

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 783

(SENATE AUTHORS: REST, Klein, Weber, Nelson and Dibble)		
DATE	D-PG	OFFICIAL STATUS
01/26/2023	411	Introduction and first reading Referred to Taxes
02/02/2023	583a	Comm report: To pass as amended
	585	Second reading
	11498	Rule 47, returned to Taxes See HF1938

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, fire and police state aids, and other

1.4

miscellaneous taxes and tax provisions; amending Minnesota Statutes 2022, sections

1.5

6.495, subdivision 3; 270C.19, subdivisions 1, 2; 289A.08, subdivisions 7, 7a;

1.6

289A.382, subdivision 2; 289A.50, by adding a subdivision; 290.01, subdivision

1.7

19; 290.06, subdivision 22; 290.0671, subdivisions 1, 7; 290.0685, subdivision 1;

1.8

290.92, subdivision 20; 290.9705, subdivision 1; 290A.03, subdivision 13; 295.50,

1.9

subdivision 4; 296A.083, subdivision 3; 297A.61, subdivision 29; 477B.01,

1.10

subdivisions 5, 10, 11, by adding subdivisions; 477B.02, subdivisions 2, 3, 5, 8,

1.11

9, 10, by adding a subdivision; 477B.03, subdivisions 2, 3, 4, 5, 7; 477B.04,

1.12

subdivision 1, by adding a subdivision; 477C.02, subdivision 4; 477C.03,

1.13

subdivisions 2, 5; 477C.04, by adding a subdivision; repealing Minnesota Statutes

1.14

2022, sections 477B.02, subdivision 4; 477B.03, subdivision 6.

1.15

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

1.16

ARTICLE 1

1.17

INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

1.18

Section 1. Minnesota Statutes 2022, section 289A.08, subdivision 7, is amended to read:

1.19

Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**

1.20

beneficiaries. (a) The commissioner may allow a partnership with nonresident partners to

1.21

file a composite return and to pay the tax on behalf of nonresident partners who have no

1.22

other Minnesota source income. This composite return must include the names, addresses,

1.23

Social Security numbers, income allocation, and tax liability for the nonresident partners

1.24

electing to be covered by the composite return.

1.25

(b) The computation of a partner's tax liability must be determined by multiplying the

1.26

income allocated to that partner by the highest rate used to determine the tax liability for

individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

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

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

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

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

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

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

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

(j) For the purposes of this subdivision, "income" ~~means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.0131, subdivisions 8 to 10, 16, and 17, and the subtractions provided in: (1) section 290.0132, subdivisions 9, 27, and 28, to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed under section 290.0132, subdivision 9, is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.~~ has the meaning given in section 290.01, subdivision 19, paragraph (h).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2022.

Sec. 2. Minnesota Statutes 2022, section 289A.08, subdivision 7a, is amended to read:

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

(1) "income" has the meaning given in ~~subdivision 7, paragraph (j), modified by the addition provided in section 290.0131, subdivision 5, and the subtraction provided in section 290.0132, subdivision 3, except that the provisions that apply to a partnership apply to a qualifying entity and the provisions that apply to a partner apply to a qualifying owner. The income of both a resident and nonresident qualifying owner is allocated and assigned to this state as provided for nonresident partners and shareholders under sections 290.17, 290.191, and 290.20;~~ section 290.01, subdivision 19, paragraph (i);

(2) "qualifying entity" means a partnership, limited liability company taxed as a partnership or S corporation, or S corporation including a qualified subchapter S subsidiary organized under section 1361(b)(3)(B) of the Internal Revenue Code. Qualifying entity does not include a partnership, limited liability company, or corporation that has a partnership, limited liability company other than a disregarded entity, or corporation as a partner, member, or shareholder; and

(3) "qualifying owner" means:

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

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

(b) For taxable years beginning after December 31, 2020, in which the taxes of a qualifying owner are limited under section 164(b)(6)(B) of the Internal Revenue Code, a

qualifying entity may elect to file a return and pay the pass-through entity tax imposed under paragraph (c). The election:

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

(2) may only be made by qualifying owners who collectively hold more than a 50 percent ownership interest in the qualifying entity;

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

(4) once made is irrevocable for the taxable year.

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

(d) The amount of a qualifying owner's tax liability under paragraph (c) is the amount of the qualifying owner's income multiplied by the highest tax rate for individuals under section 290.06, subdivision 2c. When making this determination:

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

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

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

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

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

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

filing a pass-through entity tax return must be treated as a partnership filing a composite return.

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

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

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

EFFECTIVE DATE. (a) The amendment to paragraph (a), clause (1), is effective for taxable years beginning after December 31, 2022.

(b) The amendment to paragraph (a), clause (2), and the amendment adding paragraph (k), are effective retroactively for taxable years beginning after December 31, 2020.

Sec. 3. Minnesota Statutes 2022, section 289A.382, subdivision 2, is amended to read:

Subd. 2. Reporting and payment requirements for partnerships and tiered partners. (a) Except for when an audited partnership makes the election in subdivision 3, and except for negative federal adjustments required under federal law taken into account by the partnership in the partnership return for the adjustment or other year, all final federal adjustments of an audited partnership must comply with paragraph (b) and each direct partner of the audited partnership, other than a tiered partner, must comply with paragraph (c).

(b) No later than 90 days after the final determination date, the audited partnership must:

(1) file a completed federal adjustments report, including all partner-level information required under section 289A.12, subdivision 3, with the commissioner;

(2) notify each of its direct partners of their distributive share of the final federal adjustments;

(3) file an amended composite report for all direct partners who were included in a composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required; ~~and~~

(4) file amended withholding reports for all direct partners who were or should have been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required; and

(5) file an amended pass-through entity tax report for all direct partners who were included in a pass-through entity tax return under section 289A.08, subdivision 7a, in the reviewed year, and pay the additional amount that would have been due had the federal adjustments been reported properly as required.

(c) No later than 180 days after the final determination date, each direct partner, other than a tiered partner, that is subject to a tax administered under this chapter, other than the sales tax, must:

(1) file a federal adjustments report reporting their distributive share of the adjustments reported to them under paragraph (b), clause (2); and

(2) pay any additional amount of tax due as if the final federal adjustment had been properly reported, plus any penalty and interest due under this chapter, and less any credit for related amounts paid or withheld and remitted on behalf of the direct partner under paragraph (b), clauses (3) and (4).

EFFECTIVE DATE. This section is effective retroactively for taxable years beginning after December 31, 2020.

Sec. 4. Minnesota Statutes 2022, section 289A.50, is amended by adding a subdivision to read:

Subd. 3a. **Nonresident withholding tax refunds.** When there is an overpayment of nonresident withholding tax by a partnership or S corporation, a refund allowable under

this section to the payor is limited to the amount of the overpayment that was not deducted and withheld from the shares of the payor's partners or shareholders.

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

Sec. 5. Minnesota Statutes 2022, section 290.01, subdivision 19, is amended to read:

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

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

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

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

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

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

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

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

(f) The Internal Revenue Code of 1986, as amended through December 31, 2018, applies for taxable years beginning after December 31, 1996, except the sections of federal law in section 290.0111 shall also apply.

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2022.

Sec. 6. Minnesota Statutes 2022, section 290.06, subdivision 22, is amended to read:

Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes based on net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who

is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.0131, subdivision 2, and the subtraction allowed by section 290.0132, subdivision 2, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d)(1) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter; and

(2) the allowance of the credit does not reduce the taxes paid under this chapter to an amount less than what would be assessed if the gross income earned within the other state were excluded from taxable net income.

(e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump-sum distribution defined in section 290.032, subdivision 1, includes lump-sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income. For purposes of this paragraph, "partnership" includes a limited liability company and "partner" includes a member of a limited liability company.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

(l)(1) The credit allowed to a qualifying individual under this section for tax paid to a qualifying state equals the credit calculated under paragraphs (b) and (d), plus the amount calculated by multiplying:

(i) the difference between the preliminary credit and the credit calculated under paragraphs (b) and (d), by

(ii) the ratio derived by dividing the income subject to tax in the qualifying state that consists of compensation for performance of personal or professional services by the total amount of income subject to tax in the qualifying state.

(2) If the amount of the credit that a qualifying individual is eligible to receive under clause (1) for tax paid to a qualifying state exceeds the tax due under this chapter before the application of the credit calculated under clause (1), the commissioner shall refund the excess to the qualifying individual. An amount sufficient to pay the refunds required by this subdivision is appropriated to the commissioner from the general fund.

(3) For purposes of this paragraph, "preliminary credit" means the credit that a qualifying individual is eligible to receive under paragraphs (b) and (d) for tax paid to a qualifying state without regard to the limitation in paragraph (d), clause (2); "qualifying individual" means a Minnesota resident under section 290.01, subdivision 7, paragraph (a), who received compensation during the taxable year for the performance of personal or professional services within a qualifying state; and "qualifying state" means a state with which an agreement under section 290.081 is not in effect for the taxable year but was in effect for a taxable year beginning before January 1, 2010.

(m) For purposes of this subdivision, a resident sole member of a disregarded limited liability company must be considered to have paid a tax imposed on the sole member in an amount equal to the net income tax paid by the disregarded limited liability company to another state. For the purposes of this paragraph, the term "disregarded limited liability company" means a limited liability company that is disregarded as an entity separate from its owner as defined in Code of Federal Regulations, title 26, section 301.7701, and "net income tax" means any tax imposed on or measured by a disregarded limited liability company's net income.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2022.

Sec. 7. Minnesota Statutes 2022, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code, except that:

12.1 (1) a taxpayer with no qualifying children who has attained the age of 19, but not attained
12.2 age 65 before the close of the taxable year and is otherwise eligible for a credit under section
12.3 32 of the Internal Revenue Code may also receive a credit; and

12.4 (2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal
12.5 Revenue Code remains eligible for the credit even if the taxpayer's earned income or adjusted
12.6 gross income exceeds the income limitation under section 32 of the Internal Revenue Code.

12.7 (b) For individuals with no qualifying children, the credit equals 3.9 percent of the first
12.8 \$7,150 of earned income. The maximum credit allowed is reduced by 2.0 percent of earned
12.9 income or adjusted gross income, whichever is greater, in excess of the phaseout threshold;
12.10 ~~but~~. In no case is the credit less than zero.

12.11 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first
12.12 \$11,950 of earned income. The maximum credit allowed is reduced by 6.0 percent of earned
12.13 income or adjusted gross income, whichever is greater, in excess of the phaseout threshold;
12.14 ~~but~~. In no case is the credit less than zero.

12.15 (d) For individuals with two qualifying children, the credit equals 11 percent of the first
12.16 \$19,600 of earned income. The maximum credit allowed is reduced by 10.5 percent of
12.17 earned income or adjusted gross income, whichever is greater, in excess of the phaseout
12.18 threshold; ~~but~~. In no case is the credit less than zero.

12.19 (e) For individuals with three or more qualifying children, the credit equals 12.5 percent
12.20 of the first \$20,000 of earned income. The maximum credit allowed is reduced by 10.5
12.21 percent of earned income or adjusted gross income, whichever is greater, in excess of the
12.22 phaseout threshold; ~~but~~. In no case is the credit less than zero.

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

12.25 (g) For a person who was a resident for the entire tax year and has earned income not
12.26 subject to tax under this chapter; ~~including income excluded under section 290.0132,~~
12.27 ~~subdivision 10~~; the credit must be allocated based on the ratio of federal adjusted gross
12.28 income reduced by the earned income not subject to tax under this chapter over federal
12.29 adjusted gross income. For purposes of this paragraph, the following clauses are not
12.30 considered "earned income not subject to tax under this chapter":

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

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

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

(h) For the purposes of this section, the phaseout threshold equals:

(1) \$14,570 for married taxpayers filing joint returns with no qualifying children;

(2) \$8,730 for all other taxpayers with no qualifying children;

(3) \$28,610 for married taxpayers filing joint returns with one qualifying child;

(4) \$22,770 for all other taxpayers with one qualifying child;

(5) \$32,840 for married taxpayers filing joint returns with two qualifying children;

(6) \$27,000 for all other taxpayers with two qualifying children;

(7) \$33,140 for married taxpayers filing joint returns with three or more qualifying children; and

(8) \$27,300 for all other taxpayers with three or more qualifying children.

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

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

Sec. 8. Minnesota Statutes 2022, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The commissioner shall annually adjust the earned income amounts used to calculate the maximum credit and the phase-out thresholds in subdivision 1 as provided in section 270C.22. The statutory year is taxable year 2019.

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

Sec. 9. Minnesota Statutes 2022, section 290.0685, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to \$2,000 for each birth:

(1) for which a certificate of birth resulting in stillbirth has been issued under section 144.2151; or

(2) outside of Minnesota for which there is a certificate similar to the certificate under section 144.2151 that documents that the stillbirth occurred under the applicable local laws.

14.1 (b) The credit under this section is allowed only in the taxable year in which the stillbirth
14.2 occurred and if the child would have been a dependent of the taxpayer as defined in section
14.3 152 of the Internal Revenue Code.

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

14.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
14.7 31, 2022.

14.8 Sec. 10. Minnesota Statutes 2022, section 290.92, subdivision 20, is amended to read:

14.9 Subd. 20. **Miscellaneous withholding arrangements.** (a) For purposes of this
14.10 subdivision:

14.11 (1) "periodic payment" means a payment as defined under section 3405(e)(2) of the
14.12 Internal Revenue Code;

14.13 (2) "nonperiodic distribution" means a distribution as defined under section 3405(e)(3)
14.14 of the Internal Revenue Code; and

14.15 (3) "sick pay" means any amount which:

14.16 (i) is paid to an employee pursuant to a plan to which the employer is a party; and

14.17 (ii) constitutes remuneration or a payment in lieu of remuneration for any period during
14.18 which the employee is temporarily absent from work on account of sickness or personal
14.19 injuries.

14.20 ~~(a)~~ (b) For purposes of this section, any periodic payment or nonperiodic distribution to
14.21 an individual as defined under section 3405(e)(2) or (3) of the Internal Revenue Code shall
14.22 be treated as if it were a payment of wages by an employer to an employee for a payroll
14.23 period, and it is subject to withholding at a rate of 6.25 percent or any rate specified by the
14.24 recipient. Any payment to an individual of sick pay which does not constitute wages,
14.25 determined without regard to this subdivision, shall be treated as if it were a payment of
14.26 wages by an employer to an employee for a payroll period, if, at the time the payment is
14.27 made a request that such sick pay be subject to withholding under this section is in effect.
14.28 ~~Sick pay means any amount which:~~

14.29 ~~(1) is paid to an employee pursuant to a plan to which the employer is a party, and~~

14.30 ~~(2) constitutes remuneration or a payment in lieu of remuneration for any period during~~
14.31 ~~which the employee is temporarily absent from work on account of sickness or personal~~
14.32 ~~injuries.~~

15.1 ~~(b)~~ (c) A request for withholding, the amount withheld, and sick pay paid pursuant to
15.2 certain collective bargaining agreements shall conform with the provisions of section
15.3 3402(o)(3), (4), and (5) of the Internal Revenue Code.

15.4 ~~(e)~~ (d) The commissioner is authorized by rules to provide for withholding:

15.5 (1) from remuneration for services performed by an employee for the employer which,
15.6 without regard to this subdivision, does not constitute wages, and

15.7 (2) from any other type of payment with respect to which the commissioner finds that
15.8 withholding would be appropriate under the provisions of this section, if the employer and
15.9 the employee, or in the case of any other type of payment the person making and the person
15.10 receiving the payment, agree to such withholding. Such agreement shall be made in such
15.11 form and manner as the commissioner may by rules provide. For purposes of this section
15.12 remuneration or other payments with respect to which such agreement is made shall be
15.13 treated as if they were wages paid by an employer to an employee to the extent that such
15.14 remuneration is paid or other payments are made during the period for which the agreement
15.15 is in effect.

15.16 ~~(d)~~ (e) An individual receiving a periodic payment or nonperiodic distribution under
15.17 paragraph ~~(a)~~ (b) may elect to have paragraph ~~(a)~~ (b) not apply to the payment or distribution
15.18 as follows, and an election remains in effect until revoked by such individual.

15.19 ~~(1) For payments defined under section 3405(e)(2) of the Internal Revenue Code, an~~
15.20 ~~election remains in effect until revoked by such individual.~~

15.21 ~~(2) For distributions defined under section 3405(e)(3) of the Internal Revenue Code, the~~
15.22 ~~election is on a distribution-by-distribution basis.~~

15.23 **EFFECTIVE DATE; APPLICATION.** (a) This section is effective for periodic
15.24 payments and nonperiodic distributions made on or after the day following final enactment.

15.25 (b) For periodic payments and nonperiodic distributions made on or after the day
15.26 following final enactment but before January 1, 2024, the commissioner of revenue must
15.27 not assess penalties relating to this amendment against a payor who complies with Minnesota
15.28 Statutes 2021 Supplement, section 290.92, subdivision 20.

15.29 Sec. 11. Minnesota Statutes 2022, section 290.9705, subdivision 1, is amended to read:

15.30 Subdivision 1. **Withholding of payments to out-of-state contractors.** (a) In this section,
15.31 "person" means a person, corporation, or cooperative, the state of Minnesota and its political
15.32 subdivisions, and a city, county, and school district in Minnesota.

(b) A person who in the regular course of business is hiring, contracting, or having a contract with a nonresident person or ~~foreign corporation~~ a corporation or cooperative created or organized outside Minnesota, to perform construction work in Minnesota, shall deduct and withhold eight percent of payments made to the contractor if the value of the contract exceeds \$50,000.

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

Sec. 12. Minnesota Statutes 2022, section 290A.03, subdivision 13, is amended to read:

Subd. 13. Property taxes payable. "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. Regardless of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes payable" must be apportioned or reduced for the use of a portion of the claimant's homestead for a business purpose if the claimant deducts any business depreciation expenses for the use of a portion of the homestead or deducts expenses under section 280A of the Internal Revenue Code for a business operated in the claimant's homestead. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, including manufactured homes located in a manufactured home community owned by a cooperative organized under chapter 308A or 308B, and park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 17 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December ~~15~~ 31 of the assessment year to which the "property taxes payable"

relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December ~~15~~ 31 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective retroactively for refund claims based on property taxes payable in 2022 and thereafter.

ARTICLE 2

FIRE AND POLICE STATE AIDS

Section 1. Minnesota Statutes 2022, section 6.495, subdivision 3, is amended to read:

Subd. 3. ~~Report~~ **Reports to commissioner of revenue.** (a) On or before September 15, November 1, March 1, and June 1, the state auditor ~~shall~~ must file with the commissioner of revenue a financial compliance report certifying for each relief association:

(1) the completion of the annual financial report required under section 424A.014 and the auditing or certification of those financial reports under subdivision 1; and

(2) the receipt of any actuarial valuations required under section 424A.093 or Laws 2013, chapter 111, article 5, sections 31 to 42.

(b) The commissioner of revenue shall prescribe the content, format, and manner of the financial compliance reports required by paragraph (a), pursuant to section 270C.30.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 2. Minnesota Statutes 2022, section 477B.01, is amended by adding a subdivision to read:

Subd. 1a. **Apportionment agreement.** "Apportionment agreement" means an agreement between two or more fire departments that provide contracted fire protection service to the same municipality and establishes the percentage of the population and the percentage of the estimated market value within the municipality serviced by each fire department.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 3. Minnesota Statutes 2022, section 477B.01, subdivision 5, is amended to read:

Subd. 5. **Fire department.** (a) "Fire department" ~~includes~~ means:

- 18.1 (1) a municipal fire department ~~and~~;
18.2 (2) an independent nonprofit firefighting corporation;
18.3 (3) a fire department established as or operated by a joint powers entity; or
18.4 (4) a fire protection special taxing district established under chapter 144F or special law.

18.5 (b) This subdivision only applies to this chapter.

18.6 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
18.7 and thereafter.

18.8 Sec. 4. Minnesota Statutes 2022, section 477B.01, is amended by adding a subdivision to
18.9 read:

18.10 Subd. 7a. **Joint powers entity.** "Joint powers entity" means a joint powers entity created
18.11 under section 471.59.

18.12 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
18.13 and thereafter.

18.14 Sec. 5. Minnesota Statutes 2022, section 477B.01, subdivision 10, is amended to read:

18.15 Subd. 10. **Municipality.** (a) "Municipality" means:

- 18.16 (1) a home rule charter or statutory city;
18.17 (2) an organized town;
18.18 (3) ~~a park district subject to chapter 398~~ a joint powers entity;
18.19 (4) ~~the University of Minnesota~~ a fire protection special taxing district; and or
18.20 (5) an American Indian tribal government entity located within a federally recognized
18.21 American Indian reservation.

18.22 (b) This subdivision only applies to this chapter ~~477B~~.

18.23 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
18.24 and thereafter.

18.25 Sec. 6. Minnesota Statutes 2022, section 477B.01, subdivision 11, is amended to read:

18.26 Subd. 11. **Secretary.** (a) "Secretary" means:

(1) the secretary of an independent nonprofit firefighting corporation that has a subsidiary incorporated firefighters' relief association or whose firefighters participate in the statewide volunteer firefighter plan; or

(2) the secretary of a joint powers entity or fire protection special taxing district or, if there is no such person, the person primarily responsible for managing the finances of a joint powers entity or fire protection special taxing district.

(b) This subdivision only applies to this chapter.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 7. Minnesota Statutes 2022, section 477B.02, subdivision 2, is amended to read:

Subd. 2. **Establishment of fire department.** (a) An independent nonprofit firefighting corporation must be created under the nonprofit corporation act of this state operating for the exclusive purpose of firefighting, or the governing body of a municipality must officially establish a fire department.

(b) The fire department must have provided firefighting services for at least one calendar year, and must have a current fire department identification number issued by the state fire marshal.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 8. Minnesota Statutes 2022, section 477B.02, subdivision 3, is amended to read:

Subd. 3. ~~**Personnel and Benefits requirements.** (a) A fire department must have a minimum of ten paid or volunteer firefighters, including a fire chief and assistant fire chief.~~

~~(b) The fire department must have regular scheduled meetings and frequent drills that include instructions in firefighting tactics and in the use, care, and operation of all fire apparatus and equipment.~~

~~(c)~~ (a) The fire department must have a separate subsidiary incorporated firefighters' relief association that provides retirement benefits or must participate in the statewide volunteer firefighter plan; or if the municipality solely employs full-time firefighters as defined in section 299N.03, subdivision 5, retirement coverage must be provided by the public employees police and fire retirement plan. For purposes of retirement benefits, a fire

20.1 department may be associated with only one volunteer firefighters' relief association or one
20.2 account in the voluntary statewide volunteer firefighter retirement plan at one time.

20.3 ~~(d)~~ (b) Notwithstanding paragraph ~~(e)~~ (a), a municipality without a relief association as
20.4 described under section 424A.08, paragraph (a), may still qualify to receive fire state aid if
20.5 all other requirements of this section are met.

20.6 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
20.7 and thereafter.

20.8 Sec. 9. Minnesota Statutes 2022, section 477B.02, is amended by adding a subdivision to
20.9 read:

20.10 Subd. 4a. **Public safety answering point requirement.** The fire department must be
20.11 dispatched by a public safety answering point as defined in section 403.02, subdivision 19.

20.12 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
20.13 and thereafter.

20.14 Sec. 10. Minnesota Statutes 2022, section 477B.02, subdivision 5, is amended to read:

20.15 Subd. 5. **Fire service contract or agreement; apportionment agreement filing**
20.16 ~~**requirement requirements.**~~ (a) Every municipality or independent nonprofit firefighting
20.17 corporation must file a copy of any duly executed and valid fire service contract or agreement
20.18 with the commissioner (1) a copy of any duly executed and valid fire service contracts, (2)
20.19 written notification of any fire service contract terminations, and (3) written notification of
20.20 any dissolution of a fire department, within 60 days of contract execution or termination,
20.21 or department dissolution.

20.22 (b) If more than one fire department provides service to a municipality, the fire
20.23 departments furnishing service must ~~enter into an agreement apportioning among themselves~~
20.24 ~~the percentage of the population and the percentage of the estimated market value of each~~
20.25 ~~shared service fire department service area. The agreement must be in writing and must be~~
20.26 ~~filed~~ file an apportionment agreement with the commissioner.

20.27 (c) When a municipality is a joint powers entity, it must file its joint powers agreement
20.28 with the commissioner. If the joint powers agreement does not include sufficient information
20.29 defining the fire department service area of the joint powers entity for the purposes of
20.30 calculating fire state aid, the secretary must file a written statement with the commissioner
20.31 defining the fire department service area.

21.1 (d) When a municipality is a fire protection special taxing district, it must file its
21.2 resolution establishing the fire protection special taxing district, and any agreements required
21.3 for the establishment of the fire protection special taxing district, with the commissioner.
21.4 If the resolution or agreement does not include sufficient information defining the fire
21.5 department service area of the fire protection special taxing district, the secretary must file
21.6 a written statement with the commissioner defining the fire department service area.

21.7 (e) The commissioner shall prescribe the content, format, and manner of the notifications,
21.8 apportionment agreements, and written statements under paragraphs (a) to (d), pursuant to
21.9 section 270C.30, except that copies of fire service contracts, joint powers agreements, and
21.10 resolutions establishing fire protection special taxing districts shall be filed in their existing
21.11 form.

21.12 (f) A document filed with the commissioner under this subdivision must be refiled any
21.13 time it is updated within 60 days of the update. An apportionment agreement must be refiled
21.14 only when a change in the averaged sum of the percentage of population and percentage of
21.15 estimated market value serviced by a fire department subject to the apportionment agreement
21.16 is at least one percent. The percentage amount must be rounded to the nearest whole
21.17 percentage.

21.18 (g) Upon the request of the commissioner, the county auditor must provide information
21.19 that the commissioner requires to accurately apportion the estimated market value of a fire
21.20 department service area for a fire department providing service to an unorganized territory
21.21 located in the county.

21.22 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
21.23 and thereafter.

21.24 Sec. 11. Minnesota Statutes 2022, section 477B.02, subdivision 8, is amended to read:

21.25 Subd. 8. **PERA certification to commissioner.** On or before February 1 each year, if
21.26 ~~retirement coverage for a fire department is provided by the statewide volunteer firefighter~~
21.27 ~~plan,~~ the executive director of the Public Employees Retirement Association must certify
21.28 ~~the existence of retirement coverage.~~ to the commissioner the fire departments that transferred
21.29 retirement coverage to, or terminated participation in, the voluntary statewide volunteer
21.30 firefighter retirement plan since the previous certification under this paragraph. This
21.31 certification must include the number of active volunteer firefighters under section 477B.03,
21.32 subdivision 5, paragraph (e).

22.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 22.2 and thereafter.

22.3 Sec. 12. Minnesota Statutes 2022, section 477B.02, subdivision 9, is amended to read:

22.4 Subd. 9. **Fire department certification to commissioner.** On or before March 15 of
 22.5 each year, the municipal clerk or the secretary, ~~and the fire chief,~~ must jointly certify to the
 22.6 commissioner ~~that the fire department exists and meets the qualification requirements of~~
 22.7 ~~this section~~ the fire department service area as of December 31 of the previous year, and
 22.8 that the fire department meets the qualification requirements of this section. The municipal
 22.9 clerk or the secretary must provide the commissioner with documentation that the
 22.10 commissioner deems necessary for determining eligibility for fire state aid or for calculating
 22.11 and apportioning fire state aid under section 477B.03. The certification must be on a form
 22.12 prescribed by the commissioner and must include all other information that the commissioner
 22.13 requires. The municipal clerk or the secretary must send a copy of the certification filed
 22.14 under this subdivision to the fire chief within five business days of the date the certification
 22.15 was filed with the commissioner.

22.16 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 22.17 and thereafter.

22.18 Sec. 13. Minnesota Statutes 2022, section 477B.02, subdivision 10, is amended to read:

22.19 Subd. 10. **Penalty for failure to file or correct certification.** (a) If the certification
 22.20 under subdivision 9 is not filed with the commissioner on or before March ~~15~~ 1, the
 22.21 commissioner must notify the municipal clerk or the secretary that a penalty ~~equal to a~~
 22.22 ~~portion or all of the current year aid will apply if the certification is not received within ten~~
 22.23 ~~days of the postmark date of the notification~~ will be deducted from fire state aid certified
 22.24 for the current year if the certification is not filed on or before March 15.

22.25 (b) If the commissioner rejects the certification by the municipal clerk or secretary under
 22.26 subdivision 9 for inaccurate or incomplete information, the municipal clerk or the secretary
 22.27 must file a corrective certification after taking corrective action as identified by the
 22.28 commissioner in the notice of rejection. The corrective certification must be filed within
 22.29 30 days of the date on the notice of rejection or by March 15, whichever date is later.

22.30 ~~(b)~~ (c) A penalty applies to (1) a certification under subdivision 9 filed after March 15,
 22.31 and (2) a corrective certification under paragraph (b) filed after March 15 that is also filed
 22.32 more than 30 days after the date on the notice of rejection. The penalty for failure to file
 22.33 the certification under subdivision 9 is equal to the amount of fire state aid determined for

the municipality or the independent nonprofit firefighting corporation for the current year, multiplied by five ~~ten~~ percent for each week or fraction of a week that the certification or corrective certification is ~~late~~ filed after March 15 or more than 30 days after the date on the notice of rejection. ~~The penalty must be computed beginning ten days after the postmark date of the commissioner's notification.~~ Aid amounts forfeited as a result of the penalty revert to the state general fund. Failure to receive the certification form is not a defense for a failure to file.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 14. Minnesota Statutes 2022, section 477B.03, subdivision 2, is amended to read:

Subd. 2. Apportionment of fire state aid. (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 5, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by companies or insurance companies on the Minnesota Fire Premium Report, except that credits claimed under section 297I.20, subdivisions 3, 4, and 5, do not affect the calculation of the amount of fire state aid available for apportionment. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters' relief associations.

(b) The total amount available for apportionment must not be less than two percent of the premiums less return premiums reported to the commissioner by companies or insurance companies on the Minnesota Fire Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters' relief associations; and

(2) one percent of the premiums reported by township mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(c) The commissioner must apportion the fire state aid to each municipality or independent nonprofit firefighting corporation qualified under section 477B.02 relative to the premiums reported on the Minnesota Fire Premium Reports filed under this chapter.

(d) The commissioner must calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

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

24.1 Sec. 15. Minnesota Statutes 2022, section 477B.03, subdivision 3, is amended to read:

24.2 Subd. 3. **Population and estimated market value.** (a) ~~Official statewide federal census~~
24.3 ~~figures~~ The most recent population estimates made by the state demographer pursuant to
24.4 section 4A.02, paragraph (d), must be used in calculations requiring the use of population
24.5 figures under this chapter. ~~Increases or decreases in population disclosed by reason of any~~
24.6 ~~special census must not be taken into consideration.~~

24.7 (b) ~~The latest available~~ estimated market value property figures for the assessment year
24.8 immediately preceding the year the aid is distributed must be used in calculations requiring
24.9 the use of estimated market value property figures under this chapter.

24.10 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
24.11 and thereafter.

24.12 Sec. 16. Minnesota Statutes 2022, section 477B.03, subdivision 4, is amended to read:

24.13 Subd. 4. **Initial fire state aid allocation amount.** (a) The initial fire state aid allocation
24.14 amount is the amount available for apportionment as fire state aid under subdivision 2,
24.15 without the inclusion of any additional funding amount to support a minimum fire state aid
24.16 amount under section 423A.02, subdivision 3. The initial fire state aid allocation amount
24.17 is allocated one-half in proportion to the population for each fire department service area
24.18 and one-half in proportion to the estimated market value of each fire department service
24.19 area, including (1) the estimated market value of tax-exempt property, and (2) the estimated
24.20 market value of natural resources lands receiving in lieu payments under sections 477A.11
24.21 to 477A.14 and 477A.17. The estimated market value of minerals is excluded.

24.22 (b) In the case of a municipality or independent nonprofit firefighting corporation
24.23 furnishing fire protection to other municipalities as evidenced by valid fire service contracts,
24.24 joint powers agreements, resolutions, and other supporting documents filed with the
24.25 commissioner under section 477B.02, subdivision 5, the distribution must be adjusted
24.26 proportionately to take into consideration the crossover fire protection service. Necessary
24.27 adjustments must be made to subsequent apportionments.

24.28 (c) In the case of municipalities or independent nonprofit firefighting corporations
24.29 qualifying for aid, the commissioner must calculate the state aid for the municipality or
24.30 independent nonprofit firefighting corporation on the basis of the population and the estimated
24.31 market value of the area furnished fire protection service by the fire department as evidenced
24.32 by valid fire service agreements contracts, joint powers agreements, resolutions, and other
24.33 supporting documents filed with the commissioner under section 477B.02, subdivision 5.

(d) In the case of more than one fire department furnishing contracted fire service to a municipality, the population and estimated market value in the apportionment agreement filed with the commissioner under section 477B.02, subdivision 5, must be used in calculating the state aid.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 17. Minnesota Statutes 2022, section 477B.03, subdivision 5, is amended to read:

Subd. 5. Minimum fire state aid allocation amount. (a) The minimum fire state aid allocation amount is the amount derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3. The minimum fire state aid allocation amount is allocated to municipalities or independent nonprofit firefighting corporations with volunteer firefighters' relief associations or covered by the statewide volunteer firefighter plan. The amount is based on the number of active volunteer firefighters who are (1) members of the relief association as reported to the Office of the State Auditor in a specific annual financial reporting year as specified in paragraphs (b) to (d), or (2) covered by the statewide volunteer firefighter plan as specified in paragraph (e).

(b) For relief associations established in calendar year 1993 or a prior year, the number of active volunteer firefighters equals the number of active volunteer firefighters who were members of the relief association as reported in the annual financial reporting for calendar year 1993, but not to exceed 30 active volunteer firefighters.

(c) For relief associations established in calendar year 1994 through calendar year 1999, the number of active volunteer firefighters equals the number of active volunteer firefighters who were members of the relief association as reported in the annual financial reporting for calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters.

(d) For relief associations established after calendar year 1999, the number of active volunteer firefighters equals the number of active volunteer firefighters who are members of the relief association as reported in the first annual financial reporting submitted to the Office of the State Auditor, but not to exceed 20 active volunteer firefighters.

~~(e) If a relief association is terminated as a result of~~ For a municipality or independent nonprofit firefighting corporation that is providing retirement coverage for volunteer firefighters by the statewide volunteer firefighter plan under chapter 353G, the number of active volunteer firefighters equals the number of active volunteer firefighters of the

26.1 municipality or independent nonprofit firefighting corporation covered by the statewide
26.2 plan as certified by the executive director of the Public Employees Retirement Association
26.3 to the commissioner and the state auditor within 30 days of the date the municipality or
26.4 independent nonprofit firefighting corporation begins coverage in the plan, but not to exceed
26.5 30 active firefighters.

26.6 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
26.7 and thereafter.

26.8 Sec. 18. Minnesota Statutes 2022, section 477B.03, subdivision 7, is amended to read:

26.9 Subd. 7. **Appeal.** A municipality, an independent nonprofit firefighting corporation, a
26.10 fire relief association, or the statewide volunteer firefighter plan may object to the amount
26.11 of fire state aid apportioned to it by filing a written request with the commissioner to review
26.12 and adjust the apportionment of funds within the state. The objection of a municipality, an
26.13 independent nonprofit firefighting corporation, a fire relief association, or the voluntary
26.14 statewide volunteer firefighter retirement plan must be filed with the commissioner within
26.15 60 days of the date the amount of apportioned fire state aid is paid. The decision of the
26.16 commissioner is subject to appeal, review, and adjustment by the district court in the county
26.17 in which the applicable municipality or independent nonprofit firefighting corporation is
26.18 located or by the Ramsey County District Court with respect to the statewide volunteer
26.19 firefighter plan.

26.20 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
26.21 and thereafter.

26.22 Sec. 19. Minnesota Statutes 2022, section 477B.04, subdivision 1, is amended to read:

26.23 Subdivision 1. **Payments.** (a) The commissioner must make payments to the Public
26.24 Employees Retirement Association for deposit in the statewide volunteer firefighter fund
26.25 on behalf of a municipality or independent nonprofit firefighting corporation that is a member
26.26 of the statewide volunteer firefighter plan under chapter 353G, ~~or directly to a municipality~~
26.27 ~~or county designated by an independent nonprofit firefighting corporation.~~ The commissioner
26.28 must directly pay all other municipalities qualifying for fire state aid, except as provided in
26.29 paragraph (d). The payment is equal to the amount of fire state aid apportioned to the
26.30 applicable fire state aid recipient under section 477B.03.

26.31 (b) Fire state aid is payable on October 1 annually. The amount of state aid due and not
26.32 paid by October 1 accrues interest payable to the recipient at the rate of one percent for each
26.33 month or part of a month that the amount remains unpaid after October 1.

(c) If the commissioner of revenue does not receive a financial compliance report described in section 6.495, subdivision 3, for a relief association, the amount of fire state aid apportioned to a municipality or independent nonprofit firefighting corporation under section 477B.03 for that relief association must be withheld from payment to the Public Employees Retirement Association or the municipality. The commissioner of revenue must issue a withheld payment within ten business days of receipt of a financial compliance report under section 6.495, subdivision 3. The interest under paragraph (b) does not apply when to a payment has not been made by October 1 due to noncompliance with sections 424A.014 and 477B.02, subdivision 7 withheld under this paragraph.

(d) The commissioner must make payments directly to the largest municipality in population located within any area included in a joint powers entity that does not have a designated agency under section 471.59, subdivision 3, or within the fire department service area of an eligible independent nonprofit firefighting corporation. If there is no city or town within the fire department service area of an eligible independent nonprofit firefighting corporation, fire state aid must be paid to the county where the independent nonprofit firefighting corporation is located.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 20. Minnesota Statutes 2022, section 477B.04, is amended by adding a subdivision to read:

Subd. 4. Aid amount corrections. (a) An adjustment needed to correct a fire state aid overpayment or underpayment due to a clerical error must be made to subsequent fire state aid payments as provided in paragraphs (b) and (c). The authority to correct an aid payment under this subdivision is limited to three years after the payment was issued.

(b) If an overpayment equals more than ten percent of the most recently paid aid amount, the commissioner must reduce the aid a municipality or independent nonprofit firefighting corporation is to receive by the amount overpaid over a period of no more than three years. If an overpayment equals or is less than ten percent of the most recently paid aid amount, the commissioner must reduce the next aid payment occurring in 30 days or more by the amount overpaid.

(c) In the event of an underpayment, the commissioner must distribute the amount of underpaid funds to the municipality or independent nonprofit firefighting corporation over a period of no more than three years. An additional distribution to a municipality or independent nonprofit firefighting corporation must be paid from the general fund and must

28.1 not diminish the payments made to other municipalities or independent nonprofit firefighting
28.2 corporations under this chapter.

28.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
28.4 and thereafter.

28.5 Sec. 21. Minnesota Statutes 2022, section 477C.02, subdivision 4, is amended to read:

28.6 Subd. 4. **Penalty for failure to file or correct certification.** (a) If a certification under
28.7 subdivision 1 or 2 is not filed with the commissioner on or before March ~~15~~ 1, the
28.8 commissioner must notify the municipal clerk, municipal clerk-treasurer, or county auditor
28.9 that a penalty ~~equal to a portion or all of its current year aid will apply if the certification~~
28.10 ~~is not received within ten days~~ will be deducted from police state aid certified for the current
28.11 year if the certification is not filed on or before March 15.

28.12 (b) If the commissioner rejects the certification under subdivision 1 or 2 for inaccurate
28.13 or incomplete information, the municipal clerk, municipal clerk-treasurer, or county auditor
28.14 must file a corrective certification after taking corrective action as identified by the
28.15 commissioner in the notice of rejection. The corrective certification must be filed within
28.16 30 days of the date on the notice of rejection, or by March 15, whichever date is later.

28.17 ~~(b)~~ (c) A penalty applies to (1) a certification under subdivisions 1 and 2 filed after
28.18 March 15, and (2) a corrective certification under paragraph (b) filed after March 15 that
28.19 is also filed more than 30 days after the date on the notice of rejection. The penalty for
28.20 ~~failure to file the certification under subdivision 1 or 2~~ is equal to the amount of police state
28.21 aid determined for the municipality for the current year, multiplied by five ten percent for
28.22 each week or fraction of a week that the certification or corrective certification is late filed
28.23 after March 15 or more than 30 days after the date on the notice of rejection. The penalty
28.24 ~~must be computed beginning ten days after the postmark date of the commissioner's~~
28.25 ~~notification as required under this subdivision.~~ All aid amounts forfeited as a result of the
28.26 penalty revert to the state general fund. Failure to receive the certification form may not be
28.27 used as a defense for a failure to file.

28.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
28.29 and thereafter.

28.30 Sec. 22. Minnesota Statutes 2022, section 477C.03, subdivision 2, is amended to read:

28.31 Subd. 2. **Apportionment of police state aid.** (a) The total amount available for
28.32 apportionment as police state aid is equal to 104 percent of the amount of premium taxes

paid to the state on the premiums reported to the commissioner by companies or insurance companies on the Minnesota Aid to Police Premium Report, except that credits claimed under section 297I.20, subdivisions 3, 4, and 5, do not affect the calculation of the total amount of police state aid available for apportionment. The total amount for apportionment for the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by companies or insurance companies on the Minnesota Aid to Police Premium Report.

(b) The commissioner must calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(c) In addition to the amount for apportionment of police state aid under paragraph (a), each year \$100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

(d) The commissioner must apportion police state aid to all municipalities in proportion to the relationship that the total number of peace officers employed by that municipality for the prior calendar year and the proportional or fractional number who were employed less than a calendar year as credited under section 477C.02, subdivision 1, paragraph (c), bears to the total number of peace officers employed by all municipalities subject to any reduction under subdivision 3.

~~(e) Any necessary additional adjustments must be made to subsequent police state aid apportionments.~~

EFFECTIVE DATE. (a) The amendment to paragraph (a) is effective the day following final enactment.

(b) The amendment striking paragraph (e) is effective for aids payable in calendar year 2024 and thereafter.

Sec. 23. Minnesota Statutes 2022, section 477C.03, subdivision 5, is amended to read:

Subd. 5. **Appeal.** A municipality may object to the amount of police state aid apportioned to it by filing a written request with the commissioner to review and adjust the apportionment of funds to the municipality. The objection of a municipality must be filed with the commissioner within 60 days of the date the amount of apportioned police state aid is paid. The decision of the commissioner is subject to appeal, review, and adjustment by the district court in the county in which the applicable municipality is located or by the Ramsey County District Court with respect to the Departments of Natural Resources or Public Safety.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 24. Minnesota Statutes 2022, section 477C.04, is amended by adding a subdivision to read:

Subd. 4. Aid amount corrections. (a) An adjustment needed to correct a police state aid overpayment or underpayment due to a clerical error must be made to subsequent police state aid payments as provided in paragraphs (b) and (c). The authority to correct an aid payment under this subdivision is limited to three years after the payment was issued.

(b) If an overpayment equals more than ten percent of the most recently paid aid amount, the commissioner must reduce the aid a municipality is to receive by the amount overpaid over a period of no more than three years. If an overpayment equals or is less than ten percent of the most recently paid aid amount, the commissioner must reduce the next aid payment occurring in 30 days or more by the amount overpaid.

(c) In the event of an underpayment, the commissioner must distribute the amount of underpaid funds to the municipality over a period of no more than three years. An additional distribution to a municipality must be paid from the general fund and must not diminish the payments made to other municipalities under this chapter.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

Sec. 25. **REPEALER.**

Minnesota Statutes 2022, sections 477B.02, subdivision 4; and 477B.03, subdivision 6, are repealed.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2024 and thereafter.

ARTICLE 3

MISCELLANEOUS

Section 1. Minnesota Statutes 2022, section 270C.19, subdivision 1, is amended to read:

Subdivision 1. **Taxes paid by Indians.** Notwithstanding any other law which limits the refund of tax, the commissioner is authorized to enter into a tax refund agreement with the governing body of any federally recognized Indian ~~reservation~~ Tribe in Minnesota.

31.1 (b) The agreement may provide for:

31.2 (1) a mutually agreed-upon amount as a refund to the governing body of an estimate of
 31.3 any sales or excise tax paid by the total resident Indian population on or adjacent to a
 31.4 reservation into the state treasury, Tribal members on transactions occurring on the
 31.5 reservation or on transactions that would occur on the reservation if there was no agreement;
 31.6 or

31.7 (2) for an amount which measures the economic value of an agreement by the Tribal
 31.8 government to pay the equivalent of the state sales tax on items included in the sales tax
 31.9 base but exempt on the reservation, ~~notwithstanding any other law which limits the~~
 31.10 ~~refundment of taxes. The total resident Indian population on or adjacent to a reservation~~
 31.11 ~~shall be defined according to the United States Department of the Interior, Bureau of Indian~~
 31.12 ~~Affairs, as determined and stated in its Report on Service Population and Labor Force.~~

31.13 (c) For purposes of this section, "Tribal members" means the number of enrolled members
 31.14 of the Tribe who live on or adjacent to the reservation as defined in the agreement.

31.15 (d) In arriving at the refund amount, the commissioner must consider Tribal enrollment
 31.16 records, estimates contained in the tax incidence report under section 270C.13, and any
 31.17 other information available to the commissioner.

31.18 **EFFECTIVE DATE.** This section is effective retroactively for agreements entered into
 31.19 or amended after December 31, 2022.

31.20 Sec. 2. Minnesota Statutes 2022, section 270C.19, subdivision 2, is amended to read:

31.21 Subd. 2. **Sales, use, and excise taxes.** (a) The commissioner is authorized to enter into
 31.22 a tax agreement with the governing body of any federally recognized Indian ~~reservation~~
 31.23 Tribe in Minnesota, that provides for the state and the Tribal government to share sales,
 31.24 use, and excise tax revenues generated from on-reservation activities of ~~non-Indians~~
 31.25 non-Tribal members and off-reservation activities of Tribal members of the reservation.
 31.26 Every agreement entered into pursuant to this subdivision must require the commissioner
 31.27 to collect all state and Tribal taxes covered by the agreement.

31.28 (b) The commissioner is authorized to collect any Tribal taxes imposed pursuant to any
 31.29 agreement entered into pursuant to this subdivision and to make payments authorized by
 31.30 the agreement to the Tribal government from the funds collected.

31.31 (c) The commissioner shall pay to the Tribal government its share of the taxes collected
 31.32 pursuant to the agreement, as indicated in the agreement, and grant the taxpayer a credit for

32.1 the taxpayer's share of the amount paid to the Tribal government against the taxpayer's
32.2 Minnesota tax.

32.3 **EFFECTIVE DATE.** This section is effective retroactively for agreements entered into
32.4 or amended after December 31, 2022.

32.5 Sec. 3. Minnesota Statutes 2022, section 295.50, subdivision 4, is amended to read:

32.6 Subd. 4. **Health care provider.** (a) "Health care provider" means:

32.7 (1) a person whose health care occupation is regulated or required to be regulated by
32.8 the state of Minnesota furnishing any or all of the following goods or services directly to a
32.9 patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services,
32.10 drugs, laboratory, diagnostic or therapeutic services;

32.11 (2) a person who provides goods and services not listed in clause (1) that qualify for
32.12 reimbursement under the medical assistance program provided under chapter 256B;

32.13 (3) a staff model health plan company;

32.14 (4) an ambulance service required to be licensed;

32.15 (5) a person who sells or repairs hearing aids and related equipment or prescription
32.16 eyewear; or

32.17 (6) a person providing patient services, who does not otherwise meet the definition of
32.18 health care provider and is not specifically excluded in clause (b), who employs or contracts
32.19 with a health care provider as defined in clauses (1) to (5) to perform, supervise, otherwise
32.20 oversee, or consult with regarding patient services.

32.21 (b) Health care provider does not include:

32.22 (1) hospitals; medical supplies distributors, except as specified under paragraph (a),
32.23 clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction;
32.24 wholesale drug distributors; pharmacies; surgical centers; bus and taxicab transportation,
32.25 or any other providers of transportation services other than ambulance services required to
32.26 be licensed; supervised living facilities for persons with developmental disabilities, licensed
32.27 under Minnesota Rules, parts 4665.0100 to 4665.9900; housing with services establishments
32.28 required to be registered under chapter 144D; board and lodging establishments providing
32.29 only custodial services that are licensed under chapter 157 and registered under section
32.30 157.17 to provide supportive services or health supervision services; adult foster homes as
32.31 defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults
32.32 with developmental disabilities as defined in section 252.41, subdivision 3; boarding care

33.1 homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined
 33.2 in Minnesota Rules, part 9555.9600;

33.3 (2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a
 33.4 person providing personal care services and supervision of personal care services as defined
 33.5 in Minnesota Rules, part 9505.0335; a person providing home care nursing services as
 33.6 defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed
 33.7 under chapter 144A for home care services provided under chapter 144A;

33.8 (3) a person who employs health care providers solely for the purpose of providing
 33.9 patient services to its employees;

33.10 (4) an educational institution that employs health care providers solely for the purpose
 33.11 of providing patient services to its students if the institution does not receive fee for service
 33.12 payments or payments for extended coverage; and

33.13 (5) a person who receives all payments for patient services from health care providers,
 33.14 surgical centers, or hospitals for goods and services that are taxable to the paying health
 33.15 care providers, surgical centers, or hospitals, as provided under section 295.53, subdivision
 33.16 1, paragraph (b), clause (3) or (4), or from a source of funds that is excluded or exempt from
 33.17 tax under ~~this chapter~~ sections 295.50 to 295.59.

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

33.19 Sec. 4. Minnesota Statutes 2022, section 296A.083, subdivision 3, is amended to read:

33.20 Subd. 3. **Surcharge rate.** (a) ~~By July 16, 2008, and each April 1 thereafter~~ May 1 each
 33.21 year, the commissioner of revenue shall calculate and publish a surcharge as provided in
 33.22 ~~paragraphs~~ paragraph (b) and (e). The surcharge is imposed ~~from August 1, 2008, through~~
 33.23 ~~June 30, 2009, and each new surcharge thereafter is imposed the following~~ beginning July
 33.24 1 of the year it is published through June 30 of the following year.

33.25 ~~(b) For fiscal years 2009 through 2012, the commissioner shall set the surcharge as~~
 33.26 ~~specified in the following surcharge rate schedule.~~

33.27 ~~Surcharge Rate Schedule~~

33.28	Fiscal Year	Rate (in cents per gallon)
33.29	2009	0.5
33.30	2010	2.1
33.31	2011	2.5
33.32	2012	3.0

34.1 ~~(e) For fiscal year 2013 and thereafter, (b)~~ The commissioner shall set the surcharge at
34.2 the lesser of (1) 3.5 cents, or (2) an amount calculated so that the total proceeds from the
34.3 surcharge deposited in the trunk highway fund from fiscal year 2009 to the upcoming fiscal
34.4 year equals the total amount of debt service from fiscal years 2009 to 2039, and the surcharge
34.5 is rounded to the nearest 0.1 cent.

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

34.7 Sec. 5. Minnesota Statutes 2022, section 297A.61, subdivision 29, is amended to read:

34.8 Subd. 29. **State.** Unless specifically provided otherwise, "state" means any state of the
34.9 United States, ~~the Commonwealth of Puerto Rico, and~~ the District of Columbia, and any
34.10 territory of the United States, including American Samoa, Guam, Northern Mariana Islands,
34.11 Puerto Rico, and the U.S. Virgin Islands.

34.12 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
34.13 30, 2023.