

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

S.F. No. 3573

(SENATE AUTHORS: REST)

DATE
02/28/2022

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; sales and use; providing a rebate for sales taxes paid; requiring
1.3 a report; appropriating money.

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

1.5 Section 1. **STATEMENT OF PURPOSE.**

1.6 (a) The state of Minnesota derives revenues from a variety of taxes, fees, and other
1.7 sources, including the state sales tax.

1.8 (b) It is fair and reasonable to refund the existing state budget surplus in the form of a
1.9 rebate of nonbusiness consumer sales taxes paid by individuals in calendar years 2020 and
1.10 2021.

1.11 (c) Information concerning the amount of sales tax paid at various income levels is
1.12 contained in the Minnesota tax incidence report, which is written by the commissioner of
1.13 revenue and presented to the legislature according to Minnesota Statutes, section 270C.13.

1.14 (d) It is fair and reasonable to use information contained in the Minnesota tax incidence
1.15 report, updated to calendar year 2021, to determine a reasonable amount of a sales tax rebate
1.16 due to each eligible taxpayer since no effective or practical mechanism exists for determining
1.17 the amount of actual sales tax paid by each eligible individual.

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

2.1 Sec. 2. SALES TAX REBATE.

2.2 Subdivision 1. Eligibility; amount of rebate. (a) For rebates based on income tax returns
2.3 or Social Security benefits received in 2020, an individual qualifies for a sales tax rebate if
2.4 the individual:

2.5 (1) was a resident of Minnesota for all or part of 2020 and filed a 2020 Minnesota income
2.6 tax return on or before October 15, 2021, had a tax liability before refundable credits on
2.7 that return of at least \$1, and was not allowed to be claimed as a dependent on a 2020 federal
2.8 income tax return filed by another person;

2.9 (2) was a resident of Minnesota for all of 2020, was not eligible for a rebate under clause
2.10 (1), attained the age of 18 on or before December 31, 2020, and received in 2020 Social
2.11 Security benefits as defined in section 86(d)(1) of the Internal Revenue Code;

2.12 (3) was allowed to be claimed as a dependent on a 2020 federal income tax return filed
2.13 by another person but would have otherwise been eligible for a rebate under clause (1), and
2.14 reported earned income as defined in section 32(c)(2)(A)(i) of the Internal Revenue Code;
2.15 or

2.16 (4) filed a 2020 Minnesota income tax return on or before October 15, 2021, in order to
2.17 claim:

2.18 (i) a credit under Minnesota Statutes, section 290.067, 290.0671, or 290.0674;

2.19 (ii) a refund of withheld taxes; or

2.20 (iii) a refund of estimated taxes.

2.21 (b) The sales tax rebate allowed under paragraph (a) equals:

2.22 (1) \$400 for married joint or head of household filers, increased by \$25 for each
2.23 dependent claimed on the filer's 2020 federal income tax return; and

2.24 (2) \$200 for all other filers, increased by \$25 for each dependent claimed on the filer's
2.25 2020 federal income tax return.

2.26 (c) For rebates based on income tax returns or Social Security benefits received in 2021,
2.27 an individual qualifies for a sales tax rebate if the individual:

2.28 (1) was a resident of Minnesota for all or part of 2021 and files a 2021 Minnesota income
2.29 tax return on or before October 15, 2022, has a tax liability before refundable credits on
2.30 that return of at least \$1, and is not allowed to be claimed as a dependent on a 2021 federal
2.31 income tax return filed by another person;

3.1 (2) was a resident of Minnesota for all of 2021, was not eligible for a rebate under clause
3.2 (1), attained the age of 18 on or before December 31, 2021, and received in 2021 Social
3.3 Security benefits as defined in section 86(d)(1) of the Internal Revenue Code;

3.4 (3) was allowed to be claimed as a dependent on a 2021 federal income tax return filed
3.5 by another person but would have otherwise been eligible for a rebate under clause (1), and
3.6 reported earned income as defined in section 32(c)(2)(A)(i) of the Internal Revenue Code;
3.7 or

3.8 (4) files a 2021 Minnesota income tax return on or before October 15, 2022, in order to
3.9 claim:

3.10 (i) a credit under Minnesota Statutes, section 290.067, 290.0671, or 290.0674;

3.11 (ii) a refund of withheld taxes; or

3.12 (iii) a refund of estimated taxes.

3.13 (d) The sales tax rebate allowed under paragraph (c) equals:

3.14 (1) \$200 for married joint or head of household filers, increased by \$25 for each
3.15 dependent claimed on the filer's 2021 federal income tax return; and

3.16 (2) \$100 for all other filers, increased by \$25 for each dependent claimed on the filer's
3.17 2021 federal income tax return.

3.18 (e) For an individual who was a resident of Minnesota for less than the entire year, the
3.19 sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (d), as applicable,
3.20 multiplied by the percentage determined under Minnesota Statutes, section 290.06,
3.21 subdivision 2c, paragraph (e), as calculated on the original 2020 or 2021 income tax return,
3.22 as applicable, including subsequent adjustments to that return made within the time limits
3.23 specified in subdivision 2, paragraph (c).

3.24 Subd. 2. **Payment of rebate; other requirements.** (a) For purposes of this section,
3.25 "commissioner" means the commissioner of revenue.

3.26 (b) The commissioner may issue sales tax rebates under subdivision 1, paragraph (a),
3.27 after June 30, 2022, and may issue sales tax rebates under subdivision 1, paragraph (c), after
3.28 June 30, 2023. Sales tax rebates under subdivision 1, paragraph (a), not paid by October 1,
3.29 2022, and sales tax rebates under subdivision 1, paragraph (c), not paid by October 1, 2023,
3.30 bear interest at the rate specified in Minnesota Statutes, section 270C.405.

3.31 (c) For sales tax rebates due under subdivision 1, paragraph (a), the rebate must not be
3.32 adjusted based on changes to a 2020 income tax return that are made by order of assessment

4.1 after the date the rebate is processed or made by the taxpayer that are filed with the
4.2 commissioner after that date. For sales tax rebates due under subdivision 1, paragraph (c),
4.3 the rebate must not be adjusted based on changes to a 2021 income tax return that are made
4.4 by order of assessment after the date the rebate is processed or made by the taxpayer that
4.5 are filed with the commissioner after that date.

4.6 (d) Individuals who filed a joint income tax return for 2020 or 2021 must receive a joint
4.7 sales tax rebate under the provisions of this paragraph. After the sales tax rebate has been
4.8 issued, but before the check has been cashed if the rebate is issued by check, either joint
4.9 claimant may request a separate payment for one-half of the joint sales tax rebate. The
4.10 amount payable to each person equals one-half of the total joint rebate. Notwithstanding
4.11 any provision in this section to the contrary:

4.12 (1) if, prior to payment of the rebate under subdivision 1, paragraph (a), the commissioner
4.13 has been notified that individuals who filed a joint 2020 income tax return are living at
4.14 separate addresses, as indicated on their 2021 income tax return or otherwise, the
4.15 commissioner may issue separate checks to each individual listed on the joint return; and

4.16 (2) if, prior to payment of the rebate under subdivision 1, paragraph (c), the commissioner
4.17 has been notified that taxpayers who filed a joint 2021 income tax return are living at separate
4.18 addresses, as indicated on their 2022 income tax return or otherwise, the commissioner may
4.19 issue separate checks to each individual listed on the joint return.

4.20 (e) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes,
4.21 section 270B.01, subdivision 8.

4.22 (f) The sales tax rebate is "an overpayment of any tax collected by the commissioner"
4.23 for purposes of Minnesota Statutes, section 270C.64. For purposes of this paragraph, a joint
4.24 sales tax rebate is payable to each spouse equally.

4.25 (g) The right to a sales tax rebate lapses and the rebate check must be deposited in the
4.26 general fund if the commissioner:

4.27 (1) cannot locate an individual entitled to a sales tax rebate under subdivision 1, paragraph
4.28 (a), by July 1, 2023, or if an individual to whom a sales tax rebate was issued under
4.29 subdivision 1 has not cashed the rebate check by July 1, 2023; or

4.30 (2) cannot locate an individual entitled to a sales tax rebate under subdivision 1, paragraph
4.31 (c), by July 1, 2024, or if an individual to whom a sales tax rebate was issued under
4.32 subdivision 2 has not cashed the rebate check by July 1, 2024.

5.1 (h) Individuals who are entitled to a sales tax rebate but did not receive one and
5.2 individuals who receive a sales tax rebate that was not correctly calculated must file a claim
5.3 with the commissioner in a form prescribed by the commissioner. A claim made under this
5.4 paragraph is a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4
5.5 and 7. Individuals entitled to a sales tax rebate under paragraph (a) must file the claim by
5.6 July 1, 2023. Individuals entitled to a sales tax rebate under paragraph (b) must file the
5.7 claim by July 1, 2024.

5.8 (i) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes,
5.9 chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant
5.10 agency, which shall, upon the request of the spouse who does not owe the debt, refund
5.11 one-half of the joint sales tax rebate to the spouse who does not owe the debt.

5.12 (j) The rebate under subdivision 1 is a reduction of fiscal year 2023 sales tax revenues.
5.13 The rebate under subdivision 2 is a reduction of fiscal year 2024 sales tax revenues. The
5.14 amount necessary to make the sales tax rebates and interest provided in this section is
5.15 appropriated from the general fund to the commissioner of revenue in fiscal years 2023 and
5.16 2024 and is available until June 30, 2025.

5.17 (k) If a sales tax rebate issued by check is cashed by someone other than the payee or
5.18 payees of the check, and the commissioner determines that the check has been forged or
5.19 improperly endorsed, the commissioner may issue an order of assessment for the amount
5.20 of the check against the person or persons cashing it. If a sales tax rebate issued by debit
5.21 card is stolen or otherwise used by someone other than the payee or payees of the debit
5.22 card, and the commissioner determines that the debit card has been improperly used as
5.23 tender, the commissioner may issue an order of assessment for the amount of the debit card
5.24 against the person or persons using it. The assessment must be made within two years after
5.25 the check is cashed or debit card is used, but if cashing the check or using the debit card
5.26 constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota
5.27 Statutes, section 609.63, the assessment can be made at any time. The assessment may be
5.28 appealed administratively and judicially. The commissioner may take action to collect the
5.29 assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any
5.30 other order of the commissioner assessing tax.

5.31 (l) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, and 16B.49, and any
5.32 other law to the contrary, the commissioner may take whatever actions the commissioner
5.33 deems necessary to pay the rebates required by this section, including issuance of debit
5.34 cards or checks. The commissioner may, in consultation with the commissioner of
5.35 management and budget, contract with a private vendor or vendors to process, print, and

6.1 mail debit cards, checks, or warrants required under this section and receive and disburse
6.2 state funds to pay debit cards, checks, or warrants.

6.3 (m) The commissioner may pay rebates required by subdivision 1, paragraph (a), by
6.4 electronic funds transfer to individuals who requested that their 2021 individual income tax
6.5 refund be paid through electronic funds transfer. The commissioner may pay rebates required
6.6 by subdivision 1, paragraph (c), by electronic funds transfer to individuals who requested
6.7 that their 2022 individual income tax refund be paid through electronic funds transfer. The
6.8 commissioner may make the electronic funds transfer payments to the same financial
6.9 institution and into the same account as the 2021 or 2022 individual income tax refund, as
6.10 applicable.

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

6.12 Sec. 3. **REPORT REQUIRED.**

6.13 By January .., 2025, the commissioner of revenue shall report to the chairs and ranking
6.14 minority members of the legislative committees with jurisdiction over taxes on the payments
6.15 issued under this section. The report must comply with sections 3.195 and 3.197.

6.16 Sec. 4. **APPROPRIATIONS.**

6.17 \$..... is appropriated in fiscal year 2023 from the general fund to the commissioner of
6.18 revenue to administer the sales tax rebates in section 2. Any unencumbered balance remaining
6.19 on June 30, 2025, does not cancel but is available for expenditure by the commissioner of
6.20 revenue until June 30, 2026. This is a onetime appropriation and is not added to the agency's
6.21 base.

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