

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 3896

(SENATE AUTHORS: PHA)

DATE
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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; income and corporate franchise; establishing credits for
1.3 conversion of certain property and energy-efficient design of certain property;
1.4 requiring reports; proposing coding for new law in Minnesota Statutes, chapter
1.5 290.

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

1.7 Section 1. 290.0696 CREDITS FOR CONVERSION OF UNDERUTILIZED
1.8 PROPERTY.

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

1.11 (b) "City" means the city of Brooklyn Center.

1.12 (c) "Eligible property" means property located in a qualifying census tract that:

1.13 (1) is exempt from taxation under section 272.02;

1.14 (2) is classified as class 3a under section 273.13 for the most recent assessment year and
1.15 is vacant or undeveloped, as determined by the city in a resolution required under subdivision
1.16 4; or

1.17 (3) is classified as class 3a under section 273.13 for the most recent assessment year and
1.18 contains a building that is at least 15 years old, and:

1.19 (i) the building has maintained not more than 50 percent tenancy during the three
1.20 immediately preceding years; or

1.21 (ii) the building qualifies as structurally substandard as defined in section 469.174,
1.22 subdivision 10, as determined by the city in a resolution required under subdivision 4.

2.1 (d) "Qualified census tract" means any of the following census tracts, as determined by
 2.2 the 2020 federal census: 27053020201; 27053020202; 27053020302; 27053020303;
 2.3 27053020304; or 27053020400.

2.4 (e) "Qualified construction expenditures" means expenses other than qualified sustainable
 2.5 investment expenditures to convert eligible property to qualified property, including
 2.6 construction expenses for related facilities located on qualified property.

2.7 (f) "Qualified property" means an eligible property that:

2.8 (1) is reclassified as class 1a, 4a, or 4d (1) under section 273.13 for the most recent
 2.9 assessment year; or

2.10 (2) retains classification as class 3a under section 273.13 for the most recent assessment
 2.11 year and is determined by the city to be no longer vacant or undeveloped, or no longer
 2.12 containing a building that is structurally substandard as defined in section 469.174,
 2.13 subdivision 10.

2.14 (g) "Qualified sustainable investment expenditures" means expenses other than qualified
 2.15 construction expenditures for any of the following in converting eligible property to qualified
 2.16 property, including expenses for related facilities on qualified property:

2.17 (1) LEED certification;

2.18 (2) solar panels;

2.19 (3) geothermal systems;

2.20 (4) energy-efficient HVAC; and

2.21 (5) green retrofits.

2.22 (h) "Related facilities" means access roads, lighting, sidewalks, and utility components
 2.23 on or adjacent to qualified property that are necessary for safe access to and use of the
 2.24 qualified property.

2.25 Subd. 2. **Credit for qualified construction expenditures allowed; credit certificates.** (a)
 2.26 A credit is allowed against the tax imposed under this chapter equal to 20 percent of qualified
 2.27 construction expenditures.

2.28 (b) To claim a credit under this subdivision, a taxpayer must apply to the commissioner
 2.29 for a credit certificate. The application for the credit certificate must be in the form and
 2.30 manner prescribed by the commissioner and include, at minimum:

2.31 (1) the location, property classification, and assessment year of eligible property;

3.1 (2) the amount of qualified construction expenditures, including a description of each
3.2 expenditure;

3.3 (3) a copy of the resolution required under subdivision 4; and

3.4 (4) the property classification and assessment year of qualified property.

3.5 (c) If the commissioner determines the criteria in paragraph (b) are satisfied, the
3.6 commissioner must issue the credit certificate to the taxpayer within 30 days of receipt of
3.7 the application. The credit certificate must state the amount of qualified construction
3.8 expenditures made in the taxable year and the amount of the credit. The commissioner must
3.9 not issue more than one credit certificate in a taxable year to the same taxpayer.

3.10 (d) A taxpayer may not apply for a credit certificate before eligible property has been
3.11 converted to qualified property.

3.12 (e) The credit under this subdivision may not be claimed until two taxable years after
3.13 the taxable year in which the credit certificate is issued.

3.14 Subd. 3. Credit for qualified sustainable investment expenditures allowed; credit
3.15 certificates. (a) A credit is allowed against the tax imposed under this chapter equal to 30
3.16 percent of qualified sustainable investment expenditures made during the taxable year.

3.17 (b) To claim the credit under this subdivision, a taxpayer must apply to the commissioner
3.18 of commerce for a credit certificate. The application for the credit certificate must be in the
3.19 form and manner prescribed by the commissioner of commerce in consultation with the
3.20 commissioner and include, at minimum:

3.21 (1) the location, property classification, and assessment year of eligible property;

3.22 (2) the amount of qualified sustainable investment expenditures, including a description
3.23 of each expenditure;

3.24 (3) a copy of the resolution required under subdivision 4; and

3.25 (4) the property classification and assessment year of qualified property.

3.26 (c) If the commissioner determines the criteria in paragraph (b) are satisfied, the
3.27 commissioner of commerce must issue the credit certificate to the taxpayer within 30 days
3.28 of receipt of the application. The credit certificate must state the amount of qualified
3.29 sustainable investment expenditures made in the taxable year and the amount of the credit.
3.30 The commissioner of commerce must provide a copy of the credit certificate to the
3.31 commissioner. The commissioner of commerce must not issue more than one credit certificate
3.32 in a taxable year to the same taxpayer.

4.1 (d) A taxpayer may not apply for a credit certificate before eligible property has been
4.2 converted to qualified property.

4.3 (e) The credit under this subdivision may not be claimed until two taxable years after
4.4 the taxable year in which the credit certificate is issued.

4.5 Subd. 4. **Resolution required.** (a) For a credit claimed under this section to convert
4.6 eligible property under subdivision 1, paragraph (c), clause (2) or (3), to qualified property,
4.7 the city must adopt a resolution finding that the eligible property qualifies under the
4.8 requirements of subdivision 1, paragraph (c), clause (2) or (3), with documentation sufficient
4.9 to make the finding.

4.10 (b) The resolution must be adopted at least days before the first qualified construction
4.11 expenditure or qualified sustainable investment expenditure is made.

4.12 Subd. 5. **Partnerships; multiple owners.** Credits granted to a partnership, a limited
4.13 liability company taxed as a partnership, an S corporation, or multiple owners of property
4.14 are passed through to the partners, members, shareholders, or owners, respectively, pro rata
4.15 to each partner, member, shareholder, or owner based on their share of the entity's assets
4.16 or as specially allocated in their organizational documents or any other executed document,
4.17 as of the last day of the taxable year.

4.18 Subd. 6. **Allocation for nonresidents and part-year residents.** For a nonresident or
4.19 part-year resident, the credit determined under this section must be allocated based on the
4.20 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

4.21 Subd. 7. **Credits refundable.** If the amount of credit the taxpayer is eligible to receive
4.22 under this section exceeds the liability for tax under this chapter, the commissioner must
4.23 refund the excess to the taxpayer.

4.24 Subd. 8. **Appropriation.** An amount sufficient to pay the refunds authorized under this
4.25 section is appropriated to the commissioner from the general fund.

4.26 Subd. 9. **Report to legislature.** By January 31, 2031, and every two years thereafter,
4.27 the commissioner of revenue and the commissioner of commerce must submit a report to
4.28 the chairs and ranking minority members of the legislative committees with jurisdiction
4.29 over taxes, economic development, and energy. The report must include:

4.30 (1) the amount of qualified construction expenditures for each qualified census tract;

4.31 (2) the amount of qualified sustainable investment expenditures for each qualified census
4.32 tract;

5.1 (3) the property classification of each eligible property converted to qualified property
5.2 and the property classification of the qualified property;

5.3 (4) the amount of credits awarded for all qualified construction expenditures; and

5.4 (5) the amount of credits awarded for all qualified sustainable investment expenditures.

5.5 Subd. 10. **Sunset.** This section expires January 1, 2036, for taxable years beginning after
5.6 December 31, 2035. The reports under subdivision 9 must be submitted through January 1,
5.7 2039.

5.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.9 31, 2025.