

**SENATE  
STATE OF MINNESOTA  
NINETIETH SESSION**

**S.F. No. 1217**

(SENATE AUTHORS: CHAMBERLAIN)

DATE  
02/20/2017

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Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; making technical and clarifying changes to individual income

1.3 taxes, corporate franchise taxes, estate taxes, property taxes, sales and use taxes,

1.4 special taxes, local government aids, and other miscellaneous taxes and tax

1.5 provisions; amending Minnesota Statutes 2016, sections 115A.1314, subdivision

1.6 1; 270.078, subdivision 1; 270C.171, subdivision 1; 273.0755; 273.135, subdivision

1.7 1; 290.0132, subdivision 21; 290.095, subdivision 3; 290A.03, subdivision 3;

1.8 290A.10; 291.075; 298.01, subdivisions 3, 4; 298.24, subdivision 1; 298.28,

1.9 subdivisions 2, 5; 414.09, subdivision 2; 469.190, subdivisions 1, 7; 477A.0124,

1.10 subdivision 2; 477A.013, subdivision 1; repealing Minnesota Statutes 2016, sections

1.11 290.9743; 290.9744.

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

1.13 **ARTICLE 1**

1.14 **INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES**

1.15 Section 1. Minnesota Statutes 2016, section 290.0132, subdivision 21, is amended to read:

1.16 Subd. 21. **Military service pension; retirement pay.** To the extent included in federal

1.17 taxable income, compensation received from a pension or other retirement pay from the

1.18 federal government for service in the military, as computed under United States Code, title

1.19 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The subtraction ~~must~~

1.20 ~~not include any amount used to claim the credit allowed under section 290.0677~~ is limited

1.21 to individuals who do not claim the credit under section 290.0677.

1.22 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning

1.23 after December 31, 2015.

2.1 Sec. 2. Minnesota Statutes 2016, section 290.095, subdivision 3, is amended to read:

2.2 Subd. 3. **Carryover.** (a) A net operating loss incurred during the taxable year shall be  
2.3 a net operating loss carryover to each of the 15 taxable years following the taxable year of  
2.4 such loss.

2.5 (b) The entire amount of the net operating loss for any taxable year shall be carried to  
2.6 the earliest of the taxable years to which such loss may be carried. The portion of such loss  
2.7 which shall be carried to each of the other taxable years shall be the excess, if any, of the  
2.8 amount of such loss over the sum of the taxable net income, adjusted by the modifications  
2.9 specified in subdivision 4, for each of the taxable years to which such loss may be carried.

2.10 (c) Where a corporation apportions its income under the provisions of section 290.191,  
2.11 the net operating loss deduction incurred in any taxable year shall be allowed to the extent  
2.12 of the apportionment ratio of the loss year.

2.13 (d) The provisions of sections 381, 382, and 384 of the Internal Revenue Code apply to  
2.14 carryovers in certain corporate acquisitions and special limitations on net operating loss  
2.15 carryovers. The limitation amount determined under section 382 shall be applied to net  
2.16 income, before apportionment, in each post change year to which a loss is carried.

2.17 (e) The section 382 limitation applicable under this chapter is calculated by multiplying  
2.18 (1) the federal section 382 limitation for the tax year, by (2) the taxpayer's apportionment  
2.19 percentage calculated under section 290.191 or 290.20, for the same year.

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

2.21 Sec. 3. Minnesota Statutes 2016, section 290A.03, subdivision 3, is amended to read:

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

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

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

2.25 (i) all nontaxable income;

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

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

- 3.1 (iv) cash public assistance and relief;
- 3.2 (v) any pension or annuity (including railroad retirement benefits, all payments received  
3.3 under the federal Social Security Act, Supplemental Security Income, and veterans benefits),  
3.4 which was not exclusively funded by the claimant or spouse, or which was funded exclusively  
3.5 by the claimant or spouse and which funding payments were excluded from federal adjusted  
3.6 gross income in the years when the payments were made;
- 3.7 (vi) interest received from the federal or a state government or any instrumentality or  
3.8 political subdivision thereof;
- 3.9 (vii) workers' compensation;
- 3.10 (viii) nontaxable strike benefits;
- 3.11 (ix) the gross amounts of payments received in the nature of disability income or sick  
3.12 pay as a result of accident, sickness, or other disability, whether funded through insurance  
3.13 or otherwise;
- 3.14 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
3.15 1986, as amended through December 31, 1995;
- 3.16 (xi) contributions made by the claimant to an individual retirement account, including  
3.17 a qualified voluntary employee contribution; simplified employee pension plan;  
3.18 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
3.19 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
3.20 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
3.21 the claimant and spouse;
- 3.22 (xii) to the extent not included in federal adjusted gross income, distributions received  
3.23 by the claimant or spouse from a traditional or Roth style retirement account or plan;
- 3.24 (xiii) nontaxable scholarship or fellowship grants;
- 3.25 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;
- 3.26 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue  
3.27 Code;
- 3.28 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue  
3.29 Code; and
- 3.30 (xvii) the amount deducted for certain expenses of elementary and secondary school  
3.31 teachers under section 62(a)(2)(D) of the Internal Revenue Code.

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

4.6 (b) "Income" does not include:

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

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

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

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

4.16 (5) relief granted under this chapter;

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

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

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

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

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

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

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

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

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

(d) For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D)(C) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

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

Sec. 4. Minnesota Statutes 2016, section 290A.10, is amended to read:

**290A.10 PROOF OF TAXES PAID.**

~~Every~~ If requested by the commissioner of revenue, a claimant who files a claim for relief for property taxes payable shall include with the claim provide a property tax statement or a reproduction thereof in a form deemed satisfactory by the commissioner of revenue indicating that there are no delinquent property taxes on the homestead. Indication on the property tax statement from the county treasurer that there are no delinquent taxes on the homestead shall be sufficient proof. Taxes included in a confession of judgment under section 277.23 or 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 277.23 or 279.37.

**EFFECTIVE DATE.** This section is effective for refunds based on rent paid after December 31, 2015, and property taxes payable after December 31, 2016.

Sec. 5. Minnesota Statutes 2016, section 291.075, is amended to read:

**291.075 SPECIAL USE VALUATION OF QUALIFIED PROPERTY.**

If, after the final determination of the tax imposed by this chapter, the property valued pursuant to section 2032A of the Internal Revenue Code is disposed of or fails to qualify and an additional tax is imposed pursuant to section 2032A(c), any increase in ~~the credit for state death taxes~~ federal gross or taxable estate shall be reported to the commissioner within 90 days ~~after final determination of the increased credit of the federal adjustment.~~ Upon notification the commissioner may assess an additional tax in accordance with section 291.03, subdivision 1.

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

6.1 Sec. 6. **REPEALER.**

6.2 Minnesota Statutes 2016, sections 290.9743; and 290.9744, are repealed.

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

6.4 **ARTICLE 2**

6.5 **PROPERTY TAX AND LOCAL GOVERNMENT AIDS**

6.6 Section 1. Minnesota Statutes 2016, section 270.078, subdivision 1, is amended to read:

6.7 Subdivision 1. **Conformance to federal law.** If any provision of sections 270.071 to  
6.8 270.079 is contrary to any provision of any law of the United States of America, hereinafter  
6.9 enacted, providing for or relating to the ad valorem taxation by a state of aircraft or flying  
6.10 equipment of an airline company, such provision shall be of no effect and the commissioner  
6.11 is authorized and directed to prescribe by rule such provisions as may be necessary to make  
6.12 sections 270.071 to 270.079 conform to the federal act and to effectuate the purposes of  
6.13 sections 270.071 to 270.079, provided such rules do not prescribe a rate of taxation higher  
6.14 than that provided in section 270.075 or a net tax capacity based on a percentage higher  
6.15 than that provided in section 270.074, subdivision ~~2~~ 3.

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

6.17 Sec. 2. Minnesota Statutes 2016, section 273.0755, is amended to read:

6.18 **273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.**

6.19 (a) Beginning with the four-year period starting on July 1, 2000, every person licensed  
6.20 by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall  
6.21 successfully complete a weeklong Minnesota laws course sponsored by the Department of  
6.22 Revenue at least once in every four-year period. An assessor need not attend the course if  
6.23 they successfully pass the test for the course.

6.24 (b) The commissioner of revenue may require that each county, and each city for which  
6.25 the city assessor performs the duties of county assessor, have (i) a person on the assessor's  
6.26 staff who is certified by the Department of Revenue in sales ratio calculations, (ii) an officer  
6.27 or employee who is certified by the Department of Revenue in tax calculations, and (iii) an  
6.28 officer or employee who is certified by the Department of Revenue in the proper preparation  
6.29 of abstracts of assessment. The commissioner of revenue may require that each county have  
6.30 an officer or employee who is certified by the Department of Revenue in the proper  
6.31 preparation of abstracts of tax lists. Certifications under this paragraph expire after four  
6.32 years.

(c) Beginning with the four-year educational licensing period starting on July 1, 2004, every Minnesota assessor licensed by the State Board of Assessors must attend and participate in a seminar that focuses on ethics, professional conduct and the need for standardized assessment practices developed and presented by the commissioner of revenue. This requirement must be met at least once in every subsequent four-year period. This requirement applies to all assessors licensed for one year or more in the four-year period.

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

Sec. 3. Minnesota Statutes 2016, section 273.135, subdivision 1, is amended to read:

Subdivision 1. **Reduction in tax; tax relief area.** The property tax to be paid in respect to property taxable within a tax relief area as defined in section 273.134, paragraph (b), on homestead property, as otherwise determined by law and regardless of the market value of the property, and on nonhomestead portions of property classified as both homestead and nonhomestead property as provided in section 273.124, subdivision 11, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

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

Sec. 4. Minnesota Statutes 2016, section 414.09, subdivision 2, is amended to read:

Subd. 2. **Transmittal of order.** The chief administrative law judge shall see that copies of the order are mailed to all parties entitled to mailed notice of hearing under subdivision 1, the secretary of state, ~~the Department of Revenue,~~ the state demographer, individual property owners if initiated in that manner, affected county auditor, and any other party of record. The affected county auditor shall record the order against the affected property.

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

Sec. 5. Minnesota Statutes 2016, section 477A.0124, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them.

(b) "County program aid" means the sum of "county need aid," "county tax base equalization aid," and "county transition aid."

(c) "Age-adjusted population" means a county's population multiplied by the county age index.

(d) "County age index" means the percentage of the population ~~over~~ age 65 and over within the county divided by the percentage of the population ~~over~~ age 65 and over within the state, except that the age index for any county may not be greater than 1.8 nor less than 0.8.

(e) "Population ~~over~~ age 65 and over" means the population ~~over~~ age 65 and over established as of July 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. A revision to an estimate or count is effective for these purposes only if certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

(f) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the Department of Public Safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

(g) "Households receiving food stamps" means the average monthly number of households receiving food stamps for the three most recent years for which data is available. By July 1 of each year, the commissioner of human services must certify to the commissioner of revenue the average monthly number of households in the state and in each county that receive food stamps, for the three most recent calendar years available.

(h) "County net tax capacity" means the county's adjusted net tax capacity under section 273.1325.

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

Sec. 6. Minnesota Statutes 2016, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. **Towns.** (a) In 2014 and thereafter, each town is eligible for a distribution under this subdivision equal to the product of (i) its agricultural property factor, (ii) its town area factor, (iii) its population factor, and (iv) 0.0045. As used in this subdivision, the following terms have the meanings given them:



(1) "agricultural property factor" means the ratio of the adjusted net tax capacity of agricultural property located in a town, ~~divided by~~ to the adjusted net tax capacity of all other property located in the town. The agricultural property factor cannot exceed eight;

(2) "agricultural property" means property classified under section 273.13, as homestead and nonhomestead agricultural property, rural vacant land, and noncommercial seasonal recreational property;

(3) "town area factor" means the most recent estimate of total acreage, not to exceed 50,000 acres, located in the township available as of July 1 in the aid calculation year, estimated or established by:

(i) the United States Bureau of the Census;

(ii) the State Land Management Information Center; or

(iii) the secretary of state; and

(4) "population factor" means the square root of the towns' population.

(b) If the sum of the aids payable to all towns under this subdivision exceeds the limit under section 477A.03, subdivision 2c, the distribution to each town must be reduced proportionately so that the total amount of aids distributed under this section does not exceed the limit in section 477A.03, subdivision 2c.

(c) Data used in calculating aids to towns under this subdivision, other than acreage, shall be the most recently available data as of January 1 in the year in which the aid is calculated.

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

### ARTICLE 3

#### SALES AND USE, AND SPECIAL TAXES

Section 1. Minnesota Statutes 2016, section 115A.1314, subdivision 1, is amended to read:

Subdivision 1. **Registration fee.** (a) Each manufacturer who registers under section 115A.1312 must, by August 15 each year, pay to the commissioner of revenue an annual registration fee, on a form and in a manner prescribed by the commissioner of revenue. The commissioner of revenue must deposit the fee in the state treasury and credit the fee to the environmental fund.

(b) The registration fee for manufacturers that sell 100 or more video display devices to households in the state during the previous calendar year is \$2,500, plus a variable recycling fee. The registration fee for manufacturers that sell fewer than 100 video display devices to households in the state during the previous calendar year is a variable recycling fee. The variable recycling fee is calculated according to the formula:

$[A - (B + C)] \times D$ , where:

A = the manufacturer's recycling obligation as determined under section 115A.1320;

B = the number of pounds of covered electronic devices recycled by a manufacturer from households during the immediately preceding program year, as reported under section 115A.1316, subdivision 1;

C = the number of phase I or phase II recycling credits a manufacturer elects to use to calculate the variable recycling fee; and

D = the estimated per-pound cost of recycling, initially set at \$0.50 per pound for manufacturers who recycle less than 50 percent of the manufacturer's recycling obligation; \$0.40 per pound for manufacturers who recycle at least 50 percent but less than 90 percent of the manufacturer's recycling obligation; \$0.30 per pound for manufacturers who recycle at least 90 percent but less than 100 percent of the manufacturer's recycling obligation; and \$0.00 per pound for manufacturers who recycle 100 percent or more of the manufacturer's recycling obligation.

(c) A manufacturer may petition the agency to waive the per-pound cost of recycling fee, element D in the formula in paragraph (b), required under this section. The agency shall direct the commissioner of revenue to waive the per-pound cost of recycling fee if the manufacturer demonstrates to the agency's satisfaction a good faith effort to meet its recycling obligation as determined under section 115A.1320. The petition must include:

(1) documentation that the manufacturer has met at least 75 percent of its recycling obligation as determined under section 115A.1320;

(2) a list of political subdivisions and public and private collectors with whom the manufacturer had a formal contract or agreement in effect during the previous program year to recycle or collect covered electronic devices;

(3) the total amounts of covered electronic devices collected from both within and outside of the 11-county metropolitan area, as defined in subdivision 2;

(4) a description of the manufacturer's best efforts to meet its recycling obligation as determined under section 115A.1320; and

(5) any other information requested by the agency.

(d) A manufacturer may retain phase I and phase II recycling credits to be added, in whole or in part, to the actual value of C, as reported under section 115A.1316, subdivision 2, during any succeeding program year, provided that no more than 25 percent of a manufacturer's recycling obligation ( $A \times B$ ) for any program year may be met with phase I and phase II recycling credits, separately or in combination, generated in a prior program year. A manufacturer may sell any portion or all of its phase I and phase II recycling credits to another manufacturer, at a price negotiated by the parties, who may use the credits in the same manner.

(e) For the purpose of calculating a manufacturer's variable recycling fee under paragraph (b), starting with the program year beginning July 1, 2019, and continuing each year thereafter, the weight of covered electronic devices collected from households located outside the 11-county metropolitan area, as defined in subdivision 2, paragraph (b), is calculated at 1.5 times their actual weight.

**EFFECTIVE DATE.** This section is effective for registration fees due after June 30, 2017.

Sec. 2. Minnesota Statutes 2016, section 270C.171, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) If a special law grants a local government unit or group of units the authority to impose a local tax other than sales tax, including but not limited to taxes such as lodging, entertainment, admissions, or food and beverage taxes, and the Department of Revenue either has agreed to or is required to administer the tax, such that the tax is reported and paid with the chapter 297A taxes, then ~~the local government unit or group of units must adopt~~ each definition term used in the special law is defined as follows:

(1) ~~the definition must be identical to the definition found~~ as defined in chapter 297A or in Minnesota Rules, chapter 8130; or

(2) if the specific term is not defined either in chapter 297A or in Minnesota Rules, chapter 8130, then ~~the definition must be~~ defined consistent with the position of the Department of Revenue as to the extent of the tax base.

(b) This subdivision does not apply to terms that are defined by the authorizing special law.

(c) This subdivision applies notwithstanding whether a local government unit or group of units adopts consistent definitions into local law.

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

12.2 Sec. 3. Minnesota Statutes 2016, section 298.01, subdivision 3, is amended to read:

12.3 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of mining,  
12.4 refining, or producing ores, metals, or minerals in this state, except iron ore or taconite  
12.5 concentrates, shall pay an occupation tax to the state of Minnesota as provided in this  
12.6 subdivision. For purposes of this subdivision, mining includes the application of  
12.7 hydrometallurgical processes. Hydrometallurgical processes are processes that extract the  
12.8 ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and recover  
12.9 the ore, metal, or mineral. The tax is determined in the same manner as the tax imposed by  
12.10 section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision  
12.11 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by  
12.12 applying to taxable income the rate of 2.45 percent. ~~A person subject to occupation tax~~  
12.13 ~~under this section shall apportion its net income on the basis of the percentage obtained by~~  
12.14 ~~taking the sum of:~~

12.15 ~~(1) 75 percent of the percentage which the sales made within this state in connection~~  
12.16 ~~with the trade or business during the tax period are of the total sales wherever made in~~  
12.17 ~~connection with the trade or business during the tax period;~~

12.18 ~~(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer~~  
12.19 ~~in this state in connection with the trade or business during the tax period is of the total~~  
12.20 ~~tangible property, wherever located, used by the taxpayer in connection with the trade or~~  
12.21 ~~business during the tax period; and~~

12.22 ~~(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred~~  
12.23 ~~in this state or paid in respect to labor performed in this state in connection with the trade~~  
12.24 ~~or business during the tax period are of the taxpayer's total payrolls paid or incurred in~~  
12.25 ~~connection with the trade or business during the tax period.~~

12.26 The tax is in addition to all other taxes.

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

12.28 Sec. 4. Minnesota Statutes 2016, section 298.01, subdivision 4, is amended to read:

12.29 Subd. 4. **Occupation tax; iron ore; taconite concentrates.** A person engaged in the  
12.30 business of mining or producing of iron ore, taconite concentrates or direct reduced ore in  
12.31 this state shall pay an occupation tax to the state of Minnesota. The tax is determined in the  
12.32 same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision

1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax shall be computed by applying to taxable income the rate of 2.45 percent. ~~A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:~~

~~(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;~~

~~(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and~~

~~(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.~~

The tax is in addition to all other taxes.

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

Sec. 5. Minnesota Statutes 2016, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2013, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$2.56 per gross ton of merchantable iron ore concentrate produced therefrom. ~~The tax is also imposed upon other iron-bearing material.~~

(b) For concentrates produced in 2014 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. ~~The tax on other iron-bearing material shall be imposed on the current year production.~~

(e) The tax under paragraph (a) is also imposed upon other iron-bearing material. The tax on other iron-bearing material shall be imposed on the current year production. The rate of the tax imposed is the current year's tax rate.

~~(e)~~ (f) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.56 per gross ton of merchantable iron ore concentrate produced shall be imposed.

~~(f)~~ (g) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

~~(g)~~ (h)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced ~~iron ore~~ in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.

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

Sec. 6. Minnesota Statutes 2016, section 298.28, subdivision 2, is amended to read:

Subd. 2. **City or town where quarried or produced.** (a) 4.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," plus the amount provided in paragraph (c), must be allocated to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 50 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the Tax Court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(b)(1) Four cents per taxable ton shall be allocated to cities and organized townships affected by mining because their boundaries are within three miles of a taconite mine pit that:

(i) was actively mined by LTV Steel Mining Company in 1999; or

(ii) has been actively mined in at least one of the prior three years.

(2) If a city or town is located near more than one mine meeting ~~these~~ the criteria under this paragraph, the city or town is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. The amounts distributed under this paragraph to each municipality must be used for infrastructure improvement projects.

(c) The amount that would have been computed for the current year under Minnesota Statutes 2008, section 126C.21, subdivision 4, for a school district shall be distributed to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution.

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

Sec. 7. Minnesota Statutes 2016, section 298.28, subdivision 5, is amended to read:

Subd. 5. **Counties.** (a) 21.05 cents per taxable ton for distributions in 2015 through 2023, and 26.05 cents per taxable ton for distributions beginning in 2024, is allocated to counties to be distributed, based upon certification by the commissioner of revenue, under paragraphs (b) to (d).

(b) 10.525 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to paragraph (c). The apportionment formula prescribed in subdivision 2 is the basis for the distribution.

(c) ~~If 1.0 cent per taxable ton of the tax distributed to the counties under paragraph (b) shall be paid to a county that received a distribution under this section in 2000 because there was located in the county an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a different county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to paragraph (b) and~~



17.1 ~~imposed on and collected from such taxpayer shall be paid to the county in which the power~~  
17.2 ~~plant is located.~~

17.3 (d) 10.525 cents per taxable ton for distributions in 2015 through 2023, and 15.525 cents  
17.4 per taxable ton for distributions beginning in 2024, shall be paid to the county from which  
17.5 the taconite was mined, quarried or concentrated to be deposited in the county road and  
17.6 bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those  
17.7 processes are carried on in more than one county, the commissioner shall follow the  
17.8 apportionment formula prescribed in subdivision 2.

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

17.10 Sec. 8. Minnesota Statutes 2016, section 469.190, subdivision 1, is amended to read:

17.11 Subdivision 1. **Authorization; tax base.** (a) Notwithstanding section 477A.016 or any  
17.12 other law, a statutory or home rule charter city may by ordinance, and a town may by the  
17.13 affirmative vote of the electors at the annual town meeting, or at a special town meeting,  
17.14 impose a tax of up to three percent on the gross receipts from the furnishing for consideration  
17.15 of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting  
17.16 or leasing of it for a continuous period of 30 days or more. A statutory or home rule charter  
17.17 city may by ordinance impose the tax authorized under this subdivision on the camping site  
17.18 receipts of a municipal campground.

17.19 (b) Regardless of whether the tax is collected locally or by the state, the tax imposed  
17.20 under this subdivision or under a special law applies to the entire consideration paid to  
17.21 obtain access to lodging, including ancillary or related services, such as services provided  
17.22 by an accommodations intermediary as defined in section 297A.61, and similar services.

17.23 **EFFECTIVE DATE; APPLICATION.** This section is effective the day following  
17.24 final enactment. In enacting this section, the legislature confirms that Minnesota Statutes,  
17.25 section 469.190, its predecessor provisions, and any special laws authorizing political  
17.26 subdivisions to impose local lodging taxes, were and are intended to apply to the entire  
17.27 consideration paid to obtain access to transient lodging, including ancillary or related services,  
17.28 such as services provided by an accommodations intermediary as defined in Minnesota  
17.29 Statutes, section 297A.61, and similar services. The provisions of this section must not be  
17.30 interpreted to imply a narrower construction of the tax base under the lodging tax provisions  
17.31 of Minnesota law prior to the enactment of this section.

18.1 Sec. 9. Minnesota Statutes 2016, section 469.190, subdivision 7, is amended to read:

18.2 Subd. 7. **Collection.** (a) The statutory or home rule charter city may agree with the  
18.3 commissioner of revenue that a tax imposed pursuant to this section shall be collected by  
18.4 the commissioner together with the tax imposed by chapter 297A, and subject to the same  
18.5 interest, penalties, and other rules and that its proceeds, less the cost of collection, shall be  
18.6 remitted to the city.

18.7 (b) If a tax under this section or a special law is not collected by the commissioner of  
18.8 revenue, the local government imposing the tax may by ordinance limit the required filing  
18.9 and remittance of the tax by an accommodations intermediary as defined in section 297A.61,  
18.10 subdivision 47, to once every calendar year. The local government must inform the  
18.11 accommodations intermediary of the date when the return or remittance is due and the date  
18.12 must coincide with one of the monthly dates for filing and remitting state sales tax under  
18.13 chapter 297A. The local government must also electronically provide an accommodations  
18.14 intermediary with geographic and zip code information necessary to collect the tax.

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

APPENDIX  
Article locations in 17-0141

ARTICLE 1	INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES .....	Page.Ln 1.13
ARTICLE 2	PROPERTY TAX AND LOCAL GOVERNMENT AIDS .....	Page.Ln 6.4
ARTICLE 3	SALES AND USE, AND SPECIAL TAXES .....	Page.Ln 9.22

APPENDIX  
Repealed Minnesota Statutes: 17-0141

**290.9743 ELECTION BY FASIT.**

An entity having a valid election as a financial asset securitization investment trust in effect for a taxable year under section 860L(a) of the Internal Revenue Code shall not be subject to the taxes imposed by this chapter, except the tax imposed under section 290.92.

**290.9744 FASIT INCOME TAXABLE TO HOLDERS OF INTERESTS.**

The income of a financial asset securitization investment trust is taxable to the holders of interests in the financial asset securitization investment trust as provided in sections 860H to 860L of the Internal Revenue Code. The income of the holders must be computed under the provisions of this chapter.