

1.1 CONFERENCE COMMITTEE REPORT ON H. F. No. 947

1.2 A bill for an act

1.3 relating to education finance; clarifying the calculation of general education aid;  
1.4 amending Minnesota Statutes 2016, section 126C.13, subdivision 4.

1.5 May 20, 2018

1.6 The Honorable Kurt L. Daudt  
1.7 Speaker of the House of Representatives

1.8 The Honorable Michelle L. Fischbach  
1.9 President of the Senate

1.10 We, the undersigned conferees for H. F. No. 947 report that we have agreed upon the  
1.11 items in dispute and recommend as follows:

1.12 That the Senate recede from its amendment and that H. F. No. 947 be further amended  
1.13 as follows:

1.14 Delete everything after the enacting clause and insert:

1.15 "ARTICLE 1

1.16 K-12 EDUCATION

1.17 Section 1. Minnesota Statutes 2017 Supplement, section 16A.152, subdivision 2, is  
1.18 amended to read:

1.19 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund  
1.20 revenues and expenditures, the commissioner of management and budget determines that  
1.21 there will be a positive unrestricted budgetary general fund balance at the close of the  
1.22 biennium, the commissioner of management and budget must allocate money to the following  
1.23 accounts and purposes in priority order:

1.24 (1) the cash flow account established in subdivision 1 until that account reaches  
1.25 \$350,000,000;

2.1 (2) the budget reserve account established in subdivision 1a until that account reaches  
2.2 ~~\$1,596,522,000~~ \$1,608,364,000;

2.3 (3) the amount necessary to increase the aid payment schedule for school district aids  
2.4 and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest  
2.5 tenth of a percent without exceeding the amount available and with any remaining funds  
2.6 deposited in the budget reserve; and

2.7 (4) the amount necessary to restore all or a portion of the net aid reductions under section  
2.8 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75,  
2.9 subdivision 5, by the same amount; ~~and~~

2.10 ~~(5) the clean water fund established in section 114D.50 until \$22,000,000 has been~~  
2.11 ~~transferred into the fund.~~

2.12 (b) The amounts necessary to meet the requirements of this section are appropriated  
2.13 from the general fund within two weeks after the forecast is released or, in the case of  
2.14 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations  
2.15 schedules otherwise established in statute.

2.16 (c) The commissioner of management and budget shall certify the total dollar amount  
2.17 of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education.  
2.18 The commissioner of education shall increase the aid payment percentage and reduce the  
2.19 property tax shift percentage by these amounts and apply those reductions to the current  
2.20 fiscal year and thereafter.

2.21 ~~(d) Paragraph (a), clause (5), expires after the entire amount of the transfer has been~~  
2.22 ~~made.~~

2.23 Sec. 2. Minnesota Statutes 2016, section 122A.61, subdivision 1, is amended to read:

2.24 Subdivision 1. **Staff development revenue.** (a) A district is required to reserve an amount  
2.25 equal to at least two percent of the basic revenue under section 126C.10, subdivision 2, for:

2.26 (1) teacher development and evaluation under section 122A.40, subdivision 8, or 122A.41,  
2.27 subdivision 5;

2.28 (2) principal development and evaluation under section 123B.147, subdivision 3;

2.29 (3) professional development under section 122A.60; and

2.30 (4) in-service education for programs under section 120B.22, subdivision 2.

3.1 To the extent extra funds remain, staff development revenue may be used for staff  
 3.2 development plans, including plans for challenging instructional activities and experiences  
 3.3 under section 122A.60, and for curriculum development and programs, other in-service  
 3.4 education, teachers' mentoring under section 122A.70 and evaluation, teachers' workshops,  
 3.5 teacher conferences, the cost of substitute teachers for staff development purposes, preservice  
 3.6 and in-service education for special education professionals and paraprofessionals, and  
 3.7 other related costs for staff development efforts. A district may annually waive the  
 3.8 requirement to reserve their basic revenue under this section if a majority vote of the licensed  
 3.9 teachers in the district and a majority vote of the school board agree to a resolution to waive  
 3.10 the requirement. A district in statutory operating debt is exempt from reserving basic revenue  
 3.11 according to this section. Districts may expend an additional amount of unreserved revenue  
 3.12 for staff development based on their needs.

3.13 (b) Notwithstanding paragraph (a), for fiscal year 2019 only, a school board may on its  
 3.14 own accord adopt a written resolution waiving the two percent reserve for staff development  
 3.15 or establishing a different percentage reserve.

3.16 **Sec. 3. ONETIME COMPENSATION AND SCHOOL AID.**

3.17 Subdivision 1. **Temporary reduction.** \$50,000,000 in fiscal year 2019 is transferred  
 3.18 from the budget reserve under Minnesota Statutes, section 16A.152, subdivision 1a, to the  
 3.19 general fund.

3.20 Subd. 2. **School trust lands; appropriation for past activities.** \$50,000,000 in fiscal  
 3.21 year 2019 is appropriated from the general fund to the commissioner of education for  
 3.22 payment to schools under subdivision 3 for past activities conducted on school trust lands  
 3.23 that did not maximize deposits to the permanent school trust fund as specified under  
 3.24 Minnesota Statutes, section 84.027, subdivision 18, paragraph (b).

3.25 Subd. 3. **Student and school safety aid.** (a) For fiscal year 2019 only, concurrent with  
 3.26 the September 2018 apportionment from the school endowment fund to each school district  
 3.27 and charter school under Minnesota Statutes, section 127A.33, the commissioner must  
 3.28 distribute student and school safety aid equal to \$57.73 times the adjusted average daily  
 3.29 membership for the previous school year.

3.30 (b) The state aid received under this section may be used for student and staff safety  
 3.31 activities consistent with Minnesota Statutes, section 126C.44, or for any other school-related  
 3.32 purpose as deemed appropriate by the board.

4.1 Sec. 4. **COMMUNITY SERVICE FUND; FUND TRANSFERS.**

4.2 (a) On June 30, 2018, and June 30, 2019, upon approval of the commissioner of education  
 4.3 and notwithstanding Minnesota Statutes, section 123B.79, 123B.80, or 124D.20, subdivision  
 4.4 10, a school district may permanently transfer any amount approved by the commissioner  
 4.5 from its community education reserve fund balance to its undesignated general fund.

4.6 (b) To the extent practicable, when making the fund transfer under this section, each  
 4.7 school district must abide by its board's fund balance policy, unless the funds are transferred  
 4.8 for an eligible use under Minnesota Statutes, section 124D.18.

4.9 (c) A school district requesting a fund transfer under this section must apply for the  
 4.10 transfer in the form and manner specified by the commissioner.

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

4.12 **ARTICLE 2**

4.13 **FEDERAL TAX CONFORMITY**

4.14 Section 1. Minnesota Statutes 2017 Supplement, section 270A.03, subdivision 5, is  
 4.15 amended to read:

4.16 Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and  
 4.17 certain amount of money, which equals or exceeds \$25 and which is due and payable to a  
 4.18 claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125,  
 4.19 fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and  
 4.20 restitution. A debt may arise under a contractual or statutory obligation, a court order, or  
 4.21 other legal obligation, but need not have been reduced to judgment.

4.22 A debt includes any legal obligation of a current recipient of assistance which is based  
 4.23 on overpayment of an assistance grant where that payment is based on a client waiver or  
 4.24 an administrative or judicial finding of an intentional program violation; or where the debt  
 4.25 is owed to a program wherein the debtor is not a client at the time notification is provided  
 4.26 to initiate recovery under this chapter and the debtor is not a current recipient of food support,  
 4.27 transitional child care, or transitional medical assistance.

4.28 (b) A debt does not include any legal obligation to pay a claimant agency for medical  
 4.29 care, including hospitalization if the income of the debtor at the time when the medical care  
 4.30 was rendered does not exceed the following amount:

4.31 (1) for an unmarried debtor, an income of ~~\$12,560~~ \$13,180 or less;

4.32 (2) for a debtor with one dependent, an income of ~~\$16,080~~ \$16,878 or less;

- 5.1 (3) for a debtor with two dependents, an income of ~~\$19,020~~ \$19,959 or less;
- 5.2 (4) for a debtor with three dependents, an income of ~~\$21,580~~ \$22,643 or less;
- 5.3 (5) for a debtor with four dependents, an income of ~~\$22,760~~ \$23,887 or less; and
- 5.4 (6) for a debtor with five or more dependents, an income of ~~\$23,730~~ \$24,900 or less.

5.5 For purposes of this paragraph, "debtor" means the individual whose income, together  
 5.6 with the income of the individual's spouse, other than a separated spouse, brings the  
 5.7 individual within the income provisions of this paragraph. For purposes of this paragraph,  
 5.8 a spouse, other than a separated spouse, shall be considered a dependent.

5.9 (c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage  
 5.10 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
 5.11 that in section 1(f)(3)(B) the word "~~2014~~" "2017" shall be substituted for the word "~~1992~~."  
 5.12 ~~For 2016, the commissioner shall then determine the percent change from the 12 months~~  
 5.13 ~~ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each~~  
 5.14 ~~subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending~~  
 5.15 ~~on August 31 of the year preceding the taxable year. "2016."~~ The determination of the  
 5.16 commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be  
 5.17 subject to the Administrative Procedure Act contained in chapter 14. The income amount  
 5.18 as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount  
 5.19 is rounded up to the nearest \$10 amount.

5.20 (d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the  
 5.21 dollar amount of the premium authorized under section 256L.15, subdivision 1a.

5.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 5.23 31, 2017.

5.24 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.02, subdivision 7, is amended  
 5.25 to read:

5.26 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 5.27 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~  
 5.28 ~~16, 2016~~ March 31, 2018.

5.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 5.30 31, 2017.

6.1 Sec. 3. Minnesota Statutes 2016, section 289A.08, subdivision 1, is amended to read:

6.2 Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable  
6.3 year the taxpayer is required to file a return under section 6012 of the Internal Revenue  
6.4 Code or meets the requirements under paragraph (d) to file a return, except that:

6.5 (1) an individual who is not a Minnesota resident for any part of the year is not required  
6.6 to file a Minnesota income tax return if the individual's gross income derived from Minnesota  
6.7 sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the  
6.8 filing requirements for a single individual who is a full year resident of Minnesota; ~~and~~

6.9 (2) an individual who is a Minnesota resident is not required to file a Minnesota income  
6.10 tax return if the individual's gross income derived from Minnesota sources as determined  
6.11 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions  
6.12 12 and 15, is less than the filing requirements for a single individual who is a full-year  
6.13 resident of Minnesota.

6.14 (b) The decedent's final income tax return, and other income tax returns for prior years  
6.15 where the decedent had gross income in excess of the minimum amount at which an  
6.16 individual is required to file and did not file, must be filed by the decedent's personal  
6.17 representative, if any. If there is no personal representative, the return or returns must be  
6.18 filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property  
6.19 of the decedent.

6.20 (c) The term "gross income," as it is used in this section, has the same meaning given it  
6.21 in section 290.01, subdivision 20.

6.22 (d) The commissioner of revenue shall annually determine the gross income levels at  
6.23 which individuals are required to file a return for each taxable year based on the amounts  
6.24 that may be deducted under section 290.0803 and the personal and dependent exemptions  
6.25 under section 290.0138.

6.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.27 31, 2017.

6.28 Sec. 4. Minnesota Statutes 2016, section 289A.08, subdivision 7, is amended to read:

6.29 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**  
6.30 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to  
6.31 file a composite return and to pay the tax on behalf of nonresident partners who have no  
6.32 other Minnesota source income. This composite return must include the names, addresses,

7.1 Social Security numbers, income allocation, and tax liability for the nonresident partners  
7.2 electing to be covered by the composite return.

7.3 (b) The computation of a partner's tax liability must be determined by multiplying the  
7.4 income allocated to that partner by the highest rate used to determine the tax liability for  
7.5 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard  
7.6 deductions, or personal exemptions are not allowed.

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

7.11 (d) The electing partner must not have any Minnesota source income other than the  
7.12 income from the partnership and other electing partnerships. If it is determined that the  
7.13 electing partner has other Minnesota source income, the inclusion of the income and tax  
7.14 liability for that partner under this provision will not constitute a return to satisfy the  
7.15 requirements of subdivision 1. The tax paid for the individual as part of the composite return  
7.16 is allowed as a payment of the tax by the individual on the date on which the composite  
7.17 return payment was made. If the electing nonresident partner has no other Minnesota source  
7.18 income, filing of the composite return is a return for purposes of subdivision 1.

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

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

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

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

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

8.5 (j) For the purposes of this subdivision, "income" means the partner's share of federal  
 8.6 adjusted gross income from the partnership modified by the additions provided in section  
 8.7 290.0131, subdivisions 8 to ~~10~~ and 17, and the subtractions provided in: (1) section  
 8.8 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota  
 8.9 under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed  
 8.10 under section 290.0132, subdivision 9, is only allowed on the composite tax computation  
 8.11 to the extent the electing partner would have been allowed the subtraction.

8.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 8.13 31, 2017.

8.14 Sec. 5. Minnesota Statutes 2017 Supplement, section 289A.12, subdivision 14, is amended  
 8.15 to read:

8.16 Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated  
 8.17 investment company paying \$10 or more in exempt-interest dividends to an individual who  
 8.18 is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or  
 8.19 exempt-interest dividends and paying as nominee to an individual who is a resident of  
 8.20 Minnesota, must make a return indicating the amount of the exempt interest or  
 8.21 exempt-interest dividends, the name, address, and Social Security number of the recipient,  
 8.22 and any other information that the commissioner specifies. The return must be provided to  
 8.23 the recipient by February 15 of the year following the year of the payment. The return  
 8.24 provided to the recipient must include a clear statement, in the form prescribed by the  
 8.25 commissioner, that the exempt interest or exempt-interest dividends must be included in  
 8.26 the computation of Minnesota taxable income. By June 1 of each year, the payer must file  
 8.27 a copy of the return with the commissioner.

8.28 (b) For purposes of this subdivision, the following definitions apply.

8.29 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section  
 8.30 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest  
 8.31 dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under  
 8.32 section 290.0131, subdivision 2, paragraph (b).



9.1 (2) "Regulated investment company" means regulated investment company as defined  
 9.2 in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company  
 9.3 as defined in section 851(g) of the Internal Revenue Code.

9.4 (3) "Exempt interest" means income on obligations of any state other than Minnesota,  
 9.5 or a political or governmental subdivision, municipality, or governmental agency or  
 9.6 instrumentality of any state other than Minnesota, and exempt from federal income taxes  
 9.7 under the Internal Revenue Code or any other federal statute.

9.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 9.9 31, 2017.

9.10 Sec. 6. Minnesota Statutes 2016, section 289A.20, is amended by adding a subdivision to  
 9.11 read:

9.12 **Subd. 1a. Tax on deferred foreign income; election to pay in installments.** (a) A  
 9.13 taxpayer subject to tax under section 290.06, subdivision 1, may elect to pay the net tax  
 9.14 liability on the deferred foreign income in installments in the same percentages of the net  
 9.15 tax liability for each taxable year as provided in section 965(h)(1) of the Internal Revenue  
 9.16 Code. Payment of an installment for a taxable year is due on the due date, determined without  
 9.17 regard to any extensions of time for filing the return, for the tax return for that taxable year.

9.18 (b) If an acceleration of payment applies for federal income tax purposes under section  
 9.19 965(h)(3) of the Internal Revenue Code, the unpaid portion of the remaining installments  
 9.20 due under chapter 290 must be paid on the same date as the federal tax is due. Assessment  
 9.21 of deficiencies must be prorated as provided under section 965(h)(4) of the Internal Revenue  
 9.22 Code.

9.23 (c) For purposes of determining date and time limits under sections 270C.62, 270C.63,  
 9.24 270C.67, and 270C.68, the date on which an installment is due under paragraph (a), including  
 9.25 any acceleration under paragraph (b), must be treated as the assessment date, due date, or  
 9.26 other date from which the time limit must be determined for that payment.

9.27 (d) For purposes of this subdivision, "net tax liability" means the excess of:

9.28 (1) the tax liability, determined under chapter 290, for the taxable year in which the  
 9.29 deferred foreign income was includible in federal taxable income; over

9.30 (2) the tax liability, determined under chapter 290, for that taxable year computed after  
 9.31 excluding the deferred foreign income under section 965 of the Internal Revenue Code.

10.1 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
10.2 after December 31, 2016.

10.3 Sec. 7. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

10.4 **289A.35 ASSESSMENTS ON RETURNS.**

10.5 (a) The commissioner may audit and adjust the taxpayer's computation of federal adjusted  
10.6 gross income, federal taxable income, items of federal tax preferences, or federal credit  
10.7 amounts to make them conform with the provisions of chapter 290 or section 298.01. If a  
10.8 return has been filed, the commissioner shall enter the liability reported on the return and  
10.9 may make any audit or investigation that is considered necessary.

10.10 (b) Upon petition by a taxpayer, and when the commissioner determines that it is in the  
10.11 best interest of the state, the commissioner may allow S corporations and partnerships to  
10.12 receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their  
10.13 owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must  
10.14 be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

10.15 (c) A taxpayer may petition the commissioner for the use of the method described in  
10.16 paragraph (b) after the taxpayer is notified that an audit has been initiated and before an  
10.17 order of assessment has been issued.

10.18 (d) A determination of the commissioner under paragraph (b) to grant or deny the petition  
10.19 of a taxpayer cannot be appealed to the Tax Court or any other court.

10.20 (e) The commissioner may audit and adjust the taxpayer's computation of tax under  
10.21 chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner  
10.22 shall notify the estate no later than nine months after the filing date, as provided by section  
10.23 289A.38, subdivision 2, whether the return is under examination or the return has been  
10.24 processed as filed.

10.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
10.26 31, 2017.

10.27 Sec. 8. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
10.28 read:

10.29 Subd. 14a. **Surviving spouse.** The term "surviving spouse" means an individual who is  
10.30 a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

11.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
11.2 31, 2017.

11.3 Sec. 9. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended  
11.4 to read:

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

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

11.14 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
11.15 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
11.16 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
11.17 except that:

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

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

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

11.27 (d) The net income of a real estate investment trust as defined and limited by section  
11.28 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
11.29 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

12.1 (f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March  
 12.2 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

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

12.6 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 12.7 the changes incorporated by federal changes are effective retroactively at the same time as  
 12.8 the changes were effective for federal purposes and the changes amending the new paragraph  
 12.9 (a) and adding paragraph (b) are effective for taxable years beginning after December 31,  
 12.10 2017.

12.11 Sec. 10. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
 12.12 read:

12.13 Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of  
 12.14 a domestic corporation that is included in net income under section 965 of the Internal  
 12.15 Revenue Code, inclusive of the deduction allowed under section 965(c) of the Internal  
 12.16 Revenue Code.

12.17 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 12.18 after December 31, 2016.

12.19 Sec. 11. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
 12.20 read:

12.21 Subd. 21a. **Adjusted gross income; federal adjusted gross income.** The terms "adjusted  
 12.22 gross income" and "federal adjusted gross income" mean adjusted gross income, as defined  
 12.23 in section 62 of the Internal Revenue Code, as amended through the date named in  
 12.24 subdivision 19, incorporating the federal effective date of changes to the Internal Revenue  
 12.25 Code and any elections made by the taxpayer under the Internal Revenue Code in determining  
 12.26 federal adjusted gross income for federal income tax purposes.

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

12.28 Sec. 12. Minnesota Statutes 2016, section 290.01, subdivision 29a, is amended to read:

12.29 Subd. 29a. **State itemized deduction.** (a) "State itemized deduction" means federal  
 12.30 itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding

13.1 ~~any limitation under section 68 of the Internal Revenue Code, and reduced by the amount~~  
 13.2 ~~of the addition required under section 290.0131, subdivision 13.:~~

13.3 (1) changes to itemized deductions made by Public Law 115-97, but including the  
 13.4 changes made by sections 11027, 13704, and 13705 of that public law; and

13.5 (2) the federal itemized deduction of income or sales taxes under section 164 of the  
 13.6 Internal Revenue Code.

13.7 (b) For an individual who is not a resident of this state for the entire taxable year, the  
 13.8 itemized deductions allowable under paragraph (a) are further limited as follows:

13.9 (1) the taxes paid deduction under section 164 of the Internal Revenue Code applies  
 13.10 only to real and personal property taxes imposed by this state or its political subdivisions;

13.11 (2) the charitable contribution deduction under section 170 of the Internal Revenue Code  
 13.12 does not apply;

13.13 (3) the interest deduction under section 163 of the Internal Revenue Code is limited to:

13.14 (i) interest paid on loans secured by a mortgage or lien on a residence located in this  
 13.15 state; and

13.16 (ii) interest paid or accrued on indebtedness properly allocable to property held for  
 13.17 investment located in this state;

13.18 (4) allowable miscellaneous deductions are limited to expenses related to:

13.19 (i) the production of income in this state;

13.20 (ii) property located in this state; or

13.21 (iii) taxes paid to this state or its political subdivisions; and

13.22 (5) the deduction for losses under section 165 of the Internal Revenue Code is limited  
 13.23 to losses attributable to property located in this state.

13.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 13.25 31, 2017.

13.26 Sec. 13. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
 13.27 read:

13.28 Subd. 29b. **State standard deduction.** "State standard deduction" means the federal  
 13.29 standard deduction computed under section 63(c) and (f) of the Internal Revenue Code, as  
 13.30 amended through December 16, 2016, except that for purposes of adjusting the amounts

14.1 under this subdivision, the provisions of section 1(f) of the Internal Revenue Code, as  
 14.2 amended through March 31, 2018, apply.

14.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 14.4 31, 2017.

14.5 Sec. 14. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended  
 14.6 to read:

14.7 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 14.8 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~  
 14.9 ~~16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision  
 14.10 in federal law that relates to provisions of the Internal Revenue Code that are incorporated  
 14.11 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,  
 14.12 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as  
 14.13 amended through March 18, 2010.

14.14 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 14.15 applies to the same taxable years as the changes incorporated by federal changes are effective  
 14.16 for federal purposes, including any provisions that are retroactive to taxable years beginning  
 14.17 after December 31, 2016.

14.18 Sec. 15. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

14.19 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means  
 14.20 an amount that must be added to federal ~~taxable~~ adjusted gross income, or for estates and  
 14.21 trusts, federal taxable income, in computing net income for the taxable year to which the  
 14.22 amounts relate.

14.23 (b) The additions in this section apply to individuals, estates, and trusts.

14.24 (c) Unless specifically indicated or unless the context clearly indicates otherwise, only  
 14.25 amounts that were deducted or excluded in computing federal ~~taxable~~ adjusted gross income,  
 14.26 or for estates and trusts, federal taxable income, are an addition under this section.

14.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 14.28 31, 2017.

14.29 Sec. 16. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

14.30 Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a)~~ For trusts  
 14.31 and estates, the amount of income, sales and use, motor vehicle sales, or excise taxes paid

15.1 or accrued within the taxable year under this chapter and the amount of taxes based on net  
 15.2 income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any  
 15.3 province or territory of Canada is an addition to the extent deducted under section 63(d) of  
 15.4 the Internal Revenue Code.

15.5 ~~(b) The addition under paragraph (a) may not be more than the amount by which the~~  
 15.6 ~~state itemized deduction exceeds the amount of the standard deduction as defined in section~~  
 15.7 ~~63(e) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and~~  
 15.8 ~~use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under~~  
 15.9 ~~subdivision 12.~~

15.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 15.11 31, 2017.

15.12 Sec. 17. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended  
 15.13 to read:

15.14 Subd. 10. **Section 179 expensing.** Effective for property placed in service in taxable  
 15.15 years beginning before January 1, 2018, 80 percent of the amount by which the deduction  
 15.16 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
 15.17 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
 15.18 December 31, 2003, is an addition.

15.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 15.20 31, 2017.

15.21 Sec. 18. Minnesota Statutes 2016, section 290.0131, subdivision 12, is amended to read:

15.22 Subd. 12. **Disallowed itemized deductions.** (a) The amount of disallowed itemized  
 15.23 deductions is an addition. The amount of disallowed itemized deductions, ~~plus the addition~~  
 15.24 ~~required under subdivision 3,~~ may not be more than the amount by which the state itemized  
 15.25 deductions, ~~as allowed under section 63(d) of the Internal Revenue Code,~~ exceeds the amount  
 15.26 of the state standard deduction as ~~defined in section 63(e) of the Internal Revenue Code.~~

15.27 (b) The amount of disallowed itemized deductions is equal to the lesser of:

15.28 (1) three percent of the excess of the taxpayer's federal adjusted gross income over the  
 15.29 applicable amount; or

15.30 (2) 80 percent of the amount of the state itemized deductions otherwise allowable to the  
 15.31 taxpayer under the Internal Revenue Code for the taxable year.

16.1 (c) "Applicable amount" means ~~\$100,000~~ \$190,050, or ~~\$50,000~~ \$95,025 for a married  
 16.2 individual filing a separate return. Each dollar amount is increased by an amount equal to:

16.3 (1) that dollar amount, multiplied by

16.4 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue  
 16.5 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~  
 16.6 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "2017" for "2016" in  
 16.7 section 1(f)(3) of the Internal Revenue Code.

16.8 (d) "Itemized deductions" excludes:

16.9 (1) the deduction for medical expenses under section 213 of the Internal Revenue Code;

16.10 (2) any deduction for investment interest as defined in section 163(d) of the Internal  
 16.11 Revenue Code; and

16.12 (3) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft  
 16.13 losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or  
 16.14 for losses described in section 165(d) of the Internal Revenue Code.

16.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 16.16 31, 2017.

16.17 Sec. 19. Minnesota Statutes 2016, section 290.0131, subdivision 13, is amended to read:

16.18 Subd. 13. **Disallowed personal exemption amount.** (a) The amount of disallowed  
 16.19 personal exemptions for taxpayers with federal adjusted gross income over the threshold  
 16.20 amount is an addition.

16.21 (b) The disallowed personal exemption amount is equal to the ~~number of personal~~  
 16.22 exemptions and dependent exemption subtraction allowed under section ~~151(b) and (c) of~~  
 16.23 ~~the Internal Revenue Code~~ 290.0132, subdivision 20, multiplied by the ~~dollar amount for~~  
 16.24 ~~personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as~~  
 16.25 ~~adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the~~  
 16.26 applicable percentage.

16.27 (c) For a married individual filing a separate return, "applicable percentage" means two  
 16.28 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal  
 16.29 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,  
 16.30 applicable percentage means two percentage points for each \$2,500, or fraction of that  
 16.31 amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds  
 16.32 the threshold amount. The applicable percentage must not exceed 100 percent.



17.1 (d) "Threshold amount" means:

17.2 (1) ~~\$150,000~~ \$285,050 for a joint return or a surviving spouse;

17.3 (2) ~~\$125,000~~ \$237,550 for a head of a household;

17.4 (3) ~~\$100,000~~ \$190,050 for an individual who is not married and who is not a surviving  
17.5 spouse or head of a household; and

17.6 (4) ~~\$75,000~~ \$95,025 for a married individual filing a separate return.

17.7 (e) The thresholds must be increased by an amount equal to:

17.8 (1) the threshold dollar amount, multiplied by

17.9 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue  
17.10 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~  
17.11 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "2017" for "2016" in  
17.12 section 1(f)(3) of the Internal Revenue Code.

17.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.14 31, 2017.

17.15 Sec. 20. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
17.16 to read:

17.17 Subd. 15. **Qualified business income addition.** For a trust or estate, the amount deducted  
17.18 under section 199A of the Internal Revenue Code in computing the federal taxable income  
17.19 of the trust or estate is an addition.

17.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.21 31, 2017.

17.22 Sec. 21. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
17.23 to read:

17.24 Subd. 16. **Foreign-derived intangible income.** The amount of foreign-derived intangible  
17.25 income deducted under section 250 of the Internal Revenue Code for the taxable year is an  
17.26 addition.

17.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.28 31, 2017.

18.1 Sec. 22. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
18.2 to read:

18.3 Subd. 17. **529 plan distributions for K-12 expenses.** The lesser of the following amounts  
18.4 is an addition:

18.5 (1) the total distributions for the taxable year from a qualified plan under section 529 of  
18.6 the Internal Revenue Code, owned by the taxpayer, that are expended for qualified higher  
18.7 education expenses under section 529(c)(7) of the Internal Revenue Code (expenses for  
18.8 tuition for elementary or secondary public, private, or religious school); or

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

18.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.13 31, 2017.

18.14 Sec. 23. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

18.15 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction"  
18.16 means an amount that ~~shall~~ is allowed to be subtracted from federal taxable adjusted gross  
18.17 income, or for estates and trusts, federal taxable income, in computing net income for the  
18.18 taxable year to which the amounts relate.

18.19 (b) The subtractions in this section apply to individuals, estates, and trusts.

18.20 (c) Unless specifically indicated or unless the context clearly indicates otherwise, no  
18.21 amount deducted, subtracted, or otherwise excluded in computing federal ~~taxable~~ adjusted  
18.22 gross income, or for estates and trusts, federal taxable income, is a subtraction under this  
18.23 section.

18.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.25 31, 2017.

18.26 Sec. 24. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

18.27 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent~~  
18.28 ~~not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in~~  
18.29 ~~determining federal taxable income by~~ For an a resident individual who does not itemize  
18.30 deductions for federal income tax purposes under section 290.0803 for the taxable year, an  
18.31 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable

19.1 as a deduction for the taxable year under section ~~170(a) of the Internal Revenue Code~~  
 19.2 290.0803, subdivision 5, is a subtraction. The subtraction under this subdivision must not  
 19.3 include a distribution that is excluded from federal adjusted gross income and that is not  
 19.4 deductible under section 408(d)(8)(E) of the Internal Revenue Code.

19.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 19.6 31, 2017.

19.7 Sec. 25. Minnesota Statutes 2016, section 290.0132, subdivision 20, is amended to read:

19.8 Subd. 20. ~~Disallowed Personal and dependent exemption. The amount of the phaseout~~  
 19.9 ~~of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.~~  
 19.10 The amount of personal and dependent exemptions calculated under section 290.0138 is a  
 19.11 subtraction.

19.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 19.13 31, 2017.

19.14 Sec. 26. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 21, is amended  
 19.15 to read:

19.16 Subd. 21. **Military service pension; retirement pay.** To the extent included in federal  
 19.17 ~~taxable~~ adjusted gross income, compensation received from a pension or other retirement  
 19.18 pay from the federal government for service in the military, as computed under United  
 19.19 States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The  
 19.20 subtraction is limited to individuals who do not claim the credit under section 290.0677.

19.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 19.22 31, 2017.

19.23 Sec. 27. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended  
 19.24 to read:

19.25 Subd. 26. **Social Security benefits.** (a) A portion of Social Security benefits is allowed  
 19.26 as a subtraction. The subtraction equals the lesser of Social Security benefits or a maximum  
 19.27 subtraction subject to the limits under paragraphs (b), (c), and (d).

19.28 (b) For married taxpayers filing a joint return and surviving spouses, the maximum  
 19.29 subtraction equals ~~\$4,500~~ \$4,590. The maximum subtraction is reduced by 20 percent of  
 19.30 provisional income over ~~\$77,000~~ \$78,530. In no case is the subtraction less than zero.

20.1 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~  
 20.2 \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over  
 20.3 ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

20.4 (d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~  
 20.5 one-half the maximum subtraction for joint returns under paragraph (b). The maximum  
 20.6 subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the  
 20.7 maximum subtraction for joint returns under paragraph (b). In no case is the subtraction  
 20.8 less than zero.

20.9 (e) For purposes of this subdivision, "provisional income" means modified adjusted  
 20.10 gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of  
 20.11 the Social Security benefits received during the taxable year, and "Social Security benefits"  
 20.12 has the meaning given in section 86(d)(1) of the Internal Revenue Code.

20.13 (f) The commissioner shall adjust the maximum subtraction and threshold amounts in  
 20.14 paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section  
 20.15 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) of the Internal Revenue  
 20.16 Code the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the~~  
 20.17 ~~commissioner shall then determine the percentage change from the 12 months ending on~~  
 20.18 ~~August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year,~~  
 20.19 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of~~  
 20.20 ~~the year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant  
 20.21 to this subdivision must not be considered a rule and is not subject to the Administrative  
 20.22 Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction  
 20.23 and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount  
 20.24 ends in \$5, the amount is rounded up to the nearest \$10 amount.

20.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 20.26 31, 2017.

20.27 Sec. 28. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
 20.28 to read:

20.29 **Subd. 27. Moving expenses.** Expenses that qualify as a deduction under section 217(a)  
 20.30 through (f) of the Internal Revenue Code, disregarding paragraph (k), are a subtraction.

20.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 20.32 31, 2017.

21.1 Sec. 29. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
21.2 to read:

21.3 Subd. 28. **Global intangible low-taxed income.** The taxpayer's global intangible  
21.4 low-taxed income included under section 951A of the Internal Revenue Code for the taxable  
21.5 year is a subtraction.

21.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
21.7 31, 2017.

21.8 Sec. 30. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
21.9 to read:

21.10 Subd. 29. **Deferred foreign income of nonresidents.** For a nonresident individual, the  
21.11 amount of deferred foreign income recognized because of section 965 of the Internal Revenue  
21.12 Code is a subtraction.

21.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
21.14 after December 31, 2016.

21.15 Sec. 31. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
21.16 to read:

21.17 Subd. 30. **Standard or itemized deduction.** The amount allowed under section 290.0803  
21.18 is a subtraction.

21.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
21.20 31, 2017.

21.21 Sec. 32. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

21.22 Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections  
21.23 241 to 247 of the Internal Revenue Code and ~~965~~ the amount of foreign derived intangible  
21.24 income deducted under section 250 of the Internal Revenue Code is an addition.

21.25 (b) The addition under this subdivision is reduced by the amount of the deduction under  
21.26 section 245A of the Internal Revenue Code that represents amounts included in federal  
21.27 taxable income in a prior taxable year under section 965 of the Internal Revenue Code.

21.28 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
21.29 after December 31, 2016.

22.1 Sec. 33. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended  
22.2 to read:

22.3 Subd. 12. **Section 179 expensing.** Effective for property placed in service in taxable  
22.4 years beginning before January 1, 2018, 80 percent of the amount by which the deduction  
22.5 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
22.6 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
22.7 December 31, 2003, is an addition.

22.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
22.9 31, 2017.

22.10 Sec. 34. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision  
22.11 to read:

22.12 Subd. 17. **Global intangible low-taxed income.** The taxpayer's global intangible  
22.13 low-taxed income included under section 951A of the Internal Revenue Code for the taxable  
22.14 year is a subtraction.

22.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
22.16 31, 2017.

22.17 Sec. 35. Minnesota Statutes 2016, section 290.0136, is amended to read:

22.18 **290.0136 CERTAIN PREFERRED STOCK LOSSES.**

22.19 A taxpayer must compute net income by treating losses from the sale or transfer of  
22.20 certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division  
22.21 A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income  
22.22 under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision  
22.23 22; taxable income under section 290.01, subdivision 29; the numerator and denominator  
22.24 in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable  
22.25 income under section 290.091, subdivision 2; ~~corporate alternative minimum taxable income~~  
22.26 ~~under section 290.0921, subdivision 3;~~ and net operating losses under section 290.095 must  
22.27 be computed for each taxable year as if those losses had been treated by the taxpayer as  
22.28 capital losses under the Internal Revenue Code, including the limitations under section 1211  
22.29 of the Internal Revenue Code.

22.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
22.31 31, 2017.

23.1 Sec. 36. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

23.2 **Subdivision 1. Personal and dependent exemptions.** (a) A taxpayer is allowed (1) a  
 23.3 personal exemption in the amount of \$4,150, and in the case of a married couple filing a  
 23.4 joint return an additional personal exemption of \$4,150; plus (2) a dependent exemption of  
 23.5 \$4,150 multiplied by the number of dependents of the taxpayer, as defined under sections  
 23.6 151 and 152 of the Internal Revenue Code.

23.7 (b) The personal and dependent exemptions are not allowed to an individual who is  
 23.8 eligible to be claimed as a dependent, as defined in sections 151 or 152 of the Internal  
 23.9 Revenue Code, by another taxpayer.

23.10 **Subd. 2. Cost-of-living adjustment.** For taxable years beginning after December 31,  
 23.11 2018, the commissioner shall annually adjust the amounts in subdivision 1 by the percentage  
 23.12 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code as  
 23.13 amended through March 31, 2018. The exemption amount as adjusted for inflation must be  
 23.14 rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall  
 23.15 round down to the next lowest multiple of \$50. The determination of the commissioner  
 23.16 under this subdivision is not a rule under the Administrative Procedure Act.

23.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 23.18 31, 2017.

23.19 Sec. 37. Minnesota Statutes 2016, section 290.032, subdivision 2, is amended to read:

23.20 **Subd. 2. Computation.** The amount of tax imposed by subdivision 1 shall be computed  
 23.21 in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of  
 23.22 1986, as amended through December 31, 1995, except that the initial separate tax shall be  
 23.23 an amount equal to five times the tax which would be imposed by section 290.06, subdivision  
 23.24 2c, if the recipient was an unmarried individual, and the taxable net income was an amount  
 23.25 equal to one-fifth of the excess of

23.26 (i) the total taxable amount of the lump-sum distribution for the year, over

23.27 (ii) the minimum distribution allowance, and except that references in section 402(d) of  
 23.28 the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph  
 23.29 (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the  
 23.30 subtraction base amount over ~~federal~~ taxable net income for a qualified individual as provided  
 23.31 under section 290.0802, subdivision 2.

23.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 23.33 31, 2017.

24.1 Sec. 38. Minnesota Statutes 2016, section 290.05, subdivision 3, is amended to read:

24.2 Subd. 3. **Taxes imposed on exempt entities.** (a) An organization exempt from taxation  
24.3 under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent  
24.4 provided in the following provisions of the Internal Revenue Code:

24.5 (1) section 527 (dealing with political organizations);

24.6 (2) section 528 (dealing with certain homeowners associations);

24.7 (3) sections 511 to 515 (dealing with unrelated business income);

24.8 (4) section 521 (dealing with farmers' cooperatives); and

24.9 (5) section 6033(e)(2) (dealing with lobbying expense); but notwithstanding this  
24.10 subdivision, shall be considered an organization exempt from income tax for the purposes  
24.11 of any law which refers to organizations exempt from income taxes.

24.12 (b) The tax shall be imposed on the taxable income of political organizations or  
24.13 homeowner associations or the unrelated business taxable income, as defined in section 512  
24.14 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue  
24.15 Code, provided that the tax is not imposed on:

24.16 (1) advertising revenues from a newspaper published by an organization described in  
24.17 section 501(c)(4) of the Internal Revenue Code; or

24.18 (2) revenues from lawful gambling authorized under chapter 349 that are expended for  
24.19 purposes that qualify for the deduction for charitable contributions under section 170 of the  
24.20 Internal Revenue Code, disregarding the limitation under section 170(b)(2), but only to the  
24.21 extent the contributions are not deductible in computing federal taxable income.

24.22 The tax shall be at the corporate rates. The tax shall only be imposed on income and  
24.23 deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted  
24.24 in computing federal taxable income, the deductions contained in section 290.21 shall not  
24.25 be allowed in computing Minnesota taxable net income.

24.26 (c) The tax shall be imposed on organizations subject to federal tax under section  
24.27 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate  
24.28 multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are  
24.29 attributable to lobbying the Minnesota state government.

24.30 (d) In calculating unrelated business taxable income under section 512 of the Internal  
24.31 Revenue Code, the amount of any net operating loss deduction claimed under section 172  
24.32 of the Internal Revenue Code is an addition. Taxpayers making an addition under this



25.1 paragraph may deduct a net operating loss for the taxable year in the same manner as a  
 25.2 corporation under section 290.095, in a form and manner prescribed by the commissioner,  
 25.3 and may calculate the loss without the application of the limitation provided for under  
 25.4 section 512(a)(6) of the Internal Revenue Code.

25.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 25.6 31, 2017.

25.7 Sec. 39. Minnesota Statutes 2016, section 290.06, subdivision 1, is amended to read:

25.8 Subdivision 1. **Computation, corporations.** (a) The franchise tax imposed upon  
 25.9 corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.1  
 25.10 percent.

25.11 (b) Notwithstanding paragraph (a), the rate for taxable years beginning after December  
 25.12 31, 2017, and before January 1, 2020, is 9.65 percent.

25.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 25.14 31, 2017.

25.15 Sec. 40. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

25.20 (1) On the first ~~\$35,480~~ \$37,850, ~~5.35~~ 5.25 percent;

25.21 (2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960~~ \$150,380, ~~7.05~~ 6.85 percent;

25.22 (3) On all over ~~\$140,960~~ \$150,380, but not over ~~\$250,000~~ \$266,700, 7.85 percent;

25.23 (4) On all over ~~\$250,000~~ \$266,700, 9.85 percent.

25.24 Married individuals filing separate returns, estates, and trusts must compute their income  
 25.25 tax by applying the above rates to their taxable income, except that the income brackets  
 25.26 will be one-half of the above amounts.

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

25.29 (1) On the first ~~\$24,270~~ \$25,890, ~~5.35~~ 5.25 percent;

25.30 (2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730~~ \$85,060, ~~7.05~~ 6.85 percent;

26.1 (3) On all over ~~\$79,730~~ \$85,060, but not over ~~\$150,000~~ \$160,020, 7.85 percent;

26.2 (4) On all over ~~\$150,000~~ \$160,020, 9.85 percent.

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

26.6 (1) On the first ~~\$29,880~~ \$31,880, ~~5.35~~ 5.25 percent;

26.7 (2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070~~ \$128,090, ~~7.05~~ 6.85 percent;

26.8 (3) On all over ~~\$120,070~~ \$128,090, but not over ~~\$200,000~~ \$213,360, 7.85 percent;

26.9 (4) On all over ~~\$200,000~~ \$213,360, 9.85 percent.

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

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

26.21 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
26.22 ~~defined in section 62 of the Internal Revenue Code~~ and increased by the additions required  
26.23 under section 290.0131, subdivisions 2 ~~and~~ 6 to ~~4~~ 10, 16, and 17, and reduced by the  
26.24 Minnesota assignable portion of the subtraction for United States government interest under  
26.25 section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions  
26.26 9, 10, 14, 15, 17, ~~and~~ 18, ~~and~~ 27 to 29, after applying the allocation and assignability  
26.27 provisions of section 290.081, clause (a), or 290.17; and

26.28 (2) the denominator is the individual's federal adjusted gross income ~~as defined in section~~  
26.29 ~~62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131,  
26.30 subdivisions 2 ~~and~~ 6 to ~~4~~ 10, 16, and 17, and reduced by the amounts specified in section  
26.31 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and~~ 18, ~~and~~ 27 to 29.

27.1 (f) For taxable years beginning after December 31, 2017, and before January 1, 2020,  
 27.2 a rate of 5.3 percent applies instead of the 5.25 percent rate in paragraphs (a) to (c), and a  
 27.3 rate of 6.95 percent applies instead of the 6.85 percent rate in paragraphs (a) to (c).

27.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 27.5 31, 2017.

27.6 Sec. 41. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

27.7 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
 27.8 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for  
 27.9 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage  
 27.10 determined under paragraph (b). ~~For the purpose of making the adjustment as provided in~~  
 27.11 ~~this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets~~  
 27.12 ~~as they existed for taxable years beginning after December 31, 2012, and before January 1,~~  
 27.13 ~~2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts  
 27.14 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
 27.15 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
 27.16 \$5, it must be rounded up to the nearest \$10 amount.

27.17 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
 27.18 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
 27.19 1(f)(3)(B) the word "~~2012~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the~~  
 27.20 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
 27.21 ~~31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~  
 27.22 ~~the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the~~  
 27.23 ~~year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant  
 27.24 to this subdivision shall not be considered a "rule" and shall not be subject to the  
 27.25 Administrative Procedure Act contained in chapter 14.

27.26 No later than December 15 of each year, the commissioner shall announce the specific  
 27.27 percentage that will be used to adjust the tax rate brackets.

27.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 27.29 31, 2017.

28.1 Sec. 42. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 1, is amended  
28.2 to read:

28.3 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax  
28.4 due from the taxpayer and a spouse, if any, under this chapter an amount equal to the  
28.5 dependent care credit for which the taxpayer is eligible pursuant to the provisions of section  
28.6 21 of the Internal Revenue Code except that in determining whether the child qualified as  
28.7 a dependent, income received as a Minnesota family investment program grant or allowance  
28.8 to or on behalf of the child must not be taken into account in determining whether the child  
28.9 received more than half of the child's support from the taxpayer, and the provisions of  
28.10 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

28.11 (b) If a child who has not attained the age of six years at the close of the taxable year is  
28.12 cared for at a licensed family day care home operated by the child's parent, the taxpayer is  
28.13 deemed to have paid employment-related expenses. If the child is 16 months old or younger  
28.14 at the close of the taxable year, the amount of expenses deemed to have been paid equals  
28.15 the maximum limit for one qualified individual under section 21(c) and (d) of the Internal  
28.16 Revenue Code. If the child is older than 16 months of age but has not attained the age of  
28.17 six years at the close of the taxable year, the amount of expenses deemed to have been paid  
28.18 equals the amount the licensee would charge for the care of a child of the same age for the  
28.19 same number of hours of care.

28.20 (c) If a married couple:

28.21 (1) has a child who has not attained the age of one year at the close of the taxable year;

28.22 (2) files a joint tax return for the taxable year; and

28.23 (3) does not participate in a dependent care assistance program as defined in section 129  
28.24 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for  
28.25 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)  
28.26 the combined earned income of the couple or (ii) the amount of the maximum limit for one  
28.27 qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed  
28.28 to be the employment related expense paid for that child. The earned income limitation of  
28.29 section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These  
28.30 deemed amounts apply regardless of whether any employment-related expenses have been  
28.31 paid.

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

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

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

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

29.9 (e) In the case of a nonresident, part-year resident, or a person who has earned income  
29.10 not subject to tax under this chapter including earned income excluded pursuant to section  
29.11 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue  
29.12 Code must be allocated based on the ratio by which the earned income of the claimant and  
29.13 the claimant's spouse from Minnesota sources bears to the total earned income of the claimant  
29.14 and the claimant's spouse.

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

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

29.21 (h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$50,990, the  
29.22 credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the  
29.23 amount equal to \$600 minus five percent of federal adjusted gross income in excess of  
29.24 ~~\$50,000~~ \$50,990 for taxpayers with one qualified individual, or \$1,200 minus five percent  
29.25 of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with two or  
29.26 more qualified individuals, but in no case is the credit less than zero.

29.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
29.28 31, 2017.

29.29 Sec. 43. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 2b, is amended  
29.30 to read:

29.31 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of  
29.32 the income threshold at which the maximum credit begins to be reduced under subdivision  
29.33 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal

30.1 Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" shall be substituted  
 30.2 for the word "~~1992~~." For 2018, the commissioner shall then determine the percent change  
 30.3 from the 12 months ending on August 31, 2016, to the 12 months ending on August 31,  
 30.4 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the  
 30.5 12 months ending on August 31 of the year preceding the taxable year. "2016." The  
 30.6 determination of the commissioner pursuant to this subdivision must not be considered a  
 30.7 "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The  
 30.8 threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount  
 30.9 ends in \$5, the amount is rounded up to the nearest \$10 amount.

30.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 30.11 31, 2017.

30.12 Sec. 44. Minnesota Statutes 2017 Supplement, section 290.0671, subdivision 1, is amended  
 30.13 to read:

30.14 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is  
 30.15 allowed a credit against the tax imposed by this chapter equal to a percentage of earned  
 30.16 income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the  
 30.17 Internal Revenue Code, except that a taxpayer with no qualifying children who has attained  
 30.18 the age of 21, but not attained age 65 before the close of the taxable year and is otherwise  
 30.19 eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit.

30.20 (b) For individuals with no qualifying children, the credit equals 2.10 percent of the first  
 30.21 ~~\$6,180~~ \$6,480 of earned income. The credit is reduced by 2.01 percent of earned income  
 30.22 or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,530, but in no case  
 30.23 is the credit less than zero.

30.24 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first  
 30.25 ~~\$11,120~~ \$11,670 of earned income. The credit is reduced by 6.02 percent of earned income  
 30.26 or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,340, but in no case  
 30.27 is the credit less than zero.

30.28 (d) For individuals with two or more qualifying children, the credit equals 11 percent  
 30.29 of the first ~~\$18,240~~ \$19,130 of earned income. The credit is reduced by 10.82 percent of  
 30.30 earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$26,360,  
 30.31 but in no case is the credit less than zero.

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

31.1 (f) For a person who was a resident for the entire tax year and has earned income not  
 31.2 subject to tax under this chapter, including income excluded under section 290.0132,  
 31.3 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross  
 31.4 income reduced by the earned income not subject to tax under this chapter over federal  
 31.5 adjusted gross income. For purposes of this paragraph, the following clauses are not  
 31.6 considered "earned income not subject to tax under this chapter":

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

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

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

31.11 (g) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,530 in paragraph  
 31.12 (b), the ~~\$21,190~~ \$22,340 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph (d), after  
 31.13 being adjusted for inflation under subdivision 7, are each increased by ~~\$5,000~~ \$5,700 for  
 31.14 married taxpayers filing joint returns. For tax years beginning after December 31, ~~2013~~  
 31.15 2018, the commissioner shall annually adjust the ~~\$5,000~~ \$5,700 by the percentage determined  
 31.16 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
 31.17 1(f)(3)(B), the word "~~2008~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the~~  
 31.18 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
 31.19 ~~31, 2008, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~  
 31.20 ~~the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the~~  
 31.21 ~~year preceding the taxable year.~~ "2016." The earned income thresholds as adjusted for  
 31.22 inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded  
 31.23 up to the nearest \$10. The determination of the commissioner under this subdivision is not  
 31.24 a rule under the Administrative Procedure Act.

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

31.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 31.30 31, 2017.

31.31 Sec. 45. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

31.32 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit  
 31.33 and the income thresholds at which the maximum credit begins to be reduced in subdivision

32.1 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined  
 32.2 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
 32.3 1(f)(3)(B) the word "~~2013~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2015, the~~  
 32.4 ~~commissioner shall then determine the percent change from the 12 months ending on August~~  
 32.5 ~~31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from~~  
 32.6 ~~the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the~~  
 32.7 ~~year preceding the taxable year.~~ "2016." The earned income thresholds as adjusted for  
 32.8 inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount  
 32.9 is rounded up to the nearest \$10 amount. The determination of the commissioner under this  
 32.10 subdivision is not a rule under the Administrative Procedure Act.

32.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 32.12 31, 2017.

32.13 Sec. 46. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended  
 32.14 to read:

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

32.17 (b) "Long-term care insurance" means a policy that:

32.18 (1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding  
 32.19 the adjusted gross income test; or meets the requirements given in section 62A.46; or provides  
 32.20 similar coverage issued under the laws of another jurisdiction; and

32.21 (2) has a lifetime long-term care benefit limit of not less than \$100,000; and

32.22 (3) has been offered in compliance with the inflation protection requirements of section  
 32.23 62S.23.

32.24 (c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

32.25 (d) "Premiums deducted in determining ~~federal~~ taxable net income" means the lesser of  
 32.26 (1) long-term care insurance premiums that qualify as deductions under section 213 of the  
 32.27 Internal Revenue Code; and (2) the total amount deductible for medical ~~care~~ expenses under  
 32.28 section 213 of the Internal Revenue Code.

32.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 32.30 31, 2017.



33.1 Sec. 47. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

33.2 Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter  
33.3 for long-term care insurance policy premiums paid during the tax year. The credit for each  
33.4 policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~  
33.5 taxable net income. A taxpayer may claim a credit for only one policy for each qualified  
33.6 beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total  
33.7 credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other  
33.8 filers. For a nonresident or part-year resident, the credit determined under this section must  
33.9 be allocated based on the percentage calculated under section 290.06, subdivision 2c,  
33.10 paragraph (e).

33.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
33.12 31, 2017.

33.13 Sec. 48. Minnesota Statutes 2017 Supplement, section 290.0674, subdivision 2a, is amended  
33.14 to read:

33.15 Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the  
33.16 following:

33.17 (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code;  
33.18 and

33.19 (2) the sum of the following amounts to the extent not included in clause (1):

33.20 (i) all nontaxable income;

33.21 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,  
33.22 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss  
33.23 carryover allowed under section 469(b) of the Internal Revenue Code;

33.24 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a  
33.25 solvent individual excluded from gross income under section 108(g) of the Internal Revenue  
33.26 Code;

33.27 (iv) cash public assistance and relief;

33.28 (v) any pension or annuity (including railroad retirement benefits, all payments received  
33.29 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
33.30 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
33.31 by the claimant or spouse and which funding payments were excluded from federal adjusted  
33.32 gross income in the years when the payments were made;

34.1 (vi) interest received from the federal or a state government or any instrumentality or  
 34.2 political subdivision thereof;

34.3 (vii) workers' compensation;

34.4 (viii) nontaxable strike benefits;

34.5 (ix) the gross amounts of payments received in the nature of disability income or sick  
 34.6 pay as a result of accident, sickness, or other disability, whether funded through insurance  
 34.7 or otherwise;

34.8 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
 34.9 1986, as amended through December 31, 1995;

34.10 (xi) contributions made by the claimant to an individual retirement account, including  
 34.11 a qualified voluntary employee contribution; simplified employee pension plan;  
 34.12 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
 34.13 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
 34.14 Revenue Code;

34.15 (xii) nontaxable scholarship or fellowship grants;

34.16 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

34.17 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
 34.18 Code;

34.19 (xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
 34.20 Code; ~~and~~

34.21 (xvi) the amount deducted for certain expenses of elementary and secondary school  
 34.22 teachers under section 62(a)(2)(D) of the Internal Revenue Code; and

34.23 (xvii) alimony received to the extent not included in the recipient's income.

34.24 In the case of an individual who files an income tax return on a fiscal year basis, the  
 34.25 term "federal adjusted gross income" means federal adjusted gross income reflected in the  
 34.26 fiscal year ending in the next calendar year. Federal adjusted gross income may not be  
 34.27 reduced by the amount of a net operating loss carryback or carryforward or a capital loss  
 34.28 carryback or carryforward allowed for the year.

34.29 (b) "Income" does not include:

34.30 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

35.1 (2) amounts of any pension or annuity that were exclusively funded by the claimant or  
35.2 spouse if the funding payments were not excluded from federal adjusted gross income in  
35.3 the years when the payments were made;

35.4 (3) surplus food or other relief in kind supplied by a governmental agency;

35.5 (4) relief granted under chapter 290A;

35.6 (5) child support payments received under a temporary or final decree of dissolution or  
35.7 legal separation; and

35.8 (6) restitution payments received by eligible individuals and excludable interest as  
35.9 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,  
35.10 Public Law 107-16.

35.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
35.12 31, 2017.

35.13 Sec. 49. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended  
35.14 to read:

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

35.17 (b) "Account" means the historic credit administration account in the special revenue  
35.18 fund.

35.19 (c) "Office" means the State Historic Preservation Office of the Department of  
35.20 Administration.

35.21 (d) "Project" means rehabilitation of a certified historic structure, as defined in section  
35.22 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a  
35.23 federal credit.

35.24 (e) "Federal credit" means the credit allowed under section ~~47(a)(2)~~ 47(a) of the Internal  
35.25 Revenue Code, except that the amount allowed is deemed to be allocated in the taxable year  
35.26 that the project is placed in service.

35.27 (f) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

35.28 (g) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the  
35.29 Internal Revenue Code.

35.30 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates  
35.31 submitted after December 31, 2017.

36.1 Sec. 50. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended  
36.2 to read:

36.3 Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed  
36.4 against the tax imposed under this chapter equal to not more than 100 percent of the credit  
36.5 allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit  
36.6 is payable in an amount equal to one-fifth of the total credit amount allowed in the five  
36.7 taxable years beginning with the year the project is placed in service. To qualify for the  
36.8 credit:

36.9 (1) the project must receive Part 3 certification and be placed in service during the taxable  
36.10 year; and

36.11 (2) the taxpayer must be allowed the federal credit and be issued a credit certificate for  
36.12 the taxable year as provided in subdivision 4.

36.13 (b) The commissioner of administration may pay a grant in lieu of the credit. The grant  
36.14 equals 90 percent of the credit that would be allowed for the project. The grant is payable  
36.15 in an amount equal to one-fifth of 90 percent of the credit that would be allowed for the  
36.16 project in the five taxable years beginning with the year the project is placed in service.

36.17 (c) In lieu of the credit under paragraph (a), an insurance company may claim a credit  
36.18 against the insurance premiums tax imposed under chapter 297I.

36.19 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates  
36.20 submitted after December 31, 2017.

36.21 Sec. 51. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

36.22 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section,  
36.23 the developer of a project must apply to the office before the rehabilitation begins. The  
36.24 application must contain the information and be in the form prescribed by the office. The  
36.25 office may collect a fee for application of up to 0.5 percent of qualified rehabilitation  
36.26 expenditures, up to \$40,000, based on estimated qualified rehabilitation expenditures, to  
36.27 offset costs associated with personnel and administrative expenses related to administering  
36.28 the credit and preparing the economic impact report in subdivision 9. Application fees are  
36.29 deposited in the account. The application must indicate if the application is for a credit or  
36.30 a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying  
36.31 for the credit or the recipient of the grant.

36.32 (b) Upon approving an application for credit, the office shall issue allocation certificates  
36.33 that:

37.1 (1) verify eligibility for the credit or grant;

37.2 (2) state the amount of credit or grant anticipated with the project, with the credit amount  
37.3 equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated  
37.4 in the application;

37.5 (3) state that the credit or grant allowed may increase or decrease if the federal credit  
37.6 the project receives at the time it is placed in service is different than the amount anticipated  
37.7 at the time the allocation certificate is issued; and

37.8 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or  
37.9 grant recipient is entitled to receive one-fifth of the total amount of either the credit or the  
37.10 grant at the time the project is placed in service, provided that date is within three calendar  
37.11 years following the issuance of the allocation certificate.

37.12 (c) The office, in consultation with the commissioner, shall determine if the project is  
37.13 eligible for a credit or a grant under this section and must notify the developer in writing  
37.14 of its determination. Eligibility for the credit is subject to review and audit by the  
37.15 commissioner.

37.16 (d) The federal credit recapture and repayment requirements under section 50 of the  
37.17 Internal Revenue Code do not apply to the credit allowed under this section.

37.18 (e) Any decision of the office under paragraph (c) may be challenged as a contested case  
37.19 under chapter 14. The contested case proceeding must be initiated within 45 days of the  
37.20 date of written notification by the office.

37.21 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates  
37.22 submitted after December 31, 2017.

37.23 Sec. 52. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

37.24 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the  
37.25 office has issued an allocation certificate must notify the office when the project is placed  
37.26 in service. Upon verifying that the project has been placed in service, and was allowed a  
37.27 federal credit, the office must issue a credit certificate to the taxpayer designated in the  
37.28 application or must issue a grant to the recipient designated in the application. The credit  
37.29 certificate must state the amount of the credit.

37.30 (2) The credit amount equals the federal credit allowed for the project.

37.31 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

38.1 (b) The recipient of a credit certificate may assign the certificate to another taxpayer  
 38.2 before the first one-fifth payment is claimed, which is then allowed the credit under this  
 38.3 section or section 297I.20, subdivision 3. An assignment is not valid unless the assignee  
 38.4 notifies the commissioner within 30 days of the date that the assignment is made. The  
 38.5 commissioner shall prescribe the forms necessary for notifying the commissioner of the  
 38.6 assignment of a credit certificate and for claiming a credit by assignment.

38.7 (c) Credits passed through to partners, members, shareholders, or owners pursuant to  
 38.8 subdivision 5 are not an assignment of a credit certificate under this subdivision.

38.9 (d) A grant agreement between the office and the recipient of a grant may allow the  
 38.10 grant to be issued to another individual or entity.

38.11 **EFFECTIVE DATE.** This section is effective for applications for allocation certificates  
 38.12 submitted after December 31, 2017.

38.13 Sec. 53. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended  
 38.14 to read:

38.15 Subd. 2. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a  
 38.16 credit against the tax imposed by this chapter. The credit is not allowed to an individual  
 38.17 who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the  
 38.18 Internal Revenue Code. The credit may not exceed the liability for tax under this chapter.

38.19 (b) The amount of the credit allowed equals 50 percent of contributions for the taxable  
 38.20 year. The maximum credit is \$500, subject to the phaseout in paragraphs (c) and (d). In no  
 38.21 case is the credit less than zero.

38.22 (c) For individual filers, the maximum credit is reduced by two percent of adjusted gross  
 38.23 income in excess of ~~\$75,000~~ \$76,490.

38.24 (d) For married couples filing a joint return, the maximum credit is phased out as follows:

38.25 (1) for married couples with adjusted gross income in excess of ~~\$75,000~~ \$76,490, but  
 38.26 not more than ~~\$100,000~~ \$101,990, the maximum credit is reduced by one percent of adjusted  
 38.27 gross income in excess of ~~\$75,000~~ \$76,490;

38.28 (2) for married couples with adjusted gross income in excess of ~~\$100,000~~ \$101,990, but  
 38.29 not more than ~~\$135,000~~ \$137,680, the maximum credit is \$250; and

38.30 (3) for married couples with adjusted gross income in excess of ~~\$135,000~~ \$137,680, the  
 38.31 maximum credit is \$250, reduced by one percent of adjusted gross income in excess of  
 38.32 ~~\$135,000~~ \$137,680.

39.1 (e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum  
 39.2 credit must be adjusted for inflation. The commissioner shall adjust the income thresholds  
 39.3 by the percentage determined under the provisions of section 1(f) of the Internal Revenue  
 39.4 Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" is substituted for the word  
 39.5 "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12~~  
 39.6 ~~months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in~~  
 39.7 ~~each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months~~  
 39.8 ~~ending on August 31 of the year preceding the taxable year.~~ "2016." The income thresholds  
 39.9 as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in  
 39.10 \$5, the amount is rounded up to the nearest \$10 amount. The determination of the  
 39.11 commissioner under this subdivision is not subject to chapter 14, including section 14.386.

39.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 39.13 31, 2017.

39.14 Sec. 54. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

39.15 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal  
 39.16 ~~taxable~~ adjusted gross income of the individual's subtraction base amount. The excess of  
 39.17 the subtraction base amount over the taxable net income computed without regard to the  
 39.18 subtraction for the elderly or disabled under section 290.0132, subdivision 5, may be used  
 39.19 to reduce the amount of a lump sum distribution subject to tax under section 290.032.

39.20 (b)(1) The initial subtraction base amount equals

39.21 (i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

39.22 (ii) \$9,600 for a single taxpayer, and

39.23 (iii) \$6,000 for a married taxpayer filing a separate federal return.

39.24 (2) The qualified individual's initial subtraction base amount, then, must be reduced by  
 39.25 the sum of nontaxable retirement and disability benefits and one-half of the amount of  
 39.26 adjusted gross income in excess of the following thresholds:

39.27 (i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified  
 39.28 individuals,

39.29 (ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one  
 39.30 spouse is a qualified individual, and

39.31 (iii) \$9,000 for a married taxpayer filing a separate federal return.

40.1 (3) In the case of a qualified individual who is under the age of 65, the maximum amount  
40.2 of the subtraction base may not exceed the taxpayer's disability income.

40.3 (4) The resulting amount is the subtraction base amount.

40.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
40.5 31, 2017.

40.6 Sec. 55. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

40.7 Subdivision 1. **Election.** An individual may elect to claim a state standard deduction in  
40.8 lieu of state itemized deductions. In the case of a married individual filing a separate return,  
40.9 if one spouse elects to claim state itemized deductions, the other spouse is not allowed a  
40.10 state standard deduction.

40.11 Subd. 2. **Subtraction.** Based on the election under subdivision 1, individuals are allowed  
40.12 to subtract from federal adjusted gross income the state standard deduction or the state  
40.13 itemized deduction.

40.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
40.15 31, 2017.

40.16 Sec. 56. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended  
40.17 to read:

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

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

40.22 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
40.23 55(b)(2) of the Internal Revenue Code;

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

40.26 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;  
40.27 and

40.28 (ii) the medical expense deduction;

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

40.30 (iv) the impairment-related work expenses of a disabled person;



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

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

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

41.12 (6) the amount of addition required by section 290.0131, subdivisions ~~9 to 11~~, 10, 16,  
 41.13 and 17;

41.14 (7) the deduction allowed under section 199A of the Internal Revenue Code;

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

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

41.17 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
 41.18 3, to the extent included in federal alternative minimum taxable income;

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

41.23 (iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by  
 41.24 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26 to 29, and 31~~; ~~and~~

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

41.27 (vi) the amount which would have been an allowable deduction under section 165(h) of  
 41.28 the Internal Revenue Code, as amended through December 16, 2016, and which was taken  
 41.29 as a Minnesota itemized deduction under section 290.01, subdivision 29.

41.30 In the case of an estate or trust, alternative minimum taxable income must be computed  
 41.31 as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum

42.1 taxable income must be increased by the amount of the addition under section 290.0131,  
 42.2 subdivision 15.

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

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

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

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

42.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 42.12 31, 2017.

42.13 Sec. 57. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

42.14 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum  
 42.15 tax, the exemption amount is, ~~for taxable years beginning after December 31, 2005, \$60,000~~  
 42.16 \$75,760 for married couples filing joint returns, ~~\$30,000~~ \$37,880 for married individuals  
 42.17 filing separate returns, estates, and trusts, and ~~\$45,000~~ \$56,820 for unmarried individuals.

42.18 (b) The exemption amount determined under this subdivision is subject to the phase out  
 42.19 under section ~~55(d)(3)~~ 55(d)(2) of the Internal Revenue Code, except that alternative  
 42.20 minimum taxable income as determined under this section must be substituted in the  
 42.21 computation of the phase out.

42.22 (c) For taxable years beginning after December 31, ~~2006~~ 2018, the exemption amount  
 42.23 under paragraph (a) must be adjusted for inflation. The commissioner shall adjust the  
 42.24 exemption amount by the percentage determined pursuant to the provisions of section 1(f)  
 42.25 of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2005~~" "2017"  
 42.26 shall be substituted for the word "~~1992~~." ~~For 2007, the commissioner shall then determine~~  
 42.27 ~~the percent change from the 12 months ending on August 31, 2005, to the 12 months ending~~  
 42.28 ~~on August 31, 2006, and in each subsequent year, from the 12 months ending on August~~  
 42.29 ~~31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year.~~  
 42.30 "2016." The exemption amount as adjusted must be rounded to the nearest \$10. If the amount  
 42.31 ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the  
 42.32 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

43.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 43.2 31, 2017.

43.3 Sec. 58. Minnesota Statutes 2016, section 290.0921, subdivision 8, is amended to read:

43.4 Subd. 8. **Carryover credit.** (a) A corporation is allowed a credit against qualified regular  
 43.5 tax for qualified alternative minimum tax previously paid. The credit is allowable only if  
 43.6 ~~the corporation has no tax liability under this section for the taxable year and~~ if the  
 43.7 corporation has an alternative minimum tax credit carryover from a previous year. The  
 43.8 credit allowable in a taxable year equals the lesser of

43.9 (1) ~~the excess of the qualified regular tax for the taxable year over the amount computed~~  
 43.10 ~~under subdivision 1, clause (1), for the taxable year;~~ or

43.11 (2) the carryover credit to the taxable year.

43.12 (b) For purposes of this subdivision, the following terms have the meanings given.

43.13 (1) "Qualified alternative minimum tax" equals the amount determined under subdivision  
 43.14 1 for ~~the~~ a taxable year beginning before December 31, 2017.

43.15 (2) "Qualified regular tax" means the tax imposed under section 290.06, subdivision 1.

43.16 (c) The qualified alternative minimum tax for a taxable year is an alternative minimum  
 43.17 tax credit carryover to each of the taxable years succeeding the taxable year. The entire  
 43.18 amount of the credit must be carried to the earliest taxable year to which the amount may  
 43.19 be carried. Any unused portion of the credit must be carried to the following taxable year.  
 43.20 No credit may be carried to a taxable year in which alternative minimum tax was paid.

43.21 (d) An acquiring corporation may carry over this credit from a transferor or distributor  
 43.22 corporation in a corporate acquisition. The provisions of section 381 of the Internal Revenue  
 43.23 Code apply in determining the amount of the carryover, if any.

43.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 43.25 31, 2017.

43.26 Sec. 59. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

43.27 Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without  
 43.28 regard to this section, the franchise tax imposed on a corporation required to file under  
 43.29 section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation under  
 43.30 section 290.9725 for the taxable year includes a tax equal to the following amounts:

44.1	If the sum of the corporation's Minnesota		
44.2	property, payrolls, and sales or receipts is:		the tax equals:
44.3		<u>930,000</u>	
44.4	less than	\$ <u>990,000</u>	\$ 0
44.5		<u>930,000</u>	<u>1,869,999</u>
44.6	\$ <u>990,000</u> to	\$ <u>1,989,999</u>	\$ <u>200</u>
44.7		<u>1,870,000</u>	<u>9,339,999</u>
44.8	\$ <u>1,990,000</u> to	\$ <u>9,959,999</u>	\$ <u>600</u>
44.9		<u>9,340,000</u>	<u>18,679,999</u>
44.10	\$ <u>9,960,000</u> to	\$ <u>19,929,999</u>	\$ <u>1,990</u>
44.11		<u>18,680,000</u>	<u>37,359,999</u>
44.12	\$ <u>19,930,000</u> to	\$ <u>39,859,999</u>	\$ <u>3,990</u>
44.13		<u>37,360,000</u>	<u>9,340</u>
44.14	\$ <u>39,860,000</u> or more		\$ <u>9,960</u>

44.15 (b) A tax is imposed for each taxable year on a corporation required to file a return under  
 44.16 section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725  
 44.17 and on a partnership required to file a return under section 289A.12, subdivision 3, other  
 44.18 than a partnership that derives over 80 percent of its income from farming. The tax imposed  
 44.19 under this paragraph is due on or before the due date of the return for the taxpayer due under  
 44.20 section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for  
 44.21 payment of this tax. The tax under this paragraph is equal to the following amounts:

44.22	If the sum of the S corporation's		
44.23	or partnership's Minnesota		
44.24	property, payrolls, and sales or		
44.25	receipts is:		the tax equals:
44.26		<u>930,000</u>	
44.27	less than	\$ <u>990,000</u>	\$ 0
44.28		<u>930,000</u>	<u>1,869,999</u>
44.29	\$ <u>990,000</u> to	\$ <u>1,989,999</u>	\$ <u>200</u>
44.30		<u>1,870,000</u>	<u>9,339,999</u>
44.31	\$ <u>1,990,000</u> to	\$ <u>9,959,999</u>	\$ <u>600</u>
44.32		<u>9,340,000</u>	<u>18,679,999</u>
44.33	\$ <u>9,960,000</u> to	\$ <u>19,929,999</u>	\$ <u>1,990</u>
44.34		<u>18,680,000</u>	<u>37,359,999</u>
44.35	\$ <u>19,930,000</u> to	\$ <u>39,859,999</u>	\$ <u>3,990</u>
44.36		<u>37,360,000</u>	<u>9,340</u>
44.37	\$ <u>39,860,000</u> or more		\$ <u>9,960</u>

44.38 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,  
 44.39 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage  
 44.40 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
 44.41 that in section 1(f)(3)(B) the word "~~2012~~" "2017" must be substituted for the word "~~1992.~~"  
 44.42 ~~For 2014, the commissioner shall determine the percentage change from the 12 months~~

45.1 ~~ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each~~  
45.2 ~~subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending~~  
45.3 ~~on August 31 of the year preceding the taxable year. "2016."~~ The determination of the  
45.4 commissioner pursuant to this subdivision is not a "rule" subject to the Administrative  
45.5 Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the  
45.6 nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000  
45.7 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount  
45.8 and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest  
45.9 \$10,000.

45.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
45.11 31, 2017.

45.12 Sec. 60. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

45.13 Subd. 4. **Computation and modifications.** The following modifications shall be made  
45.14 in computing a net operating loss in any taxable year and also in computing the taxable net  
45.15 income for any taxable year before a net operating loss deduction shall be allowed:

45.16 (a) No deduction shall be allowed for or with respect to losses connected with income  
45.17 producing activities if the income therefrom would not be required to be either assignable  
45.18 to this state or included in computing the taxpayer's taxable net income.

45.19 (b) A net operating loss deduction shall not be allowed.

45.20 (c) The amount deductible on account of losses from sales or exchanges of capital assets  
45.21 shall not exceed the amount includable on account of gains from sales or exchanges of  
45.22 capital assets.

45.23 (d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the  
45.24 United States of America, including renegotiation of the profits with a subcontractor, shall  
45.25 not enter into the computation.

45.26 (e) Federal income and excess profits taxes shall not be allowed as a deduction.

45.27 (f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does  
45.28 not apply to the computations for corporate taxpayers under this section.

45.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
45.30 31, 2017.

46.1 Sec. 61. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended  
46.2 to read:

46.3 Subd. 2. **Income not derived from conduct of a trade or business.** The income of a  
46.4 taxpayer subject to the allocation rules that is not derived from the conduct of a trade or  
46.5 business must be assigned in accordance with paragraphs (a) to (f):

46.6 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section  
46.7 3401(a) ~~and~~, (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the  
46.8 extent that, the work of the employee is performed within it; all other income from such  
46.9 sources is treated as income from sources without this state.

46.10 Severance pay shall be considered income from labor or personal or professional services.

46.11 (2) In the case of an individual who is a nonresident of Minnesota and who is an athlete  
46.12 or entertainer, income from compensation for labor or personal services performed within  
46.13 this state shall be determined in the following manner:

46.14 (i) the amount of income to be assigned to Minnesota for an individual who is a  
46.15 nonresident salaried athletic team employee shall be determined by using a fraction in which  
46.16 the denominator contains the total number of days in which the individual is under a duty  
46.17 to perform for the employer, and the numerator is the total number of those days spent in  
46.18 Minnesota. For purposes of this paragraph, off-season training activities, unless conducted  
46.19 at the team's facilities as part of a team imposed program, are not included in the total number  
46.20 of duty days. Bonuses earned as a result of play during the regular season or for participation  
46.21 in championship, play-off, or all-star games must be allocated under the formula. Signing  
46.22 bonuses are not subject to allocation under the formula if they are not conditional on playing  
46.23 any games for the team, are payable separately from any other compensation, and are  
46.24 nonrefundable; and

46.25 (ii) the amount of income to be assigned to Minnesota for an individual who is a  
46.26 nonresident, and who is an athlete or entertainer not listed in item (i), for that person's athletic  
46.27 or entertainment performance in Minnesota shall be determined by assigning to this state  
46.28 all income from performances or athletic contests in this state.

46.29 (3) For purposes of this section, amounts received by a nonresident as "retirement income"  
46.30 as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public  
46.31 Law 104-95, are not considered income derived from carrying on a trade or business or  
46.32 from wages or other compensation for work an employee performed in Minnesota, and are  
46.33 not taxable under this chapter.

47.1 (b) Income or gains from tangible property located in this state that is not employed in  
47.2 the business of the recipient of the income or gains must be assigned to this state.

47.3 (c) Income or gains from intangible personal property not employed in the business of  
47.4 the recipient of the income or gains must be assigned to this state if the recipient of the  
47.5 income or gains is a resident of this state or is a resident trust or estate.

47.6 Gain on the sale of a partnership interest is allocable to this state in the ratio of the  
47.7 original cost of partnership tangible property in this state to the original cost of partnership  
47.8 tangible property everywhere, determined at the time of the sale. If more than 50 percent  
47.9 of the value of the partnership's assets consists of intangibles, gain or loss from the sale of  
47.10 the partnership interest is allocated to this state in accordance with the sales factor of the  
47.11 partnership for its first full tax period immediately preceding the tax period of the partnership  
47.12 during which the partnership interest was sold.

47.13 Gain on the sale of an interest in a single member limited liability company that is  
47.14 disregarded for federal income tax purposes is allocable to this state as if the single member  
47.15 limited liability company did not exist and the assets of the limited liability company are  
47.16 personally owned by the sole member.

47.17 Gain on the sale of goodwill or income from a covenant not to compete that is connected  
47.18 with a business operating all or partially in Minnesota is allocated to this state to the extent  
47.19 that the income from the business in the year preceding the year of sale was allocable to  
47.20 Minnesota under subdivision 3.

47.21 When an employer pays an employee for a covenant not to compete, the income allocated  
47.22 to this state is in the ratio of the employee's service in Minnesota in the calendar year  
47.23 preceding leaving the employment of the employer over the total services performed by the  
47.24 employee for the employer in that year.

47.25 (d) Income from winnings on a bet made by an individual while in Minnesota is assigned  
47.26 to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision  
47.27 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

47.28 (e) All items of gross income not covered in paragraphs (a) to (d) and not part of the  
47.29 taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

47.30 (f) For the purposes of this section, working as an employee shall not be considered to  
47.31 be conducting a trade or business.

47.32 **EFFECTIVE DATE.** This section is effective for wages paid after December 31, 2017.

48.1 Sec. 62. Minnesota Statutes 2016, section 290.21, subdivision 4, is amended to read:

48.2 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of  
48.3 dividends received by a corporation during the taxable year from another corporation, in  
48.4 which the recipient owns 20 percent or more of the stock, by vote and value, not including  
48.5 stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate  
48.6 stock with respect to which dividends are paid does not constitute the stock in trade of the  
48.7 taxpayer or would not be included in the inventory of the taxpayer, or does not constitute  
48.8 property held by the taxpayer primarily for sale to customers in the ordinary course of the  
48.9 taxpayer's trade or business, or when the trade or business of the taxpayer does not consist  
48.10 principally of the holding of the stocks and the collection of the income and gains therefrom;  
48.11 and

48.12 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in  
48.13 an affiliated company transferred in an overall plan of reorganization and the dividend is  
48.14 eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended  
48.15 through December 31, 1989;

48.16 (ii) the remaining 20 percent of dividends if the dividends are received from a corporation  
48.17 which is subject to tax under section 290.36 and which is a member of an affiliated group  
48.18 of corporations as defined by the Internal Revenue Code and the dividend is eliminated in  
48.19 consolidation under Treasury Department Regulation 1.1502-14(a), as amended through  
48.20 December 31, 1989, or is deducted under an election under section 243(b) of the Internal  
48.21 Revenue Code; or

48.22 (iii) the remaining 20 percent of the dividends if the dividends are received from a  
48.23 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a  
48.24 member of an affiliated group of corporations as defined by the Internal Revenue Code and  
48.25 either: (A) the dividend is eliminated in consolidation under Treasury Regulation  
48.26 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted  
48.27 under an election under section 243(b) of the Internal Revenue Code.

48.28 (b) Seventy percent of dividends received by a corporation during the taxable year from  
48.29 another corporation in which the recipient owns less than 20 percent of the stock, by vote  
48.30 or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code  
48.31 when the corporate stock with respect to which dividends are paid does not constitute the  
48.32 stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily  
48.33 for sale to customers in the ordinary course of the taxpayer's trade or business, or when the



49.1 trade or business of the taxpayer does not consist principally of the holding of the stocks  
49.2 and the collection of income and gain therefrom.

49.3 (c) The dividend deduction provided in this subdivision shall be allowed only with  
49.4 respect to dividends that are included in a corporation's Minnesota taxable net income for  
49.5 the taxable year.

49.6 The dividend deduction provided in this subdivision does not apply to a dividend from  
49.7 a corporation which, for the taxable year of the corporation in which the distribution is made  
49.8 or for the next preceding taxable year of the corporation, is a corporation exempt from tax  
49.9 under section 501 of the Internal Revenue Code.

49.10 The dividend deduction provided in this subdivision does not apply to a dividend received  
49.11 from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

49.12 The dividend deduction provided in this subdivision applies to the amount of regulated  
49.13 investment company dividends only to the extent determined under section 854(b) of the  
49.14 Internal Revenue Code.

49.15 The dividend deduction provided in this subdivision shall not be allowed with respect  
49.16 to any dividend for which a deduction is not allowed under the provisions of section 246(c)  
49.17 or 246A of the Internal Revenue Code.

49.18 (d) If dividends received by a corporation that does not have nexus with Minnesota under  
49.19 the provisions of Public Law 86-272 are included as income on the return of an affiliated  
49.20 corporation permitted or required to file a combined report under section 290.17, subdivision  
49.21 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to  
49.22 whether the trade or business of the corporation consists principally of the holding of stocks  
49.23 and the collection of income and gains therefrom shall be made with reference to the trade  
49.24 or business of the affiliated corporation having a nexus with Minnesota.

49.25 (e) The deduction provided by this subdivision does not apply if the dividends are paid  
49.26 by a FSC as defined in section 922 of the Internal Revenue Code.

49.27 (f) If one or more of the members of the unitary group whose income is included on the  
49.28 combined report received a dividend, the deduction under this subdivision for each member  
49.29 of the unitary business required to file a return under this chapter is the product of: (1) 100  
49.30 percent of the dividends received by members of the group; (2) the percentage allowed  
49.31 pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income  
49.32 apportionable to this state for the taxable year under section 290.191 or 290.20.

50.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
50.2 31, 2017.

50.3 Sec. 63. Minnesota Statutes 2016, section 290.21, is amended by adding a subdivision to  
50.4 read:

50.5 Subd. 9. **Controlled foreign corporations.** The income of a domestic corporation that  
50.6 is included in net income under section 965 or other provisions of subchapter N, part III,  
50.7 subpart F, of the Internal Revenue Code is dividend income.

50.8 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
50.9 after December 31, 2016, with regard to income section 965 of the Internal Revenue Code  
50.10 and confirms the treatment of income under subpart F of the Internal Revenue Code as  
50.11 dividend income for any open taxable year.

50.12 Sec. 64. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to  
50.13 read:

50.14 Subd. 5. **Insurance companies; interest expense limitation.** To be consistent with the  
50.15 federal treatment of the interest expense limitation under section 163(j) of the Internal  
50.16 Revenue Code for an affiliated group that includes an insurance company taxable under  
50.17 chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the  
50.18 rules under this subdivision apply. In that case, the interest expense limitation under section  
50.19 163(j) must be computed for the corporation subject to tax under this chapter using the  
50.20 adjusted taxable income of the insurance companies that are part of the affiliated group and  
50.21 taxed under chapter 297I. For purposes of this subdivision, "affiliated group" means the  
50.22 corporations included in the federal consolidated return for the taxable year.

50.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
50.24 31, 2017.

50.25 Sec. 65. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to  
50.26 read:

50.27 Subd. 6. **Affiliated corporations filing a combined report; interest expense limitation.**  
50.28 Section 163(j) of the Internal Revenue Code shall be applied to affiliated corporations  
50.29 permitted or required to file a combined report under section 290.17, subdivision 4, consistent  
50.30 with its application to a consolidated group of corporations for federal income tax purposes.

50.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
50.32 31, 2017.

51.1 Sec. 66. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

51.2 Subdivision 1. **Definitions.** (1) **Wages.** For purposes of this section, the term "wages"  
51.3 means the same as that term is defined in section 3401(a) ~~and~~ (f), and (i) of the Internal  
51.4 Revenue Code.

51.5 (2) **Payroll period.** For purposes of this section the term "payroll period" means a period  
51.6 for which a payment of wages is ordinarily made to the employee by the employee's  
51.7 employer, and the term "miscellaneous payroll period" means a payroll period other than a  
51.8 daily, weekly, biweekly, semimonthly, monthly, quarterly, semiannual, or annual payroll  
51.9 period.

51.10 (3) **Employee.** For purposes of this section the term "employee" means any resident  
51.11 individual performing services for an employer, either within or without, or both within and  
51.12 without the state of Minnesota, and every nonresident individual performing services within  
51.13 the state of Minnesota, the performance of which services constitute, establish, and determine  
51.14 the relationship between the parties as that of employer and employee. As used in the  
51.15 preceding sentence, the term "employee" includes an officer of a corporation, and an officer,  
51.16 employee, or elected official of the United States, a state, or any political subdivision thereof,  
51.17 or the District of Columbia, or any agency or instrumentality of any one or more of the  
51.18 foregoing.

51.19 (4) **Employer.** For purposes of this section the term "employer" means any person,  
51.20 including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies,  
51.21 and corporations transacting business in or deriving any income from sources within the  
51.22 state of Minnesota for whom an individual performs or performed any service, of whatever  
51.23 nature, as the employee of such person, except that if the person for whom the individual  
51.24 performs or performed the services does not have control of the payment of the wages for  
51.25 such services, the term "employer," except for purposes of paragraph (1), means the person  
51.26 having control of the payment of such wages. As used in the preceding sentence, the term  
51.27 "employer" includes any corporation, individual, estate, trust, or organization which is  
51.28 exempt from taxation under section 290.05 and further includes, but is not limited to, officers  
51.29 of corporations who have control, either individually or jointly with another or others, of  
51.30 the payment of the wages.

51.31 (5) **Number of withholding exemptions claimed.** For purposes of this section, the term  
51.32 "number of withholding exemptions claimed" means the number of withholding exemptions  
51.33 claimed in a withholding exemption certificate in effect under subdivision 5, except that if

52.1 no such certificate is in effect, the number of withholding exemptions claimed shall be  
52.2 considered to be zero.

52.3 **EFFECTIVE DATE.** This section is effective for wages paid after July 1, 2018.

52.4 Sec. 67. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended  
52.5 to read:

52.6 Subd. 3. **Income.** (a) "Income" means the sum of the following:

52.7 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

52.8 (2) the sum of the following amounts to the extent not included in clause (1):

52.9 (i) all nontaxable income;

52.10 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,  
52.11 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss  
52.12 carryover allowed under section 469(b) of the Internal Revenue Code;

52.13 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a  
52.14 solvent individual excluded from gross income under section 108(g) of the Internal Revenue  
52.15 Code;

52.16 (iv) cash public assistance and relief;

52.17 (v) any pension or annuity (including railroad retirement benefits, all payments received  
52.18 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
52.19 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
52.20 by the claimant or spouse and which funding payments were excluded from federal adjusted  
52.21 gross income in the years when the payments were made;

52.22 (vi) interest received from the federal or a state government or any instrumentality or  
52.23 political subdivision thereof;

52.24 (vii) workers' compensation;

52.25 (viii) nontaxable strike benefits;

52.26 (ix) the gross amounts of payments received in the nature of disability income or sick  
52.27 pay as a result of accident, sickness, or other disability, whether funded through insurance  
52.28 or otherwise;

52.29 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
52.30 1986, as amended through December 31, 1995;

53.1 (xi) contributions made by the claimant to an individual retirement account, including  
 53.2 a qualified voluntary employee contribution; simplified employee pension plan;  
 53.3 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
 53.4 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
 53.5 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
 53.6 the claimant and spouse;

53.7 (xii) to the extent not included in federal adjusted gross income, distributions received  
 53.8 by the claimant or spouse from a traditional or Roth style retirement account or plan;

53.9 (xiii) nontaxable scholarship or fellowship grants;

53.10 (xiv) ~~the amount of deduction allowed under section 199 of the Internal Revenue Code~~  
 53.11 alimony received to the extent not included in the recipient's income;

53.12 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
 53.13 Code;

53.14 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
 53.15 Code; ~~and~~

53.16 (xvii) the amount deducted for certain expenses of elementary and secondary school  
 53.17 teachers under section 62(a)(2)(D) of the Internal Revenue Code;

53.18 (xviii) the amount excluded from federal adjusted gross income for qualified moving  
 53.19 expense reimbursements under section 132(a)(6) of the Internal Revenue Code, as amended  
 53.20 through December 16, 2016; and

53.21 (xix) the amount deducted from federal adjusted gross income for moving expenses  
 53.22 under section 217 of the Internal Revenue Code, as amended through December 16, 2016.

53.23 In the case of an individual who files an income tax return on a fiscal year basis, the  
 53.24 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in  
 53.25 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced  
 53.26 by the amount of a net operating loss carryback or carryforward or a capital loss carryback  
 53.27 or carryforward allowed for the year.

53.28 (b) "Income" does not include:

53.29 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

53.30 (2) amounts of any pension or annuity which was exclusively funded by the claimant  
 53.31 or spouse and which funding payments were not excluded from federal adjusted gross  
 53.32 income in the years when the payments were made;

54.1 (3) to the extent included in federal adjusted gross income, amounts contributed by the  
 54.2 claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed  
 54.3 the retirement base amount reduced by the amount of contributions excluded from federal  
 54.4 adjusted gross income, but not less than zero;

54.5 (4) surplus food or other relief in kind supplied by a governmental agency;

54.6 (5) relief granted under this chapter;

54.7 (6) child support payments received under a temporary or final decree of dissolution or  
 54.8 legal separation; or

54.9 (7) restitution payments received by eligible individuals and excludable interest as  
 54.10 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,  
 54.11 Public Law 107-16.

54.12 (c) The sum of the following amounts may be subtracted from income:

54.13 (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

54.14 (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

54.15 (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

54.16 (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

54.17 (5) for the claimant's fifth dependent, the exemption amount; and

54.18 (6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or  
 54.19 before December 31 of the year for which the taxes were levied or rent paid, the exemption  
 54.20 amount.

54.21 (d) For purposes of this subdivision, ~~the:~~

54.22 (1) ~~"exemption amount" means the exemption amount under section 151(d) of the Internal~~  
 54.23 ~~Revenue Code for the taxable year for which the income is reported; "retirement base~~  
 54.24 ~~amount" means the deductible amount for the taxable year for the claimant and spouse under~~  
 54.25 ~~section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in~~  
 54.26 ~~section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant~~  
 54.27 ~~or spouse claimed a deduction; and "traditional or Roth style retirement account or plan"~~  
 54.28 ~~means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue~~  
 54.29 ~~Code. \$4,150. For refunds payable after December 31, 2018, the commissioner shall annually~~  
 54.30 ~~adjust the \$4,150 by the percentage determined pursuant to the provisions of section 1(f)~~  
 54.31 ~~of the Internal Revenue Code, as amended through March 31, 2018. The exemption amount~~  
 54.32 ~~as adjusted for inflation must be rounded to the nearest \$50. If the amount is not a multiple~~

55.1 of \$50, the commissioner shall round down to the next lowest multiple of \$50. The  
 55.2 determination of the commissioner under this subdivision is not a rule under the  
 55.3 Administrative Procedure Act, including section 14.386; and

55.4 (2) "retirement base amount" means the deductible amount for the taxable year for the  
 55.5 claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for  
 55.6 inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard  
 55.7 to whether the claimant or spouse claimed a deduction, and "traditional or Roth-style  
 55.8 retirement account or plan" means retirement plans under sections 401, 403, 408, 408A,  
 55.9 and 457 of the Internal Revenue Code.

55.10 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes  
 55.11 payable after December 31, 2018, and rent paid after December 31, 2017.

55.12 Sec. 68. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

55.13 Subd. 12. **Gross rent.** (a) "Gross rent" means rental paid for the right of occupancy, at  
 55.14 arm's length, of a homestead, exclusive of charges for any medical services furnished by  
 55.15 the landlord as a part of the rental agreement, whether expressly set out in the rental  
 55.16 agreement or not.

55.17 (b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~  
 55.18 \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per  
 55.19 month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for  
 55.20 inflation the gross rent amounts stated in this paragraph. The adjustment must be made in  
 55.21 accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this  
 55.22 paragraph the percentage increase shall be determined from the year ending on June 30,  
 55.23 ~~2001~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The  
 55.24 commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in  
 55.25 \$5, the commissioner shall round it up to the next \$10 amount. The determination of the  
 55.26 commissioner under this paragraph is not a rule under the Administrative Procedure Act.

55.27 (c) If the landlord and tenant have not dealt with each other at arm's length and the  
 55.28 commissioner determines that the gross rent charged was excessive, the commissioner may  
 55.29 adjust the gross rent to a reasonable amount for purposes of this chapter.

55.30 (d) Any amount paid by a claimant residing in property assessed pursuant to section  
 55.31 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from  
 55.32 gross rent for purposes of this chapter. However, property taxes imputed to the homestead  
 55.33 of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead

56.1 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the  
 56.2 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that  
 56.3 ownership is not in the name of the claimant.

56.4 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after  
 56.5 December 31, 2017, and property taxes payable after December 31, 2018.

56.6 Sec. 69. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended  
 56.7 to read:

56.8 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue  
 56.9 Code of 1986, as amended through ~~December 16, 2016~~ March 31, 2018.

56.10 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes  
 56.11 payable after December 31, 2018, and rent paid after December 31, 2017.

56.12 Sec. 70. Minnesota Statutes 2016, section 290A.04, subdivision 2, is amended to read:

56.13 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes  
 56.14 payable are in excess of the percentage of the household income stated below shall pay an  
 56.15 amount equal to the percent of income shown for the appropriate household income level  
 56.16 along with the percent to be paid by the claimant of the remaining amount of property taxes  
 56.17 payable. The state refund equals the amount of property taxes payable that remain, up to  
 56.18 the state refund amount shown below.

56.19			Percent Paid by	Maximum
56.20	Household Income	Percent of Income	Claimant	State
56.21				Refund
56.22				2,580
56.23	\$0 to <del>1,619</del> <u>1,729</u>	1.0 percent	15 percent	\$ <u>2,760</u>
56.24	<del>1,620</del> <u>1,730</u> to <del>3,229</del>			2,580
56.25	<u>3,449</u>	1.1 percent	15 percent	\$ <u>2,760</u>
56.26	<del>3,230</del> <u>3,450</u> to <del>4,889</del>			2,580
56.27	<u>5,229</u>	1.2 percent	15 percent	\$ <u>2,760</u>
56.28	<del>4,890</del> <u>5,230</u> to <del>6,519</del>			2,580
56.29	<u>6,969</u>	1.3 percent	20 percent	\$ <u>2,760</u>
56.30	<del>6,520</del> <u>6,970</u> to <del>8,129</del>			2,580
56.31	<u>8,689</u>	1.4 percent	20 percent	\$ <u>2,760</u>
56.32	<del>8,130</del> <u>8,690</u> to <del>11,389</del>			2,580
56.33	<u>12,169</u>	1.5 percent	20 percent	\$ <u>2,760</u>
56.34	<del>11,390</del> <u>12,170</u> to <del>13,009</del>			2,580
56.35	<u>13,899</u>	1.6 percent	20 percent	\$ <u>2,760</u>
56.36	<del>13,010</del> <u>13,900</u> to <del>14,649</del>			2,580
56.37	<u>15,659</u>	1.7 percent	20 percent	\$ <u>2,760</u>



57.1	<del>14,650</del> <u>15,660</u> to <del>16,269</del>				2,580
57.2		<u>17,389</u>	1.8 percent	20 percent	\$ <u>2,760</u>
57.3	<del>16,270</del> <u>17,390</u> to <del>17,879</del>				2,580
57.4		<u>19,109</u>	1.9 percent	25 percent	\$ <u>2,760</u>
57.5	<del>17,880</del> <u>19,110</u> to <del>22,779</del>				2,580
57.6		<u>24,349</u>	2.0 percent	25 percent	\$ <u>2,760</u>
57.7	<del>22,780</del> <u>24,350</u> to <del>24,399</del>				2,580
57.8		<u>26,079</u>	2.0 percent	30 percent	\$ <u>2,760</u>
57.9	<del>24,400</del> <u>26,080</u> to <del>27,659</del>				2,580
57.10		<u>29,559</u>	2.0 percent	30 percent	\$ <u>2,760</u>
57.11	<del>27,660</del> <u>29,560</u> to <del>39,029</del>				2,580
57.12		<u>41,709</u>	2.0 percent	35 percent	\$ <u>2,760</u>
57.13	<del>39,030</del> <u>41,710</u> to <del>56,919</del>				2,090
57.14		<u>60,829</u>	2.0 percent	35 percent	\$ <u>2,230</u>
57.15	<del>56,920</del> <u>60,830</u> to <del>65,049</del>				1,830
57.16		<u>69,519</u>	2.0 percent	40 percent	\$ <u>1,960</u>
57.17	<del>65,050</del> <u>69,520</u> to <del>73,189</del>				1,510
57.18		<u>78,219</u>	2.1 percent	40 percent	\$ <u>1,610</u>
57.19	<del>73,190</del> <u>78,220</u> to <del>81,319</del>				1,350
57.20		<u>86,909</u>	2.2 percent	40 percent	\$ <u>1,440</u>
57.21	<del>81,320</del> <u>86,910</u> to <del>89,449</del>				1,180
57.22		<u>95,599</u>	2.3 percent	40 percent	\$ <u>1,260</u>
57.23	<del>89,450</del> <u>95,600</u> to <del>94,339</del>				1,000
57.24		<u>100,819</u>	2.4 percent	45 percent	\$ <u>1,070</u>
57.25	<del>94,340</del> <u>100,820</u> to				830
57.26		<del>97,609</del> <u>104,319</u>	2.5 percent	45 percent	\$ <u>890</u>
57.27	<del>97,610</del> <u>104,320</u> to				680
57.28		<del>101,559</del> <u>108,539</u>	2.5 percent	50 percent	\$ <u>730</u>
57.29	<del>101,560</del> <u>108,540</u> to				500
57.30		<del>105,499</del> <u>112,749</u>	2.5 percent	50 percent	\$ <u>530</u>

57.31 The payment made to a claimant shall be the amount of the state refund calculated under  
57.32 this subdivision. No payment is allowed if the claimant's household income is ~~\$105,500~~  
57.33 \$112,750 or more.

57.34 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes  
57.35 payable after December 31, 2017.

57.36 Sec. 71. Minnesota Statutes 2016, section 290A.04, subdivision 2a, is amended to read:

57.37 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the  
57.38 percentage of the household income stated below must pay an amount equal to the percent  
57.39 of income shown for the appropriate household income level along with the percent to be  
57.40 paid by the claimant of the remaining amount of rent constituting property taxes. The state

58.1 refund equals the amount of rent constituting property taxes that remain, up to the maximum  
 58.2 state refund amount shown below.

58.3				Maximum
58.4			Percent Paid by	State
58.5	Household Income	Percent of Income	Claimant	Refund
58.6				2,000
58.7	\$0 to <del>4,909</del> <u>5,249</u>	1.0 percent	5 percent	\$ <u>2,140</u>
58.8	<del>4,910</del> <u>5,250</u> to <del>6,529</del>			2,000
58.9	<u>6,979</u>	1.0 percent	10 percent	\$ <u>2,140</u>
58.10	<del>6,530</del> <u>6,980</u> to <del>8,159</del>			1,950
58.11	<u>8,719</u>	1.1 percent	10 percent	\$ <u>2,080</u>
58.12	<del>8,160</del> <u>8,720</u> to <del>11,439</del>			1,900
58.13	<u>12,229</u>	1.2 percent	10 percent	\$ <u>2,030</u>
58.14	<del>11,440</del> <u>12,230</u> to <del>14,709</del>			1,850
58.15	<u>15,719</u>	1.3 percent	15 percent	\$ <u>1,980</u>
58.16	<del>14,710</del> <u>15,720</u> to <del>16,339</del>			1,800
58.17	<u>17,459</u>	1.4 percent	15 percent	\$ <u>1,920</u>
58.18	<del>16,340</del> <u>17,460</u> to <del>17,959</del>			1,750
58.19	<u>19,189</u>	1.4 percent	20 percent	\$ <u>1,870</u>
58.20	<del>17,960</del> <u>19,190</u> to <del>21,239</del>			1,700
58.21	<u>22,699</u>	1.5 percent	20 percent	\$ <u>1,820</u>
58.22	<del>21,240</del> <u>22,700</u> to <del>22,869</del>			1,650
58.23	<u>24,439</u>	1.6 percent	20 percent	\$ <u>1,760</u>
58.24	<del>22,870</del> <u>24,440</u> to <del>24,499</del>			1,650
58.25	<u>26,179</u>	1.7 percent	25 percent	\$ <u>1,760</u>
58.26	<del>24,500</del> <u>26,180</u> to <del>27,779</del>			1,650
58.27	<u>29,689</u>	1.8 percent	25 percent	\$ <u>1,760</u>
58.28	<del>27,780</del> <u>29,690</u> to <del>29,399</del>			1,650
58.29	<u>31,419</u>	1.9 percent	30 percent	\$ <u>1,760</u>
58.30	<del>29,400</del> <u>31,420</u> to <del>34,299</del>			1,650
58.31	<u>36,659</u>	2.0 percent	30 percent	\$ <u>1,760</u>
58.32	<del>34,300</del> <u>36,660</u> to <del>39,199</del>			1,650
58.33	<u>41,889</u>	2.0 percent	35 percent	\$ <u>1,760</u>
58.34	<del>39,200</del> <u>41,890</u> to <del>45,739</del>			1,650
58.35	<u>48,879</u>	2.0 percent	40 percent	\$ <u>1,760</u>
58.36	<del>45,740</del> <u>48,880</u> to <del>47,369</del>			1,500
58.37	<u>50,629</u>	2.0 percent	45 percent	\$ <u>1,600</u>
58.38	<del>47,370</del> <u>50,630</u> to <del>49,009</del>			1,350
58.39	<u>52,379</u>	2.0 percent	45 percent	\$ <u>1,440</u>
58.40	<del>49,010</del> <u>52,380</u> to <del>50,649</del>			1,150
58.41	<u>54,129</u>	2.0 percent	45 percent	\$ <u>1,230</u>
58.42	<del>50,650</del> <u>54,130</u> to <del>52,269</del>			1,000
58.43	<u>55,859</u>	2.0 percent	50 percent	\$ <u>1,070</u>
58.44	<del>52,270</del> <u>55,860</u> to <del>53,909</del>			900
58.45	<u>57,619</u>	2.0 percent	50 percent	\$ <u>960</u>

59.1	<del>53,910</del> <u>57,620</u> to <del>55,539</del>				<u>500</u>
59.2		<u>59,359</u>	2.0 percent	50 percent	\$ <u>530</u>
59.3	<del>55,540</del> <u>59,360</u> to <del>57,169</del>				<u>200</u>
59.4		<u>61,099</u>	2.0 percent	50 percent	\$ <u>210</u>

59.5 The payment made to a claimant is the amount of the state refund calculated under this  
 59.6 subdivision. No payment is allowed if the claimant's household income is ~~\$57,170~~ \$61,100  
 59.7 or more.

59.8 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after  
 59.9 December 31, 2016.

59.10 Sec. 72. Minnesota Statutes 2016, section 290A.04, subdivision 4, is amended to read:

59.11 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar  
 59.12 year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds  
 59.13 and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner  
 59.14 shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue  
 59.15 Code, except that for purposes of this subdivision the percentage increase shall be determined  
 59.16 as provided in this subdivision.

59.17 (b) In adjusting the dollar amounts of the income thresholds and the maximum refunds  
 59.18 under subdivision 2 for inflation, the percentage increase shall be determined from the year  
 59.19 ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that in  
 59.20 which the refund is payable.

59.21 (c) In adjusting the dollar amounts of the income thresholds and the maximum refunds  
 59.22 under subdivision 2a for inflation, the percentage increase shall be determined from the  
 59.23 year ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that  
 59.24 in which the refund is payable.

59.25 (d) The commissioner shall use the appropriate percentage increase to annually adjust  
 59.26 the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation  
 59.27 without regard to whether or not the income tax brackets are adjusted for inflation in that  
 59.28 year. The commissioner shall round the thresholds and the maximum amounts, as adjusted  
 59.29 to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to  
 59.30 the next \$10 amount.

59.31 (e) The commissioner shall annually announce the adjusted refund schedule at the same  
 59.32 time provided under section 290.06. The determination of the commissioner under this  
 59.33 subdivision is not a rule under the Administrative Procedure Act.

60.1 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes paid  
60.2 after December 31, 2018, and rent paid after December 31, 2017.

60.3 Sec. 73. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended  
60.4 to read:

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

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

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

60.14 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,  
60.15 as amended through ~~December 16, 2016~~ March 31, 2018.

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

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

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

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

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

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

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

61.6 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
61.7 Code, owned by a nonresident decedent and that is normally kept or located in this state  
61.8 because it is on loan to an organization, qualifying as exempt from taxation under section  
61.9 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
61.10 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

61.14 For a nonresident decedent with an ownership interest in a pass-through entity with  
61.15 assets that include real or tangible personal property, situs of the real or tangible personal  
61.16 property, including qualified works of art, is determined as if the pass-through entity does  
61.17 not exist and the real or tangible personal property is personally owned by the decedent. If  
61.18 the pass-through entity is owned by a person or persons in addition to the decedent, ownership  
61.19 of the property is attributed to the decedent in proportion to the decedent's capital ownership  
61.20 share of the pass-through entity.

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

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

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

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

61.28 (iv) a trust to the extent the property is includible in the decedent's federal gross estate;  
61.29 but excludes

61.30 (v) an entity whose ownership interest securities are traded on an exchange regulated  
61.31 by the Securities and Exchange Commission as a national securities exchange under section  
61.32 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

62.1 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
62.2 dying after December 31, 2017.

62.3 Sec. 74. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

62.4 Subd. 25. **Sale of property used in a trade or business.** (a) The sale of tangible personal  
62.5 property primarily used in a trade or business is exempt if the sale is not made in the normal  
62.6 course of business of selling that kind of property and if one of the following conditions is  
62.7 satisfied:

62.8 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,  
62.9 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended  
62.10 through December 16, 2016;

62.11 (2) the sale is between members of a controlled group as defined in section 1563(a) of  
62.12 the Internal Revenue Code;

62.13 (3) the sale is a sale of farm machinery;

62.14 (4) the sale is a farm auction sale;

62.15 (5) the sale is a sale of substantially all of the assets of a trade or business; or

62.16 (6) the total amount of gross receipts from the sale of trade or business property made  
62.17 during the calendar month of the sale and the preceding 11 calendar months does not exceed  
62.18 \$1,000.

62.19 The use, storage, distribution, or consumption of tangible personal property acquired as  
62.20 a result of a sale exempt under this subdivision is also exempt.

62.21 (b) For purposes of this subdivision, the following terms have the meanings given.

62.22 (1) A "farm auction" is a public auction conducted by a licensed auctioneer if substantially  
62.23 all of the property sold consists of property used in the trade or business of farming and  
62.24 property not used primarily in a trade or business.

62.25 (2) "Trade or business" includes the assets of a separate division, branch, or identifiable  
62.26 segment of a trade or business if, before the sale, the income and expenses attributable to  
62.27 the separate division, branch, or identifiable segment could be separately ascertained from  
62.28 the books of account or record (the lease or rental of an identifiable segment does not qualify  
62.29 for the exemption).

62.30 (3) A "sale of substantially all of the assets of a trade or business" must occur as a single  
62.31 transaction or a series of related transactions within the 12-month period beginning on the

63.1 date of the first sale of assets intended to qualify for the exemption provided in paragraph  
63.2 (a), clause (5).

63.3 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
63.4 made after December 31, 2017.

63.5 Sec. 75. Minnesota Statutes 2016, section 297B.03, is amended to read:

63.6 **297B.03 EXEMPTIONS.**

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

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

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

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

63.20 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota  
63.21 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,  
63.22 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,  
63.23 as amended through December 16, 2016;

63.24 (5) purchase or use of any vehicle owned by a resident of another state and leased to a  
63.25 Minnesota-based private or for-hire carrier for regular use in the transportation of persons  
63.26 or property in interstate commerce provided the vehicle is titled in the state of the owner or  
63.27 secured party, and that state does not impose a sales tax or sales tax on motor vehicles used  
63.28 in interstate commerce;

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

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

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

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

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

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

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

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

64.19 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide  
64.20 transit service is exempt if the transit provider is either (i) receiving financial assistance or  
64.21 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,  
64.22 473.388, or 473.405;

64.23 (13) purchase or use of a motor vehicle by a qualified business, as defined in section  
64.24 469.310, located in a job opportunity building zone, if the motor vehicle is principally  
64.25 garaged in the job opportunity building zone and is primarily used as part of or in direct  
64.26 support of the person's operations carried on in the job opportunity building zone. The  
64.27 exemption under this clause applies to sales, if the purchase was made and delivery received  
64.28 during the duration of the job opportunity building zone. The exemption under this clause  
64.29 also applies to any local sales and use tax;

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

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



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

65.2 (15) purchase of a motor vehicle used exclusively as a mobile medical unit for the  
65.3 provision of medical or dental services by a federally qualified health center, as defined  
65.4 under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget  
65.5 Reconciliation Act of 1990.

65.6 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
65.7 made after December 31, 2017.

65.8 Sec. 76. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended  
65.9 to read:

65.10 Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an  
65.11 account holder is allowed a subtraction from ~~the federal taxable~~ adjusted gross income equal  
65.12 to interest or dividends earned on the first-time home buyer savings account during the  
65.13 taxable year.

65.14 (b) The subtraction under paragraph (a) is allowed each year for the taxable years  
65.15 including and following the taxable year in which the account was established. No person  
65.16 other than the account holder is allowed a subtraction under this section.

65.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
65.18 31, 2017.

65.19 Sec. 77. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended  
65.20 to read:

65.21 Subd. 2. **Addition.** (a) As provided in section 290.0131, subdivision 14, an account  
65.22 holder must add to federal ~~taxable~~ adjusted gross income the following amounts:

65.23 (1) the amount in excess of the total contributions for all taxable years that is withdrawn  
65.24 and used for other than eligible costs, or for a transfer permitted under section 462D.04,  
65.25 subdivision 2; and

65.26 (2) the amount remaining in the first-time home buyer savings account at the close of  
65.27 the tenth taxable year that exceeds the total contributions to the account for all taxable years.

65.28 (b) For an account that received a transfer under section 462D.04, subdivision 2, the  
65.29 ten-year period under paragraph (a), clause (2), ends at the close of the earliest taxable year  
65.30 that applies to either account under that clause.

66.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 66.2 31, 2017.

66.3 Sec. 78. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

66.4 Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business  
 66.5 in a job opportunity building zone, and an individual, estate, or trust making a qualifying  
 66.6 investment in a qualified business operating in a job opportunity building zone qualifies for  
 66.7 the exemptions from taxes imposed under chapter 290, as provided in this section. The  
 66.8 exemptions provided under this section apply only to the extent that the income otherwise  
 66.9 would be taxable under chapter 290. Subtractions under this section from federal adjusted  
 66.10 gross income, federal taxable income, alternative minimum taxable income, or any other  
 66.11 base subject to tax are limited to the amount that otherwise would be included in the tax  
 66.12 base absent the exemption under this section. This section applies only to taxable years  
 66.13 beginning during the duration of the job opportunity building zone.

66.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 66.15 31, 2017.

66.16 Sec. 79. Minnesota Statutes 2016, section 469.317, is amended to read:

66.17 **469.317 CORPORATE FRANCHISE TAX EXEMPTION.**

66.18 (a) A qualified business is exempt from taxation under section 290.02, ~~the alternative~~  
 66.19 ~~minimum tax under section 290.0921~~, and the minimum fee under section 290.0922, on the  
 66.20 portion of its income attributable to operations within the zone. ~~This exemption is determined~~  
 66.21 ~~as follows:~~

66.22 ~~(1) (b)~~ For purposes of the tax imposed under section 290.02, the exemption is determined  
 66.23 by multiplying its taxable net income by its zone percentage and by its relocation payroll  
 66.24 percentage and subtracting the result in determining taxable income;

66.25 ~~(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying~~  
 66.26 ~~its alternative minimum taxable income by its zone percentage and by its relocation payroll~~  
 66.27 ~~percentage and reducing alternative minimum taxable income by this amount; and~~

66.28 ~~(3) (c)~~ For purposes of the minimum fee under section 290.0922, the exemption is  
 66.29 determined by excluding property and payroll in the zone from the computations of the fee  
 66.30 or by exempting the entity under section 290.0922, subdivision 2, clause (7).

66.31 ~~(b) (d)~~ No subtraction is allowed under this section in excess of 20 percent of the sum  
 66.32 of the corporation's job opportunity building zone payroll and the adjusted basis of the

67.1 property at the time that the property is first used in the job opportunity building zone by  
67.2 the corporation.

67.3 ~~(e)~~ (e) This section applies only to taxable years beginning during the duration of the  
67.4 job opportunity building zone.

67.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
67.6 31, 2017.

67.7 Sec. 80. **ESTIMATED TAXES; EXCEPTIONS.**

67.8 No addition to tax, penalties, or interest may be made under Minnesota Statutes, section  
67.9 289A.25 or 289A.26, for any period before November 15, 2018, with respect to an  
67.10 underpayment of estimated tax, to the extent that the underpayment was created or increased  
67.11 by the inclusion of deferred foreign income in federal taxable income under section 965 of  
67.12 the Internal Revenue Code under this article.

67.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
67.14 31, 2016.

67.15 Sec. 81. **REPEALER.**

67.16 Minnesota Statutes 2016, sections 290.0131, subdivisions 7 and 11; 290.0133,  
67.17 subdivisions 13 and 14; 290.067, subdivision 2a; 290.0921, subdivisions 1, 2, 3, 3a, 4, and  
67.18 6; and 290.10, subdivision 2, are repealed.

67.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
67.20 31, 2017.

### 67.21 **ARTICLE 3**

#### 67.22 **INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES**

67.23 Section 1. Minnesota Statutes 2016, section 116J.8737, subdivision 5, is amended to read:

67.24 Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a  
67.25 credit equal to 25 percent of the qualified investment in a qualified small business.  
67.26 Investments made by a pass-through entity qualify for a credit only if the entity is a qualified  
67.27 fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$5,000,000 in credits to  
67.28 qualified investors or qualified funds for taxable years beginning after December 31, ~~2013~~  
67.29 2017, and before January 1, ~~2017~~, ~~and must not allocate more than \$10,000,000 in credits~~  
67.30 ~~to qualified investors or qualified funds for taxable years beginning after December 31,~~  
67.31 ~~2016, and before January 1, 2018~~ 2019; and

68.1 (2) ~~for taxable years beginning after December 31, 2014, and before January 1, 2018,~~  
68.2 50 percent must be allocated to credits for qualifying investments in qualified greater  
68.3 Minnesota businesses and minority- or women-owned qualified small businesses in  
68.4 Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments  
68.5 in greater Minnesota businesses and minority- or women-owned qualified small businesses  
68.6 in Minnesota that is not allocated by September 30 of the taxable year is available for  
68.7 allocation to other credit applications beginning on October 1. Any portion of a taxable  
68.8 year's credits that is not allocated by the commissioner does not cancel and may be carried  
68.9 forward to subsequent taxable years until all credits have been allocated.

68.10 (b) The commissioner may not allocate more than a total maximum amount in credits  
68.11 for a taxable year to a qualified investor for the investor's cumulative qualified investments  
68.12 as an individual qualified investor and as an investor in a qualified fund; for married couples  
68.13 filing joint returns the maximum is \$250,000, and for all other filers the maximum is  
68.14 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits  
68.15 over all taxable years for qualified investments in any one qualified small business.

68.16 (c) The commissioner may not allocate a credit to a qualified investor either as an  
68.17 individual qualified investor or as an investor in a qualified fund if, at the time the investment  
68.18 is proposed:

68.19 (1) the investor is an officer or principal of the qualified small business; or

68.20 (2) the investor, either individually or in combination with one or more members of the  
68.21 investor's family, owns, controls, or holds the power to vote 20 percent or more of the  
68.22 outstanding securities of the qualified small business.

68.23 A member of the family of an individual disqualified by this paragraph is not eligible for a  
68.24 credit under this section. For a married couple filing a joint return, the limitations in this  
68.25 paragraph apply collectively to the investor and spouse. For purposes of determining the  
68.26 ownership interest of an investor under this paragraph, the rules under section 267(c) and  
68.27 267(e) of the Internal Revenue Code apply.

68.28 (d) Applications for tax credits ~~for 2010~~ must be made available on the department's  
68.29 Web site by ~~September 1, 2010, and the department must begin accepting applications by~~  
68.30 ~~September 1, 2010. Applications for subsequent years must be made available by~~ November  
68.31 1 of the preceding year.

68.32 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.  
68.33 Tax credits must be allocated to qualified investors or qualified funds in the order that the  
68.34 tax credit request applications are filed with the department. The commissioner must approve

69.1 or reject tax credit request applications within 15 days of receiving the application. The  
69.2 investment specified in the application must be made within 60 days of the allocation of  
69.3 the credits. If the investment is not made within 60 days, the credit allocation is canceled  
69.4 and available for reallocation. A qualified investor or qualified fund that fails to invest as  
69.5 specified in the application, within 60 days of allocation of the credits, must notify the  
69.6 commissioner of the failure to invest within five business days of the expiration of the  
69.7 60-day investment period.

69.8 (f) All tax credit request applications filed with the department on the same day must  
69.9 be treated as having been filed contemporaneously. If two or more qualified investors or  
69.10 qualified funds file tax credit request applications on the same day, and the aggregate amount  
69.11 of credit allocation claims exceeds the aggregate limit of credits under this section or the  
69.12 lesser amount of credits that remain unallocated on that day, then the credits must be allocated  
69.13 among the qualified investors or qualified funds who filed on that day on a pro rata basis  
69.14 with respect to the amounts claimed. The pro rata allocation for any one qualified investor  
69.15 or qualified fund is the product obtained by multiplying a fraction, the numerator of which  
69.16 is the amount of the credit allocation claim filed on behalf of a qualified investor and the  
69.17 denominator of which is the total of all credit allocation claims filed on behalf of all  
69.18 applicants on that day, by the amount of credits that remain unallocated on that day for the  
69.19 taxable year.

69.20 (g) A qualified investor or qualified fund, or a qualified small business acting on their  
69.21 behalf, must notify the commissioner when an investment for which credits were allocated  
69.22 has been made, and the taxable year in which the investment was made. A qualified fund  
69.23 must also provide the commissioner with a statement indicating the amount invested by  
69.24 each investor in the qualified fund based on each investor's share of the assets of the qualified  
69.25 fund at the time of the qualified investment. After receiving notification that the investment  
69.26 was made, the commissioner must issue credit certificates for the taxable year in which the  
69.27 investment was made to the qualified investor or, for an investment made by a qualified  
69.28 fund, to each qualified investor who is an investor in the fund. The certificate must state  
69.29 that the credit is subject to revocation if the qualified investor or qualified fund does not  
69.30 hold the investment in the qualified small business for at least three years, consisting of the  
69.31 calendar year in which the investment was made and the two following years. The three-year  
69.32 holding period does not apply if:

69.33 (1) the investment by the qualified investor or qualified fund becomes worthless before  
69.34 the end of the three-year period;

70.1 (2) 80 percent or more of the assets of the qualified small business is sold before the end  
70.2 of the three-year period;

70.3 (3) the qualified small business is sold before the end of the three-year period;

70.4 (4) the qualified small business's common stock begins trading on a public exchange  
70.5 before the end of the three-year period; or

70.6 (5) the qualified investor dies before the end of the three-year period.

70.7 (h) The commissioner must notify the commissioner of revenue of credit certificates  
70.8 issued under this section.

70.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
70.10 31, 2017.

70.11 Sec. 2. Minnesota Statutes 2016, section 116J.8737, subdivision 12, is amended to read:

70.12 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,  
70.13 ~~2017~~ 2018, except that reporting requirements under subdivision 6 and revocation of credits  
70.14 under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified  
70.15 funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under  
70.16 subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11  
70.17 remains in effect through ~~2021~~ 2022.

70.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
70.19 31, 2017.

70.20 Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 4a, is amended  
70.21 to read:

70.22 Subd. 4a. **Financial institution.** (a) "Financial institution" means:

70.23 (1) any corporation or other business entity registered (i) under state law as a bank  
70.24 holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended;  
70.25 or (iii) as a savings and loan holding company under the federal National Housing Act, as  
70.26 amended;

70.27 (2) a national bank organized and existing as a national bank association pursuant to the  
70.28 provisions of United States Code, title 12, chapter 2;

70.29 (3) a savings association or federal savings bank as defined in United States Code, title  
70.30 12, section 1813(b)(1);

- 71.1 (4) any bank or thrift institution incorporated or organized under the laws of any state;
- 71.2 (5) any corporation organized under United States Code, title 12, sections 611 to 631;
- 71.3 (6) any agency or branch of a foreign depository as defined under United States Code,  
71.4 title 12, section 3101;
- 71.5 (7) any corporation or other business entity that is more than 50 percent owned, directly  
71.6 or indirectly, by any person or business entity described in clauses (1) to (6), other than an  
71.7 insurance company taxable under chapter 297I;
- 71.8 (8) a corporation or other business entity that derives more than 50 percent of its total  
71.9 gross income for financial accounting purposes from finance leases. For the purposes of  
71.10 this clause, "gross income" means the average from the current tax year and immediately  
71.11 preceding two years and excludes gross income from incidental or occasional transactions.  
71.12 For purposes of this clause, "finance lease" means any lease transaction that is the functional  
71.13 equivalent of an extension of credit and that transfers substantially all the benefits and risks  
71.14 incident to the ownership of property, including any direct financing lease or leverage lease  
71.15 that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting  
71.16 for leases, or any other lease that is accounted for as financing by a lessor under generally  
71.17 accepted accounting principles; or
- 71.18 (9) any other person or business entity, other than an insurance company ~~taxable under~~  
71.19 ~~chapter 297I~~, that derives more than 50 percent of its gross income from activities that an  
71.20 entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this  
71.21 clause, gross income does not include income from nonrecurring, extraordinary items.
- 71.22 (b) The commissioner is authorized to exclude any person from the application of  
71.23 paragraph (a), clause (9), if the person proves by clear and convincing evidence that the  
71.24 person's income-producing activity is not in substantial competition with any person described  
71.25 in paragraph (a), clauses (2) to (6) or (8).
- 71.26 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
71.27 after December 31, 2016.
- 71.28 Sec. 4. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
71.29 read:
- 71.30 **Subd. 5c. Disqualified captive insurance company.** (a) "Captive insurance company"  
71.31 means a company that:

72.1 (1) is licensed as a captive insurance company under the laws of any state or foreign  
 72.2 country; or

72.3 (2) derives less than 50 percent of its total premiums for the taxable year from sources  
 72.4 outside of the unitary business, as that term is used in section 290.17.

72.5 (b) A captive insurance company is a "disqualified captive insurance company" if the  
 72.6 company:

72.7 (1) pays less than 0.5 percent of its total premiums for the taxable year in tax under  
 72.8 chapter 297I or a comparable tax of another state; or

72.9 (2) receives less than 50 percent of its gross receipts for the taxable year from premiums.

72.10 (c) For purposes of this subdivision, "premiums" means amounts paid for arrangements  
 72.11 that constitute insurance for federal income tax purposes, but excludes return premiums,  
 72.12 premiums for reinsurance assumed from other insurance companies, and any other premiums  
 72.13 that are or would be exempt from taxation under section 297I.05 as a result of their type or  
 72.14 character, if the insurance was for business in Minnesota.

72.15 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 72.16 after December 31, 2016.

72.17 Sec. 5. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
 72.18 to read:

72.19 **Subd. 31. Disallowed section 280E expenses; medical cannabis manufacturers.** The  
 72.20 amount of expenses of a medical cannabis manufacturer, as defined under section 152.22,  
 72.21 subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37,  
 72.22 and not allowed for federal income tax purposes under section 280E of the Internal Revenue  
 72.23 Code is a subtraction.

72.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 72.25 31, 2017.

72.26 Sec. 6. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision  
 72.27 to read:

72.28 **Subd. 18. Disallowed section 280E expenses; medical cannabis manufacturers.** The  
 72.29 amount of expenses of a medical cannabis manufacturer, as defined under section 152.22,  
 72.30 subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37,



73.1 and not allowed for federal income tax purposes under section 280E of the Internal Revenue  
 73.2 Code is a subtraction.

73.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 73.4 31, 2017.

73.5 Sec. 7. Minnesota Statutes 2017 Supplement, section 290.05, subdivision 1, is amended  
 73.6 to read:

73.7 Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts,  
 73.8 and organizations shall be exempted from taxation under this chapter, provided that every  
 73.9 such person or corporation claiming exemption under this chapter, in whole or in part, must  
 73.10 establish to the satisfaction of the commissioner the taxable status of any income or activity:

73.11 (a) corporations, individuals, estates, and trusts engaged in the business of mining or  
 73.12 producing iron ore and mining, producing, or refining other ores, metals, and minerals, the  
 73.13 mining, production, or refining of which is subject to the occupation tax imposed by section  
 73.14 298.01; but if any such corporation, individual, estate, or trust engages in any other business  
 73.15 or activity or has income from any property not used in such business it shall be subject to  
 73.16 this tax computed on the net income from such property or such other business or activity.  
 73.17 Royalty shall not be considered as income from the business of mining or producing iron  
 73.18 ore within the meaning of this section;

73.19 (b) the United States of America, the state of Minnesota or any political subdivision of  
 73.20 either agencies or instrumentalities, whether engaged in the discharge of governmental or  
 73.21 proprietary functions; and

73.22 (c) any insurance company, ~~as defined in section 290.17, subdivision 4, paragraph (j),~~  
 73.23 ~~but including any insurance company licensed and domiciled in another state that grants,~~  
 73.24 ~~on a reciprocal basis, exemption from retaliatory taxes~~ other than a disqualified captive  
 73.25 insurance company.

73.26 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 73.27 after December 31, 2016.

73.28 Sec. 8. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

73.29 Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the  
 73.30 tax imposed by this chapter equal to \$2,000 for each ~~birth for which a certificate of birth~~  
 73.31 ~~resulting in stillbirth has been issued under section 144.2151~~ stillbirth. The credit under this  
 73.32 section is allowed only in the taxable year in which the stillbirth occurred ~~and if the child~~

74.1 ~~would have been a dependent of the taxpayer as defined in section 152 of the Internal~~  
74.2 ~~Revenue Code.~~

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

74.5 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
74.6 after December 31, 2015.

74.7 Sec. 9. Minnesota Statutes 2016, section 290.0685, is amended by adding a subdivision  
74.8 to read:

74.9 Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the  
74.10 meanings given, unless the context clearly indicates otherwise.

74.11 (b) "Certificate of birth resulting in stillbirth" means the printed certificate of birth  
74.12 resulting in stillbirth issued under section 144.2151 or for a stillbirth occurring in another  
74.13 state or country a similar certificate issued under that state's or country's law that documents  
74.14 that the still birth occurred.

74.15 (c) "Eligible individual" means an individual who is:

74.16 (1)(i) a resident; or

74.17 (ii) the nonresident spouse of a resident who is a member of armed forces of the United  
74.18 States or the United Nations; and

74.19 (2)(i) the individual who gave birth resulting in stillbirth and is listed as a parent on the  
74.20 certificate of birth resulting in stillbirth; or

74.21 (ii) the individual who gave birth resulting in stillbirth for a birth outside of this state  
74.22 for which no certificate of birth resulting in stillbirth was issued.

74.23 (d) "Stillbirth" means a birth for which a fetal death report would be required under  
74.24 section 144.222, subdivision 1, if the birth occurred in this state.

74.25 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
74.26 after December 31, 2015.

74.27 Sec. 10. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 4, is amended  
74.28 to read:

74.29 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within  
74.30 this state or partly within and partly without this state is part of a unitary business, the entire

75.1 income of the unitary business is subject to apportionment pursuant to section 290.191.  
75.2 Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is  
75.3 considered to be derived from any particular source and none may be allocated to a particular  
75.4 place except as provided by the applicable apportionment formula. The provisions of this  
75.5 subdivision do not apply to business income subject to subdivision 5, income of an insurance  
75.6 company, or income of an investment company determined under section 290.36.

75.7 (b) The term "unitary business" means business activities or operations which result in  
75.8 a flow of value between them. The term may be applied within a single legal entity or  
75.9 between multiple entities and without regard to whether each entity is a sole proprietorship,  
75.10 a corporation, a partnership or a trust.

75.11 (c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced  
75.12 by centralized management or executive force, centralized purchasing, advertising,  
75.13 accounting, or other controlled interaction, but the absence of these centralized activities  
75.14 will not necessarily evidence a nonunitary business. Unity is also presumed when business  
75.15 activities or operations are of mutual benefit, dependent upon or contributory to one another,  
75.16 either individually or as a group.

75.17 (d) Where a business operation conducted in Minnesota is owned by a business entity  
75.18 that carries on business activity outside the state different in kind from that conducted within  
75.19 this state, and the other business is conducted entirely outside the state, it is presumed that  
75.20 the two business operations are unitary in nature, interrelated, connected, and interdependent  
75.21 unless it can be shown to the contrary.

75.22 (e) Unity of ownership does not exist when two or more corporations are involved unless  
75.23 more than 50 percent of the voting stock of each corporation is directly or indirectly owned  
75.24 by a common owner or by common owners, either corporate or noncorporate, or by one or  
75.25 more of the member corporations of the group. For this purpose, the term "voting stock"  
75.26 shall include membership interests of mutual insurance holding companies formed under  
75.27 section 66A.40.

75.28 (f) The net income and apportionment factors under section 290.191 or 290.20 of foreign  
75.29 corporations and other foreign entities, but excluding a disqualified captive insurance  
75.30 company, which are part of a unitary business shall not be included in the net income or  
75.31 the apportionment factors of the unitary business; except that the income and apportionment  
75.32 factors of a foreign entity, other than an entity treated as a C corporation for federal income  
75.33 tax purposes, that are included in the federal taxable income, as defined in section 63 of the  
75.34 Internal Revenue Code as amended through the date named in section 290.01, subdivision

76.1 19, of a domestic corporation, domestic entity, or individual must be included in determining  
76.2 net income and the factors to be used in the apportionment of net income pursuant to section  
76.3 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on  
76.4 a combined report and which is required to file a return under this chapter shall file on a  
76.5 separate return basis.

76.6 (g) For purposes of determining the net income of a unitary business and the factors to  
76.7 be used in the apportionment of net income pursuant to section 290.191 or 290.20, there  
76.8 must be included only the income and apportionment factors of domestic corporations or  
76.9 other domestic entities that are determined to be part of the unitary business pursuant to this  
76.10 subdivision, notwithstanding that foreign corporations or other foreign entities might be  
76.11 included in the unitary business; except that the income and apportionment factors of a  
76.12 foreign entity, other than an entity treated as a C corporation for federal income tax purposes,  
76.13 that is included in the federal taxable income, as defined in section 63 of the Internal Revenue  
76.14 Code as amended through the date named in section 290.01, subdivision 19, of a domestic  
76.15 corporation, domestic entity, or individual must be included in determining net income and  
76.16 the factors to be used in the apportionment of net income pursuant to section 290.191 or  
76.17 290.20.

76.18 (h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary  
76.19 business must file combined reports as the commissioner determines. On the reports, all  
76.20 intercompany transactions between entities included pursuant to paragraph (g) must be  
76.21 eliminated and the entire net income of the unitary business determined in accordance with  
76.22 this subdivision is apportioned among the entities by using each entity's Minnesota factors  
76.23 for apportionment purposes in the numerators of the apportionment formula and the total  
76.24 factors for apportionment purposes of all entities included pursuant to paragraph (g) in the  
76.25 denominators of the apportionment formula. Except as otherwise provided by paragraph  
76.26 (f), all sales of the unitary business made within this state pursuant to section 290.191 or  
76.27 290.20 must be included on the combined report of a corporation or other entity that is a  
76.28 member of the unitary business and is subject to the jurisdiction of this state to impose tax  
76.29 under this chapter.

76.30 (i) If a corporation has been divested from a unitary business and is included in a  
76.31 combined report for a fractional part of the common accounting period of the combined  
76.32 report:

76.33 (1) its income includable in the combined report is its income incurred for that part of  
76.34 the year determined by proration or separate accounting; and

77.1 (2) its sales, property, and payroll included in the apportionment formula must be prorated  
77.2 or accounted for separately.

77.3 (j) For purposes of this subdivision, "insurance company" means an insurance company,  
77.4 as defined in section 290.01, subdivision 5b, that is:

77.5 ~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter~~  
77.6 ~~60A; or~~

77.7 ~~(2) domiciled and licensed to engage in the business of insurance in another state or~~  
77.8 ~~country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that~~  
77.9 ~~does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance~~  
77.10 ~~companies or their agents domiciled in Minnesota.~~

77.11 ~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance~~  
77.12 ~~companies organized in another state or country that result from the fact that an insurance~~  
77.13 ~~company organized in the taxing jurisdiction and doing business in the other jurisdiction is~~  
77.14 ~~subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that~~  
77.15 ~~imposed by the taxing jurisdiction upon an insurance company organized in the other state~~  
77.16 ~~or country and doing business to the same extent in the taxing jurisdiction not a disqualified~~  
77.17 ~~captive insurance company.~~

77.18 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
77.19 after December 31, 2016.

77.20 Sec. 11. Minnesota Statutes 2016, section 291.03, subdivision 8, is amended to read:

77.21 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the  
77.22 meanings given in this subdivision.

77.23 (b) "Family member" means a family member as defined in section 2032A(e)(2) of the  
77.24 Internal Revenue Code, or a trust whose present beneficiaries are all family members as  
77.25 defined in section 2032A(e)(2) of the Internal Revenue Code.

77.26 (c) "Qualified heir" means a family member who acquired qualified property upon the  
77.27 death of the decedent and satisfies the requirement under subdivision 9, clause ~~(7)~~ (8), or  
77.28 subdivision 10, clause (5), for the property.

77.29 (d) "Qualified property" means qualified small business property under subdivision 9  
77.30 and qualified farm property under subdivision 10.

77.31 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
77.32 dying after June 30, 2011.

78.1 Sec. 12. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 9, is amended  
78.2 to read:

78.3 Subd. 9. **Qualified small business property.** Property satisfying all of the following  
78.4 requirements is qualified small business property:

78.5 (1) The value of the property was included in the federal adjusted taxable estate.

78.6 (2) The property consists of the assets of a trade or business or shares of stock or other  
78.7 ownership interests in a corporation or other entity engaged in a trade or business. Shares  
78.8 of stock in a corporation or an ownership interest in another type of entity do not qualify  
78.9 under this subdivision if the shares or ownership interests are traded on a public stock  
78.10 exchange at any time during the three-year period ending on the decedent's date of death.  
78.11 For purposes of this subdivision, an ownership interest includes the interest the decedent is  
78.12 deemed to own under ~~sections~~ section 2036, 2037, and 2038, 2040, or 2044 of the Internal  
78.13 Revenue Code.

78.14 (3) During the taxable year that ended before the decedent's death, the trade or business  
78.15 must not have been a passive activity within the meaning of section 469(c) of the Internal  
78.16 Revenue Code, and the decedent or the decedent's spouse must have materially participated  
78.17 in the trade or business within the meaning of section 469(h) of the Internal Revenue Code,  
78.18 excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided  
78.19 by United States Treasury Department regulation that substitutes material participation in  
78.20 prior taxable years for material participation in the taxable year that ended before the  
78.21 decedent's death.

78.22 (4) The gross annual sales of the trade or business were \$10,000,000 or less for the last  
78.23 taxable year that ended before the date of the death of the decedent.

78.24 (5) The property does not include:

78.25 (i) cash;

78.26 (ii) cash equivalents;

78.27 (iii) publicly traded securities; or

78.28 (iv) any assets not used in the operation of the trade or business.

78.29 (6) For property consisting of shares of stock or other ownership interests in an entity,  
78.30 the value of items described in clause (5) must be excluded in the valuation of the decedent's  
78.31 interest in the entity.

79.1 (7) The decedent or the decedent's spouse continuously owned the property, or an  
 79.2 undivided or joint interest in the property, including property the decedent or the decedent's  
 79.3 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of  
 79.4 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the  
 79.5 date of death of the decedent. In the case of a sole proprietor, if the property replaced similar  
 79.6 property within the three-year period, the replacement property will be treated as having  
 79.7 been owned for the three-year period ending on the date of death of the decedent. For the  
 79.8 purposes of the three-year holding period under this clause, any ownership by the decedent's  
 79.9 spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

79.10 (8) For three years following the date of death of the decedent, the trade or business is  
 79.11 not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,  
 79.12 and a family member materially participates in the operation of the trade or business within  
 79.13 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)  
 79.14 of the Internal Revenue Code and any other provision provided by United States Treasury  
 79.15 Department regulation that substitutes material participation in prior taxable years for  
 79.16 material participation in the three years following the date of death of the decedent.

79.17 (9) The estate and the qualified heir elect to treat the property as qualified small business  
 79.18 property and agree, in the form prescribed by the commissioner, to pay the recapture tax  
 79.19 under subdivision 11, if applicable.

79.20 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 79.21 dying after December 31, 2017.

79.22 Sec. 13. Minnesota Statutes 2016, section 291.03, subdivision 10, is amended to read:

79.23 Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements  
 79.24 is qualified farm property:

79.25 (1) The value of the property was included in the federal adjusted taxable estate.

79.26 (2) The property consists of agricultural land and is owned by a person or entity that is  
 79.27 either not subject to or is in compliance with section 500.24.

79.28 (3) For property taxes payable in the taxable year of the decedent's death, the property  
 79.29 is classified as class 2a property under section 273.13, subdivision 23, and is classified as  
 79.30 agricultural homestead, agricultural relative homestead, or special agricultural homestead  
 79.31 under section 273.124.

79.32 (4) The decedent or the decedent's spouse continuously owned the property, or an  
 79.33 undivided or joint interest in the property, including property the decedent or the decedent's

80.1 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of  
 80.2 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the  
 80.3 date of death of the decedent either by ownership of the agricultural land or pursuant to  
 80.4 holding an interest in an entity that is not subject to or is in compliance with section 500.24.  
 80.5 For the purposes of the three-year holding period under this clause, any ownership by the  
 80.6 decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed  
 80.7 to the decedent.

80.8 (5) The property is classified for property tax purposes as class 2a property under section  
 80.9 273.13, subdivision 23, for three years following the date of death of the decedent.

80.10 (6) The estate and the qualified heir elect to treat the property as qualified farm property  
 80.11 and agree, in a form prescribed by the commissioner, to pay the recapture tax under  
 80.12 subdivision 11, if applicable.

80.13 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 80.14 dying after December 31, 2017.

80.15 Sec. 14. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended  
 80.16 to read:

80.17 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before  
 80.18 the death of the qualified heir, the qualified heir disposes of any interest in the qualified  
 80.19 property, other than by a disposition to a family member, or a family member ceases to  
 80.20 satisfy the requirement under subdivision 9, clause ~~(7)~~ (8); or 10, clause (5), an additional  
 80.21 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir  
 80.22 replaces qualified small business property excluded under subdivision 9 with similar property,  
 80.23 then the qualified heir will not be treated as having disposed of an interest in the qualified  
 80.24 property.

80.25 (b) The amount of the additional tax equals the amount of the ~~exclusion~~ subtraction  
 80.26 claimed by the estate under section 291.016, subdivision 3, for qualified property as defined  
 80.27 in subdivision 8, paragraph (d), multiplied by 16 percent.

80.28 (c) The additional tax under this subdivision is due on the day which is six months after  
 80.29 the date of the disposition or cessation in paragraph (a).

80.30 (d) The tax under this subdivision does not apply to the acquisition of title or possession  
 80.31 of the qualified property by a federal, state, or local government unit, or any other entity  
 80.32 with the power of eminent domain for a public purpose, as defined in section 117.025,  
 80.33 subdivision 11, within the three-year holding period.



81.1 (e) This subdivision shall not apply as a result of any of the following:

81.2 (1) a portion of qualified farm property consisting of less than one-fifth of the acreage  
81.3 of the property is reclassified as class 2b property under section 273.13, subdivision 23, and  
81.4 the qualified heir has not substantially altered the reclassified property during the three-year  
81.5 holding period; or

81.6 (2) a portion of qualified farm property classified as 2a property at the death of the  
81.7 decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence,  
81.8 garage, and immediately surrounding one acre of land is reclassified as 4bb property during  
81.9 the three-year holding period, and the qualified heir has not substantially altered the property.

81.10 (f) This paragraph applies only to estates of decedents dying after June 30, 2011, and  
81.11 before January 1, 2017, for which no tax liability was reported on the final estate tax return.  
81.12 For purposes of estates qualifying under this paragraph, the amount of the subtraction  
81.13 claimed by the estate for purposes of calculating the tax under paragraph (b) is deemed to  
81.14 be the minimum amount of the subtraction necessary to reduce the amount of estate tax to  
81.15 zero, without regard to the amount actually claimed on the final estate tax return. The  
81.16 provisions of this paragraph expire effective January 1, 2020.

81.17 **EFFECTIVE DATE.** The provisions of this section adding paragraph (f) are effective  
81.18 retroactively for estates of decedents dying after June 30, 2011, and before January 1, 2017,  
81.19 and claims for refund of recapture tax may be made under a process established by the  
81.20 commissioner for estates entitled to refunds under the section. The authority to file claims  
81.21 for refunds under these provisions expires on January 1, 2020.

81.22 **Sec. 15. APPLICATION OF ANGEL TAX CREDIT FOR TAXABLE YEAR 2018.**

81.23 Applications for (1) certification as a qualified small business, qualified investor, or  
81.24 qualified fund under Minnesota Statutes, section 116J.8737, subdivisions 2, 3, and 4, and  
81.25 (2) the credit under Minnesota Statutes, section 116J.8737, subdivision 5, for taxable year  
81.26 2018 must be made available on the Department of Employment and Economic  
81.27 Development's Web site within 30 days of the day following final enactment of this act.  
81.28 The provisions of Minnesota Statutes, section 116J.8737, generally apply to the taxable  
81.29 year 2018 extension of the credit in sections 1 and 2.

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

82.1

**ARTICLE 4**

82.2

**SALES AND USE TAXES**

82.3 Section 1. Minnesota Statutes 2016, section 297A.70, subdivision 7, is amended to read:

82.4 Subd. 7. **Hospitals, outpatient surgical centers, and critical access dental providers.**

82.5 (a) Sales, except for those listed in paragraph ~~(d)~~ (e), to a hospital are exempt, if the items  
82.6 purchased are used in providing hospital services. For purposes of this subdivision, "hospital"  
82.7 means a hospital organized and operated for charitable purposes within the meaning of  
82.8 section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any  
82.9 other jurisdiction, and "hospital services" are services authorized or required to be performed  
82.10 by a "hospital" under chapter 144.

82.11 (b) Sales, except for those listed in paragraph ~~(d)~~ (e), to an outpatient surgical center are  
82.12 exempt, if the items purchased are used in providing outpatient surgical services. For purposes  
82.13 of this subdivision, "outpatient surgical center" means an outpatient surgical center organized  
82.14 and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal  
82.15 Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes  
82.16 of this subdivision, "outpatient surgical services" means: (1) services authorized or required  
82.17 to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For  
82.18 purposes of this subdivision, "urgent care" means health services furnished to a person  
82.19 whose medical condition is sufficiently acute to require treatment unavailable through, or  
82.20 inappropriate to be provided by, a clinic or physician's office, but not so acute as to require  
82.21 treatment in a hospital emergency room.

82.22 (c) Sales, except for those listed in paragraph ~~(d)~~ (e), to a critical access dental provider  
82.23 are exempt, if the items purchased are used in providing critical access dental care services.  
82.24 For the purposes of this subdivision, "critical access dental provider" means a dentist or  
82.25 dental clinic that qualifies under section 256B.76, subdivision 4, paragraph (b), and, in the  
82.26 previous calendar year, had no more than 15 percent of its patients covered by private dental  
82.27 insurance.

82.28 (d) Sales, except for those listed in paragraph (e), to a qualifying medical facility are  
82.29 exempt, if the items are purchased or used in providing medical services. For purposes of  
82.30 this subdivision, "qualifying medical facility" means a medical facility as defined in section  
82.31 469.1812, subdivision 2a, that has been granted an abatement of the state general tax under  
82.32 section 469.1817.

82.33 ~~(d)~~ (e) This exemption does not apply to the following products and services:

83.1 (1) purchases made by a clinic, physician's office, or any other medical facility not  
 83.2 operating as a hospital, outpatient surgical center, qualifying medical facility, or critical  
 83.3 access dental provider, even though the clinic, office, or facility may be owned and operated  
 83.4 by a hospital, outpatient surgical center, qualifying medical facility, or critical access dental  
 83.5 provider;

83.6 (2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared  
 83.7 food, candy, and soft drinks;

83.8 (3) building and construction materials used in constructing buildings or facilities that  
 83.9 will not be used principally by the hospital, outpatient surgical center, qualifying medical  
 83.10 facility, or critical access dental provider;

83.11 (4) building, construction, or reconstruction materials purchased by a contractor or a  
 83.12 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed  
 83.13 maximum price covering both labor and materials for use in the construction, alteration, or  
 83.14 repair of a hospital, outpatient surgical center, qualifying medical facility, or critical access  
 83.15 dental provider; or

83.16 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

83.17 ~~(e)~~ (f) A limited liability company also qualifies for exemption under this subdivision  
 83.18 if (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
 83.19 purchased qualify for the exemption.

83.20 ~~(f)~~ (g) An entity that contains both a hospital and a nonprofit unit may claim this  
 83.21 exemption on purchases made for both the hospital and nonprofit unit provided that:

83.22 (1) the nonprofit unit would have qualified for exemption under subdivision 4; and

83.23 (2) the items purchased would have qualified for the exemption.

83.24 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 83.25 30, 2018.

83.26 Sec. 2. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 20, is amended  
 83.27 to read:

83.28 Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose  
 83.29 of owning or operating ice arenas or rinks that are (1) part of either the Duluth Heritage  
 83.30 Sports Center or the David M. Thaler Sports Center; and (2) are used for youth and high  
 83.31 school programs, are exempt if the organization is a private, nonprofit corporation exempt  
 83.32 from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

84.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 84.2 30, 2018.

84.3 Sec. 3. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to  
 84.4 read:

84.5 Subd. 21. **Nonprofit conservation clubs.** Sales to nonprofit conservation clubs are  
 84.6 exempt. For purposes of this subdivision, a "nonprofit conservation club" means an  
 84.7 organization exempt under section 501(c)(3) of the Internal Revenue Code that provides  
 84.8 instruction, training, and facilities for shooting handguns or rifles.

84.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 84.10 30, 2018.

84.11 Sec. 4. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
 84.12 read:

84.13 Subd. 51. **Public safety facilities.** Materials and supplies used or consumed in and  
 84.14 equipment incorporated into construction or remodeling of the following public safety  
 84.15 facilities are exempt:

84.16 (1) the construction of a new fire station, which includes firefighting and public safety  
 84.17 training facilities, in the city of Inver Grove Heights;

84.18 (2) the construction of a new fire station or the remodeling and expansion of an existing  
 84.19 fire station in the city of Virginia;

84.20 (3) the construction of a new fire station on the campus of the Minnetonka City Hall;  
 84.21 and

84.22 (4) the remodeling and expansion of an existing police and fire station in Minnetonka  
 84.23 to accommodate its use as a police station.

84.24 **EFFECTIVE DATE.** This section is effective for sales and purchases made after the  
 84.25 day following final enactment and before January 1, 2021.

84.26 Sec. 5. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
 84.27 read:

84.28 Subd. 52. **Nonprofit snowmobile clubs.** Building materials and supplies purchased by  
 84.29 a nonprofit snowmobile club and used or consumed to construct, reconstruct, or maintain  
 84.30 or improve state or grant-in-aid snowmobile trails are exempt. A nonprofit snowmobile  
 84.31 club is eligible for the exemption under this subdivision if it received, in the current year

85.1 or in the previous three-year period, a state grant-in-aid grant administered by the Department  
 85.2 of Natural Resources by applying for the grant with a local unit of government sponsor.

85.3 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 85.4 30, 2018.

85.5 Sec. 6. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
 85.6 read:

85.7 Subd. 53. **Medical facility in underserved area.** Materials and supplies used or  
 85.8 consumed in, and equipment incorporated into, the construction or improvement of real  
 85.9 property that has been granted an abatement of the state general tax under section 469.1817  
 85.10 are exempt.

85.11 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
 85.12 30, 2018.

85.13 Sec. 7. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to  
 85.14 read:

85.15 Subd. 54. **Properties destroyed by fire.** Building materials and supplies used or  
 85.16 consumed in, and equipment incorporated into, the construction or replacement of real  
 85.17 property affected by, and restaurant equipment to replace equipment destroyed in, the fire  
 85.18 on March 11, 2018, in the city of Mazeppa are exempt. The tax must be imposed and  
 85.19 collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in  
 85.20 the manner provided in section 297A.75. For purposes of this subdivision, "restaurant  
 85.21 equipment" includes durable equipment used in a restaurant for food storage, preparation,  
 85.22 and serving.

85.23 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
 85.24 made after March 11, 2018, and before January 1, 2021.

85.25 Sec. 8. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended  
 85.26 to read:

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

85.30 (1) building materials for an agricultural processing facility exempt under section  
 85.31 297A.71, subdivision 13;

- 86.1 (2) building materials for mineral production facilities exempt under section 297A.71,  
86.2 subdivision 14;
- 86.3 (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- 86.4 (4) building materials used in a residence for disabled veterans exempt under section  
86.5 297A.71, subdivision 11;
- 86.6 (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- 86.7 (6) materials and supplies for qualified low-income housing under section 297A.71,  
86.8 subdivision 23;
- 86.9 (7) materials, supplies, and equipment for municipal electric utility facilities under  
86.10 section 297A.71, subdivision 35;
- 86.11 (8) equipment and materials used for the generation, transmission, and distribution of  
86.12 electrical energy and an aerial camera package exempt under section 297A.68, subdivision  
86.13 37;
- 86.14 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph  
86.15 (a), clause (10);
- 86.16 (10) materials, supplies, and equipment for construction or improvement of projects and  
86.17 facilities under section 297A.71, subdivision 40;
- 86.18 (11) materials, supplies, and equipment for construction, improvement, or expansion  
86.19 of:
- 86.20 ~~(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,~~  
86.21 ~~section 297A.71, subdivision 42;~~
- 86.22 ~~(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision~~  
86.23 ~~45;~~
- 86.24 ~~(iii) a research and development facility exempt under Minnesota Statutes 2014, section~~  
86.25 ~~297A.71, subdivision 46; and~~
- 86.26 ~~(iv) an industrial measurement manufacturing and controls facility exempt under~~  
86.27 ~~Minnesota Statutes 2014, section 297A.71, subdivision 47;~~
- 86.28 (12) enterprise information technology equipment and computer software for use in a  
86.29 qualified data center exempt under section 297A.68, subdivision 42;
- 86.30 (13) materials, supplies, and equipment for qualifying capital projects under section  
86.31 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

87.1 (14) items purchased for use in providing critical access dental services exempt under  
87.2 section 297A.70, subdivision 7, paragraph (c);

87.3 (15) items and services purchased under a business subsidy agreement for use or  
87.4 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision  
87.5 44;

87.6 (16) building materials, equipment, and supplies for constructing or replacing real  
87.7 property exempt under section 297A.71, ~~subdivision~~ subdivisions 49 and 54; and

87.8 (17) building materials, equipment, and supplies for constructing or replacing real  
87.9 property exempt under section 297A.71, subdivision 50, paragraph (b).

87.10 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
87.11 30, 2018.

87.12 Sec. 9. Minnesota Statutes 2016, section 477A.016, is amended to read:

87.13 **477A.016 NEW TAXES PROHIBITED.**

87.14 (a) No county, city, town or other taxing authority shall increase a present tax or impose  
87.15 a new tax on sales or income.

87.16 (b) No county, city, town, or other taxing authority shall increase a present excise tax  
87.17 or fee or impose a new excise tax or fee on either:

87.18 (1) the manufacture, distribution, wholesale, or retail sale of food, based on volume of  
87.19 product sold, product sales value, or the type of product manufactured, distributed, or sold;  
87.20 or

87.21 (2) any container used for transporting, protecting, or consuming food.

87.22 (c) For purposes of this section:

87.23 (1) "food" has the meaning given in section 34A.01, subdivision 4; and

87.24 (2) "container" means a bottle, cup, can, bag, or other packaging that is made from  
87.25 plastic, aluminum, glass, cardboard, or other material.

87.26 (d) This section does not apply to reasonable license fees lawfully imposed by a county,  
87.27 city, town, or other licensing authority in the exercise of its regulatory authority to license  
87.28 a trade, profession, or business.

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

88.1 Sec. 10. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective  
88.2 date, is amended to read:

88.3 **EFFECTIVE DATE.** Paragraph (a) is effective retroactively for sales and purchases  
88.4 made after September 30, 2016, and before January 1, ~~2019~~ 2022. Paragraph (b) is effective  
88.5 for sales and purchases made after September 30, 2016, and before July 1, 2017.

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

88.7 Sec. 11. **MUNICIPALLY OWNED WATER TREATMENT FACILITY; CITY OF**  
88.8 **ELKO NEW MARKET.**

88.9 **Subdivision 1. Exemption.** Materials and supplies used or consumed in and equipment  
88.10 incorporated into a water treatment facility owned and operated by the city of Elko New  
88.11 Market are exempt from taxation under Minnesota Statutes, chapter 297A, regardless of  
88.12 whether purchased by the city or a contractor, subcontractor, or builder. All purchases for  
88.13 this facility must be made after June 1, 2014, and before June 1, 2016.

88.14 **Subd. 2. Refund.** The tax on purchases exempt under subdivision 1 must be imposed  
88.15 and collected as if the rate under Minnesota Statutes, section 297A.62, applied, and then  
88.16 refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant  
88.17 must be the city of Elko New Market. Notwithstanding Minnesota Statutes, section 289A.40,  
88.18 subdivision 5, the city of Elko New Market may apply directly to the commissioner of  
88.19 revenue for a refund of the tax paid on items exempt under subdivision 1, the application  
88.20 must be made by December 31, 2018, in the form and manner required by the commissioner,  
88.21 and provide sufficient information so the commissioner can verify the amount paid. If the  
88.22 tax was paid by a contractor, subcontractor, or builder, the contractor, subcontractor, or  
88.23 builder must furnish to the refund applicant a statement including the cost of the exempt  
88.24 items and the taxes paid on the items. Interest must be paid on the refund at the rate in  
88.25 Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the  
88.26 commissioner.

88.27 **Subd. 3. Appropriation.** The amount required to make the refunds under this section  
88.28 is appropriated to the commissioner of revenue.

88.29 **EFFECTIVE DATE.** This section is effective retroactively for purchases made after  
88.30 June 1, 2014, and before June 1, 2016.



89.1

**ARTICLE 5**

89.2

**PROPERTY TAXES**

89.3

Section 1. Minnesota Statutes 2016, section 138.053, is amended to read:

89.4

**138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.**

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The governing body of any home rule charter or statutory city or town may annually appropriate from its general fund an amount not to exceed 0.02418 percent of estimated market value, derived from ad valorem taxes on property or other revenues, to be paid to the historical society of its respective city, town, or county to be used for the promotion of historical work and to aid in defraying the expenses of carrying on the historical work in the county. No city or town may appropriate any funds for the benefit of any historical society unless the society is affiliated with and approved by the Minnesota Historical Society.

89.12

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

89.13

Sec. 2. Minnesota Statutes 2016, section 197.603, subdivision 2, is amended to read:

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Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service officer is the responsible authority with respect to all records in the officer's custody. The data on clients' applications for assistance is private data on individuals, as defined in section 13.02, subdivision 12. The county veterans service officer may disclose to the county assessor private data necessary to determine a client's eligibility for the disabled veteran's homestead market value exclusion under section 273.13, subdivision 34.

89.20

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

89.21

89.22

Sec. 3. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to read:

89.23

**Subd. 102. Certain property owned by an Indian tribe.** (a) Property is exempt that:

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(1) is located in a city of the first class with a population of more than 380,000 as of the 2010 federal census;

89.26

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(2) was on January 1, 2016, and is for the current assessment, owned by a federally recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota;  
and

89.29

(3) is used exclusively as a pharmacy.

90.1 (b) Property that qualifies for the exemption under this subdivision is limited to parcels  
 90.2 and structures that do not exceed, in the aggregate, 4,000 square feet. Property acquired for  
 90.3 single-family housing, market-rate apartments, agriculture, or forestry does not qualify for  
 90.4 this exemption. For assessment year 2018 only, an exemption application under this  
 90.5 subdivision is due by July 1, 2018. The exemption created by this subdivision expires with  
 90.6 taxes payable in 2028.

90.7 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019  
 90.8 and thereafter.

90.9 Sec. 4. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

90.10 Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park  
 90.11 is owned by a corporation or association organized under chapter 308A or 308B, and each  
 90.12 person who owns a share or shares in the corporation or association is entitled to occupy a  
 90.13 lot within the park, the corporation or association may claim homestead treatment for the  
 90.14 park. Each lot must be designated by legal description or number, and each lot is limited to  
 90.15 not more than one-half acre of land.

90.16 (b) The manufactured home park shall be entitled to homestead treatment if all of the  
 90.17 following criteria are met:

90.18 (1) the occupant or the cooperative corporation or association is paying the ad valorem  
 90.19 property taxes and any special assessments levied against the land and structure either  
 90.20 directly, or indirectly through dues to the corporation or association; and

90.21 (2) the corporation or association organized under chapter 308A or 308B is wholly  
 90.22 owned by persons having a right to occupy a lot owned by the corporation or association.

90.23 (c) A charitable corporation, organized under the laws of Minnesota with no outstanding  
 90.24 stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status,  
 90.25 qualifies for homestead treatment with respect to a manufactured home park if its members  
 90.26 hold residential participation warrants entitling them to occupy a lot in the manufactured  
 90.27 home park.

90.28 (d) "Homestead treatment" under this subdivision means the classification rate provided  
 90.29 for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause  
 90.30 (5), item (ii)-, and the homestead market value exclusion under section 273.13, subdivision  
 90.31 35, does not apply ~~and the property taxes assessed against the park shall not be included in~~  
 90.32 ~~the determination of taxes payable for rent paid under section 290A.03.~~

91.1 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable  
 91.2 in 2019.

91.3 Sec. 5. Minnesota Statutes 2016, section 273.124, subdivision 8, is amended to read:

91.4 Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm**  
 91.5 **venture, limited liability company, or partnership.** (a) Each family farm corporation;  
 91.6 each joint family farm venture; and each limited liability company or partnership which  
 91.7 operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph  
 91.8 (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner  
 91.9 thereof who is residing on the land, and actively engaged in farming of the land owned by  
 91.10 the family farm corporation, joint family farm venture, limited liability company, or  
 91.11 partnership. Homestead treatment applies even if:

91.12 (1) legal title to the property is in the name of the family farm corporation, joint family  
 91.13 farm venture, limited liability company, or partnership, and not in the name of the person  
 91.14 residing on it; or

91.15 (2) the family farm is operated by a business entity other than the business entity that  
 91.16 owns the land, provided that both business entities have the same owners.

91.17 "Family farm corporation," "family farm," and "partnership operating a family farm"  
 91.18 have the meanings given in section 500.24, except that the number of allowable shareholders,  
 91.19 members, or partners under this subdivision shall not exceed 12. "Limited liability company"  
 91.20 has the meaning contained in sections 322B.03, subdivision 28, or 322C.0102, subdivision  
 91.21 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means  
 91.22 a cooperative agreement among two or more farm enterprises authorized to operate a family  
 91.23 farm under section 500.24.

91.24 "Business entity" means a corporation, joint venture, partnership, or limited liability  
 91.25 company within the meaning of this paragraph.

91.26 (b) In addition to property specified in paragraph (a), any other residences owned by  
 91.27 family farm corporations, joint family farm ventures, limited liability companies, or  
 91.28 partnerships described in paragraph (a) which are located on agricultural land and occupied  
 91.29 as homesteads by its shareholders, members, or partners who are actively engaged in farming  
 91.30 on behalf of that corporation, joint farm venture, limited liability company, or partnership  
 91.31 must also be assessed as class 2a property or as class 1b property under section 273.13.

91.32 (c) Agricultural property that is owned by a member, partner, or shareholder of a family  
 91.33 farm corporation or joint family farm venture, limited liability company operating a family

92.1 farm, or by a partnership operating a family farm and leased to the family farm corporation,  
 92.2 limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is  
 92.3 eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually  
 92.4 residing on the property, and is actually engaged in farming the land on behalf of that  
 92.5 corporation, joint farm venture, limited liability company, or partnership. This paragraph  
 92.6 applies without regard to any legal possession rights of the family farm corporation, joint  
 92.7 family farm venture, limited liability company, or partnership under the lease.

92.8 (d) Nonhomestead agricultural property that is owned by a family farm corporation,  
 92.9 joint farm venture, limited liability company, or partnership; and located not farther than  
 92.10 four townships or cities, or combination thereof, from agricultural land that is owned, and  
 92.11 used for the purposes of a homestead by an individual who is a shareholder, member, or  
 92.12 partner of the corporation, venture, company, or partnership; is entitled to receive the first  
 92.13 tier homestead classification rate on any remaining market value in the first homestead class  
 92.14 tier that is in excess of the market value of the shareholder's, member's, or partner's class 2  
 92.15 agricultural homestead property, if the owner, or someone acting on the owner's behalf  
 92.16 notifies the county assessor by July 1 that the property may be eligible under this paragraph  
 92.17 for the current assessment year, for taxes payable in the following year. As used in this  
 92.18 paragraph, "agricultural property" means property classified as 2a under section 273.13,  
 92.19 along with any contiguous property classified as 2b under section 273.13, if the contiguous  
 92.20 2a and 2b properties are under the same ownership.

92.21 **EFFECTIVE DATE.** This section is effective for assessments beginning in 2018.

92.22 Sec. 6. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

92.23 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten  
 92.24 acres that is the homestead of its owner must be classified as class 2a under section 273.13,  
 92.25 subdivision 23, paragraph (a), if:

92.26 (1) the parcel on which the house is located is contiguous on at least two sides to (i)  
 92.27 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife  
 92.28 Service, or (iii) land administered by the Department of Natural Resources on which in lieu  
 92.29 taxes are paid under sections 477A.11 to 477A.14;

92.30 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20  
 92.31 acres;

92.32 (3) the noncontiguous land is located not farther than four townships or cities, or a  
 92.33 combination of townships or cities from the homestead; and

93.1 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to  
 93.2 at least 50 percent of the market value of the house, garage, and one acre of land.

93.3 Homesteads initially classified as class 2a under the provisions of this paragraph shall  
 93.4 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining  
 93.5 properties, as long as the homestead remains under the same ownership, the owner owns a  
 93.6 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use  
 93.7 value qualifies under clause (4). Homestead classification under this paragraph is limited  
 93.8 to property that qualified under this paragraph for the 1998 assessment.

93.9 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same  
 93.10 extent as other agricultural homestead property, if all of the following criteria are met:

93.11 (1) the agricultural property consists of at least 40 acres including undivided government  
 93.12 lots and correctional 40's;

93.13 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner  
 93.14 or of the owner's spouse, is actively farming the agricultural property, either on the person's  
 93.15 own behalf as an individual or on behalf of a partnership operating a family farm, family  
 93.16 farm corporation, joint family farm venture, or limited liability company of which the person  
 93.17 is a partner, shareholder, or member;

93.18 (3) both the owner of the agricultural property and the person who is actively farming  
 93.19 the agricultural property under clause (2), are Minnesota residents;

93.20 (4) neither the owner nor the spouse of the owner claims another agricultural homestead  
 93.21 in Minnesota; and

93.22 (5) neither the owner nor the person actively farming the agricultural property lives  
 93.23 farther than four townships or cities, or a combination of four townships or cities, from the  
 93.24 agricultural property, except that if the owner or the owner's spouse is required to live in  
 93.25 employer-provided housing, the owner or owner's spouse, whichever is actively farming  
 93.26 the agricultural property, may live more than four townships or cities, or combination of  
 93.27 four townships or cities from the agricultural property.

93.28 The relationship under this paragraph may be either by blood or marriage.

93.29 ~~(ii) Agricultural property held by a trustee under a trust is eligible for agricultural~~  
 93.30 ~~homestead classification under this paragraph if the qualifications in clause (i) are met,~~  
 93.31 ~~except that "owner" means the grantor of the trust.~~

94.1        ~~(iii)~~ Property containing the residence of an owner who owns qualified property under  
94.2 clause (i) shall be classified as part of the owner's agricultural homestead, if that property  
94.3 is also used for noncommercial storage or drying of agricultural crops.

94.4        ~~(iv)~~ (iii) As used in this paragraph, "agricultural property" means class 2a property and  
94.5 any class 2b property that is contiguous to and under the same ownership as the class 2a  
94.6 property.

94.7        (c) Noncontiguous land shall be included as part of a homestead under section 273.13,  
94.8 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached  
94.9 land is located in the same township or city, or not farther than four townships or cities or  
94.10 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must  
94.11 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,  
94.12 and, if the homestead is located in another county, the taxpayer must also notify the assessor  
94.13 of the other county.

94.14        (d) Agricultural land used for purposes of a homestead and actively farmed by a person  
94.15 holding a vested remainder interest in it must be classified as a homestead under section  
94.16 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other  
94.17 dwellings on the land used for purposes of a homestead by persons holding vested remainder  
94.18 interests who are actively engaged in farming the property, and up to one acre of the land  
94.19 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,  
94.20 must also be assessed class 2a.

94.21        (e) Agricultural land and buildings that were class 2a homestead property under section  
94.22 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as  
94.23 agricultural homesteads for subsequent assessments if:

94.24        (1) the property owner abandoned the homestead dwelling located on the agricultural  
94.25 homestead as a result of the April 1997 floods;

94.26        (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or  
94.27 Wilkin;

94.28        (3) the agricultural land and buildings remain under the same ownership for the current  
94.29 assessment year as existed for the 1997 assessment year and continue to be used for  
94.30 agricultural purposes;

94.31        (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles  
94.32 of one of the parcels of agricultural land that is owned by the taxpayer; and

95.1 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,  
95.2 and the owner furnishes the assessor any information deemed necessary by the assessor in  
95.3 verifying the change in dwelling. Further notifications to the assessor are not required if the  
95.4 property continues to meet all the requirements in this paragraph and any dwellings on the  
95.5 agricultural land remain uninhabited.

95.6 (f) Agricultural land and buildings that were class 2a homestead property under section  
95.7 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified  
95.8 agricultural homesteads for subsequent assessments if:

95.9 (1) the property owner abandoned the homestead dwelling located on the agricultural  
95.10 homestead as a result of damage caused by a March 29, 1998, tornado;

95.11 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,  
95.12 Nicollet, Nobles, or Rice;

95.13 (3) the agricultural land and buildings remain under the same ownership for the current  
95.14 assessment year as existed for the 1998 assessment year;

95.15 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of  
95.16 one of the parcels of agricultural land that is owned by the taxpayer; and

95.17 (5) the owner notifies the county assessor that the relocation was due to a March 29,  
95.18 1998, tornado, and the owner furnishes the assessor any information deemed necessary by  
95.19 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the  
95.20 owner must notify the assessor by December 1, 1998. Further notifications to the assessor  
95.21 are not required if the property continues to meet all the requirements in this paragraph and  
95.22 any dwellings on the agricultural land remain uninhabited.

95.23 (g) Agricultural property of a family farm corporation, joint family farm venture, family  
95.24 farm limited liability company, or partnership operating a family farm as described under  
95.25 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead  
95.26 property, if all of the following criteria are met:

95.27 (1) the property consists of at least 40 acres including undivided government lots and  
95.28 correctional 40's;

95.29 (2) a shareholder, member, or partner of that entity is actively farming the agricultural  
95.30 property;

95.31 (3) that shareholder, member, or partner who is actively farming the agricultural property  
95.32 is a Minnesota resident;

96.1 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,  
96.2 member, or partner claims another agricultural homestead in Minnesota; and

96.3 (5) that shareholder, member, or partner does not live farther than four townships or  
96.4 cities, or a combination of four townships or cities, from the agricultural property.

96.5 Homestead treatment applies under this paragraph even if:

96.6 (i) the shareholder, member, or partner of that entity is actively farming the agricultural  
96.7 property on the shareholder's, member's, or partner's own behalf; or

96.8 (ii) the family farm is operated by a business entity other than the business entity that  
96.9 owns the land, provided that both business entities have the same owners. For purposes of  
96.10 this paragraph, "business entity" means a corporation, joint venture, partnership, or limited  
96.11 liability company within the meaning of subdivision 8, paragraph (a).

96.12 Homestead treatment applies under this paragraph for property leased to a family farm  
96.13 corporation, joint farm venture, limited liability company, or partnership operating a family  
96.14 farm if legal title to the property is in the name of an individual who is a member, shareholder,  
96.15 or partner in the entity.

96.16 (h) To be eligible for the special agricultural homestead under this subdivision, an initial  
96.17 full application must be submitted to the county assessor where the property is located.  
96.18 Owners and the persons who are actively farming the property shall be required to complete  
96.19 only a one-page abbreviated version of the application in each subsequent year provided  
96.20 that none of the following items have changed since the initial application:

96.21 (1) the day-to-day operation, administration, and financial risks remain the same;

96.22 (2) the owners and the persons actively farming the property continue to live within the  
96.23 four townships or city criteria and are Minnesota residents;

96.24 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

96.25 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

96.26 (5) the property's acreage is unchanged; and

96.27 (6) none of the property's acres have been enrolled in a federal or state farm program  
96.28 since the initial application.

96.29 The owners and any persons who are actively farming the property must include the  
96.30 appropriate Social Security numbers, and sign and date the application. If any of the specified  
96.31 information has changed since the full application was filed, the owner must notify the  
96.32 assessor, and must complete a new application to determine if the property continues to



97.1 qualify for the special agricultural homestead. The commissioner of revenue shall prepare  
97.2 a standard reapplication form for use by the assessors.

97.3 (i) Agricultural land and buildings that were class 2a homestead property under section  
97.4 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified  
97.5 agricultural homesteads for subsequent assessments if:

97.6 (1) the property owner abandoned the homestead dwelling located on the agricultural  
97.7 homestead as a result of damage caused by the August 2007 floods;

97.8 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,  
97.9 Wabasha, or Winona;

97.10 (3) the agricultural land and buildings remain under the same ownership for the current  
97.11 assessment year as existed for the 2007 assessment year;

97.12 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of  
97.13 one of the parcels of agricultural land that is owned by the taxpayer; and

97.14 (5) the owner notifies the county assessor that the relocation was due to the August 2007  
97.15 floods, and the owner furnishes the assessor any information deemed necessary by the  
97.16 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the  
97.17 owner must notify the assessor by December 1, 2008. Further notifications to the assessor  
97.18 are not required if the property continues to meet all the requirements in this paragraph and  
97.19 any dwellings on the agricultural land remain uninhabited.

97.20 (j) Agricultural land and buildings that were class 2a homestead property under section  
97.21 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as  
97.22 agricultural homesteads for subsequent assessments if:

97.23 (1) the property owner abandoned the homestead dwelling located on the agricultural  
97.24 homestead as a result of the March 2009 floods;

97.25 (2) the property is located in the county of Marshall;

97.26 (3) the agricultural land and buildings remain under the same ownership for the current  
97.27 assessment year as existed for the 2008 assessment year and continue to be used for  
97.28 agricultural purposes;

97.29 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles  
97.30 of one of the parcels of agricultural land that is owned by the taxpayer; and

97.31 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,  
97.32 and the owner furnishes the assessor any information deemed necessary by the assessor in

98.1 verifying the change in dwelling. Further notifications to the assessor are not required if the  
 98.2 property continues to meet all the requirements in this paragraph and any dwellings on the  
 98.3 agricultural land remain uninhabited.

98.4 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in  
 98.5 2019.

98.6 Sec. 7. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

98.7 Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural  
 98.8 property, held by a trustee under a trust is eligible for classification as homestead property  
 98.9 if the property satisfies the requirements of paragraph (a), (b), (c), ~~(d)~~, or (e).

98.10 (a) The grantor or surviving spouse of the grantor of the trust occupies and uses the  
 98.11 property as a homestead.

98.12 (b) A relative or surviving relative of the grantor who meets the requirements of  
 98.13 subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph  
 98.14 (d), in the case of agricultural property, occupies and uses the property as a homestead.

98.15 (c) A family farm corporation, joint farm venture, limited liability company, or partnership  
 98.16 operating a family farm in which the grantor or the grantor's surviving spouse is a  
 98.17 shareholder, member, or partner rents the property; and, either (1) a shareholder, member,  
 98.18 or partner of the corporation, joint farm venture, limited liability company, or partnership  
 98.19 occupies and uses the property as a homestead; or (2) the property is at least 40 acres,  
 98.20 including undivided government lots and correctional 40's, and a shareholder, member, or  
 98.21 partner of the tenant-entity is actively farming the property on behalf of the corporation,  
 98.22 joint farm venture, limited liability company, or partnership.

98.23 (d) A person who has received homestead classification for property taxes payable in  
 98.24 2000 on the basis of an unqualified legal right under the terms of the trust agreement to  
 98.25 occupy the property as that person's homestead and who continues to use the property as a  
 98.26 homestead; or, a person who received the homestead classification for taxes payable in 2005  
 98.27 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or  
 98.28 thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable  
 98.29 in 2005.

98.30 (e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For  
 98.31 purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse  
 98.32 of the grantor.

98.33 (f) For purposes of this subdivision, the following terms have the meanings given them:

99.1 (1) "agricultural property" means the house, garage, other farm buildings and structures,  
 99.2 and agricultural land;

99.3 (2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except  
 99.4 that the phrases "owned by same person" or "under the same ownership" as used in that  
 99.5 subdivision mean and include contiguous tax parcels owned by:

99.6 (i) an individual and a trust of which the individual, the individual's spouse, or the  
 99.7 individual's deceased spouse is the grantor; or

99.8 (ii) different trusts of which the grantors of each trust are any combination of an  
 99.9 individual, the individual's spouse, or the individual's deceased spouse; and

99.10 ~~For purposes of this subdivision,~~ (3) "grantor" is defined as means the person creating  
 99.11 or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written  
 99.12 instrument or through the exercise of a power of appointment.

99.13 (g) Noncontiguous agricultural land is included as part of a homestead under this  
 99.14 subdivision, only if the homestead is classified as class 2a, as defined in section 273.13,  
 99.15 subdivision 23, and the detached land is located in the same township or city, or not farther  
 99.16 than four townships or cities or combination thereof from the homestead. Any taxpayer of  
 99.17 these noncontiguous agricultural lands must notify the county assessor by December 15 for  
 99.18 taxes payable in the following year that the noncontiguous agricultural land is part of the  
 99.19 taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must  
 99.20 also notify the assessor of the other county.

99.21 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in  
 99.22 2019.

99.23 Sec. 8. Minnesota Statutes 2016, section 273.124, is amended by adding a subdivision to  
 99.24 read:

99.25 **Subd. 23. Fractional homesteads.** In the case of property that is classified as part  
 99.26 homestead and part nonhomestead solely because not all the owners occupy or farm the  
 99.27 property, not all the owners have qualifying relatives occupying or farming the property,  
 99.28 or not all the spouses of owners occupy the property, the portions of property classified as  
 99.29 part homestead and part nonhomestead must correspond to the ownership percentages that  
 99.30 each owner has in the property, as determined by the land records in the county recorder's  
 99.31 office or registrar of titles. If the ownership percentages of each owner cannot be determined  
 99.32 by reference to the land records, the portions of property classified as part homestead and

100.1 part nonhomestead must correspond to the ownership percentages each owner would have  
 100.2 if they each owned an equal share of the property.

100.3 **EFFECTIVE DATE.** This section is effective for assessments beginning in 2018.

100.4 Sec. 9. Minnesota Statutes 2016, section 273.1245, subdivision 2, is amended to read:

100.5 Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to  
 100.6 the commissioner of revenue as provided by law. The assessor shall also disclose all or  
 100.7 portions of the data described in subdivision 1 to:

100.8 (1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture  
 100.9 Act to recover personal property taxes owing; and

100.10 (2) the county veterans service officer for the purpose of determining a person's eligibility  
 100.11 for the disabled veteran's homestead market value exclusion under section 273.13, subdivision  
 100.12 34.

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

100.14 Sec. 10. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended  
 100.15 to read:

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

100.21 The first \$500,000 of market value of class 1a property has a net classification rate of  
 100.22 one percent of its market value; and the market value of class 1a property that exceeds  
 100.23 \$500,000 has a classification rate of 1.25 percent of its market value.

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

100.26 (1) any person who is blind as defined in section 256D.35, or the blind person and the  
 100.27 blind person's spouse;

100.28 (2) any person who is permanently and totally disabled or by the disabled person and  
 100.29 the disabled person's spouse; or

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

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

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

101.8 Permanently and totally disabled for the purpose of this subdivision means a condition  
101.9 which is permanent in nature and totally incapacitates the person from working at an  
101.10 occupation which brings the person an income. The first \$50,000 market value of class 1b  
101.11 property has a net classification rate of .45 percent of its market value. The remaining market  
101.12 value of class 1b property is classified as class 1a or class 2a property, whichever is  
101.13 appropriate.

101.14 (c) Class 1c property is commercial use real and personal property that abuts public  
101.15 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by  
101.16 the Department of Natural Resources, and is devoted to temporary and seasonal residential  
101.17 occupancy for recreational purposes but not devoted to commercial purposes for more than  
101.18 250 days in the year preceding the year of assessment, and that includes a portion used as  
101.19 a homestead by the owner, which includes a dwelling occupied as a homestead by a  
101.20 shareholder of a corporation that owns the resort, a partner in a partnership that owns the  
101.21 resort, or a member of a limited liability company that owns the resort ~~even if, whether the~~  
101.22 title to the homestead is held by the corporation, partnership, or limited liability company,  
101.23 or by a shareholder of a corporation that owns the resort, a partner in a partnership that owns  
101.24 the resort, or a member of a limited liability company that owns the resort. For purposes of  
101.25 this paragraph, property is devoted to a commercial purpose on a specific day if any portion  
101.26 of the property, excluding the portion used exclusively as a homestead, is used for residential  
101.27 occupancy and a fee is charged for residential occupancy. Class 1c property must contain  
101.28 three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse,  
101.29 sleeping room, or individual camping site equipped with water and electrical hookups for  
101.30 recreational vehicles. Class 1c property must provide recreational activities such as the  
101.31 rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski  
101.32 equipment; provide marina services, launch services, or guide services; or sell bait and  
101.33 fishing tackle. Any unit in which the right to use the property is transferred to an individual  
101.34 or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c  
101.35 even though it may remain available for rent. A camping pad offered for rent by a property

102.1 that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental  
102.2 agreement, as long as the use of the camping pad does not exceed 250 days. If the same  
102.3 owner owns two separate parcels that are located in the same township, and one of those  
102.4 properties is classified as a class 1c property and the other would be eligible to be classified  
102.5 as a class 1c property if it was used as the homestead of the owner, both properties will be  
102.6 assessed as a single class 1c property; for purposes of this sentence, properties are deemed  
102.7 to be owned by the same owner if each of them is owned by a limited liability company,  
102.8 and both limited liability companies have the same membership. The portion of the property  
102.9 used as a homestead is class 1a property under paragraph (a). The remainder of the property  
102.10 is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of  
102.11 market value is tier II, and any remaining market value is tier III. The classification rates  
102.12 for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners  
102.13 of real and personal property devoted to temporary and seasonal residential occupancy for  
102.14 recreation purposes in which all or a portion of the property was devoted to commercial  
102.15 purposes for not more than 250 days in the year preceding the year of assessment desiring  
102.16 classification as class 1c, must, by January 15 of the assessment year, submit a declaration  
102.17 to the assessor designating: (1) the cabins or units occupied for 250 days or less in the year  
102.18 preceding the year of assessment by January 15 of the assessment year; and (2) the portion  
102.19 of the resort used as a homestead and the owner of the homestead under the title. Those  
102.20 cabins or units and a proportionate share of the land on which they are located must be  
102.21 designated as class 1c as otherwise provided. The remainder of the cabins or units and a  
102.22 proportionate share of the land on which they are located must be designated as class 3a  
102.23 commercial. The owner of property desiring designation as class 1c property must provide  
102.24 guest registers or other records demonstrating that the units for which class 1c designation  
102.25 is sought were not occupied for more than 250 days in the year preceding the assessment  
102.26 if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop,  
102.27 (4) conference center or meeting room, and (5) other nonresidential facility operated on a  
102.28 commercial basis not directly related to temporary and seasonal residential occupancy for  
102.29 recreation purposes does not qualify for class 1c.

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

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

102.33 (2) the structure is occupied exclusively by seasonal farm workers during the time when  
102.34 they work on that farm, and the occupants are not charged rent for the privilege of occupying

103.1 the property, provided that use of the structure for storage of farm equipment and produce  
 103.2 does not disqualify the property from classification under this paragraph;

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

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

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

103.9 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

103.10 Sec. 11. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 23, is amended  
 103.11 to read:

103.12 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land  
 103.13 that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class  
 103.14 2a land under the same ownership. The market value of the house and garage and immediately  
 103.15 surrounding one acre of land has the same classification rates as class 1a or 1b property  
 103.16 under subdivision 22. The value of the remaining land including improvements up to the  
 103.17 first tier valuation limit of agricultural homestead property has a classification rate of 0.5  
 103.18 percent of market value. The remaining property over the first tier has a classification rate  
 103.19 of one percent of market value. For purposes of this subdivision, the "first tier valuation  
 103.20 limit of agricultural homestead property" and "first tier" means the limit certified under  
 103.21 section 273.11, subdivision 23.

103.22 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that  
 103.23 are agricultural land and buildings. Class 2a property has a classification rate of one percent  
 103.24 of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a  
 103.25 property must also include any property that would otherwise be classified as 2b, but is  
 103.26 interspersed with class 2a property, including but not limited to sloughs, wooded wind  
 103.27 shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement,  
 103.28 and other similar land that is impractical for the assessor to value separately from the rest  
 103.29 of the property or that is unlikely to be able to be sold separately from the rest of the property.

103.30 An assessor may classify the part of a parcel described in this subdivision that is used  
 103.31 for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

103.32 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that  
 103.33 are unplatted real estate, rural in character and not used for agricultural purposes, including

104.1 land used for growing trees for timber, lumber, and wood and wood products, that is not  
104.2 improved with a structure. The presence of a minor, ancillary nonresidential structure as  
104.3 defined by the commissioner of revenue does not disqualify the property from classification  
104.4 under this paragraph. Any parcel of 20 acres or more improved with a structure that is not  
104.5 a minor, ancillary nonresidential structure must be split-classified, and ten acres must be  
104.6 assigned to the split parcel containing the structure. Class 2b property has a classification  
104.7 rate of one percent of market value unless it is part of an agricultural homestead under  
104.8 paragraph (a), or qualifies as class 2c under paragraph (d).

104.9 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920  
104.10 acres statewide per taxpayer that is being managed under a forest management plan that  
104.11 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource  
104.12 management incentive program. It has a classification rate of .65 percent, provided that the  
104.13 owner of the property must apply to the assessor in order for the property to initially qualify  
104.14 for the reduced rate and provide the information required by the assessor to verify that the  
104.15 property qualifies for the reduced rate. If the assessor receives the application and information  
104.16 before May 1 in an assessment year, the property qualifies beginning with that assessment  
104.17 year. If the assessor receives the application and information after April 30 in an assessment  
104.18 year, the property may not qualify until the next assessment year. The commissioner of  
104.19 natural resources must concur that the land is qualified. The commissioner of natural  
104.20 resources shall annually provide county assessors verification information on a timely basis.  
104.21 The presence of a minor, ancillary nonresidential structure as defined by the commissioner  
104.22 of revenue does not disqualify the property from classification under this paragraph.

104.23 (e) Agricultural land as used in this section means:

104.24 (1) contiguous acreage of ten acres or more, used during the preceding year for  
104.25 agricultural purposes; or

104.26 (2) contiguous acreage used during the preceding year for an intensive livestock or  
104.27 poultry confinement operation, provided that land used only for pasturing or grazing does  
104.28 not qualify under this clause.

104.29 "Agricultural purposes" as used in this section means the raising, cultivation, drying, or  
104.30 storage of agricultural products for sale, or the storage of machinery or equipment used in  
104.31 support of agricultural production by the same farm entity. For a property to be classified  
104.32 as agricultural based only on the drying or storage of agricultural products, the products  
104.33 being dried or stored must have been produced by the same farm entity as the entity operating  
104.34 the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local



105.1 conservation program or the Reinvest in Minnesota program under sections 103F.501 to  
105.2 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198  
105.3 or a similar state or federal conservation program if the property was classified as agricultural  
105.4 ~~(i)~~ (A) under this subdivision for taxes payable in 2003 because of its enrollment in a  
105.5 qualifying program and the land remains enrolled or ~~(ii)~~ (B) in the year prior to its enrollment,  
105.6 or (ii) use of land, not to exceed the greater of three acres or ten percent of the total land  
105.7 area, to provide environmental benefits such as buffer strips, old growth forest restoration  
105.8 or retention, or retention ponds to prevent soil erosion. For the purposes of item (ii), "total  
105.9 land area" means contiguous parcels under common ownership. For purposes of this section,  
105.10 a "local conservation program" means a program administered by a town, statutory or home  
105.11 rule charter city, or county, including a watershed district, water management organization,  
105.12 or soil and water conservation district, in which landowners voluntarily enroll land and  
105.13 receive incentive payments equal to at least \$50 per acre in exchange for use or other  
105.14 restrictions placed on the land. In order for property to qualify under the local conservation  
105.15 program provision, a taxpayer must apply to the assessor by February 1 of the assessment  
105.16 year and must submit the information required by the assessor, including but not limited to  
105.17 a copy of the program requirements, the specific agreement between the land owner and  
105.18 the local agency, if applicable, and a map of the conservation area. Agricultural classification  
105.19 shall not be based upon the market value of any residential structures on the parcel or  
105.20 contiguous parcels under the same ownership.

105.21 "Agricultural purposes" also includes land consisting of a holding pond designed to  
105.22 prevent runoff onto a divided four-lane expressway that is located at least 150 feet above  
105.23 the expressway, as certified by the local soil and water conservation district in accordance  
105.24 with USDA Field Office Technical Guide conservation practice standards, provided that  
105.25 the land is located outside the metropolitan area as defined in section 473.121, and was  
105.26 classified as agricultural in assessment year 2017.

105.27 "Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous  
105.28 portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion  
105.29 of, a set of contiguous tax parcels under that section that are owned by the same person.

105.30 (f) Agricultural land under this section also includes:

105.31 (1) contiguous acreage that is less than ten acres in size and exclusively used in the  
105.32 preceding year for raising or cultivating agricultural products; or

106.1 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if the  
106.2 contiguous acreage exclusive of the house, garage, and surrounding one acre of land was  
106.3 used in the preceding year for one or more of the following three uses:

106.4 (i) for an intensive grain drying or storage operation, or for intensive machinery or  
106.5 equipment storage activities used to support agricultural activities on other parcels of property  
106.6 operated by the same farming entity;

106.7 (ii) as a nursery, provided that only those acres used intensively to produce nursery stock  
106.8 are considered agricultural land; or

106.9 (iii) for intensive market farming; for purposes of this paragraph, "market farming"  
106.10 means the cultivation of one or more fruits or vegetables or production of animal or other  
106.11 agricultural products for sale to local markets by the farmer or an organization with which  
106.12 the farmer is affiliated.

106.13 "Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as  
106.14 described in section 272.193, or all of a set of contiguous tax parcels under that section that  
106.15 are owned by the same person.

106.16 (g) Land shall be classified as agricultural even if all or a portion of the agricultural use  
106.17 of that property is the leasing to, or use by another person for agricultural purposes.

106.18 Classification under this subdivision is not determinative for qualifying under section  
106.19 273.111.

106.20 (h) The property classification under this section supersedes, for property tax purposes  
106.21 only, any locally administered agricultural policies or land use restrictions that define  
106.22 minimum or maximum farm acreage.

106.23 (i) The term "agricultural products" as used in this subdivision includes production for  
106.24 sale of:

106.25 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing  
106.26 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees,  
106.27 and apiary products by the owner;

106.28 (2) aquacultural products for sale and consumption, as defined under section 17.47, if  
106.29 the aquaculture occurs on land zoned for agricultural use;

106.30 (3) the commercial boarding of horses, which may include related horse training and  
106.31 riding instruction, if the boarding is done on property that is also used for raising pasture  
106.32 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

107.1 (4) property which is owned and operated by nonprofit organizations used for equestrian  
107.2 activities, excluding racing;

107.3 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under section  
107.4 97A.105, provided that the annual licensing report to the Department of Natural Resources,  
107.5 which must be submitted annually by March 30 to the assessor, indicates that at least 500  
107.6 birds were raised or used for breeding stock on the property during the preceding year and  
107.7 that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a  
107.8 shooting preserve licensed under section 97A.115;

107.9 (6) insects primarily bred to be used as food for animals;

107.10 (7) trees, grown for sale as a crop, including short rotation woody crops, and not sold  
107.11 for timber, lumber, wood, or wood products; and

107.12 (8) maple syrup taken from trees grown by a person licensed by the Minnesota  
107.13 Department of Agriculture under chapter 28A as a food processor.

107.14 (j) If a parcel used for agricultural purposes is also used for commercial or industrial  
107.15 purposes, including but not limited to:

107.16 (1) wholesale and retail sales;

107.17 (2) processing of raw agricultural products or other goods;

107.18 (3) warehousing or storage of processed goods; and

107.19 (4) office facilities for the support of the activities enumerated in clauses (1), (2), and  
107.20 (3),

107.21 the assessor shall classify the part of the parcel used for agricultural purposes as class 1b,  
107.22 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use.  
107.23 The grading, sorting, and packaging of raw agricultural products for first sale is considered  
107.24 an agricultural purpose. A greenhouse or other building where horticultural or nursery  
107.25 products are grown that is also used for the conduct of retail sales must be classified as  
107.26 agricultural if it is primarily used for the growing of horticultural or nursery products from  
107.27 seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products.  
107.28 Use of a greenhouse or building only for the display of already grown horticultural or nursery  
107.29 products does not qualify as an agricultural purpose.

107.30 (k) The assessor shall determine and list separately on the records the market value of  
107.31 the homestead dwelling and the one acre of land on which that dwelling is located. If any

108.1 farm buildings or structures are located on this homesteaded acre of land, their market value  
108.2 shall not be included in this separate determination.

108.3 (l) Class 2d airport landing area consists of a landing area or public access area of a  
108.4 privately owned public use airport. It has a classification rate of one percent of market value.  
108.5 To qualify for classification under this paragraph, a privately owned public use airport must  
108.6 be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing  
108.7 area" means that part of a privately owned public use airport properly cleared, regularly  
108.8 maintained, and made available to the public for use by aircraft and includes runways,  
108.9 taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing  
108.10 area also includes land underlying both the primary surface and the approach surfaces that  
108.11 comply with all of the following:

108.12 (i) the land is properly cleared and regularly maintained for the primary purposes of the  
108.13 landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities  
108.14 for servicing, repair, or maintenance of aircraft is not included as a landing area;

108.15 (ii) the land is part of the airport property; and

108.16 (iii) the land is not used for commercial or residential purposes.

108.17 The land contained in a landing area under this paragraph must be described and certified  
108.18 by the commissioner of transportation. The certification is effective until it is modified, or  
108.19 until the airport or landing area no longer meets the requirements of this paragraph. For  
108.20 purposes of this paragraph, "public access area" means property used as an aircraft parking  
108.21 ramp, apron, or storage hangar, or an arrival and departure building in connection with the  
108.22 airport.

108.23 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively  
108.24 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not  
108.25 located in a county that has elected to opt-out of the aggregate preservation program as  
108.26 provided in section 273.1115, subdivision 6. It has a classification rate of one percent of  
108.27 market value. To qualify for classification under this paragraph, the property must be at  
108.28 least ten contiguous acres in size and the owner of the property must record with the county  
108.29 recorder of the county in which the property is located an affidavit containing:

108.30 (1) a legal description of the property;

108.31 (2) a disclosure that the property contains a commercial aggregate deposit that is not  
108.32 actively being mined but is present on the entire parcel enrolled;

109.1 (3) documentation that the conditional use under the county or local zoning ordinance  
109.2 of this property is for mining; and

109.3 (4) documentation that a permit has been issued by the local unit of government or the  
109.4 mining activity is allowed under local ordinance. The disclosure must include a statement  
109.5 from a registered professional geologist, engineer, or soil scientist delineating the deposit  
109.6 and certifying that it is a commercial aggregate deposit.

109.7 For purposes of this section and section 273.1115, "commercial aggregate deposit"  
109.8 means a deposit that will yield crushed stone or sand and gravel that is suitable for use as  
109.9 a construction aggregate; and "actively mined" means the removal of top soil and overburden  
109.10 in preparation for excavation or excavation of a commercial deposit.

109.11 (n) When any portion of the property under this subdivision or subdivision 22 begins to  
109.12 be actively mined, the owner must file a supplemental affidavit within 60 days from the  
109.13 day any aggregate is removed stating the number of acres of the property that is actively  
109.14 being mined. The acres actively being mined must be (1) valued and classified under  
109.15 subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate  
109.16 resource preservation property tax program under section 273.1115, if the land was enrolled  
109.17 in that program. Copies of the original affidavit and all supplemental affidavits must be  
109.18 filed with the county assessor, the local zoning administrator, and the Department of Natural  
109.19 Resources, Division of Land and Minerals. A supplemental affidavit must be filed each  
109.20 time a subsequent portion of the property is actively mined, provided that the minimum  
109.21 acreage change is five acres, even if the actual mining activity constitutes less than five  
109.22 acres.

109.23 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not  
109.24 rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in  
109.25 section 14.386 concerning exempt rules do not apply.

109.26 **EFFECTIVE DATE.** This section is effective for assessment year 2019 and thereafter.

109.27 Sec. 12. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended  
109.28 to read:

109.29 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of  
109.30 the market value of property owned by a veteran and serving as the veteran's homestead  
109.31 under this section is excluded in determining the property's taxable market value if the  
109.32 veteran has a service-connected disability of 70 percent or more as certified by the United  
109.33 States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the

110.1 veteran must have been honorably discharged from the United States armed forces, as  
110.2 indicated by United States Government Form DD214 or other official military discharge  
110.3 papers.

110.4 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,  
110.5 except as provided in clause (2); and

110.6 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is  
110.7 excluded.

110.8 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause  
110.9 (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds  
110.10 the legal or beneficial title to the homestead and permanently resides there, the exclusion  
110.11 shall carry over to the benefit of the veteran's spouse for the current taxes payable year and  
110.12 for eight additional taxes payable years or until such time as the spouse remarries, or sells,  
110.13 transfers, or otherwise disposes of the property, whichever comes first, except as otherwise  
110.14 provided in paragraph (n). Qualification under this paragraph requires an application under  
110.15 paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's  
110.16 marital status, ownership of the property, or use of the property as a permanent residence.

110.17 (d) If the spouse of a member of any branch or unit of the United States armed forces  
110.18 who dies due to a service-connected cause while serving honorably in active service, as  
110.19 indicated on United States Government Form DD1300 or DD2064, holds the legal or  
110.20 beneficial title to a homestead and permanently resides there, the spouse is entitled to the  
110.21 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such  
110.22 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,  
110.23 whichever comes first, except as otherwise provided in paragraph (n).

110.24 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property  
110.25 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary  
110.26 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify  
110.27 for under paragraph (b).

110.28 (f) In the case of an agricultural homestead, only the portion of the property consisting  
110.29 of the house and garage and immediately surrounding one acre of land qualifies for the  
110.30 valuation exclusion under this subdivision.

110.31 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible  
110.32 for the market value exclusion under subdivision 35, or classification under subdivision 22,  
110.33 paragraph (b).

111.1 (h) To qualify for a valuation exclusion under this subdivision a property owner must  
 111.2 apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the  
 111.3 exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion  
 111.4 shall become effective for the following assessment year. Except as provided in paragraph  
 111.5 (c), the owner of a property that has been accepted for a valuation exclusion must notify  
 111.6 the assessor if there is a change in ownership of the property or in the use of the property  
 111.7 as a homestead. When a property qualifying for a market value exclusion under this  
 111.8 subdivision is sold or transferred, the exclusion must be removed for the current assessment  
 111.9 year, provided that the new owner may file a claim for an exclusion if eligible.

111.10 (i) A first-time application by a qualifying spouse for the market value exclusion under  
 111.11 paragraph (d) must be made any time within two years of the death of the service member.

111.12 (j) For purposes of this subdivision:

111.13 (1) "active service" has the meaning given in section 190.05;

111.14 (2) "own" means that the person's name is present as an owner on the property deed;

111.15 (3) "primary family caregiver" means a person who is approved by the secretary of the  
 111.16 United States Department of Veterans Affairs for assistance as the primary provider of  
 111.17 personal care services for an eligible veteran under the Program of Comprehensive Assistance  
 111.18 for Family Caregivers, codified as United States Code, title 38, section 1720G; and

111.19 (4) "veteran" has the meaning given the term in section 197.447.

111.20 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion  
 111.21 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit  
 111.22 under paragraph (b), clause (2), for eight tax payable years or until the spouse remarries  
 111.23 or sells, transfers, or otherwise disposes of the property, except as otherwise provided in  
 111.24 paragraph (n), if:

111.25 (1) the spouse files a first-time application within two years of the death of the service  
 111.26 member or by June 1, 2019, whichever is later;

111.27 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the  
 111.28 homestead and permanently resides there;

111.29 (3) the veteran met the honorable discharge requirements of paragraph (a); and

111.30 (4) the United States Department of Veterans Affairs certifies that:

111.31 (i) the veteran met the total (100 percent) and permanent disability requirement under  
 111.32 paragraph (b), clause (2); or

112.1 (ii) the spouse has been awarded dependency and indemnity compensation.

112.2 (l) The purpose of this provision of law providing a level of homestead property tax  
112.3 relief for gravely disabled veterans, their primary family caregivers, and their surviving  
112.4 spouses is to help ease the burdens of war for those among our state's citizens who bear  
112.5 those burdens most heavily.

112.6 (m) By July 1, the county veterans service officer must certify the disability rating and  
112.7 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

112.8 (n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds  
112.9 the legal or beneficial title to the property may continue to receive the exclusion for a  
112.10 property other than the property for which the exclusion was initially granted until the spouse  
112.11 remarries or sells, transfers, or otherwise disposes of the property, provided that:

112.12 (1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed  
112.13 under this paragraph;

112.14 (2) the spouse holds the legal or beneficial title to the property for which the continuation  
112.15 of the exclusion is sought under this paragraph, and permanently resides there;

112.16 (3) the estimated market value of the property for which the exclusion is sought under  
112.17 this paragraph is less than or equal to the estimated market value of the property that first  
112.18 received the exclusion, based on the value of each property on the date of the sale of the  
112.19 property that first received the exclusion; and

112.20 (4) the spouse has not previously received the benefit under this paragraph for a property  
112.21 other than the property for which the exclusion is sought.

112.22 The exclusion for a spouse under this paragraph and paragraph (c), (d), or (k) may not  
112.23 exceed a total of eight taxes payable years.

112.24 **EFFECTIVE DATE.** This section is effective beginning with assessments in 2018, for  
112.25 taxes payable in 2019.

112.26 Sec. 13. Minnesota Statutes 2016, section 273.13, subdivision 35, is amended to read:

112.27 Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's  
112.28 net tax capacity under this section, property classified as class 1a or 1b under subdivision  
112.29 22, and the portion of property classified as class 2a under subdivision 23 consisting of the  
112.30 house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion  
112.31 as determined under paragraph (b).



113.1 (b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market  
 113.2 value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400  
 113.3 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or  
 113.4 more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest  
 113.5 whole dollar, and may not be less than zero.

113.6 (c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior  
 113.7 to determining the amount of the valuation exclusion under this subdivision.

113.8 (d) In the case of a property that is classified as part homestead and part nonhomestead,  
 113.9 (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion  
 113.10 of a property is classified as nonhomestead solely because not all the owners occupy the  
 113.11 property, not all the owners have qualifying relatives occupying the property, or solely  
 113.12 because not all the spouses of owners occupy the property, the exclusion amount shall be  
 113.13 initially computed as if that nonhomestead portion were also in the homestead class and  
 113.14 then prorated to the owner-occupant's percentage of ownership, as determined by section  
 113.15 273.124, subdivision 23. For the purpose of this section, when an owner-occupant's spouse  
 113.16 does not occupy the property, the percentage of ownership for the owner-occupant spouse  
 113.17 is one-half of the couple's ownership percentage.

113.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

113.19 Sec. 14. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended  
 113.20 to read:

113.21 Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural  
 113.22 homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural  
 113.23 credit. The credit is computed using the property's agricultural credit market value, defined  
 113.24 for this purpose as the property's market value excluding the market value of the house,  
 113.25 garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of  
 113.26 the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the  
 113.27 property's agricultural credit market value in excess of \$115,000, subject to a maximum  
 113.28 credit of \$490 for a full agricultural homestead. In the case of property that is classified as  
 113.29 part homestead and part nonhomestead solely because not all the owners occupy or farm  
 113.30 the property, not all the owners have qualifying relatives occupying or farming the property,  
 113.31 or solely because not all the spouses of owners occupy the property, the credit is computed  
 113.32 on the amount of agricultural credit market value corresponding to the owner-occupant's  
 113.33 percentage of homestead. the percentage of homestead is equal to 100 divided by the number  
 113.34 of owners of the property, or, in the case of a trust, the number of grantors of the trust that

114.1 ~~owns the property.~~ ownership, as determined by section 273.124, subdivision 23, and the  
 114.2 maximum credit equals \$490 multiplied by the percentage of ownership.

114.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

114.4 Sec. 15. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision  
 114.5 to read:

114.6 Subd. 6. **Natural gas pipeline.** (a) The county must abate the state general levy on  
 114.7 personal property that is part of an intrastate natural gas transportation or distribution pipeline  
 114.8 system if:

114.9 (1) construction of the pipeline system commenced after January 1, 2018; and

114.10 (2) the pipeline system provides service to an area:

114.11 (i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision  
 114.12 3; and

114.13 (ii) in which the majority of households or businesses lacked access to natural gas  
 114.14 distribution systems as of January 1, 2018.

114.15 (b) In the first year that a taxpayer seeks an abatement under this subdivision, the taxpayer  
 114.16 must file an application with the commissioner of revenue by March 1 of the assessment  
 114.17 year on a form prescribed by the commissioner.

114.18 (c) The commissioner of revenue must notify any affected county in the first year that  
 114.19 a pipeline system becomes eligible for an abatement under this subdivision.

114.20 (d) The abatement under this subdivision applies for a period not to exceed 12 years,  
 114.21 provided that once a property no longer qualifies, it may not subsequently qualify for an  
 114.22 abatement under this subdivision.

114.23 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

114.24 Sec. 16. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision  
 114.25 to read:

114.26 Subd. 7. **Medical facility in underserved area.** The state general levy for any property  
 114.27 qualifying under section 469.1817 is abated. The net tax capacity of the property must be  
 114.28 included in the definition of commercial-industrial tax capacity for the purposes of  
 114.29 determining the state general levy tax rate under subdivision 4.

114.30 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

115.1 Sec. 17. Minnesota Statutes 2016, section 282.01, subdivision 6, is amended to read:

115.2 Subd. 6. **Duties of commissioner after sale.** (a) When any sale has been made by the  
115.3 county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the  
115.4 commissioner of revenue such information relating to such sale, on such forms as the  
115.5 commissioner of revenue may prescribe as will enable the commissioner of revenue to  
115.6 prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is  
115.7 on terms; and not later than October 31 of each year the county auditor shall submit to the  
115.8 commissioner of revenue a statement of all instances wherein any payment of principal,  
115.9 interest, or current taxes on lands held under certificate, due or to be paid during the preceding  
115.10 calendar years, are still outstanding at the time such certificate is made. When such statement  
115.11 shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue  
115.12 may instruct the county board of the county in which the land is located to cancel said  
115.13 certificate of sale in the manner provided by subdivision 5, provided that upon  
115.14 recommendation of the county board, and where the circumstances are such that the  
115.15 commissioner of revenue after investigation is satisfied that the purchaser has made every  
115.16 effort reasonable to make payment of both the annual installment and said taxes, and that  
115.17 there has been no willful neglect on the part of the purchaser in meeting these obligations,  
115.18 then the commissioner of revenue may extend the time for the payment for such period as  
115.19 the commissioner may deem warranted, not to exceed one year. On payment in full of the  
115.20 purchase price, appropriate conveyance in fee, in such form as may be prescribed by the  
115.21 attorney general, shall be issued by the commissioner of revenue, which conveyance must  
115.22 be recorded by the county and shall have the force and effect of a patent from the state  
115.23 subject to easements and restrictions of record at the date of the tax judgment sale, including,  
115.24 but without limitation, permits for telephone and electric power lines either by underground  
115.25 cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for  
115.26 gas, liquids, or solids in suspension.

115.27 (b) The commissioner of revenue shall issue an appropriate conveyance in fee when  
115.28 approval from the county auditor is given based upon written confirmation from a licensed  
115.29 closing agent, title insurer, or title insurance agent as specified in section 82.641. For purposes  
115.30 of this paragraph, "written confirmation" means a written commitment or approval that the  
115.31 funding for the conveyance is held in an escrow account available for disbursement upon  
115.32 delivery of a conveyance. The conveyance issued by the commissioner of revenue shall not  
115.33 be effective as a conveyance until it is recorded. The conveyance shall be issued to the  
115.34 county auditor where the land is located. Upon receipt of the conveyance, the county auditor  
115.35 shall hold the conveyance until the conveyance is requested from a licensed closing agent,

116.1 title insurer, or title insurance agent to settle and close on the conveyance. If a request for  
 116.2 the conveyance is not made within 30 days of the date the conveyance is issued by the  
 116.3 commissioner of revenue, the county auditor shall return the conveyance to the commissioner.  
 116.4 If the conveyance is delivered to the licensed closing agent, title insurer, or title insurance  
 116.5 agent and the closing does not occur within ten days of the request, the licensed closing  
 116.6 agent, title insurer, or title insurance agent shall immediately return the conveyance to the  
 116.7 county auditor and, upon receipt, the county auditor shall return the conveyance to the  
 116.8 commissioner of revenue. The commissioner of revenue shall cancel and destroy all  
 116.9 conveyances returned by the county auditor pursuant to this subdivision. The licensed closing  
 116.10 agent, title insurer, or title insurance agent must promptly record the conveyance after the  
 116.11 closing and must deliver an attested or certified copy to the county auditor and to the grantee  
 116.12 or grantees named on the conveyance.

116.13 **EFFECTIVE DATE.** This section is effective for conveyances issued by the  
 116.14 commissioner of revenue after December 31, 2018.

116.15 Sec. 18. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 13, is amended  
 116.16 to read:

116.17 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax  
 116.18 exclusive of special assessments, penalties, and interest payable on a claimant's homestead  
 116.19 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,  
 116.20 and any other state paid property tax credits in any calendar year, and after any refund  
 116.21 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the  
 116.22 year that the property tax is payable. In the case of a claimant who makes ground lease  
 116.23 payments, "property taxes payable" includes the amount of the payments directly attributable  
 116.24 to the property taxes assessed against the parcel on which the house is located. Regardless  
 116.25 of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes  
 116.26 payable" must be apportioned or reduced for the use of a portion of the claimant's homestead  
 116.27 for a business purpose if the claimant deducts any business depreciation expenses for the  
 116.28 use of a portion of the homestead or deducts expenses under section 280A of the Internal  
 116.29 Revenue Code for a business operated in the claimant's homestead. For homesteads which  
 116.30 are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads~~  
 116.31 ~~which are~~ including manufactured homes located in a manufactured home community owned  
 116.32 by a cooperative organized under chapter 308A or 308B, and park trailers taxed as  
 116.33 manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall  
 116.34 also include 17 percent of the gross rent paid in the preceding year for the site on which the  
 116.35 homestead is located. When a homestead is owned by two or more persons as joint tenants

117.1 or tenants in common, such tenants shall determine between them which tenant may claim  
 117.2 the property taxes payable on the homestead. If they are unable to agree, the matter shall  
 117.3 be referred to the commissioner of revenue whose decision shall be final. Property taxes  
 117.4 are considered payable in the year prescribed by law for payment of the taxes.

117.5 In the case of a claim relating to "property taxes payable," the claimant must have owned  
 117.6 and occupied the homestead on January 2 of the year in which the tax is payable and (i) the  
 117.7 property must have been classified as homestead property pursuant to section 273.124, on  
 117.8 or before December 15 of the assessment year to which the "property taxes payable" relate;  
 117.9 or (ii) the claimant must provide documentation from the local assessor that application for  
 117.10 homestead classification has been made on or before December 15 of the year in which the  
 117.11 "property taxes payable" were payable and that the assessor has approved the application.

117.12 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable  
 117.13 in 2019.

117.14 Sec. 19. Minnesota Statutes 2016, section 290B.04, subdivision 1, is amended to read:

117.15 Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications  
 117.16 under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes.  
 117.17 Applications are due on or before ~~July~~ November 1 for deferral of any of the following  
 117.18 year's property taxes. A taxpayer may request an early notification of approval or denial at  
 117.19 any time. The commissioner must notify a taxpayer in writing of the reasons for an  
 117.20 application denial and that the application may be amended and resubmitted by the due date  
 117.21 specified in this subdivision. A taxpayer may apply in the year in which the taxpayer becomes  
 117.22 65 years old, provided that no deferral of property taxes will be made until the calendar  
 117.23 year after the taxpayer becomes 65 years old. The application, which shall be prescribed  
 117.24 by the commissioner of revenue, shall include the following items and any other information  
 117.25 which the commissioner deems necessary:

117.26 (1) the name, address, and Social Security number of the owner or owners;

117.27 (2) a copy of the property tax statement for the current payable year for the homesteaded  
 117.28 property;

117.29 (3) the initial year of ownership and occupancy as a homestead;

117.30 (4) the owner's household income for the previous calendar year; and

117.31 (5) information on any mortgage loans or other amounts secured by mortgages or other  
 117.32 liens against the property, for which purpose the commissioner may require the applicant  
 117.33 to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing

118.1 on the mortgage loan provided by the mortgage holder. The commissioner may require the  
118.2 appropriate documents in connection with obtaining and confirming information on unpaid  
118.3 amounts secured by other liens.

118.4 The application must state that program participation is voluntary. The application must  
118.5 also state that the deferred amount depends directly on the applicant's household income,  
118.6 and that program participation includes authorization for the annual deferred amount, the  
118.7 cumulative deferral and interest that appear on each year's notice prepared by the county  
118.8 under subdivision 6, is public data.

118.9 The application must state that program participants may claim the property tax refund  
118.10 based on the full amount of property taxes eligible for the refund, including any deferred  
118.11 amounts. The application must also state that property tax refunds will be used to offset any  
118.12 deferral and interest under this program, and that any other amounts subject to revenue  
118.13 recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and  
118.14 interest under this program.

118.15 (b) As part of the initial application process, the commissioner may require the applicant  
118.16 to obtain at the applicant's own cost and submit:

118.17 (1) if the property is registered property under chapter 508 or 508A, a copy of the original  
118.18 certificate of title in the possession of the county registrar of titles (sometimes referred to  
118.19 as "condition of register"); or

118.20 (2) if the property is abstract property, a report prepared by a licensed abstracter showing  
118.21 the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien  
118.22 notices which were recorded on or after the date of that last deed with respect to the property  
118.23 or to the applicant.

118.24 The certificate or report under clauses (1) and (2) need not include references to any  
118.25 documents filed or recorded more than 40 years prior to the date of the certification or report.  
118.26 The certification or report must be as of a date not more than 30 days prior to submission  
118.27 of the application.

118.28 The commissioner may also require the county recorder or county registrar of the county  
118.29 where the property is located to provide copies of recorded documents related to the applicant  
118.30 or the property, for which the recorder or registrar shall not charge a fee. The commissioner  
118.31 may use any information available to determine or verify eligibility under this section. The  
118.32 household income from the application is private data on individuals as defined in section  
118.33 13.02, subdivision 12.

119.1 **EFFECTIVE DATE.** This section is effective for applications for deferral of taxes  
 119.2 payable in 2019 and thereafter.

119.3 Sec. 20. Minnesota Statutes 2016, section 469.171, subdivision 4, is amended to read:

119.4 Subd. 4. **Restriction.** The tax reductions provided by this section shall not apply to (1)  
 119.5 a facility the primary purpose of which is one of the following: ~~retail food and beverage~~  
 119.6 ~~services, automobile sales or service, or~~ the provision of recreation or entertainment, or a  
 119.7 private or commercial golf course, country club, massage parlor, tennis club, skating facility  
 119.8 including roller skating, skateboard, and ice skating, racquet sports facility, including any  
 119.9 handball or racquetball court, hot tub facility, suntan facility, or racetrack; (2) property of  
 119.10 a public utility; (3) property used in the operation of a financial institution; (4) property  
 119.11 owned by a fraternal or veterans' organization; or (5) ~~property of a business operating under~~  
 119.12 ~~a franchise agreement that requires the business to be located in the state; except that tax~~  
 119.13 ~~reductions may be provided to a retail food or beverage facility or an automobile sales or~~  
 119.14 ~~service facility, or a business~~ a retail food or beverage facility operating under a franchise  
 119.15 agreement that requires the business to be located in this state ~~except for such a franchised~~  
 119.16 ~~retail food or beverage facility.~~

119.17 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 119.18 confirms the legislative intent of the amendment made by Laws 2012, chapter 294, article  
 119.19 2, section 25.

119.20 Sec. 21. Minnesota Statutes 2016, section 469.1812, subdivision 1, is amended to read:

119.21 Subdivision 1. **Scope.** For purposes of sections 469.1812 to ~~469.1815~~ 469.1817, the  
 119.22 following terms have the meanings given.

119.23 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

119.24 Sec. 22. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision  
 119.25 to read:

119.26 Subd. 2a. **Medical facility.** "Medical facility" means:

119.27 (1) an office, clinic, building, or portion of a building, the primary use of which is the  
 119.28 provision of primary or specialty health care services to patients on an outpatient basis, by  
 119.29 one or more state-licensed or registered health care providers;

119.30 (2) a birth center licensed under section 144.615;

119.31 (3) a hospital licensed under sections 144.50 to 144.56;

120.1 (4) an urgent care clinic which provides treatment for medical conditions that are not  
 120.2 life-threatening or potentially permanently disabling and do not require critical or emergency  
 120.3 interventions; or

120.4 (5) an outpatient surgical center licensed under section 144.55.

120.5 **EFFECTIVE DATE.** This section is effective the day following final enactment for  
 120.6 taxes payable beginning in 2019 and for sales and purchases made after June 30, 2018.

120.7 Sec. 23. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision  
 120.8 to read:

120.9 Subd. 2b. **Medically underserved county.** "Medically underserved county" means a  
 120.10 county, any portion of which is designated by the federal secretary of health and human  
 120.11 services as a medically underserved area or medically underserved population, as defined  
 120.12 under Code of Federal Regulations, title 42, section 51C.102. By December 15 of each year,  
 120.13 the commissioner of health must certify to the commissioner of revenue the counties that  
 120.14 are medically underserved. By December 31 of each year, the commissioner of revenue  
 120.15 must certify the list of medically underserved counties to county assessors, for assessments  
 120.16 in the following year.

120.17 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2018  
 120.18 for taxes payable in 2019. For assessment year 2018, the certification required to be made  
 120.19 by the commissioner of health must be made by June 1, 2018, and the certification required  
 120.20 to be made by the commissioner of revenue must be made by June 15, 2018.

120.21 Sec. 24. **[469.1817] MEDICAL FACILITY TAX ABATEMENT.**

120.22 Subdivision 1. **Qualification.** The state general tax under section 275.025 must be abated  
 120.23 by the county for any property or portion thereof containing a medical facility that has been  
 120.24 granted an abatement under section 469.1813, provided that:

120.25 (1) the facility is located in a medically underserved county at the time the abatement  
 120.26 resolution is adopted;

120.27 (2) the facility is not located in a metropolitan county as defined under section 473.121,  
 120.28 subdivision 4;

120.29 (3) the resolution of one or more governing bodies granting the abatement specifies that  
 120.30 the facility addresses an underserved need for medical services in the area; and



121.1 (4) both the county and the city or town are abating all taxes on the property containing  
 121.2 the facility for at least 15 years under section 469.1813, subdivision 2.

121.3 Subd. 2. **Application.** A taxpayer seeking an abatement under this section must file an  
 121.4 application with the county assessor by March 1 of the first assessment year for which the  
 121.5 abatement is sought, on a form prescribed by the commissioner of revenue.

121.6 Subd. 3. **Duration.** The state general tax is abated for 15 years.

121.7 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

121.8 Sec. 25. Minnesota Statutes 2016, section 473H.08, subdivision 1, is amended to read:

121.9 Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until ~~either~~  
 121.10 the landowner or, the authority, or a state agency or governmental unit initiates expiration  
 121.11 as provided in this section.

121.12 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 121.13 applies to any agricultural preserve where the previously required eight-year termination  
 121.14 period under Minnesota Statutes, section 473H.08, has not yet expired.

121.15 Sec. 26. Minnesota Statutes 2016, section 473H.08, is amended by adding a subdivision  
 121.16 to read:

121.17 Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires  
 121.18 immediately when a state agency or other governmental unit purchases the property or  
 121.19 obtains an easement over the property for the purpose of creating or expanding a public  
 121.20 trail or public park. This subdivision applies only to the portion of the agricultural preserve  
 121.21 acquired for trail or park purposes, and any portion of the property not acquired for trail or  
 121.22 park purposes shall remain an agricultural preserve, regardless if the remaining total acreage  
 121.23 is less than 40 acres.

121.24 (b) The acquiring state agency or governmental unit shall give notice of the expiration  
 121.25 under paragraph (a) to the authority. The notice must specify the portion of the property  
 121.26 being removed from the agricultural preserve and the date on which that portion expires.

121.27 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 121.28 applies to any agricultural preserve where the previously required eight-year termination  
 121.29 period under Minnesota Statutes, section 473H.08, has not yet expired.

122.1 Sec. 27. Minnesota Statutes 2016, section 473H.08, subdivision 4, is amended to read:

122.2 Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a,  
 122.3 or upon notice served by the authority as provided in subdivision 3, the authority shall  
 122.4 forward the original notice to the county recorder for recording, or to the registrar of titles  
 122.5 if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan  
 122.6 Council, and the county soil and water conservation district of the date of expiration.  
 122.7 Designation as an agricultural preserve and all benefits and limitations accruing through  
 122.8 sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The  
 122.9 restrictive covenant contained in the application shall terminate on the date of expiration.

122.10 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 122.11 applies to any agricultural preserve where the previously required eight-year termination  
 122.12 period under Minnesota Statutes, section 473H.08, has not yet expired.

122.13 Sec. 28. Minnesota Statutes 2016, section 477A.013, subdivision 13, is amended to read:

122.14 Subd. 13. **Certified aid adjustments.** ~~(a) A city that received an aid base increase under~~  
 122.15 ~~Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its~~  
 122.16 ~~total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in~~  
 122.17 ~~2014 through 2018.~~

122.18 ~~(b)~~ (a) A city that received an aid base increase under Minnesota Statutes 2012, section  
 122.19 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased  
 122.20 by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

122.21 ~~(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section~~  
 122.22 ~~477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased~~  
 122.23 ~~by an amount equal to \$1,000,000 for aids payable in 2014 only.~~

122.24 (b) For aids payable in 2019 only, a city shall have its total aid under subdivision 9  
 122.25 increased by an amount equal to its aid decrease between aids payable in 2016 and 2017 if:

122.26 (1) the city's aid decreased by more than \$50,000 between aids payable in 2016 and  
 122.27 2017 under this section; and

122.28 (2) the city's unmet need amount calculated for aids payable in 2017 exceeded its aids  
 122.29 payable in 2016.

122.30 (c) The city of Lilydale shall have its total aid under subdivision 9 increased by \$150,000  
 122.31 for aids payable in 2019 only.

122.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2019.

123.1 Sec. 29. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by  
 123.2 Laws 2013, chapter 143, article 4, section 35, is amended to read:

123.3 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009,  
 123.4 and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

123.5 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

123.6 Sec. 30. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws  
 123.7 2013, chapter 143, article 4, section 36, is amended to read:

123.8 Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution  
 123.9 of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance  
 123.10 Special Taxing District for the purpose of providing fire or ambulance services, or both,  
 123.11 throughout the district. In this section, "municipality" means home rule charter and statutory  
 123.12 cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and  
 123.13 ambulance services of the municipalities that receive fire or ambulance services, or both,  
 123.14 from the district. Upon application, any other municipality may join the district with the  
 123.15 agreement of the municipalities that comprise the district at the time of its application to  
 123.16 join.

123.17 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 123.18 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 123.19 subdivision 3.

123.20 Sec. 31. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

123.21 Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board  
 123.22 is governed by a board made up initially of one or more elected officials of the governing  
 123.23 body of each participating municipality in the proportions set out in the establishing  
 123.24 resolution, subject to change as provided in the district's charter, if any, or in the district's  
 123.25 bylaws. Each municipality's representatives serve at the pleasure of that municipality's  
 123.26 governing body.

123.27 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 123.28 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 123.29 subdivision 3.

124.1 Sec. 32. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws  
124.2 2013, chapter 143, article 4, section 37, is amended to read:

124.3 Subd. 3. **Tax.** The district board may impose a property tax on taxable property as  
124.4 provided in this subdivision to pay the costs of providing fire or ambulance services, or  
124.5 both, throughout the district. The board shall annually determine the total amount of the  
124.6 levy that is attributable to the cost of providing fire services and the cost of providing  
124.7 ambulance services within the primary service area. For those municipalities that only  
124.8 receive ambulance services, the costs for the provision of ambulance services shall be levied  
124.9 against taxable property within those municipalities at a rate necessary not to exceed 0.019  
124.10 percent of the estimated market value. For those municipalities that receive both fire and  
124.11 ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent  
124.12 of estimated market value.

124.13 When a member municipality opts to receive fire service from the district or an additional  
124.14 municipality becomes a member of the district, the cost of providing fire services to that  
124.15 community shall be determined by the board and added to the maximum levy amount.

124.16 Each county auditor of a county that contains a municipality subject to the tax under  
124.17 this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District.  
124.18 The district may also impose other fees or charges as allowed by law for the provision of  
124.19 fire and ambulance services.

124.20 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
124.21 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
124.22 subdivision 3.

124.23 Sec. 33. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

124.24 Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for  
124.25 in Minnesota Statutes, chapter 475, and the district shall be considered a municipality by  
124.26 Minnesota Statutes, chapter 475, when necessary to accomplish its duties., as defined in  
124.27 Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision 1, paragraph  
124.28 (c), and may issue certificates of indebtedness or capital notes in the manner provided for  
124.29 a city under Minnesota Statutes, section 412.301, when necessary to accomplish its duties.  
124.30 Any tax levied to pay debt of the district shall be levied in the amounts required and in  
124.31 accordance with Minnesota Statutes, section 475.61. The debt service for debt, the proceeds  
124.32 of which financed capital costs for ambulance service, shall be levied against taxable property  
124.33 within those municipalities in the primary service area. The debt service for debt, the proceeds

125.1 of which financed capital costs for fire service, shall be levied against taxable property  
 125.2 within those municipalities receiving fire services.

125.3 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 125.4 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 125.5 subdivision 3.

125.6 Sec. 34. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

125.7 Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district  
 125.8 may be given only in the month of January, with a minimum of twelve months notice of  
 125.9 intent to withdraw. Withdrawal becomes effective for taxes levied pursuant to subdivision  
 125.10 3 in the year when the notice is given. A property tax levied by the district on taxable  
 125.11 property located in a withdrawing municipality to make debt service payments for obligations  
 125.12 issued by the district pursuant to subdivision 4 shall remain in effect until the obligations  
 125.13 outstanding on the date of withdrawal are satisfied, including any property tax levied in  
 125.14 connection with a refunding of such obligations. The district and its members may develop  
 125.15 and agree upon other continuing obligations after withdrawal of a municipality.

125.16 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area  
 125.17 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,  
 125.18 subdivision 3.

125.19 Sec. 35. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective  
 125.20 date, is amended to read:

125.21 **EFFECTIVE DATE; APPLICATION.** This section is effective for applications and  
 125.22 certifications made in 2018 and thereafter, except the repeal of the exclusion of land under  
 125.23 item (iii) is effective retroactively for payments due under Minnesota Statutes, section  
 125.24 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive  
 125.25 payments, the following requirements must be met: (1) the owner of land exceeding 60,000  
 125.26 acres that is subject to a single conservation easement funded under Minnesota Statutes,  
 125.27 section 97A.056 or a comparable permanent easement conveyed to a governmental or  
 125.28 nonprofit entity, must submit an application to the commissioner of revenue, in a form and  
 125.29 manner and at a time acceptable to the commissioner, establishing that the affected property  
 125.30 and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this  
 125.31 section; (2) the owner and each county in which the land is located must certify to the  
 125.32 commissioner that no petitions challenging the market value of the property are pending  
 125.33 under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must

126.1 be satisfied by October 1, 2017. No interest accrues on payment under this section for  
 126.2 periods before November 1, 2017.

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

126.4 Sec. 36. **SPECIAL REFUND PROVISION; DISABLED VETERANS HOMESTEAD**  
 126.5 **EXCLUSION.**

126.6 A veteran who was first notified by the United States Department of Veterans Affairs  
 126.7 after July 1, 2017, but before November 1, 2017, as having a total (100 percent) and  
 126.8 permanent disability effective prior to July 1, 2016, but who did not apply to the assessor  
 126.9 by July 1, 2016, for a benefit in Minnesota Statutes, section 273.13, subdivision 34, paragraph  
 126.10 (b), for assessment year 2016, and who did not apply to the assessor by July 1, 2017, for  
 126.11 the benefit in Minnesota Statutes, section 273.13, subdivision 34, paragraph (b), for  
 126.12 assessment year 2017, may apply to the county assessor for a refund of taxes paid in 2017  
 126.13 and 2018 if the veteran otherwise would have qualified for the exclusion in those years. To  
 126.14 qualify for a refund, a property owner must apply to the assessor by November 1, 2018, and  
 126.15 must have paid all tax due in 2017 and 2018. After verifying that the applicant qualified for  
 126.16 an exclusion in 2016 and 2017, the county assessor must notify the county auditor, and the  
 126.17 auditor must recalculate the taxes on the property for taxes payable in 2017 and 2018 based  
 126.18 on the exclusion. The county treasurer must then issue a refund of tax paid in 2017 and  
 126.19 2018 equal to the difference between the taxes as initially calculated for each taxes payable  
 126.20 year and the taxes based on the value remaining after the exclusion.

126.21 **EFFECTIVE DATE.** This section is effective for refund applications received in 2018,  
 126.22 for refunds of tax paid in 2017 and 2018.

126.23 Sec. 37. **SCHOOL PROPERTY TAX REFORM.**

126.24 (a) A school property tax working group is established as provided in this section. The  
 126.25 goals of the working group are to develop one or more legislative proposals for reform of  
 126.26 Minnesota's property tax system that would:

126.27 (1) evaluate the farmland tax burden from the costs of school capital investments;

126.28 (2) simplify the tax system used for school district levies;

126.29 (3) coordinate interactions with the state general levy; and

126.30 (4) accomplish the objectives of this paragraph with optimal levels of state aid and local  
 126.31 property tax.

- 127.1 (b) The 16-member working group shall consist of the following members:
- 127.2 (1) two state representatives, both appointed by the chair of the house of representatives
- 127.3 Taxes Committee, one from the majority party and one from the largest minority party;
- 127.4 (2) two state representatives, both appointed by the chair of the house of representatives
- 127.5 Education Finance Committee, one from the majority party and one from the largest minority
- 127.6 party;
- 127.7 (3) four senators appointed by the Subcommittee on Committees of the Senate Rules
- 127.8 and Administration Committee, two from the majority party and two from the largest
- 127.9 minority party;
- 127.10 (4) one person appointed by the Minnesota School Boards Association;
- 127.11 (5) one person appointed by the Minnesota Rural Education Association;
- 127.12 (6) one person appointed by the Association of Metropolitan School Districts;
- 127.13 (7) one person appointed by Schools for Equity in Education;
- 127.14 (8) one person appointed by the Minnesota Farm Bureau;
- 127.15 (9) one person appointed by the Minnesota Farmers Union;
- 127.16 (10) one person appointed by the Minnesota Chamber of Commerce; and
- 127.17 (11) one person appointed by Minnesota Lakes and Rivers Advocates.
- 127.18 (c) The commissioner of revenue and the commissioner of education, or their designees,
- 127.19 shall serve as ex-officio members of the working group.
- 127.20 (d) All appointments must be made before July 1, 2018. The majority party appointee
- 127.21 of the house of representatives Taxes Committee chair shall chair the initial meeting, and
- 127.22 the working group shall elect a chair at that initial meeting. The working group will meet
- 127.23 at the call of the chair. Members of the working group shall serve without compensation.
- 127.24 The commissioner of revenue must provide administrative support to the working group.
- 127.25 Minnesota Statutes, chapter 13D, does not apply to meetings of the working group. Meetings
- 127.26 of the working group must be open to the public and the working group must provide notice
- 127.27 of a meeting to potentially interested persons at least five days before the meeting. A meeting
- 127.28 of the working group occurs when a quorum is present.
- 127.29 (e) The working group shall make its advisory recommendations to the chairs of the
- 127.30 house of representatives and senate Taxes and Education Finance Committees on or before
- 127.31 January 1, 2019, at which time the working group shall be finished and this section expires.

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

128.2 **ARTICLE 6**

128.3 **PUBLIC FINANCE**

128.4 Section 1. Minnesota Statutes 2016, section 103E.611, subdivision 2, is amended to read:

128.5 Subd. 2. **Interest.** (a) Interest is an additional drainage lien on all property until paid.

128.6 The interest rate on the drainage lien principal from the date the drainage lien statement is  
128.7 recorded must be set by the board but may not exceed the rate determined by the state court  
128.8 administrator for judgments under section 549.09, or six percent, whichever is greater.

128.9 (b) Before the tax lists for the year are given to the county treasurer, the auditor shall  
128.10 compute the interest on the unpaid balance of the drainage lien at the rate set by the board.  
128.11 The amount of interest must be computed on the entire unpaid principal from the date the  
128.12 drainage lien was recorded to August 15 of the next calendar year, and afterwards from  
128.13 August 15 to August 15 of each year.

128.14 (c) Interest is due and payable after November 1 of each year the drainage lien principal  
128.15 or interest is due and unpaid.

128.16 Sec. 2. Minnesota Statutes 2016, section 471.831, is amended to read:

128.17 **471.831 MUNICIPALITY MAY FILE BANKRUPTCY PETITION.**

128.18 Subdivision 1. **Any relief under bankruptcy code.** A municipality, as defined in  
128.19 subdivision 2, may file a petition and seek any relief available to it under United States  
128.20 Code, title 11, as amended ~~through December 31, 1996.~~

128.21 Subd. 2. **Municipality defined.** In this section, "municipality" means a municipality as  
128.22 defined in United States Code, title 11, section 101, as amended ~~through December 31,~~  
128.23 ~~1996,~~ but limited to a county, statutory or home rule charter city, or town; or a housing and  
128.24 redevelopment authority, economic development authority, or rural development financing  
128.25 authority established under chapter 469, a home rule charter, or special law.

128.26 Sec. 3. Minnesota Statutes 2017 Supplement, section 473.39, subdivision 6, is amended  
128.27 to read:

128.28 Subd. 6. **Limitation; light rail transit.** The council is prohibited from expending any  
128.29 proceeds from certificates of indebtedness, bonds, or other obligations under ~~this section~~  
128.30 subdivision 1u for project development, land acquisition, or construction to (1) establish a



129.1 light rail transit line; or (2) expand a light rail transit line, including by extending a line or  
 129.2 adding additional stops.

129.3 Sec. 4. Minnesota Statutes 2016, section 474A.02, subdivision 22b, is amended to read:

129.4 Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned  
 129.5 facility, or a facility owned by a nonprofit organization that is used for district heating or  
 129.6 cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds  
 129.7 of public facilities bonds as defined under section 474A.02, subdivision 23a.

129.8 Sec. 5. Minnesota Statutes 2016, section 475.521, subdivision 1, is amended to read:

129.9 Subdivision 1. **Definitions.** For purposes of this section, the following terms have the  
 129.10 meanings given.

129.11 (a) "Bonds" mean an obligation defined under section 475.51.

129.12 (b) "Capital improvement" means acquisition or betterment of public lands, buildings  
 129.13 or other improvements for the purpose of a city hall, town hall, library, public safety facility,  
 129.14 and public works facility. An improvement must have an expected useful life of five years  
 129.15 or more to qualify. Capital improvement does not include light rail transit or any activity  
 129.16 related to it, or a park, road, bridge, administrative building other than a city or town hall,  
 129.17 or land for any of those facilities. For purposes of this section, "capital improvement"  
 129.18 includes expenditures for purposes described in this paragraph that have been incurred by  
 129.19 a municipality before approval of a capital improvement plan, if such expenditures are  
 129.20 included in a capital improvement plan approved on or before the date of the public hearing  
 129.21 under subdivision 2 regarding issuance of bonds for such expenditures.

129.22 (c) "Municipality" means a home rule charter or statutory city or a town ~~described in~~  
 129.23 ~~section 368.01, subdivision 1 or 1a.~~

129.24

## ARTICLE 7

129.25

### MISCELLANEOUS

129.26 Section 1. Minnesota Statutes 2017 Supplement, section 298.17, is amended to read:

129.27 **298.17 OCCUPATION TAXES TO BE APPORTIONED; REFUND.**

129.28 (a) All occupation taxes paid by persons, copartnerships, companies, joint stock  
 129.29 companies, corporations, and associations, however or for whatever purpose organized,  
 129.30 engaged in the business of mining or producing iron ore or other ores, when collected shall  
 129.31 be apportioned and distributed in accordance with the Constitution of the state of Minnesota,

130.1 article X, section 3, in the manner following: 90 percent shall be deposited in the state  
130.2 treasury and credited to the general fund of which four-ninths shall be used for the support  
130.3 of elementary and secondary schools; and ten percent of the proceeds of the tax imposed  
130.4 by this section shall be deposited in the state treasury and credited to the general fund for  
130.5 the general support of the university.

130.6 (b) Of the money apportioned to the general fund by this section, the following allocations  
130.7 must be made:

130.8 (1) there is annually appropriated and credited to the mining environmental and regulatory  
130.9 account in the special revenue fund an amount equal to that which would have been generated  
130.10 by a 2-1/2 cent tax imposed by section 298.24 on each taxable ton produced in the preceding  
130.11 calendar year. Money in the mining environmental and regulatory account is appropriated  
130.12 annually to the commissioner of natural resources to fund agency staff to work on  
130.13 environmental issues and provide regulatory services for ferrous and nonferrous mining  
130.14 operations in this state. Payment to the mining environmental and regulatory account shall  
130.15 be made by July 1 annually. The commissioner of natural resources shall execute an  
130.16 interagency agreement with the Pollution Control Agency to assist with the provision of  
130.17 environmental regulatory services such as monitoring and permitting required for ferrous  
130.18 and nonferrous mining operations;

130.19 (2) there is annually appropriated and credited to the Iron Range resources and  
130.20 rehabilitation account in the special revenue fund an amount equal to that which would have  
130.21 been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced  
130.22 in the preceding calendar year, to be expended for the purposes of section 298.22. The  
130.23 money appropriated shall be used (i) to provide environmental development grants to local  
130.24 governments located within any county in region 3 as defined in governor's executive order  
130.25 number 60, issued on June 12, 1970, that does not contain a municipality qualifying pursuant  
130.26 to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants  
130.27 to businesses located within any such county, provided that the county board or an advisory  
130.28 group appointed by the county board to provide recommendations on economic development  
130.29 shall make recommendations to the commissioner of Iron Range resources and rehabilitation  
130.30 regarding the loans. Of the money allocated to Koochiching County, one-third must be paid  
130.31 to the Koochiching County Economic Development Commission. Payment to the Iron  
130.32 Range resources and rehabilitation account shall be made by May 15 annually; and

130.33 (3) there is annually appropriated and credited to the Iron Range resources and  
130.34 rehabilitation account in the special revenue fund for transfer to the Iron Range school  
130.35 consolidation and cooperatively operated school account under section 298.28, subdivision

131.1 7a, an amount equal to that which would have been generated by a six cent tax imposed by  
 131.2 section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the  
 131.3 Iron Range resources and rehabilitation account shall be made by May 15 annually.

131.4 ~~(c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to~~  
 131.5 ~~provide environmental development grants to local governments located within any county~~  
 131.6 ~~in region 3 as defined in governor's executive order number 60, issued on June 12, 1970,~~  
 131.7 ~~which does not contain a municipality qualifying pursuant to section 273.134, paragraph~~  
 131.8 ~~(b), or (ii) to provide economic development loans or grants to businesses located within~~  
 131.9 ~~any such county, provided that the county board or an advisory group appointed by the~~  
 131.10 ~~county board to provide recommendations on economic development shall make~~  
 131.11 ~~recommendations to the commissioner of Iron Range resources and rehabilitation regarding~~  
 131.12 ~~the loans. Payment to the Iron Range resources and rehabilitation account shall be made by~~  
 131.13 ~~May 15 annually. After the allocations are made under paragraph (b), any amount remaining~~  
 131.14 in the general fund, of the money apportioned to the general fund under this section in the  
 131.15 current year, shall be refunded by the commissioner of revenue as provided. By May 15  
 131.16 annually, the commissioner shall issue a refund to each producer equal to the amount of tax  
 131.17 paid by that producer in the current year under section 298.01, as compared to the total  
 131.18 amount of tax paid in the current year under section 298.01 by all producers, provided that  
 131.19 a producer shall not be eligible for a refund under this section in an amount greater than the  
 131.20 amount of tax paid by that producer in the current year. The total amount of refunds issued  
 131.21 under this paragraph in any year shall not exceed \$5,000,000.

131.22 ~~(d) Of the money allocated to Koochiching County, one-third must be paid to the~~  
 131.23 ~~Koochiching County Economic Development Commission.~~

131.24 **EFFECTIVE DATE.** This section is effective beginning with distributions made in  
 131.25 2020 and thereafter.

131.26 Sec. 2. Minnesota Statutes 2016, section 298.225, subdivision 1, is amended to read:

131.27 Subdivision 1. **Guaranteed distribution.** (a) Except as provided under paragraph (c),  
 131.28 the distribution of the taconite production tax as provided in section 298.28, subdivisions  
 131.29 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

131.30 (1) the amount distributed pursuant to this section and section 298.28, with respect to  
 131.31 1983 production if the production for the year prior to the distribution year is no less than  
 131.32 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount  
 131.33 of the distributions shall be reduced proportionately at the rate of two percent for each

132.1 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000  
 132.2 tons; or

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

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

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

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

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

132.20 (c) The distribution of the taconite production tax under section 298.28, subdivision 3,  
 132.21 paragraph (a), guaranteed under this section is equal to the amount distributed under section  
 132.22 298.28, with respect to 1983 production.

132.23 **EFFECTIVE DATE.** This section is effective for distributions in 2020 and thereafter.

132.24 Sec. 3. Minnesota Statutes 2017 Supplement, section 298.227, is amended to read:

132.25 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

132.26 An amount equal to that distributed pursuant to each taconite producer's taxable  
 132.27 production and qualifying sales under section 298.28, subdivision 9a, shall be held by the  
 132.28 commissioner of Iron Range resources and rehabilitation in a separate taconite economic  
 132.29 development fund for each taconite and direct reduced ore producer. Money from the fund  
 132.30 for each producer shall be released by the commissioner after review by a joint committee  
 132.31 consisting of an equal number of representatives of the salaried employees and the  
 132.32 nonsalaried production and maintenance employees of that producer. The District 11 director

133.1 of the United States Steelworkers of America, on advice of each local employee president,  
 133.2 shall select the employee members. In nonorganized operations, the employee committee  
 133.3 shall be elected by the nonsalaried production and maintenance employees. The review  
 133.4 must be completed no later than six months after the producer presents a proposal for  
 133.5 expenditure of the funds to the committee. The funds held pursuant to this section may be  
 133.6 released only for workforce development ~~and associated public facility improvement,~~  
 133.7 concurrent reclamation, ~~or for acquisition of plant and stationary mining equipment and~~  
 133.8 facilities for the producer or for research and development in Minnesota on new mining, or  
 133.9 taconite, iron, or steel production technology, but only if the producer provides a matching  
 133.10 expenditure equal to the amount of the distribution to be used for the same purpose ~~beginning~~  
 133.11 ~~with distributions in 2014. Effective for proposals for expenditures of money from the fund~~  
 133.12 ~~beginning May 26, 2007, the commissioner may not release the funds before the next~~  
 133.13 ~~scheduled meeting of the board.~~ If a proposed expenditure is not approved by the  
 133.14 commissioner, after consultation with the advisory board, the funds must be deposited in  
 133.15 the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a taconite  
 133.16 production facility is sold after operations at the facility had ceased, any money remaining  
 133.17 in the fund for the former producer may be released to the purchaser of the facility on the  
 133.18 terms otherwise applicable to the former producer under this section. If a producer fails to  
 133.19 provide matching funds for a proposed expenditure within six months after the commissioner  
 133.20 approves release of the funds, the funds ~~are available for release to another producer in~~  
 133.21 ~~proportion to the distribution provided and under the conditions of this section~~ may be  
 133.22 released by the commissioner for deposit in the taconite area environmental protection fund  
 133.23 created in section 298.223. Any portion of the fund which is not released by the commissioner  
 133.24 within one year of its deposit in the fund shall be ~~divided between~~ distributed to the taconite  
 133.25 environmental protection fund ~~created in section 298.223 and the Douglas J. Johnson~~  
 133.26 ~~economic protection trust fund created in section 298.292 for placement in their respective~~  
 133.27 ~~special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite~~  
 133.28 ~~environmental protection fund and one-third to the Douglas J. Johnson economic protection~~  
 133.29 ~~trust fund.~~

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

133.31 Sec. 4. Minnesota Statutes 2016, section 298.28, subdivision 9a, is amended to read:

133.32 Subd. 9a. **Taconite economic development fund.** (a) 25.1 cents per ton for distributions  
 133.33 in 2002 and thereafter must be paid to the taconite economic development fund. No  
 133.34 distribution shall be made under this paragraph in 2004 or any subsequent year in which  
 133.35 total industry production falls below 30 million tons. Distribution shall only be made to a

134.1 Minnesota taconite pellet producer's fund under section 298.227 if the producer timely pays  
 134.2 its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the  
 134.3 due dates provided by an administrative agreement with the commissioner.

134.4 (b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold  
 134.5 in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed  
 134.6 pellets shall be paid to the taconite economic development fund. The amount paid shall not  
 134.7 exceed \$700,000 annually for all ~~companies~~ Minnesota taconite pellet producers. If the  
 134.8 initial amount to be paid to the fund exceeds this amount, each ~~company's~~ Minnesota taconite  
 134.9 pellet producer's payment shall be prorated so the total does not exceed \$700,000.

134.10 **EFFECTIVE DATE.** This section is effective retroactively from December 31, 2016.

134.11 Sec. 5. Laws 1986, chapter 379, section 1, subdivision 1, is amended to read:

134.12 Subdivision 1. **Liquor and food tax authorized.** (a) Notwithstanding Minnesota Statutes,  
 134.13 section 477A.016, or any ordinance, city charter, or other provision of law, the city of St.  
 134.14 Cloud may, by ordinance, impose a sales tax supplemental to the general sales tax imposed  
 134.15 in Minnesota Statutes, chapter 297A, the proceeds of which shall be used in accordance  
 134.16 with subdivision 2. The tax imposed by the city may be not more than one percent on the  
 134.17 gross receipts from all retail on-sales of intoxicating liquor and fermented malt beverages  
 134.18 sold at licensed on-sale liquor establishments located within its geographic boundaries, or  
 134.19 not more than one percent on the gross receipts from the retail sale of food and beverages  
 134.20 not subject to the liquor tax by a restaurant or place of refreshment located within its  
 134.21 geographic boundaries, or both. For purposes of this act, the city shall define the terms  
 134.22 "restaurant" and "place of refreshment" by resolution. The governing body of the city may  
 134.23 adopt an ordinance establishing a convention center taxing district. The ordinance shall  
 134.24 describe with particularity the area within the city to be included in the district. If the city  
 134.25 establishes a convention center taxing district, the sales taxes authorized under this  
 134.26 subdivision may be imposed only upon the sales occurring at on-sale liquor establishments,  
 134.27 restaurants, or other places of refreshment located within the district.

134.28 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any  
 134.29 ordinance, city charter, or other provision of law, the city of St. Cloud may, if approved by  
 134.30 the voters at a general election, increase by ordinance the tax allowed under paragraph (a)  
 134.31 by up to one-half of one percent. The election must be held before the governing body of  
 134.32 the city considers the ordinance. The proceeds of the increased tax must be used for  
 134.33 remodeling, improvements, and expansion of the Municipal Athletic Center, including  
 134.34 making payments on any associated bonds.

135.1 **EFFECTIVE DATE.** This section is effective the day after the governing body of the  
135.2 city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section  
135.3 645.021, subdivisions 2 and 3.

135.4 Sec. 6. Laws 1986, chapter 379, section 1, subdivision 3, is amended to read:

135.5 Subd. 3. **Expiration of taxing authority.** (a) The authority granted by subdivision 1,  
135.6 paragraph (a), to the city to impose a liquor and food tax shall expire when the principal  
135.7 and interest on any bonds or other obligations issued to finance construction of a convention  
135.8 center facility or related facilities have been paid or at an earlier time as the city shall, by  
135.9 ordinance, determine.

135.10 (b) The authority granted by subdivision 1, paragraph (b), to increase the tax authorized  
135.11 under subdivision 1, paragraph (a), shall expire at the earlier of:

135.12 (1) 25 years; or

135.13 (2) when principal and interest on any bonds or other obligations issued to finance the  
135.14 remodeling, improvements, and expansion of the Municipal Athletic Center have been paid.

135.15 (c) The authority granted by subdivision 1, paragraph (b), may also terminate by city  
135.16 ordinance.

135.17 **EFFECTIVE DATE.** This section is effective the day after the governing body of the  
135.18 city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section  
135.19 645.021, subdivisions 2 and 3.

135.20 Sec. 7. Laws 1986, chapter 379, section 2, subdivision 1, is amended to read:

135.21 Subdivision 1. **Additional tax authorized.** (a) Notwithstanding Minnesota Statutes,  
135.22 section 477A.016, or any ordinance, city charter, or other provision of law, the city of St.  
135.23 Cloud may, by ordinance, impose a tax at a rate not to exceed two percent in addition to  
135.24 the tax authorized under Laws 1979, chapter 197, on the gross receipts from the furnishing  
135.25 for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort other  
135.26 than the renting or leasing of it for a continuous period of 30 days or more.

135.27 (b) Notwithstanding Minnesota Statutes, section 477A.016, the city of St. Cloud may,  
135.28 if approved by the voters at a general election, increase by ordinance the tax allowed under  
135.29 paragraph (a) by up to one percent. The election must be held before the governing body  
135.30 of the city considers the ordinance. The proceeds of the increased tax must be used  
135.31 exclusively for the marketing and promotion of the Municipal Athletic Center.

136.1 **EFFECTIVE DATE.** This section is effective the day after the governing body of the  
 136.2 city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section  
 136.3 645.021, subdivisions 2 and 3.

136.4 Sec. 8. Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session  
 136.5 chapter 5, article 12, section 87, and Laws 2012, chapter 299, article 3, section 3, is amended  
 136.6 to read:

136.7 **Sec. 5. LIQUOR, LODGING, AND RESTAURANT TAXES.**

136.8 The city may, by resolution, levy in addition to taxes authorized by other law:

136.9 (1) a sales tax of not more than three percent on the gross receipts on retail on-sales of  
 136.10 intoxicating liquor and fermented malt beverages when sold at licensed on-sale liquor  
 136.11 establishments located within the downtown taxing area, provided that this tax may not be  
 136.12 imposed if sales of intoxicating liquor and fermented malt beverages are exempt from  
 136.13 taxation under chapter 297A;

136.14 (2) a sales tax of not more than three percent on the gross receipts from the furnishing  
 136.15 for consideration of lodging for a period of less than 30 days at a hotel, motel, rooming  
 136.16 house, tourist court, or trailer camp located within the city by a hotel or motel which has  
 136.17 more than 50 rooms available for lodging; the tax imposed under this clause shall be at a  
 136.18 rate that, when added to the sum of the rate of the sales tax imposed under Minnesota  
 136.19 Statutes, chapter 297A, the rate of the sales tax imposed under section 4, and the rate of any  
 136.20 other taxes on lodging in the city of Minneapolis, equals ~~13~~ 13.875 percent; and

136.21 (3) a sales tax of not more than three percent on the gross receipts on all sales of food  
 136.22 primarily for consumption on or off the premises by restaurants and places of refreshment  
 136.23 as defined by resolution of the city that occur within the downtown taxing area.

136.24 The taxes authorized by this section must not be terminated before January 1, 2047. The  
 136.25 taxes shall be imposed and may be adjusted periodically by the city council such that the  
 136.26 rates imposed produce revenue sufficient, together with the tax imposed under section 4,  
 136.27 to finance the purposes described in Minnesota Statutes, section 297A.994, and section 4,  
 136.28 subdivisions 3 and 4. These taxes shall be applied, first, as provided in Minnesota Statutes,  
 136.29 section 297A.994, subdivision 3, clauses (1) to (3), and then, solely to pay, secure, maintain,  
 136.30 and fund the payment of any principal of, premium on, and interest on any bonds or any  
 136.31 other purposes in section 4, subdivision 3 or 4. The commissioner of revenue may enter  
 136.32 into appropriate agreements with the city to provide for the collection of these taxes by the



137.1 state on behalf of the city. These taxes shall be subject to the same interest, penalties, and  
137.2 enforcement provisions as the taxes imposed under Minnesota Statutes, chapter 297A.

137.3 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
137.4 September 30, 2018.

137.5 Sec. 9. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291, article  
137.6 8, section 24, and Laws 2011, chapter 112, article 4, section 6, is amended to read:

137.7 Sec. 31. **AUTHORITY FOR TAXATION.**

137.8 Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and  
137.9 supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city  
137.10 of St. Paul may impose, by ordinance, a tax, at a rate not greater than ~~three~~ four percent, on  
137.11 the gross receipts from the furnishing for consideration of lodging and related services at a  
137.12 hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of  
137.13 space for a continuous period of 30 days or more. The tax does not apply to the furnishing  
137.14 of lodging and related services by a business having less than 50 lodging rooms. The tax  
137.15 shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues  
137.16 generated by this tax shall be used to fund a convention bureau to market and promote the  
137.17 city as a tourist or convention center.

137.18 **EFFECTIVE DATE.** This section is effective the first day of the calendar quarter  
137.19 beginning at least 30 days after the governing body of the city of St. Paul and its chief  
137.20 clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

137.21 Sec. 10. Laws 2008, chapter 366, article 5, section 26, as amended by Laws 2013, chapter  
137.22 143, article 9, section 11, is amended to read:

137.23 Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

137.24 (a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that  
137.25 activities must be undertaken within a five-year period from the date of certification of a  
137.26 tax increment financing district, are increased to a ~~15~~ 20-year period for the Port Authority  
137.27 of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central  
137.28 Station.

137.29 (b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other  
137.30 law to the contrary, the city of Bloomington and its port authority may extend the duration  
137.31 limits of the district for a period through December 31, 2039.

138.1 (c) Effective for taxes payable in 2014, tax increment for the district must be computed  
 138.2 using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section  
 138.3 469.177, subdivision 1a.

138.4 (d) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, relating  
 138.5 to use of increments after the end of the time limit in Minnesota Statutes, section 469.1763,  
 138.6 subdivision 3, do not apply to the Port Authority of the City of Bloomington's Tax Increment  
 138.7 Financing District No. 1-I, Bloomington Central Station.

138.8 **EFFECTIVE DATE.** This section is effective the day after the governing body of the  
 138.9 city of Bloomington and its chief clerical officer comply with Minnesota Statutes, section  
 138.10 645.021, subdivisions 2 and 3.

138.11 Sec. 11. Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3,  
 138.12 is amended to read:

138.13 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions  
 138.14 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the  
 138.15 following projects:

138.16 (1) \$4,500,000 for construction and completion of park improvement projects, including  
 138.17 St. Louis River riverfront improvements; Veteran's Park construction and improvements;  
 138.18 improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital  
 138.19 equipment and building and grounds improvements at the Pine Valley Park/Pine Valley  
 138.20 Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within  
 138.21 the city;

138.22 (2) \$5,800,00 for extension of utilities and the construction of all improvements associated  
 138.23 with the development of property adjacent to Highway 33 and Interstate Highway 35,  
 138.24 including payment of all debt service on bonds issued for these; and

138.25 (3) \$6,200,000 for engineering and construction of infrastructure improvements,  
 138.26 including, ~~but not limited to~~ roads, bridges, storm sewer, sanitary sewer, and water in areas  
 138.27 identified as part of the city's comprehensive land use plan.

138.28 (b) Authorized expenses include, but are not limited to, acquiring property and paying  
 138.29 construction expenses related to these improvements, and paying debt service on bonds or  
 138.30 other obligations issued to finance acquisition and construction of these improvements.

138.31 (c) Notwithstanding the revenue allocations in paragraph (a), clause (3), if the amount  
 138.32 spent for the improvements under paragraph (a), clause (2), are less than the \$5,800,000  
 138.33 allowed under that clause, the total amount spent for the purpose listed in paragraph (a),

139.1 clause (3), may be increased by the difference between \$5,800,000 and the amount actually  
 139.2 spent under paragraph (a), clause (2). However, the total expenditures for projects under  
 139.3 this subdivision may not exceed \$16,500,000, excluding any costs related to issuance of  
 139.4 bonds under subdivision 4.

139.5 **EFFECTIVE DATE.** This section is effective the day after the governing body of the  
 139.6 city of Cloquet and its chief clerical officer comply with Minnesota Statutes, section 645.021,  
 139.7 subdivisions 2 and 3.

139.8 Sec. 12. Laws 2017, First Special Session chapter 1, article 4, section 31, is amended to  
 139.9 read:

139.10 Sec. 31. **APPROPRIATION; FIRE REMEDIATION GRANTS.**

139.11 \$1,392,258 is appropriated in fiscal year 2018 from the general fund to the commissioner  
 139.12 of public safety for grants to remediate the effects of fires in the city of Melrose on September  
 139.13 8, 2016. The commissioner must allocate the grants as follows:

139.14 (1) ~~\$1,296,458~~ \$1,381,258 to the city of Melrose; and

139.15 (2) ~~\$95,800~~ \$11,000 to Stearns County.

139.16 A grant recipient must use the money appropriated under this section for remediation  
 139.17 costs, including disaster recovery, infrastructure, reimbursement for emergency personnel  
 139.18 costs, reimbursement for equipment costs, and reimbursements for property tax abatements,  
 139.19 incurred by public or private entities as a result of the fires. This is a onetime appropriation  
 139.20 and is available until June 30, ~~2018~~ 2019.

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

139.22 Sec. 13. **CITY OF EXCELSIOR; TAXES AUTHORIZED.**

139.23 Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes,  
 139.24 section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city  
 139.25 charter, the city of Excelsior may impose, by ordinance, a sales and use tax of up to one-half  
 139.26 of one percent for the purposes specified in subdivision 2, as approved by the voters at the  
 139.27 November 4, 2014, election. Any additional bonding authority for the purposes specified  
 139.28 in subdivision 2 must be approved by the voters at a general election. Except as otherwise  
 139.29 provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the  
 139.30 imposition, administration, collection, and enforcement of the tax authorized under this  
 139.31 subdivision.

140.1 Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized  
140.2 under subdivision 1 must be used by the city of Excelsior to pay the costs of collecting and  
140.3 administering the tax and to finance the capital and administrative costs of improvements  
140.4 to the commons as indicated in the November 2016 findings of the commons master planning  
140.5 work group. Authorized expenses include, but are not limited to, improvements for  
140.6 walkability and accessibility, enhancement of beach area and facilities, prevention and  
140.7 management of shoreline erosion, redesign of the port and bandshell, improvement of  
140.8 playground equipment, and securing and paying debt service on bonds issued under  
140.9 subdivision 3 or other obligations issued to the improvements listed in this subdivision in  
140.10 the city of Excelsior.

140.11 Subd. 3. **Bonding authority.** (a) The city of Excelsior may issue bonds under Minnesota  
140.12 Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in  
140.13 subdivision 2. The aggregate principal amount of bonds issued under this subdivision may  
140.14 not exceed \$5,000,000, plus an amount to be applied to the payment of the costs of issuing  
140.15 the bonds. The bonds may be paid from or secured by any funds available to the city of  
140.16 Excelsior, including the tax authorized under subdivision 1. The issuance of bonds under  
140.17 this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

140.18 (b) The bonds are not included in computing any debt limitation applicable to the city  
140.19 of Excelsior, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal  
140.20 and interest on the bonds is not subject to any levy limitation. A separate election to approve  
140.21 the bonds under Minnesota Statutes, section 475.58, is not required.

140.22 Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the  
140.23 earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines  
140.24 that \$5,000,000 has been received from the tax to pay for the cost of the projects authorized  
140.25 under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the  
140.26 bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining  
140.27 after payment of all such costs and retirement or redemption of the bonds shall be placed  
140.28 in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier  
140.29 time if the city so determines by ordinance.

140.30 **EFFECTIVE DATE.** This section is effective the day after the governing body of the  
140.31 city of Excelsior and its chief clerical officer comply with Minnesota Statutes, section  
140.32 645.021, subdivisions 2 and 3.

141.1 Sec. 14. **CITY OF CHAMPLIN; TAX INCREMENT FINANCING DISTRICT;**  
141.2 **PROJECT REQUIREMENTS.**

141.3 Subdivision 1. **Five-year rule.** The governing body of the city of Champlin may elect  
141.4 to extend the five-year rule under under Minnesota Statutes, section 469.1763, subdivision  
141.5 3, to a ten-year period for the Mississippi Crossings tax increment financing district.

141.6 Subd. 2. **Revenues for decertification.** Minnesota Statutes, section 469.1763, subdivision  
141.7 4, does not apply to the Mississippi Crossings tax increment financing district.

141.8 **EFFECTIVE DATE.** This section is effective the day after the city of Champlin and  
141.9 its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2  
141.10 and 3.

141.11 Sec. 15. **TRANSFER 2018 DISTRIBUTION ONLY.**

141.12 For the 2018 distribution, the fund established under Minnesota Statutes, section 298.28,  
141.13 subdivision 7, shall receive ten cents per ton of any excess of the balance remaining after  
141.14 distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6.

141.15 **EFFECTIVE DATE.** This section is effective for the 2018 distribution, and the transfer  
141.16 must be made within ten days of the August 2018 payment.

141.17 Sec. 16. **APPROPRIATION.**

141.18 \$5,000 in fiscal year 2019 only is appropriated from the general fund to the commissioner  
141.19 of revenue for a grant of \$2,600 to the city of Mazeppa and a grant of \$2,400 to Wabasha  
141.20 County. The grants, which shall be paid by July 20, 2018, may be used for property tax  
141.21 abatements and other costs incurred by public and private entities as a result of a fire in the  
141.22 city of Mazeppa on March 11, 2018. This is a onetime appropriation.

141.23 **EFFECTIVE DATE.** This section is effective July 1, 2018.

141.24 Sec. 17. **APPROPRIATION.**

141.25 In addition to other amounts appropriated, \$1,977,000 in fiscal year 2018 and \$1,978,000  
141.26 in fiscal year 2019 are appropriated from the general fund to the commissioner of revenue  
141.27 to administer this act. These are onetime appropriations.

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

142.1

**ARTICLE 8**

142.2

**DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY CHANGES**

142.3

Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

142.4

142.5

142.6

Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner shall allocate all funds as provided in subdivision 4 and shall ~~notify~~, by June 1, certify to the commissioner of revenue the amounts to be paid.

142.7

142.8

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142.10

142.11

(b) Following ~~notification~~ certification from the commissioner ~~of transportation~~, the commissioner of revenue shall distribute the specified funds to cities in the same manner as local government aid under chapter 477A. An appropriation to the commissioner ~~of transportation~~ under this section is available to the commissioner of revenue for the purposes specified in this paragraph.

142.12

142.13

142.14

142.15

(c) Notwithstanding other law to the contrary, in order to receive distributions under this section, a city must conform to the standards in section 477A.017, subdivision 2. A city that receives funds under this section must make and preserve records necessary to show that the funds are spent in compliance with subdivision 4.

142.16

**EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

142.17

Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

142.18

142.19

142.20

142.21

142.22

142.23

Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed assessor, or any other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes, for any of the following causes or acts:

142.24

(1) failure to complete required training;

142.25

(2) inefficiency or neglect of duty;

142.26

142.27

142.28

(3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;

142.29

(4) conviction of a crime involving moral turpitude;

142.30

142.31

(5) failure to faithfully and fully perform his or her duties through malfeasance, misfeasance, or nonfeasance; or

143.1 (6) any other cause or act that in the board's opinion warrants a refusal to issue a license  
 143.2 or the imposition of a sanction provided under this subdivision.

143.3 (b) When appropriate for the level of infraction, a written warning must be given to  
 143.4 assessors who have no prior identified infractions. The warning must identify the infraction  
 143.5 and, as appropriate, detail future expectations of performance and behavior. Fines must not  
 143.6 exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence  
 143.7 thereafter, and suspensions must not exceed one year for each occurrence, depending in  
 143.8 each case upon the severity of the infraction and the level of negligence or intent. The  
 143.9 commissioner of revenue shall give notice to an applicant or licensee of the commissioner's  
 143.10 recommendation that the board impose sanctions or refuse to grant or renew a license. An  
 143.11 action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse  
 143.12 to grant or renew a license is subject to review in a contested case hearing under chapter  
 143.13 14. A licensee must submit a request for a hearing to the board within 30 days of the notice  
 143.14 date of the commissioner's recommendation for sanctions or for refusal to grant or renew  
 143.15 a license.

143.16 **EFFECTIVE DATE.** This section is effective for sanctions or refusals to grant or renew  
 143.17 a license recommended by the commissioner of revenue after June 30, 2018.

143.18 Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended  
 143.19 to read:

143.20 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7,  
 143.21 whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by  
 143.22 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,  
 143.23 grantee or the legal agent of either shall file a certificate of value with the county auditor  
 143.24 in the county in which the property is located when the deed or other document is presented  
 143.25 for recording. Contract for deeds are subject to recording under section 507.235, subdivision  
 143.26 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration  
 143.27 thereof, paid or to be paid, including the amount of any lien or liens assumed. The items  
 143.28 and value of personal property transferred with the real property must be listed and deducted  
 143.29 from the sale price. The certificate of value shall include the classification to which the  
 143.30 property belongs for the purpose of determining the fair market value of the property, and  
 143.31 shall include any proposed change in use of the property known to the person filing the  
 143.32 certificate that could change the classification of the property. The certificate shall include  
 143.33 financing terms and conditions of the sale which are necessary to determine the actual,  
 143.34 present value of the sale price for purposes of the sales ratio study. If the property is being

144.1 acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code  
144.2 of 1986, as amended through December 31, 2006, that must be indicated on the certificate.  
144.3 The commissioner of revenue shall promulgate administrative rules specifying the financing  
144.4 terms and conditions which must be included on the certificate. The certificate of value  
144.5 must include the Social Security number or the federal employer identification number of  
144.6 the grantors and grantees. However, a married person who is not an owner of record and  
144.7 who is signing a conveyance instrument along with the person's spouse solely to release  
144.8 and convey their marital interest, if any, in the real property being conveyed is not a grantor  
144.9 for the purpose of the preceding sentence. A statement in the deed that is substantially in  
144.10 the following form is sufficient to allow the county auditor to accept a certificate for filing  
144.11 without the Social Security number of the named spouse: "(Name) claims no ownership  
144.12 interest in the real property being conveyed and is executing this instrument solely to release  
144.13 and convey a marital interest, if any, in that real property." The identification numbers of  
144.14 the grantors and grantees are private data on individuals or nonpublic data as defined in  
144.15 section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or  
144.16 nonpublic data may be disclosed to the commissioner of revenue for purposes of tax  
144.17 administration. The information required to be shown on the certificate of value is limited  
144.18 to the information required as of the date of the acknowledgment on the deed or other  
144.19 document to be recorded.

144.20 **EFFECTIVE DATE.** This section is effective for certificates of value filed after  
144.21 December 31, 2018.

144.22 Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

144.23 Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument  
144.24 by which any real property in this state is granted, assigned, transferred, or otherwise  
144.25 conveyed. The tax applies against the net consideration. For purposes of the tax, the  
144.26 conversion of a corporation to a limited liability company, a limited liability company to a  
144.27 corporation, a partnership to a limited partnership, a limited partnership to another limited  
144.28 partnership or other entity, or a similar conversion of one entity to another does not grant,  
144.29 assign, transfer, or convey real property.

144.30 (b) The tax is determined in the following manner: (1) when transfers are made by  
144.31 instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is  
144.32 \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value  
144.33 of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less,  
144.34 the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or



145.1 encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net  
145.2 consideration.

145.3 (c) If, within six months from the date of a designated transfer, an ownership interest in  
145.4 the grantee entity is transferred by an initial owner to any person or entity with the result  
145.5 that the designated transfer would not have been a designated transfer if made to the grantee  
145.6 entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration  
145.7 for the designated transfer. If the subsequent transfer of ownership interests was reasonably  
145.8 expected at the time of the designated transfer, the applicable penalty under section 287.31,  
145.9 subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30  
145.10 days of the subsequent transfer that caused the tax to be imposed under this paragraph.  
145.11 Involuntary transfers of ownership shall not be considered transfers of ownership under this  
145.12 paragraph. The commissioner may adopt rules defining the types of transfers to be considered  
145.13 involuntary.

145.14 (d) The tax is due at the time a taxable deed or instrument is presented for recording,  
145.15 except as provided in paragraph (c). The commissioner may require the tax to be documented  
145.16 in a manner prescribed by the commissioner, and may require that the documentation be  
145.17 attached to and recorded as part of the deed or instrument. The county recorder or registrar  
145.18 of titles shall accept the attachment for recording as part of the deed or instrument and may  
145.19 not require, as a condition of recording a deed or instrument, evidence that a transfer is a  
145.20 designated transfer in addition to that required by the commissioner. Such an attachment  
145.21 shall not, however, provide actual or constructive notice of the information contained therein  
145.22 for purposes of determining any interest in the real property. The commissioner shall  
145.23 prescribe the manner in which the tax due under paragraph (c) is to be paid and may require  
145.24 grantees of designated transfers to file with the commissioner subsequent statements verifying  
145.25 that the tax provided under paragraph (c) does not apply.

145.26 **EFFECTIVE DATE.** This section is effective for deeds recorded after December 31,  
145.27 2018.

## 145.28 **ARTICLE 9**

### 145.29 **DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES**

145.30 Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

145.31 Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been  
145.32 revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose  
145.33 to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis

146.1 for the revocation or cancellation, the date of the revocation or cancellation, and stating  
146.2 ~~whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the  
146.3 permit was reinstated.

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

146.5 Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

146.6 **297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.**

146.7 **Subdivision 1. Definitions.** (a) The following definitions apply for the purposes of this  
146.8 section.

146.9 (b) "Applicant" means an individual, corporation, or partnership. Applicant also includes  
146.10 any officer of a corporation or member of a partnership.

146.11 (c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable  
146.12 under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been  
146.13 issued an order assessing sales and use tax under section 270C.33, subdivision 4.

146.14 **Subd. 2. Permits issued.** Except as provided in subdivision 3, the commissioner shall  
146.15 must issue a permit to each applicant who has complied with section 297A.83, and with  
146.16 section 297A.92 if security is required. A person is considered to have a permit if the person  
146.17 has a Minnesota tax identification number issued by the commissioner that is currently  
146.18 active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is  
146.19 not assignable and is valid only for the person in whose name it is granted and for the  
146.20 transaction of business at the places designated on the permit.

146.21 **Subd. 3. Permits not issued.** (a) Except as provided in paragraph (b), the commissioner  
146.22 must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

146.23 (b) The commissioner must issue a permit to an applicant if an appeal period of an order  
146.24 assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner  
146.25 may cancel a permit issued under this paragraph in the manner provided in subdivision 4  
146.26 if the applicant owes delinquent sales tax after the appeal period has ended.

146.27 **Subd. 4. Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues  
146.28 a permit that does not conform with the requirements of this section or applicable rules, the  
146.29 commissioner may cancel the permit upon notice to the permit holder. The notice must be  
146.30 served by first class and certified mail at the permit holder's last known address. The  
146.31 cancellation is effective immediately.

147.1 (b) If a permit holder shows that a canceled permit was issued in conformance with the  
 147.2 requirements of this section and applicable rules, the commissioner must reissue the permit.

147.3 **EFFECTIVE DATE.** This section is effective for permit applications filed after  
 147.4 December 31, 2018.

147.5 Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

147.6 **297A.85 CANCELLATION OF PERMITS.**

147.7 The commissioner may cancel a permit if one of the following conditions occurs:

147.8 (1) the permit holder has not filed a sales or use tax return for at least one year;

147.9 (2) the permit holder has not reported any sales or use tax liability on the permit holder's  
 147.10 returns for at least two years;

147.11 (3) the permit holder requests cancellation of the permit; ~~or~~

147.12 (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision  
 147.13 2, paragraph (a); or

147.14 (5) the permit is subject to cancellation under section 297A.84.

147.15 **EFFECTIVE DATE.** This section is effective for permit applications filed after  
 147.16 December 31, 2018.

147.17 **ARTICLE 10**

147.18 **PARTNERSHIP TAX**

147.19 Section 1. Minnesota Statutes 2017 Supplement, section 270C.445, subdivision 6, is  
 147.20 amended to read:

147.21 Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The  
 147.22 commissioner may impose an administrative penalty of not more than \$1,000 per violation  
 147.23 of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed  
 147.24 for any conduct for which a tax preparer penalty is imposed under section 289A.60,  
 147.25 subdivision 13. The commissioner may terminate a tax preparer's authority to transmit  
 147.26 returns electronically to the state, if the commissioner determines the tax preparer engaged  
 147.27 in a pattern and practice of violating this section. Imposition of a penalty under this paragraph  
 147.28 is subject to the contested case procedure under chapter 14. The commissioner shall collect  
 147.29 the penalty in the same manner as the income tax. There is no right to make a claim for  
 147.30 refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed  
 147.31 under this paragraph are public data.

148.1 (b) In addition to the penalty under paragraph (a), if the commissioner determines that  
148.2 a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may  
148.3 issue an administrative order to the tax preparer requiring the tax preparer to cease and  
148.4 desist from committing the violation. The administrative order may include an administrative  
148.5 penalty provided in paragraph (a).

148.6 (c) If the commissioner issues an administrative order under paragraph (b), the  
148.7 commissioner must send the order to the tax preparer addressed to the last known address  
148.8 of the tax preparer.

148.9 (d) A cease and desist order under paragraph (b) must:

148.10 (1) describe the act, conduct, or practice committed and include a reference to the law  
148.11 that the act, conduct, or practice violates; and

148.12 (2) provide notice that the tax preparer may request a hearing as provided in this  
148.13 subdivision.

148.14 (e) Within 30 days after the commissioner issues an administrative order under paragraph  
148.15 (b), the tax preparer may request a hearing to review the commissioner's action. The request  
148.16 for hearing must be made in writing and must be served on the commissioner at the address  
148.17 specified in the order. The hearing request must specifically state the reasons for seeking  
148.18 review of the order. The date on which a request for hearing is served by mail is the postmark  
148.19 date on the envelope in which the request for hearing is mailed.

148.20 (f) If a tax preparer does not timely request a hearing regarding an administrative order  
148.21 issued under paragraph (b), the order becomes a final order of the commissioner and is not  
148.22 subject to review by any court or agency.

148.23 (g) If a tax preparer timely requests a hearing regarding an administrative order issued  
148.24 under paragraph (b), the hearing must be commenced within ten days after the commissioner  
148.25 receives the request for a hearing.

148.26 (h) A hearing timely requested under paragraph (e) is subject to the contested case  
148.27 procedure under chapter 14, as modified by this subdivision. The administrative law judge  
148.28 must issue a report containing findings of fact, conclusions of law, and a recommended  
148.29 order within ten days after the completion of the hearing, the receipt of late-filed exhibits,  
148.30 or the submission of written arguments, whichever is later.

148.31 (i) Within five days of the date of the administrative law judge's report issued under  
148.32 paragraph (h), any party aggrieved by the administrative law judge's report may submit  
148.33 written exceptions and arguments to the commissioner. Within 15 days after receiving the

149.1 administrative law judge's report, the commissioner must issue an order vacating, modifying,  
149.2 or making final the administrative order.

149.3 (j) The commissioner and the tax preparer requesting a hearing may by agreement  
149.4 lengthen any time periods prescribed in paragraphs (g) to (i).

149.5 (k) An administrative order issued under paragraph (b) is in effect until it is modified  
149.6 or vacated by the commissioner or an appellate court. The administrative hearing provided  
149.7 by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute  
149.8 the exclusive remedy for a tax preparer aggrieved by the order.

149.9 (l) The commissioner may impose an administrative penalty, in addition to the penalty  
149.10 under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under  
149.11 paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case  
149.12 procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under  
149.13 this paragraph, the tax preparer assessed the penalty may request a hearing to review the  
149.14 penalty order. The request for hearing must be made in writing and must be served on the  
149.15 commissioner at the address specified in the order. The hearing request must specifically  
149.16 state the reasons for seeking review of the order. The cease and desist order issued under  
149.17 paragraph (b) is not subject to review in a proceeding to challenge the penalty order under  
149.18 this paragraph. The date on which a request for hearing is served by mail is the postmark  
149.19 date on the envelope in which the request for hearing is mailed. If the tax preparer does not  
149.20 timely request a hearing, the penalty order becomes a final order of the commissioner and  
149.21 is not subject to review by any court or agency. A penalty imposed by the commissioner  
149.22 under this paragraph may be collected and enforced by the commissioner as an income tax  
149.23 liability. There is no right to make a claim for refund under section 289A.50 of the penalty  
149.24 imposed under this paragraph. A penalty imposed under this paragraph is public data.

149.25 (m) If a tax preparer violates a cease and desist order issued under paragraph (b), the  
149.26 commissioner may terminate the tax preparer's authority to transmit returns electronically  
149.27 to the state. Termination under this paragraph is public data.

149.28 (n) A cease and desist order issued under paragraph (b) is public data when it is a final  
149.29 order.

149.30 (o) Notwithstanding any other law, the commissioner may impose a penalty or take other  
149.31 action under this subdivision against a tax preparer, with respect to a return, within the  
149.32 period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

150.1 (p) Notwithstanding any other law, the imposition of a penalty or any other action against  
 150.2 a tax preparer under this subdivision, other than with respect to a return, must be taken by  
 150.3 the commissioner within five years of the violation of statute.

150.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 150.5 31, 2017, except that for partnerships that make an election under Code of Federal  
 150.6 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 150.7 to the same tax periods to which the election relates.

150.8 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.31, subdivision 1, is amended  
 150.9 to read:

150.10 Subdivision 1. **Individual income, fiduciary income, mining company, corporate**  
 150.11 **franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining  
 150.12 company, and corporate franchise taxes, and interest and penalties, must be paid by the  
 150.13 taxpayer upon whom the tax is imposed, except in the following cases:

150.14 (1) the tax due from a decedent for that part of the taxable year in which the decedent  
 150.15 died during which the decedent was alive and the taxes, interest, and penalty due for the  
 150.16 prior years must be paid by the decedent's personal representative, if any. If there is no  
 150.17 personal representative, the taxes, interest, and penalty must be paid by the transferees, as  
 150.18 defined in section 270C.58, subdivision 3, to the extent they receive property from the  
 150.19 decedent;

150.20 (2) the tax due from an infant or other incompetent person must be paid by the person's  
 150.21 guardian or other person authorized or permitted by law to act for the person;

150.22 (3) the tax due from the estate of a decedent must be paid by the estate's personal  
 150.23 representative;

150.24 (4) the tax due from a trust, including those within the definition of a corporation, as  
 150.25 defined in section 290.01, subdivision 4, must be paid by a trustee; and

150.26 (5) the tax due from a taxpayer whose business or property is in charge of a receiver,  
 150.27 trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge  
 150.28 of the business or property so far as the tax is due to the income from the business or property.

150.29 (b) Entertainment taxes are the joint and several liability of the entertainer and the  
 150.30 entertainment entity. The payor is liable to the state for the payment of the tax required to  
 150.31 be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the  
 150.32 entertainer for the amount of the payment.

151.1 (c) The taxes imposed under sections 289A.35, paragraph (b), 289A.383, subdivision  
 151.2 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the  
 151.3 general partners.

151.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 151.5 31, 2017, except that for partnerships that make an election under Code of Federal  
 151.6 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 151.7 to the same tax periods to which the election relates.

151.8 Sec. 3. Minnesota Statutes 2017 Supplement, section 289A.37, subdivision 2, is amended  
 151.9 to read:

151.10 Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous  
 151.11 refund occurs when the commissioner issues a payment to a person that exceeds the amount  
 151.12 the person is entitled to receive under law. An erroneous refund is considered an  
 151.13 underpayment of tax on the date issued.

151.14 (b) To the extent that the amount paid does not exceed the amount claimed by the  
 151.15 taxpayer, an erroneous refund does not include the following:

151.16 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a  
 151.17 taxpayer, including but not limited to refunds of claims made under section 290.06,  
 151.18 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;  
 151.19 290.0681; or 290.0692; or chapter 290A; or

151.20 (2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a  
 151.21 taxpayer.

151.22 (c) The commissioner may make an assessment to recover an erroneous refund at any  
 151.23 time within two years from the issuance of the erroneous refund. If all or part of the erroneous  
 151.24 refund was induced by fraud or misrepresentation of a material fact, the assessment may  
 151.25 be made at any time.

151.26 (d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be  
 151.27 conducted under ~~section~~ sections 289A.38 to 289A.384.

151.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 151.29 31, 2017, except that for partnerships that make an election under Code of Federal  
 151.30 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 151.31 to the same tax periods to which the election relates.

152.1 Sec. 4. Minnesota Statutes 2016, section 289A.38, subdivision 10, is amended to read:

152.2 Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding  
 152.3 any other provision of this chapter, if a taxpayer whose net income is determined under  
 152.4 section 290.01, subdivision 19, omits from income an amount that will under the Internal  
 152.5 Revenue Code extend the statute of limitations for the assessment of federal income taxes,  
 152.6 or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting  
 152.7 in adjustments by the Internal Revenue Service, then the period of assessment and  
 152.8 determination of tax will be that under the Internal Revenue Code. When a change is made  
 152.9 to federal income during the extended time provided under this subdivision, the provisions  
 152.10 under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions  
 152.11 apply.

152.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 152.13 31, 2017, except that for partnerships that make an election under Code of Federal  
 152.14 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 152.15 to the same tax periods to which the election relates.

152.16 Sec. 5. **[289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

152.17 Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified,  
 152.18 the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

152.19 Subd. 2. **Administrative adjustment request.** "Administrative adjustment request"  
 152.20 means an administrative adjustment request filed by a partnership under section 6227 of  
 152.21 the Internal Revenue Code.

152.22 Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a  
 152.23 federal adjustment resulting from a partnership-level audit.

152.24 Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax  
 152.25 under section 290.02.

152.26 Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal  
 152.27 ownership interest in a partnership or pass-through entity.

152.28 Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes  
 152.29 on its net income under section 290.05, subdivision 1.

152.30 Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount  
 152.31 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an  
 152.32 item of preference, or any other item that is used by a taxpayer to compute a tax administered



153.1 under this chapter for the reviewed year whether that change results from action by the  
 153.2 Internal Revenue Service or other competent authority, including a partnership-level audit,  
 153.3 or the filing of an amended federal return, federal refund claim, or an administrative  
 153.4 adjustment request by the taxpayer.

153.5 Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method  
 153.6 or form prescribed by the commissioner for use by a taxpayer to report federal adjustments,  
 153.7 including an amended Minnesota tax return or a uniform multistate report.

153.8 Subd. 9. **Federal partnership representative.** "Federal partnership representative"  
 153.9 means the person the partnership designates for the taxable year as the partnership's  
 153.10 representative, or the person the Internal Revenue Service has appointed to act as the  
 153.11 partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

153.12 Subd. 10. **Final determination date.** (a) "Final determination date" means:

153.13 (1) for a federal adjustment arising from an audit by the Internal Revenue Service or  
 153.14 other competent authority, the first day on which no federal adjustment arising from that  
 153.15 audit remains to be finally determined, whether by agreement, or, if appealed or contested,  
 153.16 by a final decision with respect to which all rights of appeal have been waived or exhausted;

153.17 (2) for a federal adjustment arising from the filing of an amended federal return, a federal  
 153.18 refund claim, or the filing by a partnership of an administrative adjustment request, the day  
 153.19 which the amended return, refund claim, or administrative adjustment request was filed; or

153.20 (3) for agreements required to be signed by the Internal Revenue Service and the taxpayer,  
 153.21 the date on which the last party signed the agreement.

153.22 Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal  
 153.23 adjustment for which the final determination date for that federal adjustment has passed.

153.24 Subd. 12. **Indirect partner.** "Indirect partner" means either:

153.25 (1) a partner in a partnership or pass-through entity that itself holds an immediate legal  
 153.26 ownership interest in another partnership or pass-through entity; or

153.27 (2) a partner in a partnership or pass-through entity that holds an indirect interest in  
 153.28 another partnership or pass-through entity through another indirect partner.

153.29 Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly  
 153.30 in a partnership or other pass-through entity.

153.31 Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section  
 153.32 7701(a)(2) of the Internal Revenue Code.

154.1 Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by  
 154.2 the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63,  
 154.3 subchapter C, of the Internal Revenue Code, which results in federal adjustments including  
 154.4 reallocation adjustments and adjustments to partnership-related items.

154.5 Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a  
 154.6 partnership, that is not subject to the tax imposed under section 290.02. The term pass-through  
 154.7 entity includes but is not limited to S corporations, estates, and trusts other than grantor  
 154.8 trusts.

154.9 Subd. 17. **Reallocation adjustment.** "Reallocation adjustment" means a federal  
 154.10 adjustment, or final federal adjustment, that changes the shares of items of partnership  
 154.11 income, gain, loss, expense, or credit allocated to partners. The term positive reallocation  
 154.12 adjustment means reallocation adjustments that would increase state taxable income for  
 154.13 partners, and the term negative reallocation adjustment means reallocation adjustments that  
 154.14 would decrease state taxable income for partners.

154.15 Subd. 18. **Resident partner.** "Resident partner" means an individual partner or individual  
 154.16 indirect partner who is a resident of Minnesota under section 290.01, subdivision 7.

154.17 Subd. 19. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that  
 154.18 is subject to a partnership-level audit from which federal adjustments arise.

154.19 Subd. 20. **Tiered partner.** "Tiered partner" means any partner that is a partnership or  
 154.20 pass-through entity.

154.21 Subd. 21. **Unrelated business taxable income.** "Unrelated business taxable income"  
 154.22 has the same meaning as defined in section 512 of the Internal Revenue Code.

154.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 154.24 31, 2017, except that for partnerships that make an election under Code of Federal  
 154.25 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 154.26 to the same tax periods to which the election relates.

154.27 Sec. 6. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

154.28 (a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment  
 154.29 report with the commissioner reporting all final federal adjustments by the Internal Revenue  
 154.30 Service or other competent authority.

155.1 (b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment  
 155.2 report with the commissioner reporting any federal adjustments reported by the taxpayer  
 155.3 to the Internal Revenue Service, including but not limited to:

155.4 (1) federal refund claims;

155.5 (2) a change reported on a timely filed amended federal income tax return; and

155.6 (3) a change reported on an amended return filed pursuant to section 6225(c) of the  
 155.7 Internal Revenue Code.

155.8 (c) In the case of a final federal adjustment arising from a partnership-level audit or an  
 155.9 administrative adjustment request filed by a partnership under section 6227 of the Internal  
 155.10 Revenue Code, a taxpayer must report adjustments as provided for under section 289A.383,  
 155.11 and not this section.

155.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 155.13 31, 2017, except that for partnerships that make an election under Code of Federal  
 155.14 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 155.15 to the same tax periods to which the election relates.

155.16 **Sec. 7. [289A.383] REPORTING AND PAYMENT REQUIREMENTS.**

155.17 Subdivision 1. **State partnership representative.** (a) With respect to an action required  
 155.18 or permitted to be taken by a partnership under this section, or in a proceeding under section  
 155.19 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the  
 155.20 sole authority to act on behalf of the partnership, and its direct partners and indirect partners  
 155.21 shall be bound by those actions.

155.22 (b) The state partnership representative for the reviewed year is the partnership's federal  
 155.23 partnership representative unless the partnership, in a form and manner prescribed by the  
 155.24 commissioner, designates another person as its state partnership representative.

155.25 Subd. 2. **Reporting and payment requirements for partnerships and tiered partners.**

155.26 (a) Unless an audited partnership makes the election in subdivision 3, then, for all final  
 155.27 federal adjustments the audited partnership must comply with paragraph (b) and each direct  
 155.28 partner of the audited partnership, other than a tiered partner, must comply with paragraph  
 155.29 (c).

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

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

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

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

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

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

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

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

156.19 **Subd. 3. Election; partnership or tiered partners pay.** (a) An audited partnership may  
156.20 make an election under this subdivision to pay its assessment at the entity level. If an audited  
156.21 partnership makes an election to pay its assessment at the entity level it must:

156.22 (1) no later than 90 days after the final determination date, file a completed federal  
156.23 adjustment report, including the residency information for all individual partners, both direct  
156.24 and indirect, and information pertaining to all other partners as prescribed by the  
156.25 commissioner, and notify the commissioner that it is making the election under this  
156.26 subdivision; and

156.27 (2) no later than 180 days after the final determination date, pay an amount, determined  
156.28 as follows, in lieu of taxes on partners:

156.29 (i) exclude from final federal adjustments and any positive reallocation adjustments the  
156.30 distributive share of these adjustments made to an exempt partner that is not unrelated  
156.31 business taxable income;

156.32 (ii) exclude from final federal adjustments and any positive reallocation adjustments the  
156.33 distributive share of these adjustments made to a partner that has filed a federal adjustment

157.1 report and paid the applicable tax, as required under subdivision 2, for the distributive share  
157.2 of adjustments reported on a federal return under section 6225(c) of the Internal Revenue  
157.3 Code;

157.4 (iii) allocate at the partner level using section 290.17, subdivision 1, all final federal  
157.5 adjustments and positive reallocation adjustments attributable to resident partners, both  
157.6 direct and indirect, for the reviewed year;

157.7 (iv) allocate and apportion at the partnership level using sections 290.17 to 290.20 all  
157.8 remaining final federal adjustments and positive reallocation adjustments for the reviewed  
157.9 year;

157.10 (v) determine the total distributive share of the allocated and apportioned final federal  
157.11 adjustments and positive reallocation adjustments determined in items (iii) and (iv) that are  
157.12 attributable to:

157.13 (A) resident partners;

157.14 (B) corporate partners and exempt partners; and

157.15 (C) the total distributive share amount allocated to all other partners;

157.16 (vi) for the total distributive share of net final federal adjustments plus positive  
157.17 reallocation adjustments attributed to corporate partners and exempt partners under item  
157.18 (v), subitem (B), multiply the total by the highest tax rate in section 290.06, subdivision 1,  
157.19 for the reviewed year, and calculate interest and penalties as applicable under this chapter;

157.20 (vii) for the total distributive share of net final federal adjustments plus positive  
157.21 reallocation adjustments attributable to resident partners, and all other partners under item  
157.22 (v), subitems (A) and (C), multiply the total by the highest tax rate in section 290.06,  
157.23 subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable  
157.24 under this chapter; and

157.25 (viii) add the amount determined in item (vi) to the amount determined in item (vii),  
157.26 and pay all applicable taxes, penalties, and interest to the commissioner.

157.27 (b) An audited partnership may not make an election under this subdivision to report:

157.28 (1) a federal adjustment, including a positive reallocation adjustment, that results in  
157.29 unitary business income to a corporate partner required to file as a member of a combined  
157.30 report under section 290.17, subdivision 4; or

157.31 (2) any final federal adjustments resulting from an administrative adjustment request.

158.1 Subd. 4. Tiered partners and indirect partners. (a) Each tiered partner and each  
158.2 indirect partner of an audited partnership that reported final federal adjustments pursuant  
158.3 to subdivision 2, paragraph (b), clause (1), or this subdivision, must:

158.4 (1) within 90 days of the report comply with the filing, reporting, and payment  
158.5 requirements of subdivision 2, paragraph (b); or

158.6 (2) make the election under subdivision 3 as though it were the audited partnership.

158.7 (b) Each direct partner in a partnership making a report under paragraph (a) must, within  
158.8 180 days of the report, comply with the filing, reporting, and payment requirements of  
158.9 subdivision 2, paragraph (c).

158.10 (c) Notwithstanding the interim time requirements in this subdivision and subdivisions  
158.11 2 and 3, all reports and payments required to be made by the tiered and indirect partners  
158.12 under this section are required to be made within 90 days after the time for the filing and  
158.13 furnishing of statements to tiered partners and their partners as established by the Internal  
158.14 Revenue Service under section 6226 of the Internal Revenue Code.

158.15 Subd. 5. Effects of election by partnership or tiered partner and payment of amount  
158.16 due. (a) Unless the commissioner determines otherwise, the election under subdivision 3  
158.17 is irrevocable.

158.18 (b) If an audited partnership or tiered partner properly reports and pays an amount  
158.19 determined in subdivision 3, the amount must be treated as paid in lieu of taxes owed by  
158.20 the partnership's direct partners on the same final federal adjustments. The direct partners  
158.21 and indirect partners of the partnership who are not resident partners may not take any  
158.22 deduction or credit for this amount or claim a refund of the amount in this state.

158.23 (c) Nothing in this subdivision precludes resident partners from claiming a credit against  
158.24 taxes paid under section 290.06, on any amounts paid by the audited partnership or tiered  
158.25 partners on the resident partner's behalf to another state or local tax jurisdiction.

158.26 Subd. 6. Failure of partnership or tiered partner to report or pay. Nothing in this  
158.27 section prevents the commissioner from assessing partners or indirect partners for taxes  
158.28 they owe in the event that, for any reason, a partnership or tiered partner fails to timely  
158.29 make any report or payment required by this section.

158.30 EFFECTIVE DATE. This section is effective for taxable years beginning after December  
158.31 31, 2017, except that for partnerships that make an election under Code of Federal  
158.32 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
158.33 to the same tax periods to which the election relates.

159.1 **Sec. 8. [289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND**  
 159.2 **ADDITIONAL AMOUNTS.**

159.3 **Subdivision 1. Assessment of additional tax, interest, and penalties.** The commissioner  
 159.4 may assess additional tax, interest, and penalties following a final federal adjustment:

159.5 (1) arising from an audit by the Internal Revenue Service, including a partnership-level  
 159.6 audit;

159.7 (2) reported by the taxpayer on an amended federal tax return; or

159.8 (3) as part of an administrative adjustment request on or before the dates provided in  
 159.9 this section.

159.10 **Subd. 2. Timely and untimely reported federal adjustments.** If a taxpayer files a  
 159.11 federal adjustment report, within or after the periods prescribed in section 289A.382 or  
 159.12 289A.383, the commissioner may assess additional Minnesota amounts related to the federal  
 159.13 adjustments including in-lieu-of amounts, taxes, interest, and penalties at the later of:

159.14 (1) the expiration of the period of limitations in section 289A.38; or

159.15 (2) the expiration of the one-year period following the date of the filing with the  
 159.16 commissioner of the federal adjustments report.

159.17 **Subd. 3. Unreported reported federal adjustments.** If the taxpayer fails to file a federal  
 159.18 adjustments report, the commissioner may assess additional amounts related to the federal  
 159.19 adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

159.20 (1) the expiration of the period of limitations in section 289A.38; or

159.21 (2) the expiration of the six-year period following the final determination date.

159.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 159.23 31, 2017, except that for partnerships that make an election under Code of Federal  
 159.24 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 159.25 to the same tax periods to which the election relates.

159.26 **Sec. 9. [289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX**  
 159.27 **ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL**  
 159.28 **REVENUE SERVICE.**

159.29 Notwithstanding the general period of limitations on claims for refund in section 289A.40,  
 159.30 taxpayers subject to the reporting requirements of sections 289A.382 and 289A.383 may

160.1 file claims for refund related to federal adjustments made by the Internal Revenue Service  
 160.2 on or before the last day for the assessment of tax under section 289A.384.

160.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 160.4 31, 2017, except that for partnerships that make an election under Code of Federal  
 160.5 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 160.6 to the same tax periods to which the election relates.

160.7 Sec. 10. Minnesota Statutes 2016, section 289A.42, is amended to read:

160.8 **289A.42 CONSENT TO EXTEND STATUTE.**

160.9 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in  
 160.10 sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim  
 160.11 for refund, both the commissioner and the taxpayer have consented in writing to the  
 160.12 assessment or filing of a claim for refund after that time, the tax may be assessed or the  
 160.13 claim for refund filed at any time before the expiration of the agreed-upon period. The  
 160.14 period may be extended by later agreements in writing before the expiration of the period  
 160.15 previously agreed upon. The taxpayer and the commissioner may also agree to extend the  
 160.16 period for collection of the tax.

160.17 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the  
 160.18 assessment of federal withholding or income taxes, the period in which the commissioner  
 160.19 may recompute the tax is also extended, notwithstanding any period of limitations to the  
 160.20 contrary, as follows:

160.21 (1) for the periods provided in section ~~289A.38, subdivisions 8 and 9~~ 289A.384,  
 160.22 subdivisions 2 and 3;

160.23 (2) for six months following the expiration of the extended federal period of limitations  
 160.24 when no change is made by the federal authority. ~~If no change is made by the federal~~  
 160.25 ~~authority, and, but for this subdivision, the commissioner's time period to adjust the tax has~~  
 160.26 ~~expired, and if the commissioner has completed a field audit of the taxpayer, no additional~~  
 160.27 ~~changes resulting in additional tax due or a refund may be made. For purposes of this~~  
 160.28 ~~subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

160.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 160.30 31, 2017, except that for partnerships that make an election under Code of Federal  
 160.31 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 160.32 to the same tax periods to which the election relates.



161.1 Sec. 11. Minnesota Statutes 2016, section 289A.60, subdivision 24, is amended to read:

161.2 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to  
161.3 the commissioner a change or correction of the person's federal return in the manner and  
161.4 time prescribed in ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383, there  
161.5 must be added to the tax an amount equal to ten percent of the amount of any underpayment  
161.6 of Minnesota tax attributable to the federal change.

161.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
161.8 31, 2017, except that for partnerships that make an election under Code of Federal  
161.9 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
161.10 to the same tax periods to which the election relates.

161.11 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.31, subdivision 1, is amended  
161.12 to read:

161.13 Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under  
161.14 ~~section~~ sections 289A.35, paragraph (b), and 289A.383, subdivision 3, a partnership as such  
161.15 shall not be subject to the income tax imposed by this chapter, but is subject to the tax  
161.16 imposed under section 290.0922. Persons carrying on business as partners shall be liable  
161.17 for income tax only in their separate or individual capacities.

161.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
161.19 31, 2017, except that for partnerships that make an election under Code of Federal  
161.20 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
161.21 to the same tax periods to which the election relates.

161.22 Sec. 13. Minnesota Statutes 2016, section 297F.17, subdivision 6, is amended to read:

161.23 Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the  
161.24 commissioner during the one-year period beginning with the timely filing of the taxpayer's  
161.25 federal income tax return containing the bad debt deduction that is being claimed. Claimants  
161.26 under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision~~  
161.27 7 sections 289A.382 and 289A.383.

161.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
161.29 31, 2017, except that for partnerships that make an election under Code of Federal  
161.30 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
161.31 to the same tax periods to which the election relates.

162.1 Sec. 14. Minnesota Statutes 2016, section 297G.16, subdivision 7, is amended to read:

162.2 Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with  
162.3 the commissioner within one year of the filing of the taxpayer's income tax return containing  
162.4 the bad debt deduction that is being claimed. Claimants under this subdivision are subject  
162.5 to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.384.

162.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
162.7 31, 2017, except that for partnerships that make an election under Code of Federal  
162.8 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
162.9 to the same tax periods to which the election relates.

162.10 Sec. 15. Minnesota Statutes 2016, section 469.319, subdivision 4, is amended to read:

162.11 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter  
162.12 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an  
162.13 amended return with the commissioner of revenue and pay any taxes required to be repaid  
162.14 within 30 days after becoming subject to repayment under this section. The amount required  
162.15 to be repaid is determined by calculating the tax for the period or periods for which repayment  
162.16 is required without regard to the exemptions and credits allowed under section 469.315.

162.17 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any  
162.18 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of  
162.19 revenue, within 30 days after becoming subject to repayment under this section.

162.20 (c) For the repayment of property taxes, the county auditor shall prepare a tax statement  
162.21 for the business, applying the applicable tax extension rates for each payable year and  
162.22 provide a copy to the business and to the taxpayer of record. The business must pay the  
162.23 taxes to the county treasurer within 30 days after receipt of the tax statement. The business  
162.24 or the taxpayer of record may appeal the valuation and determination of the property tax to  
162.25 the Tax Court within 30 days after receipt of the tax statement.

162.26 (d) The provisions of chapters 270C and 289A relating to the commissioner's authority  
162.27 to audit, assess, and collect the tax and to hear appeals are applicable to the repayment  
162.28 required under paragraphs (a) and (b). The commissioner may impose civil penalties as  
162.29 provided in chapter 289A, and the additional tax and penalties are subject to interest at the  
162.30 rate provided in section 270C.40. The additional tax shall bear interest from 30 days after  
162.31 becoming subject to repayment under this section until the date the tax is paid. Any penalty  
162.32 imposed pursuant to this section shall bear interest from the date provided in section 270C.40,  
162.33 subdivision 3, to the date of payment of the penalty.

163.1 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the  
163.2 amount required to be repaid to the property taxes assessed against the property for payment  
163.3 in the year following the year in which the auditor provided the statement under paragraph  
163.4 (c).

163.5 (f) For determining the tax required to be repaid, a reduction of a state or local sales or  
163.6 use tax is deemed to have been received on the date that the good or service was purchased  
163.7 or first put to a taxable use. In the case of an income tax or franchise tax, including the credit  
163.8 payable under section 469.318, a reduction of tax is deemed to have been received for the  
163.9 two most recent tax years that have ended prior to the date that the business became subject  
163.10 to repayment under this section. In the case of a property tax, a reduction of tax is deemed  
163.11 to have been received for the taxes payable in the year that the business became subject to  
163.12 repayment under this section and for the taxes payable in the prior year.

163.13 (g) The commissioner may assess the repayment of taxes under paragraph (d) any time  
163.14 within two years after the business becomes subject to repayment under subdivision 1, or  
163.15 within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections  
163.16 289A.38 to 289A.384, whichever period is later. The county auditor may send the statement  
163.17 under paragraph (c) any time within three years after the business becomes subject to  
163.18 repayment under subdivision 1.

163.19 (h) A business is not entitled to any income tax or franchise tax benefits, including  
163.20 refundable credits, for any part of the year in which the business becomes subject to  
163.21 repayment under this section nor for any year thereafter. Property is not exempt from tax  
163.22 under section 272.02, subdivision 64, for any taxes payable in the year following the year  
163.23 in which the property became subject to repayment under this section nor for any year  
163.24 thereafter. A business is not eligible for any sales tax benefits beginning with goods or  
163.25 services purchased or first put to a taxable use on the day that the business becomes subject  
163.26 to repayment under this section.

163.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
163.28 31, 2017, except that for partnerships that make an election under Code of Federal  
163.29 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
163.30 to the same tax periods to which the election relates.

163.31 Sec. 16. **REPEALER.**

163.32 Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

164.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 164.2 31, 2017, except that for partnerships that make an election under Code of Federal  
 164.3 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies  
 164.4 to the same tax periods to which the election relates.

164.5 **ARTICLE 11**

164.6 **DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND CORPORATE**  
 164.7 **FRANCHISE TAXES; TECHNICAL CHANGES**

164.8 Section 1. Minnesota Statutes 2017 Supplement, section 290.0137, is amended to read:

164.9 **290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT**  
 164.10 **SALE GAINS.**

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

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

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

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

164.26 ~~(4) For the purposes of this section, "allocable amount" means the full amount to be~~  
 164.27 ~~apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned~~  
 164.28 ~~to Minnesota under section 290.17.~~

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

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

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

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

165.7 (c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must  
165.8 be excluded from taxable net income in any future year that the taxpayer files a Minnesota  
165.9 tax return to the extent that the income or gain has already been subject to tax pursuant to  
165.10 paragraph (a).

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

165.12 Sec. 2. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

165.17 (1) On the first \$35,480, 5.35 percent;

165.18 (2) On all over \$35,480, but not over \$140,960, 7.05 percent;

165.19 (3) On all over \$140,960, but not over \$250,000, 7.85 percent;

165.20 (4) On all over \$250,000, 9.85 percent.

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

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

165.26 (1) On the first \$24,270, 5.35 percent;

165.27 (2) On all over \$24,270, but not over \$79,730, 7.05 percent;

165.28 (3) On all over \$79,730, but not over \$150,000, 7.85 percent;

165.29 (4) On all over \$150,000, 9.85 percent.

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

166.4 (1) On the first \$29,880, 5.35 percent;

166.5 (2) On all over \$29,880, but not over \$120,070, 7.05 percent;

166.6 (3) On all over \$120,070, but not over \$200,000, 7.85 percent;

166.7 (4) On all over \$200,000, 9.85 percent.

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

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

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

166.21 (i) ~~the amounts specified in section~~ the additions required under sections 290.0131, subdivisions 2 and 6 to 11,  
 166.22 and 290.0137, paragraph (a); and reduced by

166.23 (ii) the Minnesota assignable portion of the subtraction for United States government  
 166.24 interest under section 290.0132, subdivision 2, and the subtractions under ~~section~~ sections  
 166.25 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying  
 166.26 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

166.27 (2) the denominator is the individual's federal adjusted gross income as defined in section  
 166.28 62 of the Internal Revenue Code, increased by:

166.29 (i) ~~the amounts specified in section~~ additions required under sections 290.0131,  
 166.30 subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

166.31 (ii) ~~the amounts specified in section~~ subtractions under sections 290.0132, subdivisions  
 166.32 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

167.1 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective for taxable years  
167.2 beginning after December 31, 2017. The amendment to paragraph (e) is effective the day  
167.3 following final enactment.

167.4 Sec. 3. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

167.5 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
167.6 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for  
167.7 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage  
167.8 determined under paragraph (b). For the purpose of making the adjustment as provided in  
167.9 this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets  
167.10 as they existed for taxable years beginning after December 31, 2012, and before January 1,  
167.11 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts  
167.12 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
167.13 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
167.14 \$5, it must be rounded up to the nearest \$10 amount.

167.15 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
167.16 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section  
167.17 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the  
167.18 commissioner shall then determine the percent change from the 12 months ending on August  
167.19 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from  
167.20 the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the  
167.21 year preceding the taxable year. The commissioner shall determine the rate bracket for  
167.22 married filing separate returns after this adjustment is done. The rate bracket for married  
167.23 filing separate must be one-half of the rate bracket for married filing joint. The determination  
167.24 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall  
167.25 not be subject to the Administrative Procedure Act contained in chapter 14.

167.26 No later than December 15 of each year, the commissioner shall announce the specific  
167.27 percentage that will be used to adjust the tax rate brackets.

167.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
167.29 31, 2017.

167.30 Sec. 4. Minnesota Statutes 2016, section 290.92, subdivision 28, is amended to read:

167.31 Subd. 28. **Payments to horse racing license holders.** Effective with payments made  
167.32 after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission  
167.33 who makes a payment for personal or professional services to a holder of a class C license

168.1 issued by the commission, except an amount paid as a purse, shall deduct from the payment  
168.2 and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount  
168.3 paid to that individual by the same person during the calendar year exceeds \$600. For  
168.4 purposes of the provisions of this section, a payment to any person which is subject to  
168.5 withholding under this subdivision must be treated as if the payment was a wage paid by  
168.6 an employer to an employee. Every individual who is to receive a payment which is subject  
168.7 to withholding under this subdivision shall furnish the license holder with a statement, made  
168.8 under the penalties of perjury, containing the name, address, and Social Security account  
168.9 number of the person receiving the payment. No withholding is required if the individual  
168.10 presents a signed certificate from the individual's employer which states that the individual  
168.11 is an employee of that employer. A nonresident individual who holds a class C license must  
168.12 be treated as an athlete for purposes of applying the provisions of subdivision 4a and section  
168.13 290.17, subdivision ~~2(1)(b)(ii)~~2(a)(2)(ii).

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

168.15 Sec. 5. Minnesota Statutes 2017 Supplement, section 462D.03, subdivision 2, is amended  
168.16 to read:

168.17 Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate  
168.18 a first-time home buyer as the qualified beneficiary of the account ~~by April 15 of the year~~  
168.19 in a form and manner prescribed by the commissioner following the taxable year in which  
168.20 the account was established. The account holder may be the qualified beneficiary. The  
168.21 account holder may change the designated qualified beneficiary at any time, but no more  
168.22 than one qualified beneficiary may be designated for an account at any one time. For purposes  
168.23 of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing  
168.24 the designated qualified beneficiary of an account does not affect computation of the ten-year  
168.25 period under section 462D.06, subdivision 2.

168.26 (b) The commissioner shall establish a process for account holders to notify the state  
168.27 that permits recording of the account, the account holder or holders, any transfers under  
168.28 section 462D.04, subdivision 2, and the designated qualified beneficiary for each account.  
168.29 This may be done upon filing the account holder's income tax return or in any other way  
168.30 the commissioner determines to be appropriate.

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



169.1

**ARTICLE 12**169.2 **DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES**

169.3 Section 1. Minnesota Statutes 2016, section 297A.68, subdivision 17, is amended to read:

169.4 Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and  
169.5 rebuilding parts and materials, and lubricants, for the following are exempt:169.6 (1) ships or vessels used or to be used principally in interstate or foreign commerce are  
169.7 exempt; and169.8 (2) vessels with a gross registered tonnage of at least 3,000 tons are exempt.169.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

169.10 Sec. 2. Minnesota Statutes 2016, section 297A.68, subdivision 44, is amended to read:

169.11 Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible  
169.12 personal property or taxable services by a qualified business, ~~as defined in section 116J.8738,~~  
169.13 are exempt if:169.14 (1) the commissioner of employment and economic development certifies to the  
169.15 commissioner of revenue, in a format approved by the commissioner of revenue, that the  
169.16 qualified business meets the requirements under section 116J.8738;169.17 (2) the business subsidy agreement provides that the exemption under this subdivision  
169.18 applies;169.19 ~~(2)~~ (3) the property or services are primarily used or consumed at the facility in greater  
169.20 Minnesota identified in the business subsidy agreement; and169.21 ~~(3)~~ (4) the purchase was made and delivery received during the duration of the  
169.22 certification of the business as a qualified business under section 116J.8738 business subsidy  
169.23 agreement.169.24 (b) Purchase and use of construction materials and supplies used or consumed in, and  
169.25 equipment incorporated into, the construction of improvements to real property in greater  
169.26 Minnesota are exempt if the improvements after completion of construction are to be used  
169.27 in the conduct of the trade or business of the qualified business, ~~as defined in section~~  
169.28 ~~116J.8738~~ and the commissioner of employment and economic development certifies to  
169.29 the commissioner of revenue, in a format approved by the commissioner of revenue, that  
169.30 the qualified business meets the requirements under section 116J.8738. This exemption  
169.31 applies regardless of whether the purchases are made by the business or a contractor.

170.1 (c) The exemptions under this subdivision apply to a local sales and use tax.

170.2 (d) The tax on purchases imposed under this subdivision must be imposed and collected  
 170.3 as if the rate under section 297A.62 applied, and then refunded in the manner provided in  
 170.4 section 297A.75. The total amount refunded for a facility over the certification period is  
 170.5 limited to the amount listed in the business subsidy agreement. No more than \$7,000,000  
 170.6 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be  
 170.7 allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are  
 170.8 made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and  
 170.9 the commissioner of revenue must first allocate refunds to qualified businesses eligible for  
 170.10 a refund in the preceding fiscal year. Any portion of the balance of funds allocated for  
 170.11 refunds under this paragraph does not cancel and shall be carried forward to and available  
 170.12 for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for  
 170.13 an eligible refund claim that carries over to a subsequent fiscal year, the interest on the  
 170.14 amount carried over must be paid on the refund no sooner than from 90 days after July 1  
 170.15 of the fiscal year in which funds are available for the eligible claim.

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

170.17 Sec. 3. Minnesota Statutes 2016, section 297A.71, subdivision 45, is amended to read:

170.18 Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used  
 170.19 or consumed in, capital equipment incorporated into, and privately owned infrastructure in  
 170.20 support of the construction, improvement, or expansion of a biopharmaceutical manufacturing  
 170.21 facility in the state are exempt if the commissioner of employment and economic  
 170.22 development certifies to the commissioner of revenue that the following criteria are met:

170.23 (1) the facility is used for the manufacturing of biologics;

170.24 (2) the total capital investment made at the facility exceeds \$50,000,000; and

170.25 (3) the facility creates and maintains at least 190 full-time equivalent positions at the  
 170.26 facility. These positions must be new jobs in Minnesota and not the result of relocating jobs  
 170.27 that currently exist in Minnesota.

170.28 (b) The tax must be imposed and collected as if the rate under section 297A.62 applied,  
 170.29 and refunded in the manner provided in section 297A.75.

170.30 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility  
 170.31 must:

171.1 (1) initially apply to the ~~Department~~ commissioner of employment and economic  
 171.2 development for certification no later than one year from the final completion date of  
 171.3 construction, improvement, or expansion of the facility; and

171.4 (2) for each year that the owner of the biopharmaceutical manufacturing facility applies  
 171.5 for a refund, the ~~owner~~ commissioner must have received written certification from the  
 171.6 ~~Department~~ commissioner of employment and economic development that the facility has  
 171.7 met the criteria of paragraph (a).

171.8 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund  
 171.9 payable to date, with the commissioner making annual payments of the remaining refund  
 171.10 until all of the refund has been paid.

171.11 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are  
 171.12 interchangeable and mean medical drugs or medicinal preparations produced using  
 171.13 technology that uses biological systems, living organisms, or derivatives of living organisms  
 171.14 to make or modify products or processes for specific use. The medical drugs or medicinal  
 171.15 preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

171.17 Sec. 4. Minnesota Statutes 2016, section 297A.77, is amended by adding a subdivision to  
 171.18 read:

171.19 **Subd. 5. Records must be kept.** Every person liable for any tax imposed by this chapter,  
 171.20 or for the collection thereof, shall keep such records, render such statements, make such  
 171.21 returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

## 171.23 **ARTICLE 13**

### 171.24 **DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES**

171.25 Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

171.26 Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing,  
 171.27 made, or derived from tobacco that is intended for human consumption, whether chewed,  
 171.28 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or  
 171.29 any component, part, or accessory of a tobacco product, including, but not limited to, cigars;  
 171.30 cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking  
 171.31 tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing  
 171.32 tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds

172.1 and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco  
 172.2 products includes vapor products. Tobacco products excludes any tobacco product that has  
 172.3 been approved by the United States Food and Drug Administration for sale as a tobacco  
 172.4 cessation product, as a tobacco dependence product, or for other medical purposes, and is  
 172.5 being marketed and sold solely for such an approved purpose.

172.6 (b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco  
 172.7 products includes a premium cigar, as defined in subdivision 13a.

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

172.9 Sec. 2. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to  
 172.10 read:

172.11 Subd. 22b. **Vapor products.** (a) "Vapor products" means any cartridge, bottle, or other  
 172.12 package that contains nicotine made or derived from tobacco, that is in a solution that is  
 172.13 consumed, or meant to be consumed, through the use of a heating element, power source,  
 172.14 electronic circuit, or other electronic, chemical, or mechanical means that produces vapor  
 172.15 from the nicotine. This paragraph expires December 31, 2018.

172.16 (b) Beginning January 1, 2019, "vapor products" means any cartridge, bottle, or other  
 172.17 package that contains nicotine, including nicotine produced from sources other than tobacco,  
 172.18 that is in a solution that is consumed, or meant to be consumed, through the use of a heating  
 172.19 element, power source, electronic circuit, or other electronic, chemical, or mechanical means  
 172.20 that produces vapor from the nicotine.

172.21 (c) Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo,  
 172.22 electronic pipe, or similar product or device, and any batteries, heating elements, or other  
 172.23 components, parts, or accessories sold with and meant to be used in the consumption of the  
 172.24 nicotine solution.

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

172.26 Sec. 3. Minnesota Statutes 2016, section 297F.01, subdivision 23, is amended to read:

172.27 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price at which a  
 172.28 distributor purchases a tobacco product. Wholesale sales price includes the applicable federal  
 172.29 excise tax, freight charges, or packaging costs, regardless of whether they were included in  
 172.30 the purchase price. Wholesale sales price of a vapor product does not include the cost of a  
 172.31 product, device, component, part, or accessory described in subdivision 22b that is sold

173.1 with a nicotine solution if the distributor sells the cartridge of nicotine solution separately  
 173.2 and can isolate the cost of the product, device, component, part, or accessory.

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

173.4 **ARTICLE 14**

173.5 **DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL CHANGES**

173.6 Section 1. Minnesota Statutes 2016, section 270C.85, subdivision 2, is amended to read:

173.7 Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following  
 173.8 powers and duties in administering the property tax laws:;

173.9 ~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local  
 173.10 assessors and local boards of review throughout the state as to their duties under the laws  
 173.11 of the state;;

173.12 ~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws  
 173.13 relating to the liability and punishment of public officers and officers and agents of  
 173.14 corporations for failure or negligence to comply with the provisions of the property tax  
 173.15 laws, and cause complaints to be made against local assessors, members of boards of  
 173.16 equalization, members of boards of review, or any other assessing or taxing officer, to the  
 173.17 proper authority, for their removal from office for misconduct or negligence of duty;;

173.18 ~~(c)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions  
 173.19 or proceedings for removal, forfeiture, and punishment, for violation of the property tax  
 173.20 laws in their respective districts or counties;;

173.21 ~~(d)~~ (4) require town, city, county, and other public officers to report and certify  
 173.22 information, at the parcel level or in the aggregate, as to the assessment and taxation of real  
 173.23 and personal property, and such other information as may be needful in the work of the  
 173.24 commissioner, ~~in such form as the commissioner may prescribe.~~ The commissioner shall  
 173.25 prescribe the content, format, manner, and time of filing of all required reports and  
 173.26 certifications;

173.27 ~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each  
 173.28 even-numbered year, and to each member of the legislature, on or before November 15 of  
 173.29 each even-numbered year, the report of the department for the preceding years, showing all  
 173.30 the taxable property subject to the property tax laws and the value of the same, in tabulated  
 173.31 form;;

174.1 ~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the  
 174.2 assessors faithfully discharge their duties; and

174.3 ~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial  
 174.4 special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property"  
 174.5 means property that:

174.6 ~~(1)~~ (i) is designed and equipped for a particular type of industry;

174.7 ~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

174.8 ~~(3)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

174.9 ~~(4)~~ (iv) has a total estimated market value of \$10,000,000 or greater based on the  
 174.10 assessor's preliminary determination.

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

174.12 Sec. 2. Minnesota Statutes 2017 Supplement, section 270C.89, subdivision 1, is amended  
 174.13 to read:

174.14 Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the  
 174.15 commissioner a copy of ~~the abstract~~ preliminary assessment information that the  
 174.16 commissioner may require under section 270C.85, subdivision 2, clause (4), that will be  
 174.17 acted upon by the local and county boards of review. ~~The abstract must list the real and~~  
 174.18 ~~personal property in the county itemized by assessment districts.~~ The assessor of each county  
 174.19 in the state shall file with the commissioner, within ten working days following final action  
 174.20 of the local board of review or equalization and within five days following final action of  
 174.21 the county board of equalization, any changes made by the local or county board. ~~The~~  
 174.22 ~~information must be filed in the manner prescribed by the commissioner.~~

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

174.24 Sec. 3. Minnesota Statutes 2016, section 270C.89, subdivision 2, is amended to read:

174.25 Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after  
 174.26 adjustments by the State Board of Equalization and inclusion of any omitted property shall  
 174.27 be submitted reported to the commissioner ~~on or before September 1 of each calendar year~~  
 174.28 under section 270C.85, subdivision 2, clause (4). ~~The final abstract must separately report~~  
 174.29 ~~the captured tax capacity of tax increment financing districts under section 469.177,~~  
 174.30 ~~subdivision 2, the areawide net tax capacity contribution values determined under sections~~

175.1 ~~276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line~~  
 175.2 ~~credit under section 273.42.~~

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

175.4 Sec. 4. Minnesota Statutes 2016, section 270C.91, is amended to read:

175.5 **270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY;**  
 175.6 **DUTIES OF COUNTY AUDITOR.**

175.7 A record of all proceedings of the commissioner affecting any change in the net tax  
 175.8 capacity of any property, as revised by the State Board of Equalization, shall be kept by the  
 175.9 commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of  
 175.10 each county wherein such property is situated, on or before June 30 ~~or 30 days after~~  
 175.11 ~~submission of the abstract required by section 270C.89, whichever is later.~~ This record shall  
 175.12 specify the amounts or amount, or both, added to or deducted from the net tax capacity of  
 175.13 the real property of each of the several towns and cities, and of the real property not in towns  
 175.14 or cities, also the percent or amount of both, added to or deducted from the several classes  
 175.15 of personal property in each of the towns and cities, and also the amount added to or deducted  
 175.16 from the assessment of any person. The county auditor shall add to or deduct from such  
 175.17 tract or lot, or portion thereof, of any real property in the county the required percent or  
 175.18 amount, or both, on the net tax capacity thereof as it stood after equalized by the county  
 175.19 board, adding in each case a fractional sum of 50 cents or more, and deducting in each case  
 175.20 any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or  
 175.21 lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of  
 175.22 personal property in the county the required percent or amount, or both, on the net tax  
 175.23 capacity thereof as it stood after equalized by the county board, adding or deducting in  
 175.24 manner aforesaid any fractional sum so that no net tax capacity of any separate class of  
 175.25 personal property shall contain a fraction of a dollar, and add to or deduct from assessment  
 175.26 of any person, as they stood after equalization by the county board, the required amounts  
 175.27 to agree with the assessments as returned by the commissioner.

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

175.29 Sec. 5. Minnesota Statutes 2016, section 273.061, subdivision 9, is amended to read:

175.30 Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~  
 175.31 are as follows:

176.1 (1) to make all assessments, based upon the appraised values reported by the local  
 176.2 assessors or assistants and the county assessor's own knowledge of the value of the property  
 176.3 assessed;

176.4 (2) to personally view and determine the value of any property ~~which~~ that because of  
 176.5 its type or character may be difficult for the local assessor to appraise;

176.6 (3) to make all changes ordered by the local boards of review, relative to the net tax  
 176.7 capacity of the property of any individual, firm or corporation after notice has been given  
 176.8 and hearings held as provided by law;

176.9 (4) to enter all assessments in the assessment books, furnished by the county auditor,  
 176.10 with each book and the tabular statements for each book in correct balance;

176.11 (5) to prepare all assessment cards, charts, maps and any other forms prescribed by the  
 176.12 commissioner of revenue;

176.13 (6) to attend the meeting of the county board of equalization; to investigate and report  
 176.14 on any assessment ordered by said board; to enter all changes made by said board in the  
 176.15 assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~  
 176.16 information reported to the commissioner under section 270C.85, subdivision 2, clause (4);  
 176.17 to enter all changes made by the State Board of Equalization in the assessment books; to  
 176.18 deduct all exemptions authorized by law from each assessment and certify to the county  
 176.19 auditor the taxable value of each parcel of land, as described and listed in the assessment  
 176.20 books by the county auditor, and the taxable value of the personal property of each person,  
 176.21 firm, or corporation assessed;

176.22 (7) to investigate and make recommendations relative to all applications for the abatement  
 176.23 of taxes or applications for the reduction of the net tax capacity of any property; and

176.24 (8) to perform all other duties relating to the assessment of property for the purpose of  
 176.25 taxation which may be required by the commissioner of revenue.

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

176.27 Sec. 6. Minnesota Statutes 2017 Supplement, section 273.0755, is amended to read:

176.28 **273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.**

176.29 (a) Beginning with the four-year period starting on July 1, 2000, every person licensed  
 176.30 by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall  
 176.31 successfully complete a weeklong Minnesota laws course sponsored by the Department of



177.1 Revenue at least once in every four-year period. An assessor need not attend the course if  
 177.2 they successfully pass the test for the course.

177.3 (b) The commissioner of revenue may require that each county, and each city for which  
 177.4 the city assessor performs the duties of county assessor, have ~~(i)~~ (1) a person on the assessor's  
 177.5 staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii)~~ (2) an  
 177.6 officer or employee who is certified by the Department of Revenue in tax calculations, and  
 177.7 ~~(iii)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper  
 177.8 preparation of ~~abstracts of assessment. The commissioner of revenue may require that each~~  
 177.9 ~~county have an officer or employee who is certified by the Department of Revenue in the~~  
 177.10 ~~proper preparation of abstracts of tax lists~~ information reported to the commissioner under  
 177.11 section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after  
 177.12 four years.

177.13 (c) Beginning with the four-year educational licensing period starting on July 1, 2004,  
 177.14 every Minnesota assessor licensed by the State Board of Assessors must attend and participate  
 177.15 in a seminar that focuses on ethics, professional conduct and the need for standardized  
 177.16 assessment practices developed and presented by the commissioner of revenue. This  
 177.17 requirement must be met at least once in every subsequent four-year period. This requirement  
 177.18 applies to all assessors licensed for one year or more in the four-year period.

177.19 (d) When the commissioner of revenue determines that an individual or board that  
 177.20 performs functions related to property tax administration has performed those functions in  
 177.21 a manner that is not uniform or equitable, the commissioner may require that the individual  
 177.22 or members of the board complete supplemental training. The commissioner may not require  
 177.23 that an individual complete more than 32 hours of supplemental training pursuant to this  
 177.24 paragraph. If the individual is required to complete supplemental training due to that  
 177.25 individual's membership on a local or county board of appeal and equalization, the  
 177.26 commissioner may not require that the individual complete more than two hours of  
 177.27 supplemental training.

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

177.29 Sec. 7. Minnesota Statutes 2016, section 273.113, subdivision 3, is amended to read:

177.30 Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the  
 177.31 commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the~~  
 177.32 ~~commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax  
 177.33 lost to the county from the property tax credit under subdivision 2. Any prior year adjustments  
 177.34 must also be certified ~~in the abstracts of tax lists.~~ The commissioner of revenue shall review

178.1 the certifications to determine their accuracy. The commissioner may make the changes in  
 178.2 the certification that are considered necessary or return a certification to the county auditor  
 178.3 for corrections. The commissioner shall reimburse each taxing district, other than school  
 178.4 districts, for the taxes lost. The payments must be made at the time provided in section  
 178.5 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax  
 178.6 is distributed. Reimbursements to school districts must be made as provided in section  
 178.7 273.1392. The amount necessary to make the reimbursements under this section is annually  
 178.8 appropriated from the general fund to the commissioner of revenue.

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

178.10 Sec. 8. Minnesota Statutes 2016, section 273.119, subdivision 2, is amended to read:

178.11 Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the  
 178.12 county conservation account created in section 40A.152 to the county revenue fund to  
 178.13 reimburse the fund for the cost of the property tax credit. The county auditor shall certify  
 178.14 to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with~~  
 178.15 ~~the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of  
 178.16 tax lost to the county from the property tax credit under subdivision 1 and the extent that  
 178.17 the tax lost exceeds funds available in the county conservation account. Any prior year  
 178.18 adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue  
 178.19 shall review the certifications to determine their accuracy. The commissioner may make  
 178.20 the changes in the certification that are considered necessary or return a certification to the  
 178.21 county auditor for corrections. The commissioner shall reimburse each taxing district, other  
 178.22 than school districts, from the Minnesota conservation fund under section 40A.151 for the  
 178.23 taxes lost in excess of the county account. The payments must be made at the time provided  
 178.24 in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion  
 178.25 that the ad valorem tax is distributed.

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

178.27 Sec. 9. Minnesota Statutes 2016, section 273.1231, subdivision 3, is amended to read:

178.28 Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a  
 178.29 geographic area for which:

178.30 (1)(i) the president of the United States, the secretary of agriculture, or the administrator  
 178.31 of the Small Business Administration has determined that a disaster exists pursuant to federal  
 178.32 law, or

179.1 (ii) a local emergency has been declared pursuant to section 12.29; and

179.2 (2) an application by the local unit of government requesting property tax relief under  
179.3 this section has been received by the governor and approved by the executive council.

179.4 (b) The executive council must not approve an application unless:

179.5 (1) a completed disaster survey is included; and

179.6 (2) within the boundaries of the applicant, (i) the average damage for the buildings that  
179.7 are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged,  
179.8 or the total dollar amount of damage to all taxable buildings equals or exceeds one percent  
179.9 of the total taxable market value of buildings for the applicant as reported to the commissioner  
179.10 of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the  
179.11 assessment in the year prior to the year of the damage.

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

179.13 Sec. 10. Minnesota Statutes 2016, section 273.136, subdivision 2, is amended to read:

179.14 Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall  
179.15 determine, not later than April 1 of each year, the amount of reduction resulting from section  
179.16 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph  
179.17 (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county~~  
179.18 ~~auditors pursuant to section 275.29~~ information reported to the commissioner under section  
179.19 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts~~  
179.20 ~~of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall  
179.21 submit to the St. Louis County auditor, on or before April 15, the amount of the first half  
179.22 payment payable hereunder and on or before September 15 the amount of the second half  
179.23 payment.

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

179.25 Sec. 11. Minnesota Statutes 2016, section 273.1384, subdivision 3, is amended to read:

179.26 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions  
179.27 allowed under subdivision 2 within the county for each taxes payable year and shall certify  
179.28 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~  
179.29 ~~by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause  
179.30 (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists~~. The  
179.31 commissioner shall review the certifications for accuracy, and may make such changes as  
179.32 are deemed necessary, or return the certification to the county auditor for correction. The

180.1 credit under this section must be used to proportionately reduce the net tax capacity-based  
 180.2 property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

180.4 Sec. 12. Minnesota Statutes 2017 Supplement, section 273.1387, subdivision 3, is amended  
 180.5 to read:

180.6 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions  
 180.7 allowed under this section within the county for each taxes payable year and shall certify  
 180.8 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~  
 180.9 ~~under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year  
 180.10 adjustments shall also be certified ~~on the abstracts of tax lists~~. The commissioner shall  
 180.11 review the certifications for accuracy, and may make such changes as are deemed necessary,  
 180.12 or return the certification to the county auditor for correction. The credit under this section  
 180.13 must be used to reduce the school district net tax capacity-based property tax as provided  
 180.14 in section 273.1393.

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

180.16 Sec. 13. Minnesota Statutes 2016, section 273.18, is amended to read:

180.17 **273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY**  
 180.18 **BY COUNTY AUDITORS.**

180.19 (a) In every sixth year after the year 2010, the county auditor shall enter the description  
 180.20 of each tract of real property exempt by law from taxation, with the name of the owner, and  
 180.21 the assessor shall value and assess the same in the same manner that other real property is  
 180.22 valued and assessed, and shall designate in each case the purpose for which the property is  
 180.23 used.

180.24 (b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision~~  
 180.25 ~~7,~~ The county auditor shall include ~~on the abstract of assessment of exempt real property~~  
 180.26 ~~filed under this section~~ in the exempt property information that the commissioner may  
 180.27 require under section 270C.85, subdivision 2, clause (4), the total number of acres of all  
 180.28 natural resources lands for which in lieu payments are made under sections 477A.11 to  
 180.29 477A.14. The assessor shall estimate its market value, provided that if the assessor is not  
 180.30 able to estimate the market value of the land on a per parcel basis, the assessor shall furnish  
 180.31 the commissioner of revenue with an estimate of the average value per acre of this land  
 180.32 within the county.

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

181.2 Sec. 14. Minnesota Statutes 2016, section 274.14, is amended to read:

181.3 **274.14 LENGTH OF SESSION; RECORD.**

181.4 The board must meet after the second Friday in June on at least one meeting day and  
 181.5 may meet for up to ten consecutive meeting days. The actual meeting dates must be contained  
 181.6 on the valuation notices mailed to each property owner in the county as provided in section  
 181.7 273.121. For this purpose, "meeting days" is defined as any day of the week excluding  
 181.8 Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken  
 181.9 by the county board of review after June 30 is valid, except for corrections permitted in  
 181.10 sections 273.01 and 274.01. The county auditor shall keep an accurate record of the  
 181.11 proceedings and orders of the board. The record must be published like other proceedings  
 181.12 of county commissioners. A copy of the published record must be sent to the commissioner  
 181.13 of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days  
 181.14 following final action of the county board of equalization.

181.15 For counties that conduct either regular board of review meetings or open book meetings,  
 181.16 at least one of the meeting days must include a meeting that does not end before 7:00 p.m.  
 181.17 For counties that require taxpayer appointments for the board of review, appointments must  
 181.18 include some available times that extend until at least 7:00 p.m. The county may have a  
 181.19 Saturday meeting in lieu of, or in addition to, the extended meeting times under this  
 181.20 paragraph.

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

181.22 Sec. 15. Minnesota Statutes 2016, section 274.16, is amended to read:

181.23 **274.16 CORRECTED LISTS, ~~ABSTRACTS.~~**

181.24 The county assessor or, in Ramsey County, the official designated by the board of county  
 181.25 commissioners shall calculate the changes of the assessment lists determined by the county  
 181.26 board of equalization, and make corrections accordingly, in the real or personal lists, or  
 181.27 both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's  
 181.28 office, and one must be forwarded to the commissioner of revenue as provided in section  
 181.29 270C.89.

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

182.1 Sec. 16. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended  
182.2 to read:

182.3 Subdivision 1. **Levy amount.** The state general levy is levied against  
182.4 commercial-industrial property and seasonal residential recreational property, as defined  
182.5 in this section. The state general levy for commercial-industrial property is \$784,590,000  
182.6 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational  
182.7 property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section  
182.8 is not treated as a local tax rate under section 469.177 and is not the levy of a governmental  
182.9 unit under chapters 276A and 473F.

182.10 The commissioner shall increase or decrease the preliminary or final rate for a year as  
182.11 necessary to account for errors and tax base changes that affected a preliminary or final rate  
182.12 for either of the two preceding years. Adjustments are allowed to the extent that the necessary  
182.13 information is available to the commissioner at the time the rates for a year must be certified,  
182.14 and for the following reasons:

182.15 (1) an erroneous report of taxable value by a local official;

182.16 (2) an erroneous calculation by the commissioner; and

182.17 (3) an increase or decrease in taxable value for commercial-industrial or seasonal  
182.18 residential recreational property reported ~~on the abstracts of tax lists submitted under section~~  
182.19 ~~275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~  
182.20 to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

182.21 The commissioner may, but need not, make adjustments if the total difference in the tax  
182.22 levied for the year would be less than \$100,000.

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

182.24 Sec. 17. Minnesota Statutes 2016, section 290B.09, subdivision 1, is amended to read:

182.25 Subdivision 1. **Determination; payment.** The county auditor shall determine the total  
182.26 current year's deferred amount of property tax under this chapter in the county, and ~~submit~~  
182.27 report those amounts ~~as part of the abstracts of tax lists submitted by the county auditors~~  
182.28 ~~under section 275.29~~ to the commissioner under section 270C.85, subdivision 2, clause (4).  
182.29 The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The  
182.30 commissioner of revenue, after such review, shall pay the deferred amount of property tax  
182.31 to each county treasurer on or before August 31.

183.1 The county treasurer shall distribute as part of the October settlement the funds received  
183.2 as if they had been collected as a part of the property tax.

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

183.4 Sec. 18. Minnesota Statutes 2016, section 469.177, subdivision 1, is amended to read:

183.5 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment  
183.6 financing plan, the auditor of any county in which the district is situated shall, upon request  
183.7 of the authority, certify the original net tax capacity of the tax increment financing district  
183.8 and that portion of the district overlying any subdistrict as described in the tax increment  
183.9 financing plan and shall certify in each year thereafter the amount by which the original net  
183.10 tax capacity has increased or decreased as a result of a change in tax exempt status of  
183.11 property within the district and any subdistrict, reduction or enlargement of the district or  
183.12 changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after  
183.13 receipt of the request and sufficient information to identify the parcels included in the district.  
183.14 The certification relates to the taxes payable year as provided in subdivision 6.

183.15 (b) If the classification under section 273.13 of property located in a district changes to  
183.16 a classification that has a different assessment ratio, the original net tax capacity of that  
183.17 property must be redetermined at the time when its use is changed as if the property had  
183.18 originally been classified in the same class in which it is classified after its use is changed.

183.19 (c) The amount to be added to the original net tax capacity of the district as a result of  
183.20 previously tax exempt real property within the district becoming taxable equals the net tax  
183.21 capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information  
183.22 reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that  
183.23 assessment was made more than one year prior to the date of title transfer rendering the  
183.24 property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If  
183.25 improvements are made to tax exempt property after the municipality approves the district  
183.26 and before the parcel becomes taxable, the assessor shall, at the request of the authority,  
183.27 separately assess the estimated market value of the improvements. If the property becomes  
183.28 taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the  
183.29 parcel, excluding the separately assessed improvements. If substantial taxable improvements  
183.30 were made to a parcel after certification of the district and if the property later becomes tax  
183.31 exempt, in whole or part, as a result of the authority acquiring the property through  
183.32 foreclosure or exercise of remedies under a lease or other revenue agreement or as a result  
183.33 of tax forfeiture, the amount to be added to the original net tax capacity of the district as a  
183.34 result of the property again becoming taxable is the amount of the parcel's value that was

184.1 included in original net tax capacity when the parcel was first certified. The amount to be  
184.2 added to the original net tax capacity of the district as a result of enlargements equals the  
184.3 net tax capacity of the added real property as most recently certified by the commissioner  
184.4 of revenue as of the date of modification of the tax increment financing plan pursuant to  
184.5 section 469.175, subdivision 4.

184.6 (d) If the net tax capacity of a property increases because the property no longer qualifies  
184.7 under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open  
184.8 Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act,  
184.9 chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because  
184.10 platted, unimproved property is improved or market value is increased after approval of the  
184.11 plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be  
184.12 added to the original net tax capacity. If the net tax capacity of a property increases because  
184.13 the property no longer qualifies for the homestead market value exclusion under section  
184.14 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax  
184.15 capacity if the original construction of the affected home was completed before the date the  
184.16 assessor certified the original net tax capacity of the district.

184.17 (e) The amount to be subtracted from the original net tax capacity of the district as a  
184.18 result of previously taxable real property within the district becoming tax exempt or  
184.19 qualifying in whole or part for an exclusion from taxable market value, or a reduction in  
184.20 the geographic area of the district, shall be the amount of original net tax capacity initially  
184.21 attributed to the property becoming tax exempt, being excluded from taxable market value,  
184.22 or being removed from the district. If the net tax capacity of property located within the tax  
184.23 increment financing district is reduced by reason of a court-ordered abatement, stipulation  
184.24 agreement, voluntary abatement made by the assessor or auditor or by order of the  
184.25 commissioner of revenue, the reduction shall be applied to the original net tax capacity of  
184.26 the district when the property upon which the abatement is made has not been improved  
184.27 since the date of certification of the district and to the captured net tax capacity of the district  
184.28 in each year thereafter when the abatement relates to improvements made after the date of  
184.29 certification. The county auditor may specify reasonable form and content of the request  
184.30 for certification of the authority and any modification thereof pursuant to section 469.175,  
184.31 subdivision 4.

184.32 (f) If a parcel of property contained a substandard building or improvements described  
184.33 in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if  
184.34 the authority elects to treat the parcel as occupied by a substandard building under section  
184.35 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174,



185.1 subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the  
 185.2 parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated  
 185.3 market value of the parcel for the year in which the building or other improvements were  
 185.4 demolished or removed, but applying the classification rates for the current year.

185.5 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,  
 185.6 paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of  
 185.7 the land as the original tax capacity for any parcel in the district that contains a building  
 185.8 that suffered substantial damage as a result of the disaster or emergency.

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

185.10 Sec. 19. **REPEALER.**

185.11 Minnesota Statutes 2016, section 275.29, is repealed.

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

## 185.13 **ARTICLE 15**

### 185.14 **DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES**

185.15 Section 1. Minnesota Statutes 2016, section 272.02, subdivision 27, is amended to read:

185.16 Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~**  
 185.17 **veterans with a disability.** Real and personal property is exempt if it is located in the  
 185.18 Superior National Forest, and owned or leased and operated by a nonprofit organization  
 185.19 that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue  
 185.20 Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a  
 185.21 disability and their families.

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

185.23 Sec. 2. Minnesota Statutes 2016, section 272.02, subdivision 81, is amended to read:

185.24 Subd. 81. **Certain recreational property for ~~disabled~~ veterans with a disability.** Real  
 185.25 and personal property is exempt if it is located in a county in the metropolitan area with a  
 185.26 population of less than 500,000 according to the 2000 federal census, and owned or leased  
 185.27 and operated by a nonprofit organization, and primarily used to provide recreational  
 185.28 opportunities for ~~disabled~~ veterans with a disability and their families.

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

186.1 Sec. 3. Minnesota Statutes 2016, section 273.032, is amended to read:

186.2 **273.032 MARKET VALUE DEFINITION.**

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

186.10 (1) the market value exclusions under:

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

186.12 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

186.13 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

186.14 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);

186.15 (v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ disabled veteran with a disability or  
186.16 family caregiver); or

186.17 (vi) section 273.13, subdivision 35 (homestead market value exclusion); or

186.18 (2) the deferment of value under:

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

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

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

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

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

186.24 (3) the adjustments to tax capacity for:

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

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

186.27 (iii) powerline credit under section 273.425.

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

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

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

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

187.15 Sec. 4. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended  
 187.16 to read:

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

187.22 The first \$500,000 of market value of class 1a property has a net classification rate of  
 187.23 one percent of its market value; and the market value of class 1a property that exceeds  
 187.24 \$500,000 has a classification rate of 1.25 percent of its market value.

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

187.27 (1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is  
 187.28 blind and the ~~blind person's~~ spouse of the person who is blind;

187.29 (2) any person who is permanently and totally disabled or by the ~~disabled~~ person with  
 187.30 a disability and the ~~disabled person's~~ spouse of the person with a disability; or

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

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

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

188.8 Permanently and totally disabled for the purpose of this subdivision means a condition  
188.9 which is permanent in nature and totally incapacitates the person from working at an  
188.10 occupation which brings the person an income. The first \$50,000 market value of class 1b  
188.11 property has a net classification rate of .45 percent of its market value. The remaining market  
188.12 value of class 1b property is classified as class 1a or class 2a property, whichever is  
188.13 appropriate.

188.14 (c) Class 1c property is commercial use real and personal property that abuts public  
188.15 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by  
188.16 the Department of Natural Resources, and is devoted to temporary and seasonal residential  
188.17 occupancy for recreational purposes but not devoted to commercial purposes for more than  
188.18 250 days in the year preceding the year of assessment, and that includes a portion used as  
188.19 a homestead by the owner, which includes a dwelling occupied as a homestead by a  
188.20 shareholder of a corporation that owns the resort, a partner in a partnership that owns the  
188.21 resort, or a member of a limited liability company that owns the resort even if the title to  
188.22 the homestead is held by the corporation, partnership, or limited liability company. For  
188.23 purposes of this paragraph, property is devoted to a commercial purpose on a specific day  
188.24 if any portion of the property, excluding the portion used exclusively as a homestead, is  
188.25 used for residential occupancy and a fee is charged for residential occupancy. Class 1c  
188.26 property must contain three or more rental units. A "rental unit" is defined as a cabin,  
188.27 condominium, townhouse, sleeping room, or individual camping site equipped with water  
188.28 and electrical hookups for recreational vehicles. Class 1c property must provide recreational  
188.29 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill  
188.30 or cross-country ski equipment; provide marina services, launch services, or guide services;  
188.31 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred  
188.32 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies  
188.33 for class 1c even though it may remain available for rent. A camping pad offered for rent  
188.34 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of  
188.35 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If

189.1 the same owner owns two separate parcels that are located in the same township, and one  
189.2 of those properties is classified as a class 1c property and the other would be eligible to be  
189.3 classified as a class 1c property if it was used as the homestead of the owner, both properties  
189.4 will be assessed as a single class 1c property; for purposes of this sentence, properties are  
189.5 deemed to be owned by the same owner if each of them is owned by a limited liability  
189.6 company, and both limited liability companies have the same membership. The portion of  
189.7 the property used as a homestead is class 1a property under paragraph (a). The remainder  
189.8 of the property is classified as follows: the first \$600,000 of market value is tier I, the next  
189.9 \$1,700,000 of market value is tier II, and any remaining market value is tier III. The  
189.10 classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25  
189.11 percent. Owners of real and personal property devoted to temporary and seasonal residential  
189.12 occupancy for recreation purposes in which all or a portion of the property was devoted to  
189.13 commercial purposes for not more than 250 days in the year preceding the year of assessment  
189.14 desiring classification as class 1c, must submit a declaration to the assessor designating the  
189.15 cabins or units occupied for 250 days or less in the year preceding the year of assessment  
189.16 by January 15 of the assessment year. Those cabins or units and a proportionate share of  
189.17 the land on which they are located must be designated as class 1c as otherwise provided.  
189.18 The remainder of the cabins or units and a proportionate share of the land on which they  
189.19 are located must be designated as class 3a commercial. The owner of property desiring  
189.20 designation as class 1c property must provide guest registers or other records demonstrating  
189.21 that the units for which class 1c designation is sought were not occupied for more than 250  
189.22 days in the year preceding the assessment if so requested. The portion of a property operated  
189.23 as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5)  
189.24 other nonresidential facility operated on a commercial basis not directly related to temporary  
189.25 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

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

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

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

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

190.6 Sec. 5. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended  
190.7 to read:

190.8 Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a)

190.9 All or a portion of the market value of property owned by a veteran and serving as the  
190.10 veteran's homestead under this section is excluded in determining the property's taxable  
190.11 market value if the veteran has a service-connected disability of 70 percent or more as  
190.12 certified by the United States Department of Veterans Affairs. To qualify for exclusion  
190.13 under this subdivision, the veteran must have been honorably discharged from the United  
190.14 States armed forces, as indicated by United States Government Form DD214 or other official  
190.15 military discharge papers.

190.16 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,  
190.17 except as provided in clause (2); and

190.18 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is  
190.19 excluded.

190.20 (c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under  
190.21 paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the  
190.22 veteran the spouse holds the legal or beneficial title to the homestead and permanently  
190.23 resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the  
190.24 current taxes payable year and for eight additional taxes payable years or until such time  
190.25 as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever  
190.26 comes first. Qualification under this paragraph requires an application under paragraph (h),  
190.27 and a spouse must notify the assessor if there is a change in the spouse's marital status,  
190.28 ownership of the property, or use of the property as a permanent residence.

190.29 (d) If the spouse of a member of any branch or unit of the United States armed forces  
190.30 who dies due to a service-connected cause while serving honorably in active service, as  
190.31 indicated on United States Government Form DD1300 or DD2064, holds the legal or  
190.32 beneficial title to a homestead and permanently resides there, the spouse is entitled to the  
190.33 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such

191.1 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,  
191.2 whichever comes first.

191.3 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property  
191.4 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary  
191.5 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify  
191.6 for under paragraph (b).

191.7 (f) In the case of an agricultural homestead, only the portion of the property consisting  
191.8 of the house and garage and immediately surrounding one acre of land qualifies for the  
191.9 valuation exclusion under this subdivision.

191.10 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible  
191.11 for the market value exclusion under subdivision 35, or classification under subdivision 22,  
191.12 paragraph (b).

191.13 (h) To qualify for a valuation exclusion under this subdivision a property owner must  
191.14 apply to the assessor by July 1 of the first assessment year for which the exclusion is sought.  
191.15 For an application received after July 1, the exclusion shall become effective for the following  
191.16 assessment year. Except as provided in paragraph (c), the owner of a property that has been  
191.17 accepted for a valuation exclusion must notify the assessor if there is a change in ownership  
191.18 of the property or in the use of the property as a homestead.

191.19 (i) A first-time application by a qualifying spouse for the market value exclusion under  
191.20 paragraph (d) must be made any time within two years of the death of the service member.

191.21 (j) For purposes of this subdivision:

191.22 (1) "active service" has the meaning given in section 190.05;

191.23 (2) "own" means that the person's name is present as an owner on the property deed;

191.24 (3) "primary family caregiver" means a person who is approved by the secretary of the  
191.25 United States Department of Veterans Affairs for assistance as the primary provider of  
191.26 personal care services for an eligible veteran under the Program of Comprehensive Assistance  
191.27 for Family Caregivers, codified as United States Code, title 38, section 1720G; and

191.28 (4) "veteran" has the meaning given the term in section 197.447.

191.29 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion  
191.30 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit  
191.31 under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries  
191.32 or sells, transfers, or otherwise disposes of the property if:

192.1 (1) the spouse files a first-time application within two years of the death of the service  
 192.2 member or by June 1, 2019, whichever is later;

192.3 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the  
 192.4 homestead and permanently resides there;

192.5 (3) the veteran met the honorable discharge requirements of paragraph (a); and

192.6 (4) the United States Department of Veterans Affairs certifies that:

192.7 (i) the veteran met the total (100 percent) and permanent disability requirement under  
 192.8 paragraph (b), clause (2); or

192.9 (ii) the spouse has been awarded dependency and indemnity compensation.

192.10 (l) The purpose of this provision of law providing a level of homestead property tax  
 192.11 relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and  
 192.12 their surviving spouses is to help ease the burdens of war for those among our state's citizens  
 192.13 who bear those burdens most heavily.

192.14 (m) By July 1, the county veterans service officer must certify the disability rating and  
 192.15 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

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

192.17 Sec. 6. Minnesota Statutes 2016, section 289A.08, subdivision 6, is amended to read:

192.18 Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married  
 192.19 to each other must file a joint Minnesota income tax return if they filed a joint federal income  
 192.20 tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax  
 192.21 returns, they must file separate Minnesota income tax returns. This election to file a joint  
 192.22 or separate return must be changed if they change their election for federal purposes. In the  
 192.23 event taxpayers desire to change their election, the change must be done in the manner and  
 192.24 on the form prescribed by the commissioner.

192.25 The determination of whether an individual is married shall be made under the provisions  
 192.26 of section 7703 of the Internal Revenue Code.

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

192.28 Sec. 7. Minnesota Statutes 2016, section 289A.25, subdivision 1, is amended to read:

192.29 Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership  
 192.30 must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax.



193.1 For individuals, the term "estimated tax" means the amount the taxpayer estimates is the  
 193.2 sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations,  
 193.3 and partnerships, the term estimated tax means the amount the taxpayer estimates is the  
 193.4 sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax  
 193.5 imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent  
 193.6 person, the payments must be made by the individual's guardian. If joint payments on  
 193.7 estimated tax are made but a joint return is not made for the taxable year, the estimated tax  
 193.8 for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or  
 193.9 may be divided between them.

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

193.11 Sec. 8. Minnesota Statutes 2016, section 289A.31, subdivision 2, is amended to read:

193.12 Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by ~~a husband~~  
 193.13 ~~and wife~~ spouses, the liability for the tax is joint and several. A spouse who qualifies for  
 193.14 relief from a liability attributable to an underpayment under section 6015(b) of the Internal  
 193.15 Revenue Code is relieved of the state income tax liability on the underpayment.

193.16 (b) In the case of individuals who were ~~a husband and wife~~ married as determined in  
 193.17 section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their  
 193.18 legal separation, or prior to the death of one of the individuals, for tax liabilities reported  
 193.19 on a joint or combined return, the liability of each person is limited to the proportion of the  
 193.20 tax due on the return that equals that person's proportion of the total tax due if ~~the husband~~  
 193.21 ~~and wife~~ each spouse filed separate returns for the taxable year. This provision is effective  
 193.22 only when the commissioner receives written notice of the marriage dissolution, legal  
 193.23 separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may  
 193.24 be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more  
 193.25 than 60 days before receipt by the commissioner of the written notice.

193.26 (c) A request for calculation of separate liability pursuant to paragraph (b) for taxes  
 193.27 reported on a return must be made within six years after the due date of the return. For  
 193.28 calculation of separate liability for taxes assessed by the commissioner under section 289A.35  
 193.29 or 289A.37, the request must be made within six years after the date of assessment. The  
 193.30 commissioner is not required to calculate separate liability if the remaining unpaid liability  
 193.31 for which recalculation is requested is \$100 or less.

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

194.1 Sec. 9. Minnesota Statutes 2016, section 289A.37, subdivision 6, is amended to read:

194.2 Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return  
 194.3 is filed by ~~a husband and wife~~ spouses, an order of assessment may be a single joint notice.  
 194.4 If the commissioner has been notified by either spouse that that spouse's address has changed  
 194.5 and if that spouse requests it, then, instead of the single joint notice mailed to the last known  
 194.6 address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be  
 194.7 sent to the requesting spouse at the address designated by the requesting spouse. The other  
 194.8 joint notice must be mailed to the other spouse at that spouse's last known address. An  
 194.9 assessment is not invalid for failure to send it to a spouse if the spouse actually receives the  
 194.10 notice in the same period as if it had been mailed to that spouse at the correct address or if  
 194.11 the spouse has failed to provide an address to the commissioner other than the last known  
 194.12 address.

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

194.14 Sec. 10. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

194.15 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal  
 194.16 taxable income of the individual's subtraction base amount. The excess of the subtraction  
 194.17 base amount over the taxable net income computed without regard to the subtraction for  
 194.18 the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5,  
 194.19 may be used to reduce the amount of a lump sum distribution subject to tax under section  
 194.20 290.032.

194.21 (b)(1) The initial subtraction base amount equals

194.22 (i) \$12,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

194.23 (ii) \$9,600 for a single taxpayer, and

194.24 (iii) \$6,000 for a married taxpayer filing a separate federal return.

194.25 (2) The qualified individual's initial subtraction base amount, then, must be reduced by  
 194.26 the sum of nontaxable retirement and disability benefits and one-half of the amount of  
 194.27 adjusted gross income in excess of the following thresholds:

194.28 (i) \$18,000 for a married taxpayer filing a joint return if both spouses are qualified  
 194.29 individuals,

194.30 (ii) \$14,500 for a single taxpayer or for a married couple filing a joint return if only one  
 194.31 spouse is a qualified individual, and

194.32 (iii) \$9,000 for a married taxpayer filing a separate federal return.

195.1 (3) In the case of a qualified individual who is under the age of 65, the maximum amount  
195.2 of the subtraction base may not exceed the taxpayer's disability income.

195.3 (4) The resulting amount is the subtraction base amount.

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

195.5 Sec. 11. Minnesota Statutes 2016, section 290.0802, subdivision 3, is amended to read:

195.6 Subd. 3. **Restrictions; married couples.** Except in the case of a ~~husband and wife~~  
195.7 spouses who live apart at all times during the taxable year, if the taxpayer is married at the  
195.8 close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers  
195.9 file joint federal and state income tax returns for the taxable year.

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

195.11 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended  
195.12 to read:

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

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

195.17 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
195.18 55(b)(2) of the Internal Revenue Code;

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

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

195.22 (ii) the medical expense deduction;

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

195.24 (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

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

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

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

196.6 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

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

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

196.9 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
196.10 3, to the extent included in federal alternative minimum taxable income;

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

196.15 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,  
196.16 subdivisions 7, 9 to 15, 17, 21, 24, and 26; and

196.17 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,  
196.18 paragraph (c).

196.19 In the case of an estate or trust, alternative minimum taxable income must be computed  
196.20 as provided in section 59(c) of the Internal Revenue Code.

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

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

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

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

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

197.1 Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended  
197.2 to read:

197.3 Subd. 3. **Income.** (a) "Income" means the sum of the following:

197.4 (1) federal adjusted gross income as defined in the Internal Revenue Code; and

197.5 (2) the sum of the following amounts to the extent not included in clause (1):

197.6 (i) all nontaxable income;

197.7 (ii) the amount of a passive activity loss that is not disallowed as a result of section 469,  
197.8 paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss  
197.9 carryover allowed under section 469(b) of the Internal Revenue Code;

197.10 (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a  
197.11 solvent individual excluded from gross income under section 108(g) of the Internal Revenue  
197.12 Code;

197.13 (iv) cash public assistance and relief;

197.14 (v) any pension or annuity (including railroad retirement benefits, all payments received  
197.15 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
197.16 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
197.17 by the claimant or spouse and which funding payments were excluded from federal adjusted  
197.18 gross income in the years when the payments were made;

197.19 (vi) interest received from the federal or a state government or any instrumentality or  
197.20 political subdivision thereof;

197.21 (vii) workers' compensation;

197.22 (viii) nontaxable strike benefits;

197.23 (ix) the gross amounts of payments received in the nature of disability income or sick  
197.24 pay as a result of accident, sickness, or other disability, whether funded through insurance  
197.25 or otherwise;

197.26 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
197.27 1986, as amended through December 31, 1995;

197.28 (xi) contributions made by the claimant to an individual retirement account, including  
197.29 a qualified voluntary employee contribution; simplified employee pension plan;  
197.30 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
197.31 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal

198.1 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
198.2 the claimant and spouse;

198.3 (xii) to the extent not included in federal adjusted gross income, distributions received  
198.4 by the claimant or spouse from a traditional or Roth style retirement account or plan;

198.5 (xiii) nontaxable scholarship or fellowship grants;

198.6 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

198.7 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
198.8 Code;

198.9 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
198.10 Code; and

198.11 (xvii) the amount deducted for certain expenses of elementary and secondary school  
198.12 teachers under section 62(a)(2)(D) of the Internal Revenue Code.

198.13 In the case of an individual who files an income tax return on a fiscal year basis, the  
198.14 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in  
198.15 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced  
198.16 by the amount of a net operating loss carryback or carryforward or a capital loss carryback  
198.17 or carryforward allowed for the year.

198.18 (b) "Income" does not include:

198.19 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

198.20 (2) amounts of any pension or annuity which was exclusively funded by the claimant  
198.21 or spouse and which funding payments were not excluded from federal adjusted gross  
198.22 income in the years when the payments were made;

198.23 (3) to the extent included in federal adjusted gross income, amounts contributed by the  
198.24 claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed  
198.25 the retirement base amount reduced by the amount of contributions excluded from federal  
198.26 adjusted gross income, but not less than zero;

198.27 (4) surplus food or other relief in kind supplied by a governmental agency;

198.28 (5) relief granted under this chapter;

198.29 (6) child support payments received under a temporary or final decree of dissolution or  
198.30 legal separation; or

199.1 (7) restitution payments received by eligible individuals and excludable interest as  
 199.2 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,  
 199.3 Public Law 107-16.

199.4 (c) The sum of the following amounts may be subtracted from income:

199.5 (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;

199.6 (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;

199.7 (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;

199.8 (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

199.9 (5) for the claimant's fifth dependent, the exemption amount; and

199.10 (6) if the claimant or claimant's spouse ~~was disabled~~ had a disability or attained the age  
 199.11 of 65 on or before December 31 of the year for which the taxes were levied or rent paid,  
 199.12 the exemption amount.

199.13 (d) For purposes of this subdivision, the "exemption amount" means the exemption  
 199.14 amount under section 151(d) of the Internal Revenue Code for the taxable year for which  
 199.15 the income is reported; "retirement base amount" means the deductible amount for the  
 199.16 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue  
 199.17 Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue  
 199.18 Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional  
 199.19 or Roth style retirement account or plan" means retirement plans under sections 401, 403,  
 199.20 408, 408A, and 457 of the Internal Revenue Code.

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

199.22 Sec. 14. Minnesota Statutes 2016, section 290A.03, subdivision 4, is amended to read:

199.23 Subd. 4. **Household.** "Household" means a claimant and an individual related to the  
 199.24 claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

199.26 Sec. 15. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 8, is amended  
 199.27 to read:

199.28 Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined  
 199.29 under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3)  
 199.30 of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a

200.1 resident of this state as provided in chapter 290 during the calendar year for which the claim  
200.2 for relief was filed.

200.3 (b) In the case of a claim relating to rent constituting property taxes, the claimant shall  
200.4 have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu  
200.5 of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem  
200.6 taxes, are payable at some time during the calendar year covered by the claim.

200.7 (c) "Claimant" shall not include a resident of a nursing home, intermediate care facility,  
200.8 long-term residential facility, or a facility that accepts housing support payments whose  
200.9 rent constituting property taxes is paid pursuant to the Supplemental Security Income  
200.10 program under title XVI of the Social Security Act, the Minnesota supplemental aid program  
200.11 under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX  
200.12 of the Social Security Act, or the housing support program under chapter 256I.

200.13 If only a portion of the rent constituting property taxes is paid by these programs, the  
200.14 resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant  
200.15 to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as  
200.16 defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income  
200.17 from the above sources other than vendor payments under the medical assistance program  
200.18 and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b),  
200.19 plus vendor payments under the medical assistance program, to determine the allowable  
200.20 refund pursuant to this chapter.

200.21 (d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home,  
200.22 intermediate care facility, long-term residential facility, or facility for which the rent was  
200.23 paid for the claimant by the housing support program for only a portion of the calendar year  
200.24 covered by the claim, the claimant may compute rent constituting property taxes by  
200.25 disregarding the rent constituting property taxes from the nursing home or facility and use  
200.26 only that amount of rent constituting property taxes or property taxes payable relating to  
200.27 that portion of the year when the claimant was not in the facility. The claimant's household  
200.28 income is the income for the entire calendar year covered by the claim.

200.29 (e) In the case of a claim for rent constituting property taxes of a part-year Minnesota  
200.30 resident, the income and rental reflected in this computation shall be for the period of  
200.31 Minnesota residency only. Any rental expenses paid which may be reflected in arriving at  
200.32 federal adjusted gross income cannot be utilized for this computation. When two individuals  
200.33 of a household are able to meet the qualifications for a claimant, they may determine among  
200.34 them as to who the claimant shall be. If they are unable to agree, the matter shall be referred



201.1 to the commissioner of revenue whose decision shall be final. If a homestead property owner  
 201.2 was a part-year Minnesota resident, the income reflected in the computation made pursuant  
 201.3 to section 290A.04 shall be for the entire calendar year, including income not assignable to  
 201.4 Minnesota.

201.5 (f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~  
 201.6 married to each other, the rent shall be deemed to be paid equally by each, and separate  
 201.7 claims shall be filed by each. The income of each shall be each renter's household income  
 201.8 for purposes of computing the amount of credit to be allowed.

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

201.10 Sec. 16. Minnesota Statutes 2016, section 290A.05, is amended to read:

201.11 **290A.05 COMBINED HOUSEHOLD INCOME.**

201.12 If a person occupies a homestead with another person ~~or persons~~ not related to the person  
 201.13 as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on  
 201.14 contract, and has property tax payable with respect to the homestead, the household income  
 201.15 of the claimant or claimants for the purpose of computing the refund allowed by section  
 201.16 290A.04 shall include the total income received by the other persons residing in the  
 201.17 homestead. For purposes of this section, "dependent" includes a parent of the claimant or  
 201.18 spouse who lives in the claimant's homestead and does not have an ownership interest in  
 201.19 the homestead. If a person occupies a homestead with another person or persons not related  
 201.20 to the person as ~~husband and wife~~ the person's spouse or as dependents, the property tax  
 201.21 payable or rent constituting property tax shall be reduced as follows.

201.22 If the other person or persons are residing at the homestead under rental or lease  
 201.23 agreement, the amount of property tax payable or rent constituting property tax shall be that  
 201.24 portion not covered by the rental agreement.

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

201.26 Sec. 17. Minnesota Statutes 2016, section 290A.08, is amended to read:

201.27 **290A.08 ONE CLAIMANT PER HOUSEHOLD.**

201.28 Only one claimant per household per year is entitled to relief under this chapter. Payment  
 201.29 of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant.  
 201.30 The commissioner, upon written request, may issue separate checks, to the ~~husband and~~  
 201.31 ~~wife~~ spouses for one-half of the relief provided the original check has not been issued or  
 201.32 has been returned. Individuals related as ~~husband and wife~~ spouses who were married during

202.1 the year may elect to file a joint claim which shall include each spouse's income, rent  
 202.2 constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who  
 202.3 were married for the entire year and were domiciled in the same household for the entire  
 202.4 year must file a joint claim. The maximum dollar amount allowable for a joint claim shall  
 202.5 not exceed the amount that one person could receive.

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

202.7 Sec. 18. Minnesota Statutes 2016, section 290A.09, is amended to read:

202.8 **290A.09 PROOF OF CLAIM.**

202.9 Every claimant shall supply to the commissioner of revenue, in support of the claim,  
 202.10 proof of eligibility under this chapter, including but not limited to amount of rent paid or  
 202.11 property taxes accrued, name and address of owner or managing agent of property rented,  
 202.12 changes in homestead, household membership, household income, size and nature of property  
 202.13 claimed as a homestead.

202.14 ~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the  
 202.15 form and manner as the commissioner may prescribe. The department may require  
 202.16 examination and certification by the claimant's physician or by a physician designated by  
 202.17 the commissioner. The cost of any examination shall be borne by the claimant, unless the  
 202.18 examination proves the disability, in which case the cost of the examination shall be borne  
 202.19 by the commissioner.

202.20 A determination of disability of a claimant by the Social Security Administration under  
 202.21 Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

202.23 Sec. 19. Minnesota Statutes 2016, section 297A.61, subdivision 18, is amended to read:

202.24 Subd. 18. ~~Disabled~~ **Person with a disability.** "Disabled Person with a disability" means  
 202.25 an individual who has a permanent and total disability as defined in section 273.13,  
 202.26 subdivision 22.

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

202.28 Sec. 20. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 6, is amended  
 202.29 to read:

202.30 Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for  
 202.31 and served exclusively to individuals who are 60 years of age or over and their spouses or

203.1 to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit  
 203.2 organizations, or churches, or pursuant to any program funded in whole or in part through  
 203.3 United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or  
 203.4 served, are exempt. Taxable food sold through vending machines is not exempt.

203.5 (b) Prepared food, candy, and soft drinks purchased for and served exclusively to children  
 203.6 who are less than 14 years of age or ~~disabled~~ children with a disability who are less than  
 203.7 16 years of age and who are attending a child care or early childhood education program,  
 203.8 are exempt if they are:

203.9 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,  
 203.10 subdivision 4, and that primarily serves families with income of 250 percent or less of  
 203.11 federal poverty guidelines; and

203.12 (2) prepared at the site of the child care facility.

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

203.14 Sec. 21. Minnesota Statutes 2016, section 297A.67, subdivision 12, is amended to read:

203.15 Subd. 12. **Parts and accessories used to make a motor vehicle ~~disabled~~ accessible**  
 203.16 **to a person with a disability.** Parts, accessories, and labor charges that are used solely to  
 203.17 modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

203.19 Sec. 22. Minnesota Statutes 2016, section 297A.70, subdivision 3, is amended to read:

203.20 Subd. 3. **Sales of certain goods and services to government.** (a) The following sales  
 203.21 to or use by the specified governments and political subdivisions of the state are exempt:

203.22 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire  
 203.23 apparatus to a political subdivision;

203.24 (2) machinery and equipment, except for motor vehicles, used directly for mixed  
 203.25 municipal solid waste management services at a solid waste disposal facility as defined in  
 203.26 section 115A.03, subdivision 10;

203.27 (3) chore and homemaking services to a political subdivision of the state to be provided  
 203.28 to elderly individuals or ~~disabled individuals~~ persons with a disability;

203.29 (4) telephone services to the Office of MN.IT Services that are used to provide  
 203.30 telecommunications services through the MN.IT services revolving fund;

204.1 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased  
204.2 or authorized by and for the use of an organized fire department, fire protection district, or  
204.3 fire company regularly charged with the responsibility of providing fire protection to the  
204.4 state or a political subdivision;

204.5 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma  
204.6 protection, if purchased by a law enforcement agency of the state or a political subdivision  
204.7 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

204.8 (7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles  
204.9 are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt  
204.10 from taxation under section 473.448, or exempt from the motor vehicle sales tax under  
204.11 section 297B.03, clause (12);

204.12 (8) equipment designed to process, dewater, and recycle biosolids for wastewater  
204.13 treatment facilities of political subdivisions, and materials incidental to installation of that  
204.14 equipment;

204.15 (9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads,  
204.16 trails, or firebreaks when purchased by an agency of the state or a political subdivision of  
204.17 the state;

204.18 (10) purchases by the Metropolitan Council or the Department of Transportation of  
204.19 vehicles and repair parts to equip operations provided for in section 174.90, including, but  
204.20 not limited to, the Northstar Corridor Rail project; and

204.21 (11) purchases of water used directly in providing public safety services by an organized  
204.22 fire department, fire protection district, or fire company regularly charged with the  
204.23 responsibility of providing fire protection to the state or a political subdivision.

204.24 (b) For purposes of this subdivision, "firefighters personal protective equipment" means  
204.25 helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including  
204.26 pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls;  
204.27 goggles; self-contained breathing apparatus; canister filter masks; personal alert safety  
204.28 systems; spanner belts; optical or thermal imaging search devices; and all safety equipment  
204.29 required by the Occupational Safety and Health Administration.

204.30 (c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed  
204.31 and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded  
204.32 in the manner provided in section 297A.75.

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

205.1 Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 4, is amended  
205.2 to read:

205.3 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b),  
205.4 to the following "nonprofit organizations" are exempt:

205.5 (1) a corporation, society, association, foundation, or institution organized and operated  
205.6 exclusively for charitable, religious, or educational purposes if the item purchased is used  
205.7 in the performance of charitable, religious, or educational functions;

205.8 (2) any senior citizen group or association of groups that:

205.9 (i) in general limits membership to persons who are either age 55 or older, or ~~physically~~  
205.10 ~~disabled~~ persons with a physical disability;

205.11 (ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit  
205.12 purposes, not including housing, no part of the net earnings of which inures to the benefit  
205.13 of any private shareholders; and

205.14 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

205.15 (3) an organization that qualifies for an exemption for memberships under subdivision  
205.16 12 if the item is purchased and used in the performance of the organization's mission.

205.17 For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery  
205.18 owned by a religious organization.

205.19 (b) This exemption does not apply to the following sales:

205.20 (1) building, construction, or reconstruction materials purchased by a contractor or a  
205.21 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed  
205.22 maximum price covering both labor and materials for use in the construction, alteration, or  
205.23 repair of a building or facility;

205.24 (2) construction materials purchased by tax-exempt entities or their contractors to be  
205.25 used in constructing buildings or facilities that will not be used principally by the tax-exempt  
205.26 entities;

205.27 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),  
205.28 and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67,  
205.29 subdivision 2, except wine purchased by an established religious organization for sacramental  
205.30 purposes or as allowed under subdivision 9a; and

205.31 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as  
205.32 provided in paragraph (c).

206.1 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,  
 206.2 subdivision 11, only if the vehicle is:

206.3 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a  
 206.4 passenger automobile, as defined in section 168.002, if the automobile is designed and used  
 206.5 for carrying more than nine persons including the driver; and

206.6 (2) intended to be used primarily to transport tangible personal property or individuals,  
 206.7 other than employees, to whom the organization provides service in performing its charitable,  
 206.8 religious, or educational purpose.

206.9 (d) A limited liability company also qualifies for exemption under this subdivision if  
 206.10 (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
 206.11 purchased qualify for the exemption.

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

206.13 Sec. 24. Minnesota Statutes 2016, section 297A.70, subdivision 16, is amended to read:

206.14 Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

206.15 (1) services primarily for children, adults accompanying children, or persons with  
 206.16 ~~disabilities~~ a disability; or

206.17 (2) educational or religious activities;

206.18 ~~and~~ if the camp or facilities are owned and operated by an exempt organization under section  
 206.19 501(c)(3) of the Internal Revenue Code.

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

206.21 Sec. 25. Minnesota Statutes 2016, section 297A.71, subdivision 22, is amended to read:

206.22 Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons**  
 206.23 **with a disability.** Building materials and equipment sold to, or stored, used, or consumed  
 206.24 by, a nonprofit organization are exempt if:

206.25 (1) the materials and equipment are used or incorporated into modifying an existing  
 206.26 residential structure to make it ~~disabled~~ accessible to persons with a disability; and

206.27 (2) the materials and equipment used in the modification would qualify for an exemption  
 206.28 under either subdivision 11 or 12 if made by the current owner of the residence.

206.29 For purposes of this subdivision, "nonprofit organization" means any nonprofit  
 206.30 corporation, society, association, foundation, or institution organized and operated exclusively

207.1 for charitable, religious, educational, or civic purposes; or a veterans' group exempt from  
207.2 federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

207.4 Sec. 26. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended  
207.5 to read:

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

207.9 (1) building materials for an agricultural processing facility exempt under section  
207.10 297A.71, subdivision 13;

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

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

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

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

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

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

207.21 (8) equipment and materials used for the generation, transmission, and distribution of  
207.22 electrical energy and an aerial camera package exempt under section 297A.68, subdivision  
207.23 37;

207.24 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph  
207.25 (a), clause (10);

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

207.28 (11) materials, supplies, and equipment for construction, improvement, or expansion  
207.29 of:

207.30 (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,  
207.31 section 297A.71, subdivision 42;

208.1 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision  
208.2 45;

208.3 (iii) a research and development facility exempt under Minnesota Statutes 2014, section  
208.4 297A.71, subdivision 46; and

208.5 (iv) an industrial measurement manufacturing and controls facility exempt under  
208.6 Minnesota Statutes 2014, section 297A.71, subdivision 47;

208.7 (12) enterprise information technology equipment and computer software for use in a  
208.8 qualified data center exempt under section 297A.68, subdivision 42;

208.9 (13) materials, supplies, and equipment for qualifying capital projects under section  
208.10 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

208.11 (14) items purchased for use in providing critical access dental services exempt under  
208.12 section 297A.70, subdivision 7, paragraph (c);

208.13 (15) items and services purchased under a business subsidy agreement for use or  
208.14 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision  
208.15 44;

208.16 (16) building materials, equipment, and supplies for constructing or replacing real  
208.17 property exempt under section 297A.71, subdivision 49; and

208.18 (17) building materials, equipment, and supplies for constructing or replacing real  
208.19 property exempt under section 297A.71, subdivision 50, paragraph (b).

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

208.21 Sec. 27. Minnesota Statutes 2016, section 297B.01, subdivision 14, is amended to read:

208.22 Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued  
208.23 in money for a sale, whether paid in money or otherwise. The purchase price excludes the  
208.24 amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is  
208.25 taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter,  
208.26 the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted  
208.27 from the total selling price to establish the purchase price of the vehicle being sold and the  
208.28 trade-in allowance allowed by the seller shall constitute the purchase price of the motor  
208.29 vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle  
208.30 is acquired by gift or by any other transfer for a nominal or no monetary consideration shall  
208.31 also include the average value of similar motor vehicles, established by standards and guides  
208.32 as determined by the motor vehicle registrar. The purchase price in those instances where



209.1 a motor vehicle is manufactured by a person who registers it under the laws of this state  
 209.2 shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean  
 209.3 the amount expended for materials, labor, and other properly allocable costs of manufacture,  
 209.4 except that in the absence of actual expenditures for the manufacture of a part or all of the  
 209.5 motor vehicle, manufactured costs shall mean the reasonable value of the completed motor  
 209.6 vehicle.

209.7 (b) The term "purchase price" shall not include the portion of the value of a motor vehicle  
 209.8 due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to  
 209.9 persons with a disability.

209.10 (c) The term "purchase price" shall not include the transfer of a motor vehicle by way  
 209.11 of gift between a ~~husband and wife~~ spouses or parent and child, or to a nonprofit organization  
 209.12 as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer  
 209.13 of a motor vehicle by a guardian to a ward when there is no monetary consideration and the  
 209.14 title to such vehicle was registered in the name of the guardian, as guardian, only because  
 209.15 the ward was a minor.

209.16 (d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift  
 209.17 between a foster parent and foster child. For purposes of this subdivision, a foster relationship  
 209.18 exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as  
 209.19 a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the  
 209.20 county verifies that the child was a state ward or in permanent foster care.

209.21 (e) There shall not be included in "purchase price" the amount of any tax imposed by  
 209.22 the United States upon or with respect to retail sales whether imposed upon the retailer or  
 209.23 the consumer.

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

209.25 Sec. 28. Minnesota Statutes 2017 Supplement, section 297B.01, subdivision 16, is amended  
 209.26 to read:

209.27 Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells,"  
 209.28 "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor  
 209.29 vehicle, whether absolutely or conditionally, for a consideration in money or by exchange  
 209.30 or barter for any purpose other than resale in the regular course of business.

209.31 (b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or  
 209.32 by holding it in an effort to so lease it, and which is put to no other use by the owner other

210.1 than resale after such lease or effort to lease, shall be considered property purchased for  
210.2 resale.

210.3 (c) The terms also shall include any transfer of title or ownership of a motor vehicle by  
210.4 other means, for or without consideration, except that these terms shall not include:

210.5 (1) the acquisition of a motor vehicle by inheritance from or by bequest of, or  
210.6 transfer-on-death of title by, a decedent who owned it;

210.7 (2) the transfer of a motor vehicle which was previously licensed in the names of two  
210.8 or more joint tenants and subsequently transferred without monetary consideration to one  
210.9 or more of the joint tenants;

210.10 (3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer  
210.11 licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with  
210.12 no monetary or other consideration or expectation of consideration and the parties to the  
210.13 transfer submit an affidavit to that effect at the time the title transfer is recorded;

210.14 (4) the transfer of a motor vehicle by gift between:

210.15 (i) spouses;

210.16 (ii) parents and a child; or

210.17 (iii) grandparents and a grandchild;

210.18 (5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~  
210.19 spouses in a divorce proceeding; or

210.20 (6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from  
210.21 federal income taxation under section 501(c)(3) of the Internal Revenue Code when the  
210.22 motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

210.24 Sec. 29. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date,  
210.25 is amended to read:

210.26 **EFFECTIVE DATE.** This section is effective for (1) petitions and appeals filed after  
210.27 June 30, 2017, for which notices of entry of order are mailed before July 1, 2018, and (2)  
210.28 notices of entry of order mailed after June 30, 2018.

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

210.30 Delete the title and insert:

## "A bill for an act

211.1 relating to financing of state and local government; providing onetime compensation  
 211.2 and school aid; making changes to conform with certain federal tax law changes;  
 211.3 making policy and technical changes to individual income taxes, corporate franchise  
 211.4 taxes, estate taxes, sales and use taxes, property taxes, tobacco taxes, minerals  
 211.5 taxes, local taxes, and other miscellaneous taxes and tax-related provisions;  
 211.6 modifying provisions related to local government aids and credits; appropriating  
 211.7 money; amending Minnesota Statutes 2016, sections 103E.611, subdivision 2;  
 211.8 116J.8737, subdivisions 5, 12; 122A.61, subdivision 1; 138.053; 162.145,  
 211.9 subdivision 3; 197.603, subdivision 2; 270.41, subdivision 3; 270B.08, subdivision  
 211.10 2; 270C.85, subdivision 2; 270C.89, subdivision 2; 270C.91; 272.02, subdivisions  
 211.11 27, 81, by adding a subdivision; 273.032; 273.061, subdivision 9; 273.113,  
 211.12 subdivision 3; 273.119, subdivision 2; 273.1231, subdivision 3; 273.124,  
 211.13 subdivisions 3a, 8, 14, 21, by adding a subdivision; 273.1245, subdivision 2;  
 211.14 273.13, subdivision 35; 273.136, subdivision 2; 273.1384, subdivision 3; 273.18;  
 211.15 274.14; 274.16; 275.025, by adding subdivisions; 282.01, subdivision 6; 287.21,  
 211.16 subdivision 1; 289A.08, subdivisions 1, 6, 7; 289A.20, by adding a subdivision;  
 211.17 289A.25, subdivision 1; 289A.31, subdivision 2; 289A.37, subdivision 6; 289A.38,  
 211.18 subdivision 10; 289A.42; 289A.60, subdivision 24; 290.01, subdivision 29a, by  
 211.19 adding subdivisions; 290.0131, subdivisions 1, 3, 12, 13, by adding subdivisions;  
 211.20 290.0132, subdivisions 1, 7, 20, by adding subdivisions; 290.0133, subdivision 6;  
 211.21 290.0134, by adding subdivisions; 290.0136; 290.032, subdivision 2; 290.05,  
 211.22 subdivision 3; 290.06, subdivisions 1, 2c, 2d; 290.0671, subdivision 7; 290.0672,  
 211.23 subdivision 2; 290.0681, subdivisions 3, 4; 290.0685, subdivision 1, by adding a  
 211.24 subdivision; 290.0802, subdivisions 2, 3; 290.091, subdivision 3; 290.0921,  
 211.25 subdivision 8; 290.0922, subdivision 1; 290.095, subdivision 4; 290.21, subdivision  
 211.26 4, by adding a subdivision; 290.34, by adding subdivisions; 290.92, subdivisions  
 211.27 1, 28; 290A.03, subdivisions 4, 12; 290A.04, subdivisions 2, 2a, 4; 290A.05;  
 211.28 290A.08; 290A.09; 290B.04, subdivision 1; 290B.09, subdivision 1; 291.03,  
 211.29 subdivisions 8, 10; 297A.61, subdivision 18; 297A.67, subdivision 12; 297A.68,  
 211.30 subdivisions 17, 25, 44; 297A.70, subdivisions 3, 7, 16, by adding a subdivision;  
 211.31 297A.71, subdivisions 22, 45, by adding subdivisions; 297A.77, by adding a  
 211.32 subdivision; 297A.84; 297A.85; 297B.01, subdivision 14; 297B.03; 297F.01,  
 211.33 subdivisions 19, 23, by adding a subdivision; 297F.17, subdivision 6; 297G.16,  
 211.34 subdivision 7; 298.225, subdivision 1; 298.28, subdivision 9a; 469.171, subdivision  
 211.35 4; 469.177, subdivision 1; 469.1812, subdivision 1, by adding subdivisions;  
 211.36 469.316, subdivision 1; 469.317; 469.319, subdivision 4; 471.831; 473H.08,  
 211.37 subdivisions 1, 4, by adding a subdivision; 474A.02, subdivision 22b; 475.521,  
 211.38 subdivision 1; 477A.013, subdivision 13; 477A.016; Minnesota Statutes 2017  
 211.39 Supplement, sections 16A.152, subdivision 2; 270A.03, subdivision 5; 270C.445,  
 211.40 subdivision 6; 270C.89, subdivision 1; 272.115, subdivision 1; 273.0755; 273.13,  
 211.41 subdivisions 22, 23, 34; 273.1384, subdivision 2; 273.1387, subdivision 3; 275.025,  
 211.42 subdivision 1; 289A.02, subdivision 7; 289A.12, subdivision 14; 289A.31,  
 211.43 subdivision 1; 289A.35; 289A.37, subdivision 2; 290.01, subdivisions 4a, 19, 31;  
 211.44 290.0131, subdivision 10; 290.0132, subdivisions 21, 26; 290.0133, subdivision  
 211.45 12; 290.0137; 290.05, subdivision 1; 290.067, subdivisions 1, 2b; 290.0671,  
 211.46 subdivision 1; 290.0672, subdivision 1; 290.0674, subdivision 2a; 290.0681,  
 211.47 subdivisions 1, 2; 290.0684, subdivision 2; 290.091, subdivision 2; 290.17,  
 211.48 subdivisions 2, 4; 290.31, subdivision 1; 290A.03, subdivisions 3, 8, 13, 15;  
 211.49 291.005, subdivision 1; 291.03, subdivisions 9, 11; 297A.67, subdivision 6;  
 211.50 297A.70, subdivisions 4, 20; 297A.75, subdivision 1; 297B.01, subdivision 16;  
 211.51 298.17; 298.227; 462D.03, subdivision 2; 462D.06, subdivisions 1, 2; 473.39,  
 211.52 subdivision 6; Laws 1986, chapter 379, sections 1, subdivisions 1, 3; 2, subdivision  
 211.53 1; Laws 1986, chapter 396, section 5, as amended; Laws 1986, chapter 462, section  
 211.54 31, as amended; Laws 2008, chapter 366, article 5, sections 26, as amended; 33,  
 211.55 as amended; Laws 2009, chapter 88, article 2, section 46, subdivisions 1, as  
 211.56 amended, 2, 3, as amended, 4, 5; Laws 2011, First Special Session chapter 7, article  
 211.57 4, section 10, subdivision 3; Laws 2017, First Special Session chapter 1, article 3,  
 211.58

212.1 section 32; article 4, section 31; article 8, section 3; article 10, section 4; proposing  
212.2 coding for new law in Minnesota Statutes, chapters 289A; 290; 469; repealing  
212.3 Minnesota Statutes 2016, sections 275.29; 289A.38, subdivisions 7, 8, 9; 290.0131,  
212.4 subdivisions 7, 11; 290.0133, subdivisions 13, 14; 290.067, subdivision 2a;  
212.5 290.0921, subdivisions 1, 2, 3, 3a, 4, 6; 290.10, subdivision 2."

213.1 We request the adoption of this report and repassage of the bill.

213.2 House Conferees:

213.3 ..... ..

213.4 Jenifer Loon Sondra Erickson

213.5 ..... ..

213.6 Peggy Bennett Ron Kresha

213.7 ..... ..

213.8 Mary Murphy

213.9 Senate Conferees:

213.10 ..... ..

213.11 Carla J. Nelson Eric R. Pratt

213.12 ..... ..

213.13 Justin Eichorn Bill Weber

213.14 ..... ..

213.15 Charles W. Wiger