located in a county with an unemployment rate that on the date that the business subsidy agreement is executed (i) equals or exceeds ten percent or (ii) is ten percent higher than the statewide average;

(2) the operations of the qualified business on the site include:

(i) its headquarters;

(ii) facilities for research and development; and

(iii) the manufacturing of products, used by the building, transport, consumer products, and industrial products sectors, that reduce the use of or increase the efficiency of the use of energy resources and that are manufactured using innovative and high technology processes; and

(3) the business subsidy agreement is executed after July 1, 2009, and before July 1, 2011.

(d) The duration of a create automotive recovery zone is 12 years from the date of the designation of a zone by the commissioner under section 469.314, subdivision 4, paragraph (g).

(e) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by five calendar years for each parcel of property that meets the following requirements:

(1) the parcel is located in a county with an unemployment rate for any of the 12 months preceding the date on which the business subsidy agreement is executed that (i) equals or exceeds ten percent or (ii) is ten percent higher than the statewide average;

(2) the qualified business is engaged in the business of manufacturing wind turbines and related products for the generation of energy, and the parcel includes one or more of the following facilities of the qualified business:

(i) the headquarters of the business in this country;

(ii) training facilities; or

(iii) manufacturing facilities; and

(3) the initial business subsidy agreement is executed after July 1, 2010, and before November 1, 2011.

469.313 APPLICATION FOR DESIGNATION.

Subdivision 1. **Who may apply.** One or more local government units, or a joint powers board under section 471.59, acting on behalf of two or more units, may apply for designation of an area as a job opportunity building zone. All or part of the area proposed for designation as a zone must be located within the boundaries of each of the governmental units. A local government unit may not submit or have submitted on its behalf more than one application for designation of a job opportunity building zone.

Subd. 2. **Application content.** The application must include:

(1) a development plan meeting the requirements of section 469.311;

(2) the proposed duration of the zone, not to exceed 12 years;

(3) a resolution or ordinance adopted by each of the cities or towns and the counties in which the zone is located, agreeing to provide all of the local tax exemptions provided under section 469.315;

(4) if the proposed zone includes area in a border city development zone, written consent to removal of the property from the border city development zone to the extent required by section 469.312, subdivision 4;

(5) an agreement by the applicant to treat incentives provided under the zone designation as business subsidies under sections 116J.993 to 116J.995 and to comply with the requirements of that law; and

(6) supporting evidence to allow the commissioner to evaluate the application under the criteria in section 469.314.

469.314 DESIGNATION OF JOB OPPORTUNITY BUILDING ZONES.

Subdivision 1. **Commissioner to designate.** (a) The commissioner, in consultation with the commissioner of revenue, shall designate not more than ten job opportunity building zones and not more than one create automotive recovery zone. In making the designations, the commissioner shall consider need and likelihood of success to yield the most economic development and revitalization of economically distressed rural areas of Minnesota.

(b) In addition to the designations under paragraph (a), the commissioner may, in consultation with the commissioners of agriculture and revenue, designate up to five agricultural processing facility zones.

(c) The commissioner may, upon designation of a zone, modify the development plan, including the boundaries of the zone or subzones, if in the commissioner's opinion a modified plan would better meet the objectives of the job opportunity building zone program. The commissioner shall notify the applicant of the modification and provide a statement of the reasons for the modifications.

Subd. 2. **Need indicators.** (a) In evaluating applications to determine the need for designation of a job opportunity building zone, the commissioner shall consider the following factors as indicators of need:

(1) the percentage of the population that is below 200 percent of the poverty rate, compared with the state as a whole;

(2) the extent to which the area's average weekly wage is significantly lower than the state average weekly wage;

(3) the amount of property in or near the proposed zone that is deteriorated or underutilized;

(4) the extent to which the median sale price of housing units in the area is below the state median;

(5) the extent to which the median household income of the area is lower than the state median household income;

(6) the extent to which the area experienced a population loss during the 20-year period ending the year before the application is made;

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(7) the extent to which an area has experienced sudden or severe job loss as a result of closing of businesses or other employers;

(8) the extent to which property in the area would remain underdeveloped or nonperforming due to physical characteristics;

(9) the extent to which the area has substantial real property with adequate infrastructure and energy to support new or expanded development; and

(10) the extent to which the business startup or expansion rates are significantly lower than the respective rate for the state.

(b) In applying the need indicators, the best available data should be used. If reported data are not available for the proposed zone, data for the smallest area that is available and includes the area of the proposed zone may be used. The commissioner may require applicants to provide data to demonstrate how the area meets one or more of the indicators of need.

Subd. 3. **Success indicators.** In determining the likelihood of success of a proposed zone, the commissioner shall consider:

(1) the strength and viability of the proposed development goals, objectives, and strategies in the development plan;

(2) whether the development plan is creative and innovative in comparison to other applications;

(3) local public and private commitment to development of the proposed zone and the potential cooperation of surrounding communities;

(4) existing resources available to the proposed zone;

(5) how the designation of the zone would relate to other economic and community development projects and to regional initiatives or programs;

(6) how the regulatory burden will be eased for businesses operating in the proposed zone;

(7) proposals to establish and link job creation and job training; and

(8) the extent to which the development is directed at encouraging and that designation of the zone is likely to result in the creation of high-paying jobs.

Subd. 4. **Designation schedule.** (a) The schedule in paragraphs (b) to (f) applies to the designation of job opportunity building zones. Paragraph (g) applies to the designation of a create automotive recovery zone.

(b) The commissioner shall publish the form for applications and any procedural, form, or content requirements for applications by no later than August 1, 2003. The commissioner may publish these requirements on the Internet, in the State Register, or by any other means the commissioner determines appropriate to disseminate the information to potential applicants for designation.

(c) Applications must be submitted by October 15, 2003.

(d) The commissioner shall designate the zones by no later than December 31, 2003.

(e) The designation of the zones takes effect January 1, 2004.

(f) The commissioner may reserve one or more of the ten authorized zones for a second round of designations in calendar year 2004. If the commissioner chooses to reserve designations for this purpose, the commissioner shall establish the schedule for the second round of designations, notwithstanding the dates in paragraphs (c), (d), and (e). The commissioner shall allow a period of at least 90 days for submission of applications after notification of the second round. A zone designated in the second round takes effect on January 1, 2005.

(g) The commissioner may accept applications for a create automotive recovery zone at any time before January 1, 2016. The commissioner may designate a create automotive recovery zone at any time after December 31, 2011, and before January 1, 2016, but only if the applicant has entered a written agreement with a qualified business committing to make a capital investment of at least \$100,000,000 to improve or retrofit a motor vehicle assembly facility located in the zone.

Subd. 5. **Geographic distribution.** The commissioner shall have as a goal the geographic distribution of zones around the state.

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Subd. 6. **Rulemaking exemption.** The commissioner's actions in establishing procedures, requirements, and making determinations to administer sections 469.310 to 469.320 are not a rule for purposes of chapter 14 and are not subject to the Administrative Procedure Act contained in chapter 14 and are not subject to section 14.386.

469.315 TAX INCENTIVES AVAILABLE IN ZONES.

Qualified businesses that operate in a job opportunity building zone, individuals who invest in a qualified business that operates in a job opportunity building zone, and property located in a job opportunity building zone qualify for:

- (1) exemption from individual income taxes as provided under section 469.316;
- (2) exemption from corporate franchise taxes as provided under section 469.317;
- (3) exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in section 297A.68, subdivision 37;
- (4) exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under section 297B.03;
- (5) exemption from the property tax as provided in section 272.02, subdivision 64;
- (6) exemption from the wind energy production tax under section 272.029, subdivision 7; and
- (7) the jobs credit allowed under section 469.318, except that a qualified business located in a create automotive recovery zone is not eligible for the credit under section 469.318 but is eligible for the credit under section 469.3181.

469.316 INDIVIDUAL INCOME TAX EXEMPTION.

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

Subd. 2. **Rents.** An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on net rents derived from real or tangible personal property used by a qualified business and located in a zone for a taxable year in which the zone was designated a job opportunity building zone. If tangible personal property was used both within and outside of the zone by the qualified business, the exemption amount for the net rental income must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone and the denominator of which is the total days the property is rented by the qualified business.

Subd. 3. **Business income.** An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on net income from the operation of a qualified business in a job opportunity building zone. If the trade or business is carried on within and without the zone and the individual is not a resident of Minnesota, or the taxpayer is an estate or trust, the exemption must be apportioned based on the zone percentage and the relocation payroll percentage for the taxable year. If the trade or business is carried on within and without the zone and the individual is a resident of Minnesota, the exemption must be apportioned based on the zone percentage and the relocation payroll percentage for the taxable year, except the ratios under section 469.310, subdivision 7, clause (1), items (i) and (ii), must use the denominators of the property and payroll factors determined under section 290.191. No subtraction is allowed under this section in excess of 20 percent of the sum of the job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the business.

Subd. 4. **Capital gains.** (a) An individual, estate, or trust is exempt from the taxes imposed under chapter 290 on:

- (1) net gain derived on a sale or exchange of real property located in the zone and used by a qualified business. If the property was held by the individual, estate, or trust during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the real property was held by the individual, estate, or trust during the period

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the zone designation was in effect to the total period of time the real property was held by the individual;

(2) net gain derived on a sale or exchange of tangible personal property used by a qualified business in the zone. If the property was held by the individual, estate, or trust during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the property was held by the individual, estate, or trust during the period the zone designation was in effect to the total period of time the property was held by the individual. If the tangible personal property was used outside of the zone during the period of the zone's designation, the exemption must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone during the time of the designation and the denominator of which is the total days the property was held during the time of the designation; and

(3) net gain derived on a sale of an ownership interest in a qualified business operating in the job opportunity building zone, meeting the requirements of paragraph (b). The exemption on the gain must be multiplied by the zone percentage of the business for the taxable year prior to the sale.

(b) A qualified business meets the requirements of paragraph (a), clause (3), if it is a corporation, an S corporation, or a partnership, and for the taxable year its job opportunity building zone percentage exceeds 25 percent. For purposes of paragraph (a), clause (3), the zone percentage must be calculated by modifying the ratios under section 469.310, subdivision 7, clause (1), items (i) and (ii), to use the denominators of the property and payroll factors determined under section 290.191. Upon the request of an individual, estate, or trust holding an ownership interest in the entity, the entity must certify to the owner, in writing, the job opportunity building zone percentage needed to determine the exemption.

469.317 CORPORATE FRANCHISE TAX EXEMPTION.

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations within the zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and by its relocation payroll percentage and subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and by its relocation payroll percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding property and payroll in the zone from the computations of the fee or by exempting the entity under section 290.0922, subdivision 2, clause (7).

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the corporation.

(c) This section applies only to taxable years beginning during the duration of the job opportunity building zone.

469.318 JOBS CREDIT.

Subdivision 1. **Credit allowed.** A qualified business is allowed a credit against the taxes imposed under chapter 290. The credit equals seven percent of the:

(1) lesser of:

(i) zone payroll for the taxable year, less the zone payroll for the base year; or

(ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for the base year; minus

(2) \$30,000 multiplied by (the number of full-time equivalent employees that the qualified business employs in the job opportunity building zone for the taxable year, minus the number of full-time equivalent employees the business employed in the zone in the base year, but not less than zero).

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

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(b) "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the zone designation took effect.

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business, less the amount of compensation attributable to any employee that exceeds \$100,000.

Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31, 2004, the dollar amounts in subdivision 1, clause (2), and subdivision 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. **Refundable.** If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

469.3181 CREATE AUTOMOTIVE RECOVERY JOBS CREDIT.

Subdivision 1. **Credit allowed.** (a) A qualified business located in a create automotive recovery zone is allowed a credit against the tax imposed under chapter 290 equal to \$2,500 times the number of full-time equivalent employees receiving wages from the qualified business for working at the facility during the taxable year. The qualified business is allowed an additional credit equal to \$1,000 times the number of full-time equivalent employees receiving wages from the qualified business for working at the facility during the taxable year in excess of 750 employees.

(b) For purposes of this section, "employee" and "wages" have the meanings given them in section 290.92, subdivisions 1 and 3.

(c) For purposes of this section, "full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

Subd. 2. **Refundable.** If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 3. **Appropriation.** An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

Subd. 4. **Manner of claiming credit.** The commissioner shall prescribe the manner in which the credit may be issued or claimed. This may include allowing the credit only as a separately processed claim for refund.

469.319 REPAYMENT OF TAX BENEFITS BY BUSINESSES THAT NO LONGER OPERATE IN A ZONE.

Subdivision 1. **Repayment obligation.** A business must repay the total tax benefits listed in section 469.315 received during the two years immediately before it (1) ceased to perform a substantial level of activities described in the business subsidy agreement, or (2) otherwise ceased to be a qualified business, other than those subject to the provisions of section 469.3191.

Subd. 1a. **Repayment obligation of businesses not operating in zone.** Persons that receive benefits without operating a business in a zone are subject to repayment under this section if the business for which those benefits relate is subject to repayment under this section. Such persons are deemed to have ceased performing in the zone on the same day that the qualified business for which the benefits relate becomes subject to repayment under subdivision 1.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Business" means any person that received tax benefits enumerated in section 469.315.

(c) "Commissioner" means the commissioner of revenue.

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(d) "Persons that receive benefits without operating a business in a zone" means persons that claim benefits under section 469.316, subdivision 2 or 4, as well as persons that own property leased by a qualified business and are eligible for benefits under section 272.02, subdivision 64, or 297A.68, subdivision 37, paragraph (b).

Subd. 3. **Disposition of repayment.** The repayment must be paid to the state to the extent it represents a state tax reduction and to the county to the extent it represents a property tax reduction. Any amount repaid to the state must be deposited in the general fund. Any amount repaid to the county for the property tax exemption must be distributed to the taxing authorities with authority to levy taxes in the zone in the same manner provided for distribution of payment of delinquent property taxes. Any repayment of local sales taxes must be repaid to the commissioner for distribution to the city or county imposing the local sales tax.

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

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

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

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

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

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

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

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

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Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a repayment required under subdivision 1, if the commissioner, in consultation with the commissioner of employment and economic development and appropriate officials from the local government units in which the qualified business is located, determines that requiring repayment of the tax is not in the best interest of the state or the local government units and the business ceased operating as a result of circumstances beyond its control including, but not limited to:

- (1) a natural disaster;
- (2) unforeseen industry trends; or
- (3) loss of a major supplier or customer.

(b)(1) The commissioner shall waive repayment required under subdivision 1a if the commissioner has waived repayment by the operating business under subdivision 1, unless the person that received benefits without having to operate a business in the zone was a contributing factor in the qualified business becoming subject to repayment under subdivision 1;

(2) the commissioner shall waive the repayment required under subdivision 1a, even if the repayment has not been waived for the operating business if:

(i) the person that received benefits without having to operate a business in the zone and the business that operated in the zone are not related parties as defined in section 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

(ii) actions of the person were not a contributing factor in the qualified business becoming subject to repayment under subdivision 1.

(c) Requests for waiver must be made no later than 60 days after the earlier of the notice date of an order issued under subdivision 4, paragraph (d), or the date of a tax statement issued under subdivision 4, paragraph (c). For purposes of this section, "notice date" means the notice date designated by the commissioner on the order.

Subd. 6. **Reconciliation.** Where this section is inconsistent with section 116J.994, subdivision 3, paragraph (e), or 6, or any other provisions of sections 116J.993 to 116J.995, this section prevails.

469.3191 BREACH OF AGREEMENTS BY BUSINESSES THAT CONTINUE TO OPERATE IN ZONE.

(a) A "business in violation of its business subsidy agreement but not subject to section 469.319" means a business that is operating in violation of the business subsidy agreement but maintains a level of operations in the zone that does not subject it to the repayment provisions of section 469.319, subdivision 1, clause (1).

(b) A business described in paragraph (a) that does not sign a new or amended business subsidy agreement, as authorized under paragraph (h), is subject to repayment of benefits under section 469.319 from the day that it ceases to perform in the zone a substantial level of activities described in the business subsidy agreement.

(c) A business described in paragraph (a) ceases being a qualified business after the last day that it has to meet the goals stated in the agreement.

(d) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business is no longer a qualified business under paragraph (c), and thereafter. A business is not eligible for sales tax benefits beginning with goods or services purchased or put to a taxable use on the day that it is no longer a qualified business under paragraph (c). Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the business is no longer a qualified business under paragraph (c), and thereafter.

(e) A business described in paragraph (a) that wants to resume eligibility for benefits under section 469.315 must request that the commissioner of employment and economic development determine the length of time that the business is ineligible for benefits. The commissioner shall determine the length of ineligibility by applying the proportionate level of performance under the agreement to the total duration of the zone as measured from the date that the business subsidy agreement was executed. The length of time must not be less than one full year for each tax benefit listed in section 469.315. The commissioner of employment and economic development and the appropriate local government officials shall consult with the commissioner of revenue to ensure that the period of ineligibility includes at least one full year of benefits for each tax.

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(f) The length of ineligibility determined under paragraph (e) must be applied by reducing the zone duration for the property by the duration of the ineligibility.

(g) The zone duration of property that has been adjusted under paragraph (f) must not be altered again to permit the business additional benefits under section 469.315.

(h) A business described in paragraph (a) becomes eligible for benefits available under section 469.315 by entering into a new or amended business subsidy agreement with the appropriate local government unit. The new or amended agreement must cover a period beginning from the date of ineligibility under the original business subsidy agreement, through the zone duration determined by the commissioner under paragraph (f). No exemption of property taxes under section 272.02, subdivision 64, is available under the new or amended agreement for property taxes due or paid before the date of the final execution of the new or amended agreement, but unpaid taxes due after that date need not be paid.

(i) A business that violates the terms of an agreement authorized under paragraph (h) is permanently barred from seeking benefits under section 469.315 and is subject to the repayment provisions under section 469.319 effective from the day that the business ceases to operate as a qualified business in the zone under the second agreement.

469.3192 PROHIBITION AGAINST AMENDMENTS TO BUSINESS SUBSIDY AGREEMENT.

Except as authorized under section 469.3191, under no circumstance shall terms of any agreement required as a condition for eligibility for benefits listed under section 469.315 be amended to change job creation, job retention, or wage goals included in the agreement.

469.3193 CERTIFICATION OF CONTINUING ELIGIBILITY FOR JOBZ BENEFITS.

(a) By October 15 of each year, every qualified business must certify to the commissioner of revenue, on a form prescribed by the commissioner of revenue, whether it is in compliance with any agreement required as a condition for eligibility for benefits listed under section 469.315. A business that fails to submit the certification, or any business, including those still operating in the zone, that submits a certification that the commissioner of revenue later determines materially misrepresents the business's compliance with the agreement, is subject to the repayment provisions under section 469.319 from January 1 of the year in which the report is due or the date that the business became subject to section 469.319, whichever is earlier. Any such business is permanently barred from obtaining benefits under section 469.315. For purposes of this section, the bar applies to an entity and also applies to any individuals or entities that have an ownership interest of at least 20 percent of the entity.

(b) Before the sanctions under paragraph (a) apply to a business that fails to submit the certification, the commissioner of revenue shall send notice to the business, demanding that the certification be submitted within 30 days and advising the business of the consequences for failing to do so. The commissioner of revenue shall notify the commissioner of employment and economic development and the appropriate job opportunity subzone administrator whenever notice is sent to a business under this paragraph.

(c) The certification required under this section is public.

(d) The commissioner of revenue shall promptly notify the commissioner of employment and economic development of all businesses that certify that they are not in compliance with the terms of their business subsidy agreement and all businesses that fail to file the certification.

469.320 ZONE PERFORMANCE; REMEDIES.

Subdivision 1. **Reporting requirement.** An applicant receiving designation of a job opportunity building zone under section 469.314 must annually report to the commissioner on its progress in meeting the zone performance goals under the development plan for the zone and the applicant's compliance with the business subsidy law under sections 116J.993 to 116J.995.

Subd. 2. **Procedures.** For reports required by subdivision 1, the commissioner may prescribe:

- (1) the required time or times by which the reports must be filed;
- (2) the form of the report; and
- (3) the information required to be included in the report.

APPENDIX
Repealed Minnesota Statutes: H2438-4

Subd. 3. **Remedies.** If the commissioner determines, based on a report filed under subdivision 1 or other available information, that a zone or subzone is failing to meet its performance goals, the commissioner may take any actions the commissioner determines appropriate, including modification of the boundaries of the zone or a subzone or termination of the zone or a subzone. Before taking any action, the commissioner shall consult with the applicant and the affected local government units, including notifying them of the proposed actions to be taken. The applicant may appeal the commissioner's order under the contested case procedures of chapter 14.

Subd. 4. **Existing businesses.** (a) An action to remove area from a zone or to terminate a zone under this section does not apply to:

(1) the property tax on improvements constructed before the first January 2 following publication of the commissioner's order;

(2) sales tax on purchases made before the first day of the next calendar month beginning at least 30 days after publication of the commissioner's order; and

(3) individual income tax or corporate franchise tax attributable to a facility that was in operation before the publication of the commissioner's order.

(b) The tax exemptions specified in paragraph (a) terminate on the date on which the zone expires under the original designation.

469.3201 LEGISLATIVE AUDITOR; AUDITS OF JOB OPPORTUNITY BUILDING ZONES AND BUSINESS SUBSIDY AGREEMENTS.

As resources allow, the legislative auditor must audit the creation and operation of all job opportunity building zones and business subsidy agreements entered into under sections 469.310 to 469.320. All public officials and parties to the agreements shall provide the legislative auditor with all documents and data the legislative auditor deems necessary and in all other respects comply with the requirements of section 3.978, subdivision 2.

477A.085 DEBT SERVICE AID; CITY OF MINNEAPOLIS.

On or before November 1, 2016, and the first day of each November thereafter, the commissioner shall pay to the city of Minneapolis an amount equal to 40 percent of the city's otherwise required levy to pay its general obligation library referendum bonds for the following calendar year. The levy excludes any amount to pay bonds, other than refunding bonds, issued after May 1, 2013. An amount sufficient to pay the aid under this section is appropriated from the general fund to the commissioner of revenue.

Laws 2026, chapter 100, article 1, section 3

Sec. 3. RETURN OF UNUSED TAX-FORFEITED SETTLEMENT APPROPRIATION; CANCELLATION; APPROPRIATION.

Subdivision 1. **Return of money.** Notwithstanding Laws 2024, chapter 113, section 1, subdivision 5, on June 29, 2026, the claims administrator appointed under Laws 2024, chapter 113, to settle litigation related to the state's retention of tax-forfeited lands, surplus proceeds from the sale of tax-forfeited lands, and mineral rights in those lands must return to the commissioner of management and budget the amount of the appropriation under Laws 2024, chapter 113, section 1, subdivision 5, that is not needed to settle claims under Laws 2024, chapter 113.

Subd. 2. **Cancellation.** The commissioner of management and budget must cancel the amount received under subdivision 1 to the general fund within one day of the receipt of the money.

Subd. 3. **Appropriation.** The amount canceled under subdivision 2, less \$2,000,000, is appropriated in fiscal year 2027 from the general fund to the commissioner of the Minnesota Housing Finance Agency for the family homeless prevention and assistance program under Minnesota Statutes, section 462A.204. This is a onetime appropriation and is made available for the purposes of the housing development fund. Notwithstanding the procurement provisions outlined in Minnesota Statutes, section 16C.06, subdivisions 1, 2, and 6, the agency may award grants to federally recognized Indian Tribes, to existing program grantees, and to former program grantees. The agency must consider community need, grantee capacity, and geographic distribution when awarding money. Notwithstanding Minnesota Statutes, section 16B.97, the agency must use all available methods and schedule of payments, including advanced payments, to effectuate legislative intent. Money must be spent by December 31, 2026. The agency may, at its discretion, redistribute unused or underutilized money among grantees to increase program efficiency and effectiveness.

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