

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 4690

(SENATE AUTHORS: REST, Weber, Hauschild and Hemmingsen-Jaeger)

DATE
03/23/2026

D-PG
6905 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; making various policy and technical changes to individual
1.3 income and corporate franchise taxes and property taxes; removing obsolete JOBZ
1.4 provisions; modifying other miscellaneous tax provisions; amending Minnesota
1.5 Statutes 2024, sections 123B.53, subdivision 1; 123B.535, subdivision 1; 270B.14,
1.6 subdivision 3; 270B.15; 270C.055, by adding a subdivision; 273.032; 273.111,
1.7 subdivision 9; 289A.08, subdivision 7; 290.01, subdivisions 19, 29; 290.0137;
1.8 290.0921, subdivision 3; 290.0922, subdivisions 2, 3; 295.52, subdivision 5;
1.9 297B.03; 428A.02, subdivision 1; 428A.13, subdivision 1; 469.175, subdivision
1.10 4a; Minnesota Statutes 2025 Supplement, sections 268.19, subdivision 1; 297A.75,
1.11 subdivisions 1, 2, 3; 297A.94; repealing Minnesota Statutes 2024, sections 272.02,
1.12 subdivisions 31, 64; 272.029, subdivision 7; 273.11, subdivisions 19, 20; 273.1315,
1.13 subdivision 1; 273.1385; 273.25; 273.65; 273.66; 273.67; 274.07; 289A.12,
1.14 subdivision 15; 290.06, subdivision 29; 297A.68, subdivision 37; 428B.02,
1.15 subdivision 7; 469.310; 469.311; 469.312; 469.313; 469.314; 469.315; 469.316;
1.16 469.317; 469.318; 469.3181; 469.319; 469.3191; 469.3192; 469.3193; 469.320;
1.17 469.3201; 477A.085; 477A.18.

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

1.19 **ARTICLE 1**
1.20 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

1.21 Section 1. Minnesota Statutes 2024, section 289A.08, subdivision 7, is amended to read:

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

2.1 (b) The computation of a partner's tax liability must be determined by multiplying the
2.2 income allocated to that partner by the highest rate used to determine the tax liability for
2.3 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
2.4 deductions, or personal exemptions are not allowed. The computation of a partner's net
2.5 investment income tax liability must be computed under section 290.033.

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

2.10 (d) The electing partner must not have any Minnesota source income other than the
2.11 income from the partnership, other electing partnerships, and other qualifying entities
2.12 electing to file and pay the pass-through entity tax under subdivision 7a. If it is determined
2.13 that the electing partner has other Minnesota source income, the inclusion of the income
2.14 and tax liability for that partner under this provision will not constitute a return to satisfy
2.15 the requirements of subdivision 1. The tax paid for the individual as part of the composite
2.16 return is allowed as a payment of the tax by the individual on the date on which the composite
2.17 return payment was made. If the electing nonresident partner has no other Minnesota source
2.18 income, filing of the composite return is a return for purposes of subdivision 1.

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

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

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

2.31 (h) The composite return election provided in this subdivision is available to a nonresident
2.32 partner who incurs an accelerated gain on installment sales under section 290.0137, paragraph
2.33 (a). A nonresident partner who elects to defer the gain on installment sales under section
2.34 290.0137, paragraph (b), cannot utilize the composite return election for the partnership

3.1 until the recognition of the deferred gain is completed. A nonresident who makes the election
 3.2 in section 290.0137, paragraph (b), must report the deferred gain on the nonresident's
 3.3 individual income tax return in the manner prescribed by the commissioner.

3.4 ~~(h)~~ (i) A corporation defined in section 290.9725 and its nonresident shareholders may
 3.5 make an election under this ~~paragraph~~ subdivision. The provisions covering the partnership
 3.6 apply to the corporation and the provisions applying to the partner apply to the shareholder.

3.7 ~~(i)~~ (j) Estates and trusts distributing current income only and the nonresident individual
 3.8 beneficiaries of the estates or trusts may make an election under this ~~paragraph~~ subdivision.
 3.9 The provisions covering the partnership apply to the estate or trust. The provisions applying
 3.10 to the partner apply to the beneficiary.

3.11 ~~(j)~~ (k) For the purposes of this subdivision, "income" has the meaning given in section
 3.12 290.01, subdivision 19, paragraph (h).

3.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 3.14 31, 2025.

3.15 Sec. 2. Minnesota Statutes 2024, section 290.01, subdivision 19, is amended to read:

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

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

3.25 (c) In the case of a regulated investment company or a fund thereof, as defined in section
 3.26 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
 3.27 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
 3.28 except that:

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

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

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

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

4.6 (d) The net income of a real estate investment trust as defined and limited by section
4.7 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
4.8 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

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

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

4.17 (h) In the case of a partnership electing to file a composite return under section 289A.08,
4.18 subdivision 7, "net income" means the partner's share of federal adjusted gross income from
4.19 the partnership modified by:

4.20 (1) the additions provided in section 290.0131, subdivisions 8 to 10, 16, and 17, and
4.21 section 290.0137, paragraph (a); and

4.22 (2) the subtractions provided in: ~~(1)~~ (i) section 290.0132, subdivisions 9, 27, and 28, to
4.23 the extent the amount is assignable or allocable to Minnesota under section 290.17; ~~and (2)~~
4.24 (ii) section 290.0132, subdivision 14; and (iii) section 290.0137, paragraph (c).

4.25 The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the
4.26 composite tax computation to the extent the electing partner would have been allowed the
4.27 subtraction.

4.28 (i) In the case of a qualifying entity electing to pay the pass-through entity tax under
4.29 section 289A.08, subdivision 7a, "net income" means the qualifying owner's share of federal
4.30 adjusted gross income from the qualifying entity modified by the additions provided in
4.31 section 290.0131, subdivisions 5, 8 to 10, 16, and 17, and the subtractions provided in: (1)
4.32 section 290.0132, subdivisions 3, 9, 27, and 28, to the extent the amount is assignable or
4.33 allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The

5.1 subtraction allowed under section 290.0132, subdivision 9, is only allowed on the
5.2 pass-through entity tax computation to the extent the qualifying owners would have been
5.3 allowed the subtraction. The income of both a resident and nonresident qualifying owner
5.4 is allocated and assigned to this state as provided for nonresident partners and shareholders
5.5 under sections 290.17, 290.191, and 290.20.

5.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.7 31, 2025.

5.8 Sec. 3. Minnesota Statutes 2024, section 290.0137, is amended to read:

5.9 **290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT**
5.10 **SALE GAINS.**

5.11 (a) In the case of a nonresident individual or a person who becomes a nonresident
5.12 individual during the tax year, taxable net income shall include the amount realized upon
5.13 a sale of the assets of, or any interest in, an S corporation or partnership that operated in
5.14 Minnesota during the year of sale, including any income or gain to be recognized in future
5.15 years pursuant to an installment sale method of reporting under the Internal Revenue Code.

5.16 (1) For the purposes of this paragraph, an individual who becomes a nonresident of
5.17 Minnesota in any year after an installment sale is required to recognize the full amount of
5.18 any income or gain described in this paragraph on the individual's final Minnesota resident
5.19 tax return to the extent that such income has not been recognized in a prior year.

5.20 (2) For the purposes of this section, "realized" has the meaning given in section 1001(b)
5.21 of the Internal Revenue Code.

5.22 (3) For the purposes of this section, "installment sale" means any installment sale under
5.23 section 453 of the Internal Revenue Code and any other sale that is reported utilizing a
5.24 method of accounting authorized under subchapter E of the Internal Revenue Code that
5.25 allows taxpayers to delay reporting or recognizing a realized gain until a future year.

5.26 (b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing
5.27 unrecognized installment sale gains by making an election under this paragraph. The election
5.28 must be filed on a form to be determined or prescribed by the commissioner and must be
5.29 filed by the due date of the individual income tax return, including any extension. Electing
5.30 taxpayers must make an irrevocable agreement to:

5.31 (1) file Minnesota tax returns in all subsequent years when gains from the installment
5.32 sales are recognized and reported to the Internal Revenue Service;

6.1 (2) allocate gains to the state of Minnesota as though the gains were realized in the year
6.2 of sale under section 290.17, 290.191, or 290.20; and

6.3 (3) include all relevant federal tax documents reporting the installment sale with
6.4 subsequent Minnesota tax returns.

6.5 (c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must
6.6 be excluded from taxable net income in any future year that ~~the taxpayer files a Minnesota~~
6.7 ~~tax return~~ a composite Minnesota tax return is filed to the extent that the income or gain
6.8 has already been subject to tax pursuant to paragraph (a). If a composite Minnesota tax
6.9 return is not filed, then any income or gain recognized for Minnesota purposes under
6.10 paragraph (a) must be excluded from taxable net income in any future year in which the
6.11 taxpayer files a Minnesota tax return to the extent that the income or gain has already been
6.12 subject to tax pursuant to paragraph (a).

6.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.14 31, 2025.

6.15 **ARTICLE 2**

6.16 **PROPERTY TAXES**

6.17 Section 1. Minnesota Statutes 2024, section 273.032, is amended to read:

6.18 **273.032 MARKET VALUE DEFINITION.**

6.19 (a) Unless otherwise provided, for the purpose of determining any property tax levy
6.20 limitation based on market value or any limit on net debt, the issuance of bonds, certificates
6.21 of indebtedness, or capital notes based on market value, any qualification to receive state
6.22 aid based on market value, or any state aid amount based on market value, the terms "market
6.23 value," "estimated market value," and "market valuation," whether equalized or unequalized,
6.24 mean the estimated market value of taxable property within the local unit of government
6.25 before any of the following or similar adjustments for:

6.26 (1) the market value exclusions under:

6.27 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

6.28 ~~(ii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);~~

6.29 ~~(iii)~~ (ii) section 273.11, subdivision 21 (homestead property damaged by mold);

6.30 ~~(iv)~~ (iii) section 273.13, subdivision 34 (homestead of a veteran with a disability or
6.31 family caregiver); or

7.1 ~~(v)~~ (iv) section 273.13, subdivision 35 (homestead market value exclusion); or

7.2 (2) the deferment of value under:

7.3 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

7.4 (ii) the Aggregate Resource Preservation Law, section 273.1115;

7.5 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

7.6 (iv) the rural preserves property tax program, section 273.114; or

7.7 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

7.8 (3) the adjustments to tax capacity for:

7.9 (i) tax increment financing under sections 469.174 to 469.1794;

7.10 (ii) fiscal disparities under chapter 276A or 473F; or

7.11 (iii) powerline credit under section 273.425.

7.12 (b) Estimated market value under paragraph (a) also includes the market value of
7.13 tax-exempt property if the applicable law specifically provides that the limitation,
7.14 qualification, or aid calculation includes tax-exempt property.

7.15 (c) Unless otherwise provided, "market value," "estimated market value," and "market
7.16 valuation" for purposes of property tax levy limitations and calculation of state aid, refer
7.17 to the estimated market value for the previous assessment year and for purposes of limits
7.18 on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the
7.19 estimated market value as last finally equalized.

7.20 (d) For purposes of a provision of a home rule charter or of any special law that is not
7.21 codified in the statutes and that imposes a levy limitation based on market value or any limit
7.22 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market
7.23 value, the terms "market value," "taxable market value," and "market valuation," whether
7.24 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

7.26 Sec. 2. Minnesota Statutes 2024, section 273.111, subdivision 9, is amended to read:

7.27 Subd. 9. **Additional taxes.** ~~(a) Except as provided in paragraph (b),~~ When real property
7.28 which is being, or has been valued and assessed under this section no longer qualifies under
7.29 subdivision 3, the portion no longer qualifying shall be subject to additional taxes, in the
7.30 amount equal to the difference between the taxes determined in accordance with subdivision

8.1 4, and the amount determined under subdivision 5. Provided, however, that the amount
 8.2 determined under subdivision 5 shall not be greater than it would have been had the actual
 8.3 bona fide sale price of the real property at an arm's-length transaction been used in lieu of
 8.4 the market value determined under subdivision 5. Such additional taxes shall be extended
 8.5 against the property on the tax list for the current year, provided, however, that no interest
 8.6 or penalties shall be levied on such additional taxes if timely paid, and provided further,
 8.7 that such additional taxes shall only be levied with respect to the last three years that the
 8.8 said property has been valued and assessed under this section.

8.9 ~~(b) Real property that has been valued and assessed under this section prior to May 29,~~
 8.10 ~~2008, and that ceases to qualify under this section after May 28, 2008, and is withdrawn~~
 8.11 ~~from the program before August 16, 2010, is not subject to additional taxes under this~~
 8.12 ~~subdivision or subdivision 3, paragraph (c). If additional taxes have been paid under this~~
 8.13 ~~subdivision with respect to property described in this paragraph prior to April 3, 2009, the~~
 8.14 ~~county must repay the property owner in the manner prescribed by the commissioner of~~
 8.15 ~~revenue.~~

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

8.17 Sec. 3. Minnesota Statutes 2024, section 428A.02, subdivision 1, is amended to read:

8.18 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance
 8.19 establishing a special service district. Only nonresidential and multiunit residential property
 8.20 located in the special service district may be subject to the charges imposed by the city on
 8.21 the special service district. Other types of property may be included within the boundaries
 8.22 of the special service district but are not subject to the levies or charges imposed by the city
 8.23 on the special service district. If 50 percent or more of the estimated market value of a parcel
 8.24 of property is classified under section 273.13 as commercial, industrial, or vacant land zoned
 8.25 or designated on a land use plan for commercial or industrial use, or public utility for the
 8.26 current assessment year, then the entire taxable market value of the property is subject to a
 8.27 service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10. The
 8.28 ordinance shall describe with particularity the area within the city to be included in the
 8.29 district and the special services to be furnished in the district. The ordinance may not be
 8.30 adopted until after a public hearing has been held on the question. Notice of the hearing
 8.31 shall include the time and place of hearing, a map showing the boundaries of the proposed
 8.32 district, and a statement that all persons owning property in the proposed district that would
 8.33 be subject to a service charge will be given opportunity to be heard at the hearing. ~~Within~~

9.1 ~~30 days after adoption of the ordinance under this subdivision, the governing body shall~~
 9.2 ~~send a copy of the ordinance to the commissioner of revenue.~~

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

9.4 Sec. 4. Minnesota Statutes 2024, section 428A.13, subdivision 1, is amended to read:

9.5 Subdivision 1. **Ordinance.** The governing body of the city may adopt an ordinance
 9.6 establishing one or more housing improvement areas. The ordinance must specifically
 9.7 describe the portion of the city to be included in the area, the basis for the imposition of the
 9.8 fees, and the number of years the fee will be in effect. In addition, the ordinance must include
 9.9 findings that without the housing improvement area, the proposed improvements could not
 9.10 be made by the condominium associations or housing unit owners, and the designation is
 9.11 needed to maintain and preserve the housing units within the housing improvement area.
 9.12 The ordinance shall designate the implementing entity. The ordinance may not be adopted
 9.13 until a public hearing has been held regarding the ordinance. The ordinance may be amended
 9.14 by the governing body of the city, provided the governing body complies with the public
 9.15 hearing notice provisions of subdivision 2. ~~Within 30 days after adoption of the ordinance~~
 9.16 ~~under this subdivision, the governing body shall send a copy of the ordinance to the~~
 9.17 ~~commissioner of revenue.~~

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

9.19 Sec. 5. Minnesota Statutes 2024, section 469.175, subdivision 4a, is amended to read:

9.20 Subd. 4a. **Filing plan with state.** (a) The authority must file a copy of the tax increment
 9.21 financing plan and amendments to the plan with ~~the commissioner of revenue and the state~~
 9.22 auditor. The authority must also file a copy of the development plan or the project plan for
 9.23 the project area with ~~the commissioner of revenue and the state auditor.~~

9.24 (b) Filing under this subdivision must be made within 60 days after the latest of:

9.25 (1) the filing of the request for certification of the district;

9.26 (2) approval of the plan by the municipality; or

9.27 (3) adoption of the plan by the authority.

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

10.1 Sec. 6. **REPEALER.**

10.2 Minnesota Statutes 2024, sections 272.02, subdivision 31; 273.11, subdivisions 19 and
 10.3 20; 273.1315, subdivision 1; 273.1385; 273.25; 273.65; 273.66; 273.67; 274.07; 428B.02,
 10.4 subdivision 7; 477A.085; and 477A.18, are repealed.

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

10.6 **ARTICLE 3**10.7 **MISCELLANEOUS**

10.8 Section 1. Minnesota Statutes 2024, section 123B.53, subdivision 1, is amended to read:

10.9 Subdivision 1. **Definitions.** (a) For purposes of this section, the eligible debt service
 10.10 revenue of a district is defined as follows:

10.11 (1) the amount needed to produce between five and six percent in excess of the amount
 10.12 needed to meet when due the principal and interest payments on the obligations of the district
 10.13 for eligible projects according to subdivision 2, excluding the amounts listed in paragraph
 10.14 (b), minus

10.15 (2) the amount of debt service excess levy reduction for that school year calculated
 10.16 according to the procedure established by the commissioner.

10.17 (b) The obligations in this paragraph are excluded from eligible debt service revenue:

10.18 (1) obligations under section 123B.61;

10.19 (2) the part of debt service principal and interest paid from the taconite environmental
 10.20 protection fund or Douglas J. Johnson economic protection trust, excluding the portion of
 10.21 taconite payments from the Iron Range schools and community development account under
 10.22 section 298.28, subdivision 7a;

10.23 (3) obligations for long-term facilities maintenance under section 123B.595;

10.24 (4) obligations under section 123B.62; and

10.25 (5) obligations equalized under section 123B.535.

10.26 (c) For purposes of this section, if a preexisting school district reorganized under sections
 10.27 123A.35 to 123A.43, 123A.46, and 123A.48 is solely responsible for retirement of the
 10.28 preexisting district's bonded indebtedness or capital loans, debt service equalization aid
 10.29 must be computed separately for each of the preexisting districts.

11.1 ~~(d) For purposes of this section, the adjusted net tax capacity determined according to~~
 11.2 ~~sections 127A.48 and 273.1325 shall be adjusted to include the tax capacity of property~~
 11.3 ~~generally exempted from ad valorem taxes under section 272.02, subdivision 64.~~

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

11.5 Sec. 2. Minnesota Statutes 2024, section 123B.535, subdivision 1, is amended to read:

11.6 Subdivision 1. **Definitions.** (a) For purposes of this section, the eligible natural disaster
 11.7 debt service revenue of a district is defined as the amount needed to produce between five
 11.8 and six percent in excess of the amount needed to meet when due the principal and interest
 11.9 payments on the obligations of the district that would otherwise qualify under section
 11.10 123B.53 under the following conditions:

11.11 (1) the district was impacted by a natural disaster event or area occurring January 1,
 11.12 2005, or later, as declared by the President of the United States of America, which is eligible
 11.13 for Federal Emergency Management Agency payments;

11.14 (2) the natural disaster caused \$500,000 or more in damages to school district buildings;
 11.15 and

11.16 (3) the repair and replacement costs are not covered by insurance payments or Federal
 11.17 Emergency Management Agency payments.

11.18 (b) For purposes of this section, the adjusted net tax capacity equalizing factor equals
 11.19 the quotient derived by dividing the total adjusted net tax capacity of all school districts in
 11.20 the state for the year before the year the levy is certified by the total number of adjusted
 11.21 pupil units in the state for the year prior to the year the levy is certified.

11.22 ~~(e) For purposes of this section, the adjusted net tax capacity determined according to~~
 11.23 ~~sections 127A.48 and 273.1325 shall be adjusted to include the tax capacity of property~~
 11.24 ~~generally exempted from ad valorem taxes under section 272.02, subdivision 64.~~

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

11.26 Sec. 3. Minnesota Statutes 2025 Supplement, section 268.19, subdivision 1, is amended
 11.27 to read:

11.28 Subdivision 1. **Use of data.** (a) Except as provided by this section, data gathered from
 11.29 any person under the administration of the Minnesota Unemployment Insurance Law are
 11.30 private data on individuals or nonpublic data not on individuals as defined in section 13.02,
 11.31 subdivisions 9 and 12, and may not be disclosed except according to a district court order

12.1 or section 13.05. A subpoena is not considered a district court order. These data may be
12.2 disseminated to and used by the following agencies without the consent of the subject of
12.3 the data:

12.4 (1) state and federal agencies specifically authorized access to the data by state or federal
12.5 law;

12.6 (2) any agency of any other state or any federal agency charged with the administration
12.7 of an unemployment insurance program;

12.8 (3) any agency responsible for the maintenance of a system of public employment offices
12.9 for the purpose of assisting individuals in obtaining employment;

12.10 (4) the public authority responsible for child support in Minnesota or any other state in
12.11 accordance with section 518A.83;

12.12 (5) human rights agencies within Minnesota that have enforcement powers;

12.13 (6) the Department of Revenue to the extent necessary for its duties under Minnesota
12.14 laws;

12.15 (7) public and private agencies responsible for administering publicly financed assistance
12.16 programs for the purpose of monitoring the eligibility of the program's recipients;

12.17 (8) the Department of Labor and Industry, the Department of Commerce, and the Bureau
12.18 of Criminal Apprehension for uses consistent with the administration of their duties under
12.19 Minnesota law;

12.20 (9) the Department of Human Services and the Office of Inspector General and its agents
12.21 within the Department of Human Services, including county fraud investigators, for
12.22 investigations related to recipient or provider fraud and employees of providers when the
12.23 provider is suspected of committing public assistance fraud;

12.24 (10) the Department of Human Services for the purpose of evaluating medical assistance
12.25 services and supporting program improvement;

12.26 (11) local and state welfare agencies for monitoring the eligibility of the data subject
12.27 for assistance programs, or for any employment or training program administered by those
12.28 agencies, whether alone, in combination with another welfare agency, or in conjunction
12.29 with the department or to monitor and evaluate the statewide Minnesota family investment
12.30 program and other cash assistance programs, the Supplemental Nutrition Assistance Program,
12.31 and the Supplemental Nutrition Assistance Program Employment and Training program by
12.32 providing data on recipients and former recipients of Supplemental Nutrition Assistance

13.1 Program (SNAP) benefits, cash assistance under chapter 256, 256D, 256J, or 256K, child
 13.2 care assistance under chapter 142E, or medical programs under chapter 256B or 256L or
 13.3 formerly codified under chapter 256D;

13.4 (12) local and state welfare agencies for the purpose of identifying employment, wages,
 13.5 and other information to assist in the collection of an overpayment debt in an assistance
 13.6 program;

13.7 (13) local, state, and federal law enforcement agencies for the purpose of ascertaining
 13.8 the last known address and employment location of an individual who is the subject of a
 13.9 criminal investigation;

13.10 (14) the United States Immigration and Customs Enforcement has access to data on
 13.11 specific individuals and specific employers provided the specific individual or specific
 13.12 employer is the subject of an investigation by that agency;

13.13 (15) the Department of Health for the purposes of epidemiologic investigations;

13.14 (16) the Department of Corrections for the purposes of case planning and internal research
 13.15 for preprobation, probation, and postprobation employment tracking of offenders sentenced
 13.16 to probation and preconfinement and postconfinement employment tracking of committed
 13.17 offenders;

13.18 ~~(17) the state auditor to the extent necessary to conduct audits of job opportunity building~~
 13.19 ~~zones as required under section 469.3201;~~

13.20 ~~(18)~~ (17) the Office of Higher Education for purposes of supporting program
 13.21 improvement, system evaluation, and research initiatives including the Statewide
 13.22 Longitudinal Education Data System;

13.23 ~~(19)~~ (18) the Family and Medical Benefits Division of the Department of Employment
 13.24 and Economic Development to be used as necessary to administer chapter 268B; and

13.25 ~~(20)~~ (19) the executive director or interim executive director of the Minnesota Secure
 13.26 Choice Retirement Program established under chapter 187 for the purposes of assisting with
 13.27 communication with employers and to verify employer compliance with chapter 187.

13.28 (b) Data on individuals and employers that are collected, maintained, or used by the
 13.29 department in an investigation under section 268.182 are confidential as to data on individuals
 13.30 and protected nonpublic data not on individuals as defined in section 13.02, subdivisions 3
 13.31 and 13, and must not be disclosed except under statute or district court order or to a party
 13.32 named in a criminal proceeding, administrative or judicial, for preparation of a defense.

14.1 (c) Data gathered by the department in the administration of the Minnesota unemployment
 14.2 insurance program must not be made the subject or the basis for any suit in any civil
 14.3 proceedings, administrative or judicial, unless the action is initiated by the department.

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

14.5 Sec. 4. Minnesota Statutes 2024, section 270B.14, subdivision 3, is amended to read:

14.6 Subd. 3. **Administration of enterprise and job opportunity programs.** The
 14.7 commissioner may disclose return information relating to the taxes imposed by chapters
 14.8 290 and 297A to the Department of Employment and Economic Development or a
 14.9 municipality with a border city enterprise zone as defined under section 469.166, but only
 14.10 as necessary to administer the funding limitations under section 469.169, ~~or to the Department~~
 14.11 ~~of Employment and Economic Development and appropriate officials from the local~~
 14.12 ~~government units in which a qualified business is located but only as necessary to enforce~~
 14.13 ~~the job opportunity building zone benefits under section 469.315.~~

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

14.15 Sec. 5. Minnesota Statutes 2024, section 270B.15, is amended to read:

14.16 **270B.15 DISCLOSURE TO LEGISLATIVE AUDITOR AND STATE AUDITOR.**

14.17 ~~(a)~~ Returns and return information must be disclosed to the legislative auditor to the
 14.18 extent necessary for the legislative auditor to carry out sections 3.97 to 3.979.

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

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

14.23 Sec. 6. Minnesota Statutes 2024, section 270C.055, is amended by adding a subdivision
 14.24 to read:

14.25 Subd. 4. **Venue.** Unless otherwise provided in chapter 289A, if two or more criminal
 14.26 offenses under the state revenue laws or chapter 349 are committed by the same person in
 14.27 more than one county, the accused may be prosecuted for all the offenses in any county in
 14.28 which one of the offenses was committed.

14.29 **EFFECTIVE DATE.** This section is effective for criminal offenses committed after
 14.30 July 31, 2026.

15.1 Sec. 7. Minnesota Statutes 2024, section 290.01, subdivision 29, is amended to read:

15.2 Subd. 29. **Taxable income.** The term "taxable income" means:

15.3 (1) for individuals, estates, and trusts, the same as taxable net income;

15.4 (2) for corporations, the taxable net income less

15.5 (i) the net operating loss deduction under section 290.095; and

15.6 (ii) the dividends received deduction under section 290.21, subdivision 4; and

15.7 ~~(iii) the exemption for operating in a job opportunity building zone under section 469.317.~~

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

15.9 Sec. 8. Minnesota Statutes 2024, section 290.0921, subdivision 3, is amended to read:

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

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

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

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

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

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

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

16.1 (7) The tax preference for charitable contributions of appreciated property under section
16.2 57(a)(6) of the Internal Revenue Code does not apply.

16.3 (8) For purposes of calculating the adjustment for adjusted current earnings in section
16.4 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it
16.5 is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable
16.6 income as defined in this subdivision, determined without regard to the adjustment for
16.7 adjusted current earnings in section 56(g) of the Internal Revenue Code.

16.8 (9) For purposes of determining the amount of adjusted current earnings under section
16.9 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4)
16.10 of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up
16.11 subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of
16.12 income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision
16.13 8.

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

16.16 ~~Items of tax preference must not be reduced below zero as a result of the modifications~~
16.17 ~~in this subdivision.~~

16.18 ~~(11)~~ (10) The subtraction for disallowed section 280E expenses under section 290.0134,
16.19 subdivision 19, is allowed as a deduction in determining alternative minimum taxable
16.20 income.

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

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

16.24 Sec. 9. Minnesota Statutes 2024, section 290.0922, subdivision 2, is amended to read:

16.25 Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this
16.26 section:

16.27 (1) corporations exempt from tax under section 290.05;

16.28 (2) real estate investment trusts;

16.29 (3) regulated investment companies or a fund thereof;

16.30 (4) entities having a valid election in effect under section 860D(b) of the Internal Revenue
16.31 Code;

17.1 (5) township mutual insurance companies; and

17.2 (6) cooperatives organized under chapter 308A, 308B, or 308C that provide housing
17.3 exclusively to persons age 55 and over and are classified as homesteads under section
17.4 273.124, subdivision 3; and.

17.5 ~~(7) a qualified business as defined under section 469.310, subdivision 11, if for the~~
17.6 ~~taxable year all of its property is located in a job opportunity building zone designated under~~
17.7 ~~section 469.314 and all of its payroll is a job opportunity building zone payroll under section~~
17.8 ~~469.310.~~

17.9 Entities not specifically exempted by this subdivision are subject to tax under this section,
17.10 notwithstanding section 290.05.

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

17.12 Sec. 10. Minnesota Statutes 2024, section 290.0922, subdivision 3, is amended to read:

17.13 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales apportioned
17.14 to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to
17.15 Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts
17.16 apportioned or attributed to Minnesota pursuant to any other apportionment formula
17.17 applicable to the taxpayer.

17.18 (b) "Minnesota property" means total Minnesota tangible property as provided in section
17.19 290.191, subdivisions 9 to 11, and any other tangible property located in Minnesota, ~~but~~
17.20 ~~does not include the property of a qualified business as defined under section 469.310,~~
17.21 ~~subdivision 11, that is located in a job opportunity building zone designated under section~~
17.22 ~~469.314.~~ Intangible property shall not be included in Minnesota property for purposes of
17.23 this section. Taxpayers who do not utilize tangible property to apportion income shall
17.24 nevertheless include Minnesota property for purposes of this section. On a return for a short
17.25 taxable year, the amount of Minnesota property owned, as determined under section 290.191,
17.26 shall be included in Minnesota property based on a fraction in which the numerator is the
17.27 number of days in the short taxable year and the denominator is 365.

17.28 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191,
17.29 subdivision 12, but does not include the job opportunity building zone payroll under section
17.30 469.310, subdivision 8, of a qualified business as defined under section 469.310, subdivision
17.31 11. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include
17.32 Minnesota payrolls for purposes of this section.

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

18.1 Sec. 11. Minnesota Statutes 2024, section 295.52, subdivision 5, is amended to read:

18.2 Subd. 5. **Volunteer ambulance services.** Volunteer ambulance services are not subject
 18.3 to the tax under this section. For purposes of this requirement, "volunteer ambulance service"
 18.4 means an ambulance service in which all of the individuals whose primary responsibility
 18.5 is direct patient care meet the definition of volunteer ambulance attendant under section
 18.6 144E.001, subdivision 15. The ambulance service may employ administrative and support
 18.7 staff, and remain eligible for this exemption, if the primary responsibility of these staff is
 18.8 not direct patient care.

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

18.10 Sec. 12. Minnesota Statutes 2025 Supplement, section 297A.75, subdivision 1, is amended
 18.11 to read:

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

18.15 (1) building materials for an agricultural processing facility exempt under section
 18.16 297A.71, subdivision 13;

18.17 (2) building materials for mineral production facilities exempt under section 297A.71,
 18.18 subdivision 14;

18.19 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

18.20 (4) building materials used in a residence for veterans with a disability exempt under
 18.21 section 297A.71, subdivision 11;

18.22 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

18.23 (6) materials and supplies for qualified low-income housing under section 297A.71,
 18.24 subdivision 23;

18.25 (7) materials, supplies, and equipment for municipal electric utility facilities under
 18.26 section 297A.71, subdivision 35;

18.27 ~~(8) equipment and materials used for the generation, transmission, and distribution of~~
 18.28 ~~electrical energy and an aerial camera package exempt under section 297A.68, subdivision~~
 18.29 ~~37;~~

18.30 ~~(9)~~ (8) commuter rail vehicle and repair parts under section 297A.70, subdivision 3,
 18.31 paragraph (a), clause (10);

19.1 ~~(10)~~ (9) materials, supplies, and equipment for construction or improvement of projects
 19.2 and facilities under section 297A.71, subdivision 40;

19.3 ~~(11)~~ (10) enterprise information technology equipment and computer software for use
 19.4 in a qualified data center, qualified large-scale data center, or qualified refurbished data
 19.5 center exempt under section 297A.68, subdivision 42;

19.6 ~~(12)~~ (11) materials, supplies, and equipment for qualifying capital projects under section
 19.7 297A.71, subdivision 44, paragraphs (a) and (b);

19.8 ~~(13)~~ (12) items purchased for use in providing critical access dental services exempt
 19.9 under section 297A.70, subdivision 7, paragraph (c);

19.10 ~~(14)~~ (13) items and services purchased under a business subsidy agreement for use or
 19.11 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
 19.12 44;

19.13 ~~(15)~~ (14) building materials, equipment, and supplies for constructing or replacing real
 19.14 property exempt under section 297A.71, subdivisions ~~49~~; 50, paragraph (b)~~2~~; and 51;

19.15 ~~(16)~~ (15) building materials, equipment, and supplies for qualifying capital projects
 19.16 under section 297A.71, subdivision 52;

19.17 ~~(17)~~ (16) building materials, equipment, and supplies for constructing, remodeling,
 19.18 expanding, or improving a fire station, police station, or related facilities exempt under
 19.19 section 297A.71, subdivision 53; and

19.20 ~~(18)~~ (17) building materials, equipment, and supplies for constructing, remodeling, or
 19.21 improving a sustainable aviation fuel facility exempt under section 297A.71, subdivision
 19.22 54.

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

19.24 Sec. 13. Minnesota Statutes 2025 Supplement, section 297A.75, subdivision 2, is amended
 19.25 to read:

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

19.29 (1) for subdivision 1, clauses (1), (2), and ~~(13)~~ (12), the applicant must be the purchaser;

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

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

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

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

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

20.8 (7) for subdivision 1, clauses ~~(8), (11), and (14)~~ (10) and (13), the owner of the qualifying
 20.9 business;

20.10 (8) for subdivision 1, clauses ~~(9), (10), (12), (16), and (17)~~ (8), (9), (11), (15), and (16),
 20.11 the applicant must be the governmental entity that owns or contracts for the project or
 20.12 facility;

20.13 (9) for subdivision 1, clause ~~(15)~~ (14), the applicant must be the owner or developer of
 20.14 the building or project; and

20.15 (10) for subdivision 1, clause ~~(18)~~ (17), the applicant must be the owner or developer
 20.16 of the sustainable aviation fuel facility.

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

20.18 Sec. 14. Minnesota Statutes 2025 Supplement, section 297A.75, subdivision 3, is amended
 20.19 to read:

20.20 Subd. 3. **Application.** (a) The application must include sufficient information to permit
 20.21 the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor,
 20.22 or builder, under subdivision 1, clauses (3) to ~~(12)~~ (11) or ~~(14) to (18)~~ (13) to (17), the
 20.23 contractor, subcontractor, or builder must furnish to the refund applicant a statement including
 20.24 the cost of the exempt items and the taxes paid on the items unless otherwise specifically
 20.25 provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to
 20.26 refunds under this section.

20.27 (b) An applicant may not file more than two applications per calendar year for refunds
 20.28 for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

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

21.1 Sec. 15. Minnesota Statutes 2025 Supplement, section 297A.94, is amended to read:

21.2 **297A.94 DEPOSIT OF REVENUES.**

21.3 (a) Except as provided in this section, the commissioner shall deposit the revenues,
21.4 including interest and penalties, derived from the taxes imposed by this chapter in the state
21.5 treasury and credit them to the general fund.

21.6 (b) The commissioner shall deposit taxes in the Minnesota agricultural and economic
21.7 account in the special revenue fund if:

21.8 (1) the taxes are derived from sales and use of property and services purchased for the
21.9 construction and operation of an agricultural resource project; and

21.10 (2) the purchase was made on or after the date on which a conditional commitment was
21.11 made for a loan guaranty for the project under section 41A.04, subdivision 3.

21.12 The commissioner of management and budget shall certify to the commissioner the date on
21.13 which the project received the conditional commitment. The amount deposited in the loan
21.14 guaranty account must be reduced by any refunds and by the costs incurred by the Department
21.15 of Revenue to administer and enforce the assessment and collection of the taxes.

21.16 (c) The commissioner shall deposit the revenues, including interest and penalties, derived
21.17 from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3,
21.18 paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

21.19 (1) first to the general obligation special tax bond debt service account in each fiscal
21.20 year the amount required by section 16A.661, subdivision 3, paragraph (b); and

21.21 (2) after the requirements of clause (1) have been met, the balance to the general fund.

21.22 (d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit
21.23 in the state treasury the revenues collected under section 297A.64, subdivision 1, including
21.24 interest and penalties and minus refunds, and credit them to the highway user tax distribution
21.25 fund.

21.26 (e) The commissioner shall deposit the revenues, including interest and penalties,
21.27 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
21.28 general fund. By July 15 of each year the commissioner shall transfer to the highway user
21.29 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
21.30 subdivision 5, for the previous calendar year.

21.31 (f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the deposit
21.32 of revenues under paragraph (d), the commissioner shall deposit into the state treasury and

22.1 credit to the highway user tax distribution fund an amount equal to the estimated revenues
22.2 derived from the tax rate imposed under section 297A.62, subdivision 1, on the lease or
22.3 rental for not more than 28 days of rental motor vehicles subject to section 297A.64. The
22.4 commissioner shall estimate the amount of sales tax revenue deposited under this paragraph
22.5 based on the amount of revenue deposited under paragraph (d).

22.6 (g) Each month the commissioner must deposit an amount equal to the estimated revenues
22.7 derived from the taxes imposed under section 297A.62, subdivision 1, on the sale and
22.8 purchase of motor vehicle repair and replacement parts in the state treasury and credit:

22.9 (1) a percentage to the highway user tax distribution fund as follows:

22.10 (i) 43.5 percent in each of fiscal years 2024 and 2025;

22.11 (ii) 43 percent in fiscal year 2026;

22.12 (iii) 41 percent in fiscal year 2027;

22.13 (iv) 36 percent in fiscal year 2028;

22.14 (v) 30 percent in fiscal year 2029;

22.15 (vi) 36 percent in each of fiscal years 2030 to 2034;

22.16 (vii) 38.5 percent in fiscal year 2035;

22.17 (viii) 41 percent in fiscal year 2036; and

22.18 (ix) 43.5 percent in fiscal year 2037 and thereafter;

22.19 (2) a percentage to the transportation advancement account under section 174.49 as
22.20 follows:

22.21 (i) 3.5 percent in fiscal year 2024;

22.22 (ii) 4.5 percent in fiscal year 2025;

22.23 (iii) 5.5 percent in fiscal year 2026;

22.24 (iv) 7.5 percent in fiscal year 2027;

22.25 (v) 14.5 percent in fiscal year 2028;

22.26 (vi) 21.5 percent in fiscal year 2029;

22.27 (vii) 28.5 percent in fiscal year 2030;

22.28 (viii) 36.5 percent in fiscal year 2031;

22.29 (ix) 44.5 percent in fiscal year 2032; and

23.1 (x) 56.5 percent in fiscal year 2033 and thereafter; and

23.2 (3) the remainder in each fiscal year to the general fund.

23.3 After each February forecast, and prior to the following April 15, the commissioner shall
 23.4 estimate the monthly deposit amount for use in the following fiscal year based on the estimate
 23.5 of average revenue derived from the taxes imposed under section 297A.62, subdivision 1,
 23.6 on the sale and purchase of motor vehicle repair and replacement parts from the department's
 23.7 three most recent consumption tax models. If, after the commissioner estimates the monthly
 23.8 deposit amounts and prior to July 1, the rate of tax imposed under section 297A.62,
 23.9 subdivision 1, or the percentages specified under this paragraph are impacted by a law
 23.10 change, then the commissioner must update the estimated deposit amount by July 15. For
 23.11 purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01,
 23.12 subdivision 11, and "motor vehicle repair and replacement parts" includes (i) all parts, tires,
 23.13 accessories, and equipment incorporated into or affixed to the motor vehicle as part of the
 23.14 motor vehicle maintenance and repair, and (ii) paint, oil, and other fluids that remain on or
 23.15 in the motor vehicle as part of the motor vehicle maintenance or repair. For purposes of this
 23.16 paragraph, "tire" means any tire of the type used on highway vehicles, if wholly or partially
 23.17 made of rubber and if marked according to federal regulations for highway use.

23.18 (h) 81.56 percent of the revenues, including interest and penalties, transmitted to the
 23.19 commissioner under section 297A.65, must be deposited by the commissioner in the state
 23.20 treasury as follows:

23.21 (1) 47.5 percent of the receipts must be deposited in the heritage enhancement account
 23.22 in the game and fish fund, and may be spent only on activities that improve, enhance, or
 23.23 protect fish and wildlife resources, including conservation, restoration, and enhancement
 23.24 of land, water, and other natural resources of the state;

23.25 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
 23.26 be spent only for state parks and trails;

23.27 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
 23.28 be spent only on metropolitan park and trail grants;

23.29 (4) three percent of the receipts must be deposited in the natural resources fund, and
 23.30 may be spent only on local trail grants;

23.31 (5) two percent of the receipts must be deposited in the natural resources fund, and may
 23.32 be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory,
 23.33 and the Duluth Zoo; and

24.1 (6) 2.5 percent of the receipts must be deposited in the pollinator account established in
24.2 section 103B.101, subdivision 19.

24.3 (i) 1.5 percent of the revenues, including interest and penalties, transmitted to the
24.4 commissioner under section 297A.65 must be deposited in a regional parks and trails account
24.5 in the natural resources fund and may only be spent for parks and trails of regional
24.6 significance outside of the seven-county metropolitan area under section 85.535, based on
24.7 recommendations from the Greater Minnesota Regional Parks and Trails Commission under
24.8 section 85.536.

24.9 (j) 1.5 percent of the revenues, including interest and penalties, transmitted to the
24.10 commissioner under section 297A.65 must be deposited in an outdoor recreational
24.11 opportunities for underserved communities account in the natural resources fund and may
24.12 only be spent on projects and activities that connect diverse and underserved Minnesotans
24.13 through expanding cultural environmental experiences, exploration of their environment,
24.14 and outdoor recreational activities.

24.15 (k) The revenue dedicated under paragraph (h) may not be used as a substitute for
24.16 traditional sources of funding for the purposes specified, but the dedicated revenue shall
24.17 supplement traditional sources of funding for those purposes. Land acquired with money
24.18 deposited in the game and fish fund under paragraph (h) must be open to public hunting
24.19 and fishing during the open season, except that in aquatic management areas or on lands
24.20 where angling easements have been acquired, fishing may be prohibited during certain times
24.21 of the year and hunting may be prohibited. At least 87 percent of the money deposited in
24.22 the game and fish fund for improvement, enhancement, or protection of fish and wildlife
24.23 resources under paragraph (h) must be allocated for field operations.

24.24 (l) The commissioner must deposit the revenues, including interest and penalties minus
24.25 any refunds, derived from the sale of items regulated under section 624.20, subdivision 1,
24.26 that may be sold to persons 18 years old or older and that are not prohibited from use by
24.27 the general public under section 624.21, in the state treasury and credit:

24.28 (1) 25 percent to the volunteer fire assistance grant account established under section
24.29 88.068;

24.30 (2) 25 percent to the fire safety account established under section 297I.06, subdivision
24.31 3; and

24.32 (3) the remainder to the general fund.

25.1 For purposes of this paragraph, the percentage of total sales and use tax revenue derived
25.2 from the sale of items regulated under section 624.20, subdivision 1, that are allowed to be
25.3 sold to persons 18 years old or older and are not prohibited from use by the general public
25.4 under section 624.21, is a set percentage of the total sales and use tax revenues collected in
25.5 the state, with the percentage determined under Laws 2017, First Special Session chapter
25.6 1, article 3, section 39.

25.7 (m) The revenues deposited under paragraphs (a) to (l) do not include the revenues,
25.8 including interest and penalties, generated by the sales tax imposed under section 297A.62,
25.9 subdivision 1a, which must be deposited as provided under the Minnesota Constitution,
25.10 article XI, section 15.

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

25.12 Sec. 16. Minnesota Statutes 2024, section 297B.03, is amended to read:

25.13 **297B.03 EXEMPTIONS.**

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

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

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

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

25.27 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota
25.28 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,
25.29 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,
25.30 as amended through December 16, 2016;

25.31 (5) purchase or use of any vehicle owned by a resident of another state and leased to a
25.32 Minnesota-based private or for-hire carrier for regular use in the transportation of persons

26.1 or property in interstate commerce provided the vehicle is titled in the state of the owner or
26.2 secured party, and that state does not impose a sales tax or sales tax on motor vehicles used
26.3 in interstate commerce;

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

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

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

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

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

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

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

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

26.26 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide
26.27 transit service is exempt if the transit provider is either (i) receiving financial assistance or
26.28 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,
26.29 473.388, or 473.405;

26.30 ~~(13) purchase or use of a motor vehicle by a qualified business, as defined in section~~
26.31 ~~469.310, located in a job opportunity building zone, if the motor vehicle is principally~~
26.32 ~~garaged in the job opportunity building zone and is primarily used as part of or in direct~~
26.33 ~~support of the person's operations carried on in the job opportunity building zone. The~~

27.1 ~~exemption under this clause applies to sales, if the purchase was made and delivery received~~
 27.2 ~~during the duration of the job opportunity building zone. The exemption under this clause~~
 27.3 ~~also applies to any local sales and use tax;~~

27.4 ~~(14)~~ (13) purchase of a leased vehicle by the lessee who was a participant in a
 27.5 lease-to-own program from a charitable organization that is:

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

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

27.8 ~~(15)~~ (14) purchase of a motor vehicle used exclusively as a mobile medical unit for the
 27.9 provision of medical or dental services by a federally qualified health center, as defined
 27.10 under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget
 27.11 Reconciliation Act of 1990; and

27.12 ~~(16)~~ (15) purchase of a motor vehicle by a veteran having a total service-connected
 27.13 disability, as defined in section 171.01, subdivision 51.

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

27.15 Sec. 17. **REPEALER.**

27.16 Minnesota Statutes 2024, sections 272.02, subdivision 64; 272.029, subdivision 7;
 27.17 289A.12, subdivision 15; 290.06, subdivision 29; 297A.68, subdivision 37; 469.310; 469.311;
 27.18 469.312; 469.313; 469.314; 469.315; 469.316; 469.317; 469.318; 469.3181; 469.319;
 27.19 469.3191; 469.3192; 469.3193; 469.320; and 469.3201, are repealed.

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

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272.02 EXEMPT PROPERTY.

Subd. 31. **Business incubator property.** Property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code that is intended to be used as a business incubator in a high-unemployment county, is exempt. As used in this subdivision, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization, and "high-unemployment county" is a county that had an average annual unemployment rate of 7.9 percent or greater in 1997. Property that qualifies for the exemption under this subdivision is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 40,000 square feet. This exemption expires after taxes payable in 2016.

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.

273.11 VALUATION OF PROPERTY.

Subd. 19. **Valuation exclusion for improvements to certain business property.** Property classified under section 273.13, subdivision 24, which is eligible for the preferred classification rate on the market value up to \$150,000, shall qualify for a valuation exclusion for assessment purposes, provided all of the following conditions are met:

(1) the building must be at least 50 years old at the time of the improvement or damaged by the 1997 floods;

(2) the building must be located in a city or town with a population of 10,000 or less that is located outside the seven-county metropolitan area, as defined in section 473.121, subdivision 2;

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(3) the total estimated market value of the land and buildings must be \$100,000 or less prior to the improvement and prior to the damage caused by the 1997 floods;

(4) the current year's estimated market value of the property must be equal to or less than the property's estimated market value in each of the two previous years' assessments;

(5) a building permit must have been issued prior to the commencement of the improvement, or if the building is located in a city or town which does not have a building permit process, the property owner must notify the assessor prior to the commencement of the improvement;

(6) the property, including its improvements, has received no public assistance, grants or financing except, that in the case of property damaged by the 1997 floods, the property is eligible to the extent that the flood losses are not reimbursed by insurance or any public assistance, grants, or financing;

(7) the property is not receiving a property tax abatement under section 469.1813; and

(8) the improvements are made after the effective date of Laws 1997, chapter 231, and prior to January 1, 1999.

The assessor shall estimate the market value of the building in the assessment year immediately following the year that (1) the building permit was taken out, or (2) the taxpayer notified the assessor that an improvement was to be made. If the estimated market value of the building has increased over the prior year's assessment, the assessor shall note the amount of the increase on the property's record, and that amount shall be subtracted from the value of the property in each year for five years after the improvement has been made, at which time an amount equal to 20 percent of the excluded value shall be added back in each of the five subsequent assessment years.

For any property, there can be no more than two improvements qualifying for exclusion under this subdivision. The maximum amount of value that can be excluded from any property under this subdivision is \$50,000.

The assessor shall require an application, including documentation of the age of the building from the owner, if unknown by the assessor. Applications must be received prior to July 1 of any year in order to be effective for taxes payable in the following year.

For purposes of this subdivision, "population" has the same meaning given in section 477A.011, subdivision 3.

Subd. 20. Valuation exclusion for improvements to certain business property. Property classified under section 273.13, subdivision 24, qualifies for a valuation exclusion for assessment purposes, provided all of the following conditions are met:

(1) the building must have been damaged by the 2002 floods;

(2) the building must be located in a city or town with a population of 10,000 or less that is located in a county in the area included in DR-1419;

(3) the total estimated market value of the land and buildings must be \$150,000 or less for assessment year 2002;

(4) a building permit must have been issued prior to the commencement of the improvement, or if the building is located in a city or town which does not have a building permit process, the property owner must notify the assessor prior to the commencement of the improvement;

(5) the property is not receiving a property tax abatement under section 469.1813; and

(6) the improvements are made before January 1, 2004.

The assessor shall estimate the market value of the building in the assessment year immediately following the year that (1) the building permit was taken out, or (2) the taxpayer notified the assessor that an improvement was to be made. If the estimated market value of the building has increased over the 2002 assessment before any reassessment due to flood damage, the assessor shall note the amount of the increase on the property's record, and that amount shall be subtracted from the value of the property in each year for five years after the improvement has been made. In each of the next five subsequent assessment years, an amount equal to 20 percent of the value excluded in the fifth year for that improvement shall be added back.

The maximum amount of value that can be excluded for all improvements to any property under this subdivision is \$50,000.

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The assessor shall require an application. Applications must be received by December 31, 2002, or December 31, 2003, in order to be effective for taxes payable in the following year.

For purposes of this subdivision, "population" has the meaning given in section 477A.011, subdivision 3.

273.1315 CERTIFICATION OF CLASS 1B PROPERTY.

Subdivision 1. **Class 1b homestead declaration before 2009.** Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), on or before October 1, 2008, shall file with the commissioner of revenue a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(1) the information necessary to verify that on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for 1b classification; and

(2) any additional information prescribed by the commissioner.

The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this subdivision shall be subject to chapter 270B. If approved by the commissioner, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the commissioner within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13b, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

The commissioner shall provide to the assessor on or before November 1 a listing of the parcels of property qualifying for 1b classification.

273.1385 AID FOR PUBLIC EMPLOYEES RETIREMENT ASSOCIATION EMPLOYER CONTRIBUTION RATE INCREASE.

Subdivision 1. **Aid to offset rate increase.** Beginning with the December 26, 1997, payment, and according to the schedule for payment of local aid under section 477A.015 thereafter, the commissioner of revenue shall pay to each city, county, town, and other nonschool jurisdiction an amount equal to 0.35 percent of the fiscal year 1997 payroll for employees who were members of the general plan of the Public Employees Retirement Association. Except for the December 1997 distribution under this section, the amount of aid must be certified before September 1 of the year preceding the distribution year to the affected local government. The executive director of the Public Employees Retirement Association shall certify the general plan fiscal year covered payroll and other information requested by the commissioner of revenue, on or before August 1, 1997, and in subsequent years where necessary, in order to facilitate administration of this section. The amount necessary to make these aid payments is appropriated annually from the general fund to the commissioner of revenue. Expenditures under this section are estimated to be \$7,942,500 in fiscal year 1998, and \$15,885,000 in each subsequent fiscal year, less any future reductions under subdivision 2.

Subd. 2. **Limit on aid and potential future permanent aid reductions.** (a) The aid amount received by any jurisdiction in fiscal year 2000 or any year thereafter may not exceed the amount it received in fiscal year 1999. The commissioner may, from time to time, request the most recent fiscal year payroll information by jurisdiction to be certified by the executive director of the Public Employees Retirement Association. For any jurisdiction where newly certified public employees retirement association general plan payroll is significantly lower than the fiscal 1997 amount, as determined by the commissioner, the commissioner shall recalculate the aid amount based on the most recent fiscal year payroll information, certify the recalculated aid amount for the next distribution year, and permanently reduce the aid amount to that jurisdiction.

(b) Aid to a jurisdiction must not be reduced under this section due to a transfer of an employee from the general plan of the Public Employees Retirement Association to the local government correctional service plan administered by the Public Employees Retirement Association. The executive director of the Public Employees Retirement Association must provide the commissioner of revenue with any information requested by the commissioner to administer this paragraph.

Subd. 3. **Effect of reorganizations.** The commissioner of revenue may adjust the aid amounts for separate jurisdictions to account for significant changes in boundaries or in the form of government, as determined by the commissioner. If a local government function and the associated Public Employees Retirement Association general plan payroll is assumed by either the state, or a nonpublic organization, the aid amounts attributable to the function under this section must terminate.

Subd. 4. **Aid termination.** The aid provided under this section terminates on June 30, 2020.

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 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.

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(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 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.

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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

(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;

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- (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.

(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 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.

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(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;

(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.

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

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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 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:

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(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.

(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

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\$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.

(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.

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(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.

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.

(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.

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.

477A.18 PRODUCTION PROPERTY TRANSITION AID.

Subdivision 1. **Definitions.** (a) When used in this section, the following terms have the meanings indicated in this subdivision.

(b) "Local unit" means a home rule charter or statutory city, or a town.

(c) "Net tax capacity differential" means the positive difference, if any, by which the local unit's net tax capacity was reduced from assessment year 2014 to assessment year 2015 due to the change in the definition of real property in section 272.03, subdivision 1, enacted by Laws 2014, chapter 308, article 2, section 9. For purposes of determining the net tax capacity differential, any property in a job opportunity building zone under section 469.314 may not be included when calculating a local unit's net tax capacity.

Subd. 2. **Aid eligibility; payment.** (a) If the net tax capacity differential of the local unit exceeds five percent of its 2015 net tax capacity, the local unit is eligible for transition aid computed under paragraphs (b) to (f).

(b) For aids payable in 2016, transition aid under this section for an eligible local unit equals (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2015.

(c) For aids payable in 2017, transition aid under this section for an eligible local unit equals 80 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2016.

(d) For aids payable in 2018, transition aid under this section for an eligible local unit equals 60 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2017.

(e) For aids payable in 2019, transition aid under this section for an eligible local unit equals 40 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2018.

(f) For aids payable in 2020, transition aid under this section for an eligible local unit equals 20 percent of (1) the net tax capacity differential, times (2) the jurisdiction's tax rate for taxes payable in 2019.

(g) No aids shall be payable under this section in 2021 and thereafter.

(h) The commissioner of revenue shall compute the amount of transition aid payable to each local unit under this section. On or before August 1 of each year, the commissioner shall certify the amount of transition aid computed for aids payable in the following year for each recipient local unit. The commissioner shall pay transition aid to local units annually at the times provided in section 477A.015.

(i) The commissioner of revenue may require counties to provide any data that the commissioner deems necessary to administer this section.

Subd. 3. **Appropriation.** An amount sufficient to pay transition aid under this section is annually appropriated to the commissioner of revenue from the general fund.