

**SENATE  
STATE OF MINNESOTA  
FOURTH SPECIAL SESSION**

**S.F. No. 2**

(SENATE AUTHORS: CHAMBERLAIN)

DATE  
09/11/2020

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6 Introduction and first reading  
Referred to Rules and Administration

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; modifying provisions for property taxes, local government

1.3 aids, individual and corporate franchise taxes, sales and use taxes, lawful gambling

1.4 taxes, and other miscellaneous taxes and tax provisions; modifying the referendum

1.5 equalization levy; providing for certain property tax classification; providing local

1.6 government aid penalty forgiveness; modifying and providing for certain additions

1.7 and subtractions for the individual income and corporate franchise taxes; making

1.8 the student loan credit refundable; modifying sales and use tax exemptions;

1.9 providing provisions related to partnership audits; modifying lawful gambling

1.10 taxes; modifying the workforce and affordable homeownership development

1.11 program; making other minor policy, technical, and conforming changes;

1.12 appropriating money; amending Minnesota Statutes 2018, sections 270C.445,

1.13 subdivision 6; 272.02, by adding a subdivision; 273.13, subdivision 25; 289A.31,

1.14 subdivision 1; 289A.37, subdivision 2; 289A.38, subdivisions 8, 9, 10; 289A.42;

1.15 289A.60, subdivision 24; 290.0131, subdivision 10; 290.0132, by adding a

1.16 subdivision; 290.0133, subdivision 12; 290.0682, subdivision 2; 297A.70,

1.17 subdivision 13; 297E.02, subdivision 6, as amended; 297E.021, subdivision 2;

1.18 297F.17, subdivision 6; 297G.16, subdivision 7; 349.15, subdivision 1; 349.151,

1.19 subdivision 4; 462A.38, as amended; 469.319, subdivision 4; Minnesota Statutes

1.20 2019 Supplement, sections 126C.17, subdivision 6; 273.13, subdivision 34;

1.21 289A.38, subdivision 7; 290.31, subdivision 1; 290.993; 297A.71, subdivision 52;

1.22 proposing coding for new law in Minnesota Statutes, chapter 289A.

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

1.24 **ARTICLE 1**

1.25 **PROPERTY TAXES AND AIDS**

1.26 Section 1. Minnesota Statutes 2019 Supplement, section 126C.17, subdivision 6, is amended

1.27 to read:

1.28 Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy

1.29 equals the sum of the first tier referendum equalization levy and the second tier referendum

1.30 equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of (1) one or, (2) the ratio of the district's referendum market value per resident pupil unit to \$567,000 \$650,000, or (3) the ratio of the district's referendum market value per adjusted pupil unit to \$650,000.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of (1) one or, (2) the ratio of the district's referendum market value per resident pupil unit to \$290,000 \$320,000, or (3) the ratio of the district's referendum market value per adjusted pupil unit to \$320,000.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2022 and later.

Sec. 2. Minnesota Statutes 2018, section 272.02, is amended by adding a subdivision to read:

**Subd. 104. Certain property owned by an Indian tribe.** (a) Property is exempt that:

(1) is located in a county with a population greater than 28,000 but less than 29,000 as of the 2010 federal census;

(2) was on January 2, 2016, and is for the current assessment owned by a federally recognized Indian tribe or its instrumentality, that is located in Minnesota;

(3) was on January 2, 2016, erroneously treated as exempt under subdivision 7; and

(4) is used for the same purpose as the property was used on January 2, 2016.

(b) For assessment years 2019 and 2020, an exemption application under this subdivision must be filed with the county assessor by September 25, 2020. Property taxes paid on property exempt under this section for taxes payable in 2020 only shall be refunded by the county by October 12, 2020.

**EFFECTIVE DATE.** This section is effective retroactively from assessment year 2019.

Sec. 3. Minnesota Statutes 2018, section 273.13, subdivision 25, is amended to read:

**Subd. 25. Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a classification rate of 1.25 percent.

3.1 (b) Class 4b includes:

3.2 (1) residential real estate containing less than four units, including property rented as a  
3.3 short-term rental property for more than 14 days in the preceding year, that does not qualify  
3.4 as class 4bb, other than seasonal residential recreational property;

3.5 (2) manufactured homes not classified under any other provision;

3.6 (3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm  
3.7 classified under subdivision 23, paragraph (b) containing two or three units; and

3.8 (4) unimproved property that is classified residential as determined under subdivision  
3.9 33.

3.10 For the purposes of this paragraph, "short-term rental property" means residential real  
3.11 estate rented for periods of less than 30 consecutive days.

3.12 The market value of class 4b property has a classification rate of 1.25 percent.

3.13 (c) Class 4bb includes:

3.14 (1) nonhomestead residential real estate containing one unit, other than seasonal  
3.15 residential recreational property;

3.16 (2) a single family dwelling, garage, and surrounding one acre of property on a  
3.17 nonhomestead farm classified under subdivision 23, paragraph (b); and

3.18 (3) a condominium-type storage unit having an individual property identification number  
3.19 that is not used for a commercial purpose.

3.20 Class 4bb property has the same classification rates as class 1a property under subdivision  
3.21 22.

3.22 Property that has been classified as seasonal residential recreational property at any time  
3.23 during which it has been owned by the current owner or spouse of the current owner does  
3.24 not qualify for class 4bb.

3.25 (d) Class 4c property includes:

3.26 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
3.27 devoted to commercial temporary and seasonal residential occupancy for recreation purposes,  
3.28 for not more than 250 days in the year preceding the year of assessment. For purposes of  
3.29 this clause, property is devoted to a commercial purpose on a specific day if any portion of  
3.30 the property is used for residential occupancy, and a fee is charged for residential occupancy.  
3.31 Class 4c property under this clause must contain three or more rental units. A "rental unit"

is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified under this clause, either (i) the business located on the property must provide recreational activities, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. In order for a property to qualify for classification under this clause, the owner must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country

5.1 ski equipment; providing marina services, launch services, or guide services; or selling bait  
5.2 and fishing tackle;

5.3 (2) qualified property used as a golf course if:

5.4 (i) it is open to the public on a daily fee basis. It may charge membership fees or dues,  
5.5 but a membership fee may not be required in order to use the property for golfing, and its  
5.6 green fees for golfing must be comparable to green fees typically charged by municipal  
5.7 courses; and

5.8 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

5.9 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with  
5.10 the golf course is classified as class 3a property;

5.11 (3) real property up to a maximum of three acres of land owned and used by a nonprofit  
5.12 community service oriented organization and not used for residential purposes on either a  
5.13 temporary or permanent basis, provided that:

5.14 (i) the property is not used for a revenue-producing activity for more than six days in  
5.15 the calendar year preceding the year of assessment; or

5.16 (ii) the organization makes annual charitable contributions and donations at least equal  
5.17 to the property's previous year's property taxes and the property is allowed to be used for  
5.18 public and community meetings or events for no charge, as appropriate to the size of the  
5.19 facility.

5.20 For purposes of this clause:

5.21 (A) "charitable contributions and donations" has the same meaning as lawful gambling  
5.22 purposes under section 349.12, subdivision 25, excluding those purposes relating to the  
5.23 payment of taxes, assessments, fees, auditing costs, and utility payments;

5.24 (B) "property taxes" excludes the state general tax;

5.25 (C) a "nonprofit community service oriented organization" means any corporation,  
5.26 society, association, foundation, or institution organized and operated exclusively for  
5.27 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from  
5.28 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal  
5.29 Revenue Code; and

5.30 (D) "revenue-producing activities" shall include but not be limited to property or that  
5.31 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt  
5.32 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling

alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision 13;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22;

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under item (ii). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year;

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a classification rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same classification rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same classification rate as class 4b property, the market value of manufactured home parks assessed under clause (5), item (ii), have a classification rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a classification rate of one percent if 50 percent or less of the lots are so occupied, and class I manufactured home parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a classification rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a classification rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent, (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a classification rate of 1.25 percent, and (vii) property qualifying for classification under clause (3) that is owned or operated by a congressionally chartered veterans organization has a classification rate of one percent. The commissioner of veterans affairs must provide a list of congressionally chartered veterans organizations to the commissioner of revenue by June 30, 2017, and by January 1, 2018, and each year thereafter.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section

273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

(f) The first tier of market value of class 4d property has a classification rate of 0.75 percent. The remaining value of class 4d property has a classification rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year 2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

**EFFECTIVE DATE.** Notwithstanding Minnesota Statutes, section 273.01, this section is effective beginning with assessments in 2020 and thereafter.

Sec. 4. Minnesota Statutes 2019 Supplement, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of veteran with a disability or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a veteran with a disability qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, except as otherwise provided in paragraph (n). Qualification under this paragraph requires an application under paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's marital status, ownership of the property, or use of the property as a permanent residence.

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, except as otherwise provided in paragraph (n).

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by December 15 of the first assessment year for which the exclusion is sought. For an application received after December 15, the exclusion shall become effective for the following assessment year. Except as provided in paragraph (c), the owner of a property that has been accepted for a valuation exclusion must notify the assessor if there is a change in ownership of the property or in the use of the property as a homestead.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

11.1 (1) "active service" has the meaning given in section 190.05;

11.2 (2) "own" means that the person's name is present as an owner on the property deed;

11.3 (3) "primary family caregiver" means a person who is approved by the secretary of the  
11.4 United States Department of Veterans Affairs for assistance as the primary provider of  
11.5 personal care services for an eligible veteran under the Program of Comprehensive Assistance  
11.6 for Family Caregivers, codified as United States Code, title 38, section 1720G; and

11.7 (4) "veteran" has the meaning given the term in section 197.447.

11.8 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion  
11.9 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit  
11.10 under paragraph (b), clause (2), until the spouse remarries or sells, transfers, or otherwise  
11.11 disposes of the property, except as otherwise provided in paragraph (n), if:

11.12 (1) the spouse files a first-time application within two years of the death of the service  
11.13 member or by June 1, 2019, whichever is later;

11.14 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the  
11.15 homestead and permanently resides there;

11.16 (3) the veteran met the honorable discharge requirements of paragraph (a); and

11.17 (4) the United States Department of Veterans Affairs certifies that:

11.18 (i) the veteran met the total (100 percent) and permanent disability requirement under  
11.19 paragraph (b), clause (2); or

11.20 (ii) the spouse has been awarded dependency and indemnity compensation.

11.21 (l) The purpose of this provision of law providing a level of homestead property tax  
11.22 relief for veterans with a disability, their primary family caregivers, and their surviving  
11.23 spouses is to help ease the burdens of war for those among our state's citizens who bear  
11.24 those burdens most heavily.

11.25 (m) By July 1, the county veterans service officer must certify the disability rating and  
11.26 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

11.27 (n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds  
11.28 the legal or beneficial title to the property may continue to receive the exclusion for a  
11.29 property other than the property for which the exclusion was initially granted until the spouse  
11.30 remarries or sells, transfers, or otherwise disposes of the property, provided that:

12.1 (1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed  
12.2 under this paragraph;

12.3 (2) the spouse holds the legal or beneficial title to the property for which the continuation  
12.4 of the exclusion is sought under this paragraph, and permanently resides there;

12.5 (3) the estimated market value of the property for which the exclusion is sought under  
12.6 this paragraph is less than or equal to the estimated market value of the property that first  
12.7 received the exclusion, based on the value of each property on the date of the sale of the  
12.8 property that first received the exclusion; and

12.9 (4) the spouse has not previously received the benefit under this paragraph for a property  
12.10 other than the property for which the exclusion is sought.

12.11 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2021.

12.12 **Sec. 5. CITY OF SARGEANT; 2019 AID PENALTY FORGIVENESS.**

12.13 Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the commissioner  
12.14 of revenue shall make a payment of \$9,280 to the city of Sargeant by October 15, 2020, to  
12.15 compensate the city for its 2019 aid payment under Minnesota Statutes, section 477A.013,  
12.16 that was withheld under Minnesota Statutes, section 477A.017, subdivision 3.

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

12.18 **Sec. 6. CITY OF ROOSEVELT; 2019 AID PENALTY FORGIVENESS.**

12.19 Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the commissioner  
12.20 of revenue shall make a payment of \$25,410 to the city of Roosevelt by October 15, 2020,  
12.21 to compensate the city for its 2019 aid payment under Minnesota Statutes, section 477A.013,  
12.22 that was withheld under Minnesota Statutes, section 477A.017, subdivision 3.

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

12.24 **ARTICLE 2**

12.25 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

12.26 Section 1. Minnesota Statutes 2018, section 290.0131, subdivision 10, is amended to read:

12.27 Subd. 10. **Section 179 expensing.** (a) For property placed in service in taxable years  
12.28 beginning before January 1, 2020, except for qualifying depreciable property, 80 percent  
12.29 of the amount by which the deduction allowed under the dollar limits of section 179 of the

13.1 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
13.2 Revenue Code, as amended through December 31, 2003, is an addition.

13.3 (b) For purposes of this subdivision, "qualifying depreciable property" means:

13.4 (1) property for which a depreciation deduction is allowed under section 167 of the  
13.5 Internal Revenue Code; and

13.6 (2) property received as part of an exchange that qualifies for gain or loss recognition  
13.7 deferral under section 1031 of the Internal Revenue Code of 1986, as amended through  
13.8 December 16, 2016, but that does not qualify for gain or loss recognition deferral under  
13.9 section 1031 of the Internal Revenue Code of 1986, as amended through December 31,  
13.10 2018.

13.11 **EFFECTIVE DATE.** This section is effective for property placed in service in taxable  
13.12 years beginning after December 31, 2019, except that for taxpayers with qualifying  
13.13 depreciable property, this section is effective retroactively and applies to the same tax periods  
13.14 to which section 13303 of Public Law 115-97 relates.

13.15 Sec. 2. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision  
13.16 to read:

13.17 Subd. 30. **Volunteer driver reimbursement.** (a) The amount of mileage reimbursement  
13.18 paid by a charitable organization for work as a volunteer driver is a subtraction. The  
13.19 subtraction is limited to amounts paid per mile by the organization that:

13.20 (1) exceed the mileage rate for use of an automobile in rendering gratuitous services to  
13.21 a charitable organization under section 170(i) of the Internal Revenue Code; and

13.22 (2) do not exceed the standard mileage rate for businesses established under Code of  
13.23 Federal Regulations, title 26, section 1.274-5(j)(2).

13.24 (b) For the purposes of this section, "charitable organization" means an organization  
13.25 eligible for a charitable contribution under section 170(c) of the Internal Revenue Code.

13.26 (c) This section expires for taxable years beginning after December 31, 2029.

13.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
13.28 31, 2019, and before January 1, 2030.

13.29 Sec. 3. Minnesota Statutes 2018, section 290.0133, subdivision 12, is amended to read:

13.30 Subd. 12. **Section 179 expensing.** (a) For property placed in service in taxable years  
13.31 beginning before January 1, 2020, except for qualifying depreciable property, 80 percent

of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

(b) For purposes of this subdivision, "qualifying depreciable property" means:

(1) property for which a depreciation deduction is allowed under section 167 of the Internal Revenue Code; and

(2) property received as part of an exchange that qualifies for gain or loss recognition deferral under section 1031 of the Internal Revenue Code of 1986, as amended through December 16, 2016, but that does not qualify for gain or loss recognition deferral under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2018.

**EFFECTIVE DATE.** This section is effective for property placed in service in taxable years beginning after December 31, 2019, except that for taxpayers with qualifying depreciable property, this section is effective retroactively and applies to the same tax periods to which section 13303 of Public Law 115-97 relates.

Sec. 4. Minnesota Statutes 2018, section 290.0682, subdivision 2, is amended to read:

**Subd. 2. Credit allowed; refundable; appropriation.** (a) An eligible individual is allowed a credit against the tax due under this chapter.

(b) The credit for an eligible individual equals the least of:

(1) eligible loan payments minus ten percent of an amount equal to adjusted gross income in excess of \$10,000, but in no case less than zero;

(2) the earned income for the taxable year of the eligible individual, if any;

(3) the sum of:

(i) the interest portion of eligible loan payments made during the taxable year; and

(ii) ten percent of the original loan amount of all qualified education loans of the eligible individual; or

(4) \$500.

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

(d) In the case of a married couple, each spouse is eligible for the credit in this section.

(e) If the amount of credit which a claimant is eligible to receive under this section exceeds the claimant's tax liability under this chapter, the commissioner shall refund the excess to the claimant.

(f) An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

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

Sec. 5. Minnesota Statutes 2019 Supplement, section 290.993, is amended to read:

**290.993 SPECIAL LIMITED ADJUSTMENT.**

(a) For an individual income taxpayer subject to tax under section 290.06, subdivision 2c, or a partnership that elects to file a composite return under section 289A.08, subdivision 7, for taxable years beginning after December 31, 2017, and before January 1, 2019, the following special rules apply:

(1) an individual income taxpayer may: (i) take the standard deduction; or (ii) make an election under section 63(e) of the Internal Revenue Code to itemize, for Minnesota individual income tax purposes, regardless of the choice made on their federal return; and

(2) there is an adjustment to tax equal to the difference between the tax calculated under this chapter using the Internal Revenue Code as amended through December 16, 2016, and the tax calculated under this chapter using the Internal Revenue Code amended through December 31, 2018, before the application of credits. The end result must be zero additional tax due or refund.

(b) The adjustment in paragraph (a), clause (2), does not apply to any changes due to sections 11012, 11031, 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13301, 13302, 13303, 13313, 13502, 13503, 13801, 14101, 14102, 14211 through 14215, and 14501 of Public Law 115-97; and section 40411 of Public Law 115-123.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2017, and before January 1, 2019.

Sec. 6. **SECTION 179 EXPENSING; SUBTRACTIONS.**

No taxpayer with qualifying depreciable property is allowed a subtraction in computing the taxpayer's net income for that qualifying depreciable property placed in service in taxable years beginning after December 31, 2017, due to the retroactive exception for qualifying

depreciable property from the additions required under Minnesota Statutes, sections 290.0131, subdivision 10, and 290.0133, subdivision 12. A taxpayer who claimed a subtraction under Minnesota Statutes, section 290.0132, subdivision 14, or 290.0134, subdivision 14, for that qualifying depreciable property must recompute the taxpayer's tax in the year in which the qualifying depreciable property was placed in service and in each year a subtraction was claimed.

**EFFECTIVE DATE.** This section is effective retroactively and applies to the same tax periods to which section 13303 of Public Law 115-97 relates.

### ARTICLE 3

#### SALES AND USE TAXES

Section 1. Minnesota Statutes 2018, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only to the first \$20,000 of the gross annual receipts of the organization from fund-raising; ~~and~~

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2, ~~or~~; and

(3) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be recorded in the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4, unless the following conditions are both met:

(i) the sales are made for fund-raising purposes of a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports activities, educational activities, or other extracurricular activities; and

(ii) the school district reserves revenue raised for extracurricular activities, as provided in section 123B.49, subdivision 4, paragraph (e), and spends the revenue raised by a particular extracurricular activity only for that extracurricular activity.

(c) Sales of tangible personal property and services are exempt if the entire proceeds, less the necessary expenses for obtaining the property or services, will be contributed to a registered combined charitable organization described in section 43A.50, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$20,000 limit.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after the date of final enactment.

Sec. 2. Minnesota Statutes 2019 Supplement, section 297A.71, subdivision 52, is amended to read:

Subd. 52. **Construction; certain local government facilities.** (a) Materials and supplies used in and equipment incorporated into the construction, reconstruction, upgrade, expansion, or remodeling of the following local government owned facilities are exempt:

(1) a new fire station, which includes firefighting, emergency management, public safety training, and other public safety facilities in the city of Monticello if materials, supplies, and equipment are purchased after January 31, 2019, and before January 1, 2022;

(2) a new fire station, which includes firefighting and public safety training facilities and public safety facilities, in the city of Inver Grove Heights if materials, supplies, and equipment are purchased after June 30, 2018, and before January 1, 2021;

(3) a fire station and police station, including access roads, lighting, sidewalks, and utility components, on or adjacent to the property on which the fire station or police station are located that are necessary for safe access to and use of those buildings, in the city of Minnetonka if materials, supplies, and equipment are purchased after May 23, 2019, and before January 1, ~~2021~~ 2022;

(4) the school building in Independent School District No. 414, Minneota, if materials, supplies, and equipment are purchased after January 1, 2018, and before January 1, 2021;

(5) a fire station in the city of Mendota Heights, if materials, supplies, and equipment are purchased after December 31, 2018, and before January 1, 2021; ~~and~~

(6) a Dakota County law enforcement collaboration center, also known as the Safety and Mental Health Alternative Response Training (SMART) Center, if materials, supplies, and equipment are purchased after June 30, 2019, and before July 1, 2021;

(7) a new fire station and emergency management operations center, including on-site infrastructure improvements of parking lot, road access, lighting, sidewalks, and utility components in the city of Maplewood if materials, supplies, and equipment are purchased after September 30, 2020, and before April 1, 2023;

(8) a new police station, which includes police administration, meeting, training, and short-term detention facilities in the city of Crystal, if materials, supplies, and equipment are purchased after December 31, 2020, and before January 1, 2024;

(9) a new fire station, which includes firefighting, emergency management, public safety training, and other public safety facilities in the city of Buffalo, if materials, supplies, and equipment are purchased after April 30, 2020, and before November 1, 2021;

(10) a new fire station in the city of Grand Rapids, if materials, supplies, and equipment are purchased after July 31, 2020, and before August 1, 2022;

(11) a new fire station constructed on the site of a previous fire station in the city of Bloomington, if materials, supplies, and equipment are purchased after December 31, 2020, and before January 1, 2023;

(12) a fire station in the city of St. Peter if materials, supplies, and equipment are purchased after June 30, 2020, and before March 1, 2022;

(13) demolition and replacement of the existing Fire Station No. 2 on its existing site and renovation and expansion of Fire Station No. 3, both in the city of Plymouth, if materials, supplies, and equipment are purchased after January 1, 2021, and before March 31, 2023;  
and

19.1 (14) the following facilities in the city of Virginia:

19.2 (i) a regional public safety center and training facility for fire and police departments,  
 19.3 emergency medical services, regional emergency services training, and other regional  
 19.4 community needs, if materials, supplies, and equipment are purchased after May 1, 2021,  
 19.5 and before May 1, 2023; and

19.6 (ii) the Miner's Memorial recreation complex and convention center, if materials, supplies,  
 19.7 and equipment are purchased after May 1, 2020, and before May 1, 2022.

19.8 (b) The tax must be imposed and collected as if the rate under section 297A.62,  
 19.9 subdivision 1, applied and then refunded in the manner provided in section 297A.75.

19.10 (c) The total refund for the project listed in paragraph (a), clause (3), must not exceed  
 19.11 \$850,000.

19.12 **EFFECTIVE DATE.** This section is effective retroactively from May 1, 2020.

19.13 Sec. 3. **STATE HIGH SCHOOL LEAGUE; FUNDING FLEXIBILITY.**

19.14 Notwithstanding Minnesota Statutes, section 128C.24, the Minnesota State High School  
 19.15 League may reduce the transfer of sales tax savings to a nonprofit charitable foundation  
 19.16 created for the purpose of promoting high school extracurricular activities by up to \$500,000  
 19.17 in total over the 2019-2020 and 2020-2021 school years. Any sales tax savings amounts  
 19.18 not transferred must be used for operations of the Minnesota State High School League.

19.19 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 19.20 applies retroactively to sales tax savings in the 2019-2020 and 2020-2021 school years.

## 19.21 **ARTICLE 4**

### 19.22 **PARTNERSHIP AUDITS**

19.23 Section 1. Minnesota Statutes 2018, section 270C.445, subdivision 6, is amended to read:

19.24 Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The  
 19.25 commissioner may impose an administrative penalty of not more than \$1,000 per violation  
 19.26 of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed  
 19.27 for any conduct for which a tax preparer penalty is imposed under section 289A.60,  
 19.28 subdivision 13. The commissioner may terminate a tax preparer's authority to transmit  
 19.29 returns electronically to the state, if the commissioner determines the tax preparer engaged  
 19.30 in a pattern and practice of violating this section. Imposition of a penalty under this paragraph  
 19.31 is subject to the contested case procedure under chapter 14. The commissioner shall collect

the penalty in the same manner as the income tax. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed under this paragraph are public data.

(b) In addition to the penalty under paragraph (a), if the commissioner determines that a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may issue an administrative order to the tax preparer requiring the tax preparer to cease and desist from committing the violation. The administrative order may include an administrative penalty provided in paragraph (a).

(c) If the commissioner issues an administrative order under paragraph (b), the commissioner must send the order to the tax preparer addressed to the last known address of the tax preparer.

(d) A cease and desist order under paragraph (b) must:

(1) describe the act, conduct, or practice committed and include a reference to the law that the act, conduct, or practice violates; and

(2) provide notice that the tax preparer may request a hearing as provided in this subdivision.

(e) Within 30 days after the commissioner issues an administrative order under paragraph (b), the tax preparer may request a hearing to review the commissioner's action. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed.

(f) If a tax preparer does not timely request a hearing regarding an administrative order issued under paragraph (b), the order becomes a final order of the commissioner and is not subject to review by any court or agency.

(g) If a tax preparer timely requests a hearing regarding an administrative order issued under paragraph (b), the hearing must be commenced within ten days after the commissioner receives the request for a hearing.

(h) A hearing timely requested under paragraph (e) is subject to the contested case procedure under chapter 14, as modified by this subdivision. The administrative law judge must issue a report containing findings of fact, conclusions of law, and a recommended order within ten days after the completion of the hearing, the receipt of late-filed exhibits, or the submission of written arguments, whichever is later.

(i) Within five days of the date of the administrative law judge's report issued under paragraph (h), any party aggrieved by the administrative law judge's report may submit written exceptions and arguments to the commissioner. Within 15 days after receiving the administrative law judge's report, the commissioner must issue an order vacating, modifying, or making final the administrative order.

(j) The commissioner and the tax preparer requesting a hearing may by agreement lengthen any time periods prescribed in paragraphs (g) to (i).

(k) An administrative order issued under paragraph (b) is in effect until it is modified or vacated by the commissioner or an appellate court. The administrative hearing provided by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute the exclusive remedy for a tax preparer aggrieved by the order.

(l) The commissioner may impose an administrative penalty, in addition to the penalty under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under this paragraph, the tax preparer assessed the penalty may request a hearing to review the penalty order. The request for hearing must be made in writing and must be served on the commissioner at the address specified in the order. The hearing request must specifically state the reasons for seeking review of the order. The cease and desist order issued under paragraph (b) is not subject to review in a proceeding to challenge the penalty order under this paragraph. The date on which a request for hearing is served by mail is the postmark date on the envelope in which the request for hearing is mailed. If the tax preparer does not timely request a hearing, the penalty order becomes a final order of the commissioner and is not subject to review by any court or agency. A penalty imposed by the commissioner under this paragraph may be collected and enforced by the commissioner as an income tax liability. There is no right to make a claim for refund under section 289A.50 of the penalty imposed under this paragraph. A penalty imposed under this paragraph is public data.

(m) If a tax preparer violates a cease and desist order issued under paragraph (b), the commissioner may terminate the tax preparer's authority to transmit returns electronically to the state. Termination under this paragraph is public data.

(n) A cease and desist order issued under paragraph (b) is public data when it is a final order.

(o) Notwithstanding any other law, the commissioner may impose a penalty or take other action under this subdivision against a tax preparer, with respect to a return, within the period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.382.

(p) Notwithstanding any other law, the imposition of a penalty or any other action against a tax preparer under this subdivision, other than with respect to a return, must be taken by the commissioner within five years of the violation of statute.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 2. Minnesota Statutes 2018, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining company, and corporate franchise taxes, and interest and penalties, must be paid by the taxpayer upon whom the tax is imposed, except in the following cases:

(1) the tax due from a decedent for that part of the taxable year in which the decedent died during which the decedent was alive and the taxes, interest, and penalty due for the prior years must be paid by the decedent's personal representative, if any. If there is no personal representative, the taxes, interest, and penalty must be paid by the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive property from the decedent;

(2) the tax due from an infant or other incompetent person must be paid by the person's guardian or other person authorized or permitted by law to act for the person;

(3) the tax due from the estate of a decedent must be paid by the estate's personal representative;

(4) the tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

(5) the tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to

23.1 be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the  
23.2 entertainer for the amount of the payment.

23.3 (c) The taxes imposed under sections 289A.35, paragraph (b), 289A.382, subdivision  
23.4 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the  
23.5 general partners.

23.6 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
23.7 after December 31, 2017, except that for partnerships that make an election under Code of  
23.8 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
23.9 and applies to the same tax periods to which the election relates.

23.10 Sec. 3. Minnesota Statutes 2018, section 289A.37, subdivision 2, is amended to read:

23.11 Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous  
23.12 refund occurs when the commissioner issues a payment to a person that exceeds the amount  
23.13 the person is entitled to receive under law. An erroneous refund is considered an  
23.14 underpayment of tax on the date issued.

23.15 (b) To the extent that the amount paid does not exceed the amount claimed by the  
23.16 taxpayer, an erroneous refund does not include the following:

23.17 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a  
23.18 taxpayer, including but not limited to refunds of claims made under section 290.06,  
23.19 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;  
23.20 290.0681; or 290.0692; or chapter 290A; or

23.21 (2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a  
23.22 taxpayer.

23.23 (c) The commissioner may make an assessment to recover an erroneous refund at any  
23.24 time within two years from the issuance of the erroneous refund. If all or part of the erroneous  
23.25 refund was induced by fraud or misrepresentation of a material fact, the assessment may  
23.26 be made at any time.

23.27 (d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be  
23.28 conducted under ~~section~~ sections 289A.38 to 289A.382.

23.29 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
23.30 after December 31, 2017, except that for partnerships that make an election under Code of  
23.31 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
23.32 and applies to the same tax periods to which the election relates.

24.1 Sec. 4. Minnesota Statutes 2019 Supplement, section 289A.38, subdivision 7, is amended  
24.2 to read:

24.3 Subd. 7. **Federal tax changes.** (a) If the amount of income, items of tax preference,  
24.4 deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any  
24.5 period, as reported to the Internal Revenue Service is changed or corrected by the  
24.6 commissioner of Internal Revenue or other officer of the United States or other competent  
24.7 authority, or where a renegotiation of a contract or subcontract with the United States results  
24.8 in a change in income, items of tax preference, deductions, credits, or withholding tax, or,  
24.9 in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall  
24.10 report the ~~change or correction or renegotiation results~~ federal adjustments in writing to the  
24.11 commissioner. The federal adjustments report must be submitted within 180 days after the  
24.12 final determination date and must be in the form of either an amended Minnesota estate,  
24.13 withholding tax, corporate franchise tax, or income tax return conceding the accuracy of  
24.14 the federal ~~determination~~ adjustment or a letter detailing how the federal ~~determination~~  
24.15 adjustment is incorrect or does not change the Minnesota tax. An amended Minnesota  
24.16 income tax return must be accompanied by an amended property tax refund return, if  
24.17 necessary. A taxpayer filing an amended federal tax return must also file a copy of the  
24.18 amended return with the commissioner of revenue within 180 days after filing the amended  
24.19 return.

24.20 (b) ~~For the purposes of paragraph (a), a change or correction includes any case where a~~  
24.21 ~~taxpayer reaches a closing agreement or compromise with the Internal Revenue Service~~  
24.22 ~~under section 7121 or 7122 of the Internal Revenue Code.~~ In the case of a final federal  
24.23 adjustment arising from a partnership-level audit or an administrative adjustment request  
24.24 filed by a partnership under section 6227 of the Internal Revenue Code, a taxpayer must  
24.25 report adjustments as provided for under section 289A.382 and not this section.

24.26 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
24.27 after December 31, 2017, except that for partnerships that make an election under Code of  
24.28 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
24.29 and applies to the same tax periods to which the election relates.

24.30 Sec. 5. Minnesota Statutes 2018, section 289A.38, subdivision 8, is amended to read:

24.31 Subd. 8. **Failure to report change or correction of federal return.** If a taxpayer fails  
24.32 to make a federal adjustments report as required by subdivision 7 or section 289A.382, the  
24.33 commissioner may recompute the tax, including a refund, based on information available  
24.34 to the commissioner. The tax may be recomputed within six years after the federal

25.1 adjustments report should have been filed, notwithstanding any period of limitations to the  
25.2 contrary.

25.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
25.4 after December 31, 2017, except that for partnerships that make an election under Code of  
25.5 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
25.6 and applies to the same tax periods to which the election relates.

25.7 Sec. 6. Minnesota Statutes 2018, section 289A.38, subdivision 9, is amended to read:

25.8 Subd. 9. **Report made of change or correction of federal return.** If a taxpayer is  
25.9 required to make a federal adjustments report under subdivision 7 or section 289A.382, and  
25.10 does report the change or files a copy of the amended return, the commissioner may  
25.11 recompute and reassess the tax due, including a refund (1) within one year after the federal  
25.12 adjustments report or amended return is filed with the commissioner, notwithstanding any  
25.13 period of limitations to the contrary, or (2) within any other applicable period stated in this  
25.14 section, whichever period is longer. The period provided for the carryback of any amount  
25.15 of loss or credit is also extended as provided in this subdivision, notwithstanding any law  
25.16 to the contrary. If the commissioner has completed a field audit of the taxpayer, and, but  
25.17 for this subdivision, the commissioner's time period to adjust the tax has expired, the  
25.18 additional tax due or refund is limited to only those changes that are required to be made  
25.19 to the return which relate to the changes made on the federal return. This subdivision does  
25.20 not apply to sales and use tax.

25.21 For purposes of this subdivision and section 289A.42, subdivision 2, a "field audit" is  
25.22 the physical presence of examiners in the taxpayer's or taxpayer's representative's office  
25.23 conducting an examination of the taxpayer with the intention of issuing an assessment or  
25.24 notice of change in tax or which results in the issuing of an assessment or notice of change  
25.25 in tax. The examination may include inspecting a taxpayer's place of business, tangible  
25.26 personal property, equipment, computer systems and facilities, pertinent books, records,  
25.27 papers, vouchers, computer printouts, accounts, and documents.

25.28 A taxpayer may make estimated payments to the commissioner of the tax expected to  
25.29 result from a pending audit by the Internal Revenue Service. The taxpayer may make  
25.30 estimated payments prior to the due date of the federal adjustments report without the  
25.31 taxpayer having to file the report with the commissioner. The commissioner must credit the  
25.32 estimated tax payments against any tax liability of the taxpayer ultimately found to be due  
25.33 to the commissioner. The estimated payments limit the accrual of further statutory interest  
25.34 on that amount. If the estimated tax payments exceed the final tax liability and statutory

26.1 interest ultimately determined to be due, the taxpayer is entitled to a refund or credit for the  
 26.2 excess, provided the taxpayer files a federal adjustments report or claim for refund or credit  
 26.3 of tax, no later than one year following the final determination date.

26.4 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 26.5 after December 31, 2017, except that for partnerships that make an election under Code of  
 26.6 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
 26.7 and applies to the same tax periods to which the election relates.

26.8 Sec. 7. Minnesota Statutes 2018, section 289A.38, subdivision 10, is amended to read:

26.9 Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding  
 26.10 any other provision of this chapter, if a taxpayer whose net income is determined under  
 26.11 section 290.01, subdivision 19, omits from income an amount that will under the Internal  
 26.12 Revenue Code extend the statute of limitations for the assessment of federal income taxes,  
 26.13 or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting  
 26.14 in adjustments by the Internal Revenue Service, then the period of assessment and  
 26.15 determination of tax will be that under the Internal Revenue Code. When a change is made  
 26.16 to federal income during the extended time provided under this subdivision, the provisions  
 26.17 under subdivisions 7 to 9 and section 289A.382 regarding additional extensions apply.

26.18 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 26.19 after December 31, 2017, except that for partnerships that make an election under Code of  
 26.20 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
 26.21 and applies to the same tax periods to which the election relates.

26.22 Sec. 8. **[289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

26.23 Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified,  
 26.24 the definitions in this section apply for the purposes of sections 289A.38, subdivisions 7 to  
 26.25 9, 289A.381, and 289A.382.

26.26 Subd. 2. **Administrative adjustment request.** "Administrative adjustment request"  
 26.27 means an administrative adjustment request filed by a partnership under section 6227 of  
 26.28 the Internal Revenue Code.

26.29 Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a  
 26.30 federal adjustment resulting from a partnership-level audit.

26.31 Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax  
 26.32 under section 290.02.

27.1 Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal  
27.2 ownership interest in a partnership or pass-through entity.

27.3 Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes  
27.4 on its net income under section 290.05, subdivision 1.

27.5 Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount  
27.6 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an  
27.7 item of preference, or any other item that is used by a taxpayer to compute a tax administered  
27.8 under this chapter for the reviewed year whether that change results from action by the  
27.9 Internal Revenue Service or other competent authority, including a partnership-level audit,  
27.10 or from the filing of an amended federal return, federal refund claim, or an administrative  
27.11 adjustment request by the taxpayer.

27.12 Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method  
27.13 or form prescribed by the commissioner for use by a taxpayer to report federal adjustments,  
27.14 including an amended Minnesota tax return or a uniform multistate report.

27.15 Subd. 9. **Federal partnership representative.** "Federal partnership representative"  
27.16 means the person the partnership designates for the taxable year as the partnership's  
27.17 representative, or the person the Internal Revenue Service has appointed to act as the  
27.18 partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

27.19 Subd. 10. **Final determination date.** "Final determination date" means:

27.20 (1) for a federal adjustment arising from an audit by the Internal Revenue Service or  
27.21 other competent authority, the first day on which no federal adjustment arising from that  
27.22 audit remains to be finally determined, whether by agreement, or, if appealed or contested,  
27.23 by a final decision with respect to which all rights of appeal have been waived or exhausted;

27.24 (2) for a federal adjustment arising from an audit or other action by the Internal Revenue  
27.25 Service or other competent authority, if the taxpayer filed as a member of a combined report  
27.26 under section 290.17, subdivision 4, the first day on which no related federal adjustments  
27.27 arising from that audit remain to be finally determined as described in clause (1) for the  
27.28 entire combined group;

27.29 (3) for a federal adjustment arising from the filing of an amended federal return, a federal  
27.30 refund claim, or the filing by a partnership of an administrative adjustment request, the date  
27.31 on which the amended return, refund claim, or administrative adjustment request was filed;  
27.32 or

28.1 (4) for agreements required to be signed by the Internal Revenue Service and the taxpayer,  
28.2 the date on which the last party signed the agreement.

28.3 Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal  
28.4 adjustment after the final determination date for that federal adjustment has passed.

28.5 Subd. 12. **Indirect partner.** "Indirect partner" means either:

28.6 (1) a partner in a partnership or pass-through entity that itself holds an immediate legal  
28.7 ownership interest in another partnership or pass-through entity; or

28.8 (2) a partner in a partnership or pass-through entity that holds an indirect interest in  
28.9 another partnership or pass-through entity through another indirect partner.

28.10 Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly  
28.11 in a partnership or other pass-through entity.

28.12 Subd. 14. **Partnership.** "Partnership" has the meaning provided under section 7701(a)(2)  
28.13 of the Internal Revenue Code.

28.14 Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by  
28.15 the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63,  
28.16 subchapter C, of the Internal Revenue Code, which results in federal adjustments and  
28.17 adjustments to partnership-related items.

28.18 Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a  
28.19 partnership, that is not subject to the tax imposed under section 290.02. The term pass-through  
28.20 entity includes but is not limited to S corporations, estates, and trusts other than grantor  
28.21 trusts.

28.22 Subd. 17. **Resident partner.** "Resident partner" means an individual, trust, or estate  
28.23 partner who is a resident of Minnesota under section 290.01, subdivision 7, 7a, or 7b, for  
28.24 the relevant tax period.

28.25 Subd. 18. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that  
28.26 is subject to a partnership-level audit from which federal adjustments arise.

28.27 Subd. 19. **Tiered partner.** "Tiered partner" means any partner that is a partnership or  
28.28 pass-through entity.

28.29 Subd. 20. **Unrelated business taxable income.** "Unrelated business taxable income"  
28.30 has the meaning provided under section 512 of the Internal Revenue Code.

28.31 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
28.32 after December 31, 2017, except that for partnerships that make an election under Code of

29.1 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
29.2 and applies to the same tax periods to which the election relates.

29.3 **Sec. 9. [289A.382] REPORTING AND PAYMENT REQUIREMENTS.**

29.4 **Subdivision 1. State partnership representative.** (a) With respect to an action required  
29.5 or permitted to be taken by a partnership under this section, or in a proceeding under section  
29.6 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the  
29.7 sole authority to act on behalf of the partnership, and its direct partners and indirect partners  
29.8 shall be bound by those actions.

29.9 (b) The state partnership representative for the reviewed year is the partnership's federal  
29.10 partnership representative unless the partnership, in a form and manner prescribed by the  
29.11 commissioner, designates another person as its state partnership representative.

29.12 **Subd. 2. Reporting and payment requirements for partnerships and tiered**  
29.13 **partners.** (a) Unless an audited partnership makes the election in subdivision 3, or for  
29.14 adjustments required to be reported for federal purposes pursuant to section 6225(a)(2) of  
29.15 the Internal Revenue Code, then, for all final federal adjustments the audited partnership  
29.16 must comply with paragraph (b) and each direct partner of the audited partnership, other  
29.17 than a tiered partner, must comply with paragraph (c).

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

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

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

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

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

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

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

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

**Subd. 3. Election; partnership or tiered partners pay.** (a) An audited partnership may make an election under this subdivision to pay its assessment at the entity level. If an audited partnership makes an election to pay its assessment at the entity level it must:

(1) no later than 90 days after the final determination date, file a completed federal adjustments report, including the residency information for all individual, trust, and estate direct partners, and information pertaining to all other direct partners as prescribed by the commissioner, and notify the commissioner that it is making the election under this subdivision; and

(2) no later than 180 days after the final determination date, pay an amount, determined as follows, in lieu of taxes on partners:

(i) exclude from final federal adjustments the distributive share of these adjustments made to a direct exempt partner that is not unrelated business taxable income;

(ii) exclude from final federal adjustments the distributive share of these adjustments made to a direct partner that has filed a federal adjustments report and paid the applicable tax, as required under subdivision 2, for the distributive share of adjustments reported on a federal return under section 6225(c) of the Internal Revenue Code;

(iii) assign and apportion at the partnership level using sections 290.17 to 290.20 the total distributive share of the remaining final federal adjustments for the reviewed year attributed to direct corporate partners and direct exempt partners, multiply the total by the highest tax rate in section 290.06, subdivision 1, for the reviewed year, and calculate interest and penalties as applicable under this chapter;

(iv) allocate at the partnership level using section 290.17, subdivision 1, the total distributive share of all final federal adjustments attributable to individual resident direct partners for the reviewed year; multiply the total by the highest tax rate in section 290.06,

31.1 subdivision 2c, for the reviewed year; and calculate interest and penalties as applicable  
31.2 under this chapter;

31.3 (v) assign and apportion at the partnership level using sections 290.17 to 290.20 the total  
31.4 distributive share of the remaining final federal adjustments attributable to nonresident  
31.5 individual direct partners and direct partners who are an estate or a trust for the reviewed  
31.6 year; multiply the total by the highest tax rate in section 290.06, subdivision 2c, for the  
31.7 reviewed year; and calculate interest and penalties as applicable under this chapter;

31.8 (vi) for the total distributive share of the remaining final federal adjustments reported  
31.9 to tiered partners:

31.10 (A) determine the amount of the adjustments that would be assigned using section 290.17,  
31.11 subdivision 2, paragraphs (a) to (d), excluding income or gains from intangible personal  
31.12 property not employed in the business of the recipient of the income or gains if the recipient  
31.13 of the income or gains is a resident of this state or is a resident trust or estate under section  
31.14 290.17, subdivision 2, paragraph (c), or apportioned using sections 290.17, subdivision 3,  
31.15 290.191, and 290.20, and then determine the portion of this amount that would be allocated  
31.16 to this state;

31.17 (B) determine the amount of the adjustments which are of a type which are fully sourced  
31.18 to the taxpayer's state of residency under section 290.17, subdivision 2, paragraph (e), and  
31.19 income or gains from intangible personal property not employed in the business of the  
31.20 recipient of the income or gains if the recipient of the income or gains is a resident of this  
31.21 state or is a resident trust or estate under section 290.17, subdivision 2, paragraph (c);

31.22 (C) determine the portion of the amount determined in subitem (B) that can be established  
31.23 to be properly allocable to nonresident indirect partners or other partners not subject to tax  
31.24 on the adjustments; and

31.25 (D) multiply the total of the amounts determined in subitems (A) and (B) reduced by  
31.26 the amount determined in subitem (C) by the highest tax rate in section 290.06, subdivision  
31.27 2c, for the reviewed year, and calculate interest and penalties as applicable under this chapter;  
31.28 and

31.29 (vii) add the amounts determined in items (iii) to (vi), and pay all applicable taxes,  
31.30 penalties, and interest to the commissioner.

31.31 (b) An audited partnership may not make an election under this subdivision to report:

31.32 (1) a federal adjustment that results in unitary business income to a corporate partner  
31.33 required to file as a member of a combined report under section 290.17, subdivision 4; or

32.1 (2) any final federal adjustments resulting from an administrative adjustment request.

32.2 (c) An audited partnership not otherwise subject to any reporting or payment obligation  
32.3 to this state may not make an election under this subdivision.

32.4 Subd. 4. **Tiered partners and indirect partners.** The direct and indirect partners of an  
32.5 audited partnership that are tiered partners, and all of the partners of those tiered partners  
32.6 that are subject to tax under chapter 290 are subject to the reporting and payment  
32.7 requirements contained in subdivision 2 and the tiered partners are entitled to make the  
32.8 elections provided in subdivision 3. The tiered partners or their partners shall make required  
32.9 reports and payments no later than 90 days after the time for filing and furnishing of  
32.10 statements to tiered partners and their partners as established under section 6226 of the  
32.11 Internal Revenue Code.

32.12 Subd. 5. **Effects of election by partnership or tiered partner and payment of amount**  
32.13 **due.** (a) Unless the commissioner determines otherwise, an election under subdivision 3 is  
32.14 irrevocable.

32.15 (b) If an audited partnership or tiered partner properly reports and pays an amount  
32.16 determined in subdivision 3, the amount will be treated as paid in lieu of taxes owed by the  
32.17 partnership's direct partners and indirect partners, to the extent applicable, on the same final  
32.18 federal adjustments. The direct partners or indirect partners of the partnership who are not  
32.19 resident partners may not take any deduction or credit for this amount or claim a refund of  
32.20 the amount in this state.

32.21 (c) Nothing in this subdivision precludes resident direct partners from claiming a credit  
32.22 against taxes paid under section 290.06 on any amounts paid by the audited partnership or  
32.23 tiered partners on the resident partner's behalf to another state or local tax jurisdiction.

32.24 Subd. 6. **Failure of partnership or tiered partner to report or pay.** Nothing in this  
32.25 section prevents the commissioner from assessing direct partners or indirect partners for  
32.26 taxes they owe, using the best information available, in the event that, for any reason, a  
32.27 partnership or tiered partner fails to timely make any report or payment required by this  
32.28 section.

32.29 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
32.30 after December 31, 2017, except that for partnerships that make an election under Code of  
32.31 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
32.32 and applies to the same tax periods to which the election relates.

33.1 Sec. 10. Minnesota Statutes 2018, section 289A.42, is amended to read:

33.2 **289A.42 CONSENT TO EXTEND STATUTE.**

33.3 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in  
33.4 sections 289A.38 to 289A.382 and 289A.40 for the assessment of tax or the filing of a claim  
33.5 for refund, both the commissioner and the taxpayer have consented in writing to the  
33.6 assessment or filing of a claim for refund after that time, the tax may be assessed or the  
33.7 claim for refund filed at any time before the expiration of the agreed-upon period. The  
33.8 period may be extended by later agreements in writing before the expiration of the period  
33.9 previously agreed upon. The taxpayer and the commissioner may also agree to extend the  
33.10 period for collection of the tax.

33.11 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the  
33.12 assessment of federal withholding or income taxes, the period in which the commissioner  
33.13 may recompute the tax is also extended, notwithstanding any period of limitations to the  
33.14 contrary, as follows:

33.15 (1) for the periods provided in ~~section~~ sections 289A.38, subdivisions 8 and 9, and  
33.16 289A.382, subdivisions 2 and 3;

33.17 (2) for six months following the expiration of the extended federal period of limitations  
33.18 when no change is made by the federal authority. If no change is made by the federal  
33.19 authority, and, but for this subdivision, the commissioner's time period to adjust the tax has  
33.20 expired, and if the commissioner has completed a field audit of the taxpayer, no additional  
33.21 changes resulting in additional tax due or a refund may be made. For purposes of this  
33.22 subdivision, "field audit" has the meaning given ~~it~~ in section 289A.38, subdivision 9.

33.23 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
33.24 after December 31, 2017, except that for partnerships that make an election under Code of  
33.25 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
33.26 and applies to the same tax periods to which the election relates.

33.27 Sec. 11. Minnesota Statutes 2018, section 289A.60, subdivision 24, is amended to read:

33.28 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to  
33.29 the commissioner a change or correction of the person's federal return in the manner and  
33.30 time prescribed in ~~section~~ sections 289A.38, subdivision 7, and 289A.382, there must be  
33.31 added to the tax an amount equal to ten percent of the amount of any underpayment of  
33.32 Minnesota tax attributable to the federal change.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 12. Minnesota Statutes 2018, section 290.31, subdivision 1, is amended to read:

Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under ~~section~~ sections 289A.35, paragraph (b), and 289A.382, subdivision 3, a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 13. Minnesota Statutes 2018, section 297F.17, subdivision 6, is amended to read:

Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the commissioner during the one-year period beginning with the timely filing of the taxpayer's federal income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section~~ sections 289A.38, subdivision 7, and 289A.382.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

Sec. 14. Minnesota Statutes 2018, section 297G.16, subdivision 7, is amended to read:

Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with the commissioner within one year of the filing of the taxpayer's income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.382.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of

35.1 Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively  
35.2 and applies to the same tax periods to which the election relates.

35.3 Sec. 15. Minnesota Statutes 2018, section 469.319, subdivision 4, is amended to read:

35.4 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter  
35.5 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an  
35.6 amended return with the commissioner of revenue and pay any taxes required to be repaid  
35.7 within 30 days after becoming subject to repayment under this section. The amount required  
35.8 to be repaid is determined by calculating the tax for the period or periods for which repayment  
35.9 is required without regard to the exemptions and credits allowed under section 469.315.

35.10 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any  
35.11 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of  
35.12 revenue, within 30 days after becoming subject to repayment under this section.

35.13 (c) For the repayment of property taxes, the county auditor shall prepare a tax statement  
35.14 for the business, applying the applicable tax extension rates for each payable year and  
35.15 provide a copy to the business and to the taxpayer of record. The business must pay the  
35.16 taxes to the county treasurer within 30 days after receipt of the tax statement. The business  
35.17 or the taxpayer of record may appeal the valuation and determination of the property tax to  
35.18 the Tax Court within 30 days after receipt of the tax statement.

35.19 (d) The provisions of chapters 270C and 289A relating to the commissioner's authority  
35.20 to audit, assess, and collect the tax and to hear appeals are applicable to the repayment  
35.21 required under paragraphs (a) and (b). The commissioner may impose civil penalties as  
35.22 provided in chapter 289A, and the additional tax and penalties are subject to interest at the  
35.23 rate provided in section 270C.40. The additional tax shall bear interest from 30 days after  
35.24 becoming subject to repayment under this section until the date the tax is paid. Any penalty  
35.25 imposed pursuant to this section shall bear interest from the date provided in section 270C.40,  
35.26 subdivision 3, to the date of payment of the penalty.

35.27 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the  
35.28 amount required to be repaid to the property taxes assessed against the property for payment  
35.29 in the year following the year in which the auditor provided the statement under paragraph  
35.30 (c).

35.31 (f) For determining the tax required to be repaid, a reduction of a state or local sales or  
35.32 use tax is deemed to have been received on the date that the good or service was purchased  
35.33 or first put to a taxable use. In the case of an income tax or franchise tax, including the credit

payable under section 469.318, a reduction of tax is deemed to have been received for the two most recent tax years that have ended prior to the date that the business became subject to repayment under this section. In the case of a property tax, a reduction of tax is deemed to have been received for the taxes payable in the year that the business became subject to repayment under this section and for the taxes payable in the prior year.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business becomes subject to repayment under subdivision 1, or within any period of limitations for the assessment of tax under ~~section~~ sections 289A.38 to 289A.382, whichever period is later. The county auditor may send the statement under paragraph (c) any time within three years after the business becomes subject to repayment under subdivision 1.

(h) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business becomes subject to repayment under this section nor for any year thereafter. Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the property became subject to repayment under this section nor for any year thereafter. A business is not eligible for any sales tax benefits beginning with goods or services purchased or first put to a taxable use on the day that the business becomes subject to repayment under this section.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2017, except that for partnerships that make an election under Code of Federal Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies to the same tax periods to which the election relates.

## ARTICLE 5

### MISCELLANEOUS

Section 1. Minnesota Statutes 2018, section 297E.02, subdivision 6, as amended by Laws 2020, chapter 83, article 1, section 76, is amended to read:

Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under subdivision 1, a tax is imposed on the combined net receipts of the organization. As used in this section, "combined net receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of paper bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, and less the net prizes actually paid, other than prizes actually paid for paper bingo, raffles, and paddlewheels, for

37.1 the fiscal year. The combined net receipts of an organization are subject to a tax computed  
 37.2 according to the following schedule:

37.3	If the combined net receipts	The tax is:
37.4	for the fiscal year are:	
37.5	Not over \$87,500	<del>nine</del> <u>eight</u> percent
37.6	Over \$87,500, but not over	<del>\$7,875</del> <u>\$7,000</u> plus <del>18</del> <u>16</u> percent of
37.7	\$122,500	the amount over \$87,500, but not over
37.8		\$122,500
37.9	Over \$122,500, but not	<del>\$14,175</del> <u>\$12,600</u> plus <del>27</del> <u>24</u> percent
37.10	over \$157,500	of the amount over \$122,500, but not
37.11		over \$157,500
37.12	Over \$157,500	<del>\$23,625</del> <u>\$21,000</u> plus <del>36</del> <u>32</u> percent
37.13		of the amount over \$157,500

37.14 (b) Gross receipts derived from sports-themed tipboards are exempt from taxation under  
 37.15 this section. For purposes of this paragraph, a sports-themed tipboard means a sports-themed  
 37.16 tipboard as defined in section 349.12, subdivision 34, under which the winning numbers  
 37.17 are determined by the numerical outcome of a professional sporting event.

37.18 **EFFECTIVE DATE.** This section is effective retroactively for games reported as played  
 37.19 after June 30, 2020.

37.20 Sec. 2. Minnesota Statutes 2018, section 297E.021, subdivision 2, is amended to read:

37.21 Subd. 2. **Determination of revenue increase.** By March 15 of each fiscal year, the  
 37.22 commissioner of management and budget, in consultation with the commissioner, shall  
 37.23 determine the estimated increase in revenues received from taxes imposed under this chapter  
 37.24 over ~~the estimated revenues under the February 2012 state budget forecast for that fiscal~~  
 37.25 ~~year. For fiscal years after fiscal year 2015, the commissioner of management and budget~~  
 37.26 ~~shall use the February 2012 state budget forecast for fiscal year 2015 as the~~ a baseline of:  
 37.27 \$30,500,000 in fiscal years 2021 and thereafter. All calculations under this subdivision must  
 37.28 be made net of estimated refunds of the taxes required to be paid.

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

37.30 Sec. 3. Minnesota Statutes 2018, section 349.15, subdivision 1, is amended to read:

37.31 Subdivision 1. **Expenditure restrictions, requirements, and civil penalties.** (a) Gross  
 37.32 profits from lawful gambling may be expended only for lawful purposes or allowable  
 37.33 expenses as authorized by the membership of the conducting organization at a monthly  
 37.34 meeting of the organization's membership.

(b) For each 12-month period beginning July 1, a licensed organization will be evaluated by the board to determine a rating based on the percentage of annual lawful purpose expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), when compared to available gross profits total allowable expenses for the same period. The rating will be used to determine the organization's profitability percent and is not a rating of the organization's lawful gambling operation. An organization will be evaluated according to the following criteria:

(1) an organization ~~that expends 50~~ with a ratio of annual lawful purpose expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), to allowable expenses of 100 percent or more of gross profits on lawful purposes will receive a five-star rating;

(2) an organization ~~that expends 40~~ with a ratio of annual lawful purpose expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), to allowable expenses of 80 percent or more but less than 50 100 percent of gross profits on lawful purposes will receive a four-star rating;

(3) an organization ~~that expends 30~~ with a ratio of annual lawful purpose expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), to allowable expenses of 60 percent or more but less than 40 80 percent of gross profits on lawful purposes will receive a three-star rating;

(4) an organization ~~that expends 20~~ with a ratio of annual lawful purpose expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), to allowable expenses of 40 percent or more but less than 30 60 percent of gross profits on lawful purposes will receive a two-star rating; and

(5) an organization ~~that expends less than~~ with a ratio of annual lawful purpose expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), to allowable expenses of 20 percent of gross profits on lawful purposes or more but less than 40 percent will receive a one-star rating; and

(6) an organization with a ratio of annual lawful purpose expenditures, excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), to allowable expenses of less than 20 percent will receive a zero-star rating.

(c) An organization that fails to expend a minimum of ~~30~~ 20 percent ~~annually of gross profits of its annual total allowable expenses on lawful purposes, or 20 percent annually for organizations that conduct lawful gambling in a location where the primary business is bingo~~ excluding those defined in section 349.12, subdivision 25, paragraph (a), clauses (8)

and (18), is automatically on probation effective July 1 for a period of one year. The organization must increase its rating to the required minimum or be subject to sanctions by the board. If an organization fails to meet the minimum after a one-year probation, the board may suspend the organization's license or impose a civil penalty as follows:

(1) in determining any suspension or penalty for a violation of this paragraph, the board must consider any unique factors or extraordinary circumstances that caused the organization to not meet the minimum rate of profitability. Unique factors or extraordinary circumstances include, but are not limited to, the purchase of capital assets necessary to conduct lawful gambling; road or other construction causing impaired access to the lawful gambling premises; and flood, tornado, or other catastrophe that had a direct impact on the continuing lawful gambling operation; and

(2) notwithstanding section 349.151, subdivision 4, paragraph (a), clause (10), the board may impose a civil penalty under this subdivision up to \$10,000.

**EFFECTIVE DATE.** This section is effective retroactively from July 1, 2020.

Sec. 4. Minnesota Statutes 2018, section 349.151, subdivision 4, is amended to read:

Subd. 4. **Powers and duties.** (a) The board has the following powers and duties:

(1) to regulate lawful gambling to ensure it is conducted in the public interest;

(2) to issue licenses to organizations and gambling managers, and to issue licenses and renewals to distributors, distributor salespersons, manufacturers, and linked bingo game providers;

(3) to collect and deposit fees due under this chapter;

(4) to receive reports required by this chapter and inspect all premises, records, books, and other documents of organizations, distributors, manufacturers, and linked bingo game providers to insure compliance with all applicable laws and rules;

(5) to make rules authorized by this chapter;

(6) to register gambling equipment and issue registration stamps;

(7) to provide by rule for the mandatory posting by organizations conducting lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling;

(8) to report annually to the governor and legislature on its activities and on recommended changes in the laws governing gambling, including an annual report that provides: a tabulation

of the number of compliance reviews completed; the percentage of organizations reviewed;  
an average of the number of months between reviews; the number, location, and organization  
of site inspections; and the number of allegations awaiting investigation by the board;

(9) to report annually to the governor and legislature a financial summary for each licensed organization identifying the gross receipts, prizes paid, allowable expenses, lawful purpose expenditures including charitable contributions and all taxes and fees as per section 349.12, subdivision 25, paragraph (a), clauses (8) and (18), and the percentage of annual gross profit used for lawful purposes;

(10) to impose civil penalties of not more than \$1,000 per violation on organizations, distributors, distributor salespersons, manufacturers, linked bingo game providers, and gambling managers for violating or failing to comply with any provision of this chapter, chapter 297E, or any rule or order of the board;

(11) to issue premises permits to organizations licensed to conduct lawful gambling;

(12) to delegate to the director the authority to issue or deny license and premises permit applications and renewals under criteria established by the board;

(13) to delegate to the director the authority to approve or deny fund loss requests, contribution of gambling funds to another licensed organization, and property expenditure requests under criteria established by the board;

(14) to suspend or revoke licenses and premises permits of organizations, distributors, distributor salespersons, manufacturers, linked bingo game providers, or gambling managers as provided in this chapter;

(15) to approve or deny requests from licensees for:

(i) waivers from fee requirements as provided in section 349.16, subdivision 6; and

(ii) variances from Gambling Control Board rules under section 14.055; and

(16) to register employees of organizations licensed to conduct lawful gambling;

(17) to require fingerprints from persons determined by board rule to be subject to fingerprinting;

(18) to delegate to a compliance review group of the board the authority to investigate alleged violations, issue consent orders, and initiate contested cases on behalf of the board;

(19) to order organizations, distributors, distributor salespersons, manufacturers, linked bingo game providers, and gambling managers to take corrective actions; and

(20) to take all necessary steps to ensure the integrity of and public confidence in lawful gambling.

(b) The board, or director if authorized to act on behalf of the board, may by citation assess any organization, distributor, distributor salesperson, manufacturer, linked bingo game provider, or gambling manager a civil penalty of not more than \$1,000 per violation for a failure to comply with any provision of this chapter, chapter 297E, or any rule adopted or order issued by the board. Any organization, distributor, distributor salesperson, gambling manager, linked bingo game provider, or manufacturer assessed a civil penalty under this paragraph may request a hearing before the board. Appeals of citations imposing a civil penalty are not subject to the provisions of the Administrative Procedure Act.

(c) All penalties received by the board must be deposited in the general fund.

(d) All fees imposed by the board under sections 349.16 to 349.167 must be deposited in the state treasury and credited to a lawful gambling regulation account in the special revenue fund. Receipts in this account are available for the operations of the board up to the amount authorized in biennial appropriations from the legislature.

**EFFECTIVE DATE.** This section is effective retroactively from July 1, 2020.

Sec. 5. Minnesota Statutes 2018, section 462A.38, as amended by Laws 2019 First Special Session chapter 1, article 6, section 28, is amended to read:

**462A.38 WORKFORCE AND AFFORDABLE HOMEOWNERSHIP  
DEVELOPMENT PROGRAM.**

Subdivision 1. **Establishment.** A workforce and affordable homeownership development program is established to award homeownership development grants and loans to cities, tribal governments, nonprofit organizations, cooperatives created under chapter 308A or 308B, and community land trusts created for the purposes outlined in section 462A.31, subdivision 1, for development of workforce and affordable homeownership projects. The purpose of the program is to increase the supply of workforce and affordable, owner-occupied multifamily or single-family housing throughout Minnesota.

Subd. 2. **Use of funds.** (a) Grant funds and loans awarded under this program may be used for:

(1) development costs;

(2) rehabilitation;

(3) land development; and

42.1 (4) residential housing, including storm shelters and related community facilities.

42.2 (b) A project funded through ~~the grant~~ this program shall serve households that meet  
42.3 the income limits as provided in section 462A.33, subdivision 5, unless a project is intended  
42.4 for the purpose outlined in section 462A.02, subdivision 6.

42.5 Subd. 3. **Application.** The commissioner shall develop forms and procedures for soliciting  
42.6 and reviewing applications for grants and loans under this section. The commissioner shall  
42.7 consult with interested stakeholders when developing the guidelines and procedures for the  
42.8 program. In making grants and loans, the commissioner shall establish semiannual application  
42.9 deadlines in which grants and loans will be authorized from all or part of the available  
42.10 appropriations.

42.11 Subd. 4. **Awarding grants and loans.** Among comparable proposals, preference must  
42.12 be given to proposals that include contributions from nonstate resources for the greatest  
42.13 portion of the total development cost.

42.14 Subd. 5. **Statewide program.** The agency shall attempt to make grants and loans in  
42.15 approximately equal amounts to applicants outside and within the metropolitan area, as  
42.16 defined under section 473.121, subdivision 2.

42.17 Subd. 6. **Report.** Beginning January 15, ~~2018~~ 2021, the commissioner must annually  
42.18 submit a report to the chairs and ranking minority members of the senate and house of  
42.19 representatives committees having jurisdiction over housing and workforce development  
42.20 specifying the projects that received grants and loans under this section and the specific  
42.21 purposes for which the grant or loan funds were used.

42.22 Subd. 7. **Workforce and affordable homeownership development account.** A  
42.23 workforce and affordable homeownership development account is established in the housing  
42.24 development fund. Money in the account, including interest, is appropriated to the  
42.25 commissioner of the Housing Finance Agency for the purposes of this section. The amount  
42.26 appropriated under this section must supplement traditional sources of funding for this  
42.27 purpose and must not be used as a substitute or to pay debt service on bonds.

42.28 Subd. 8. **Deposits; funding amount.** (a) In fiscal years 2022 through 2031, an amount  
42.29 equal to \$4,000,000 of the state's portion of the proceeds derived from the mortgage registry  
42.30 tax imposed under section 287.035 and the deed tax under section 287.21, is appropriated  
42.31 from the general fund to the commissioner of the Housing Finance Agency to transfer to  
42.32 the workforce and affordable homeownership development account in the housing  
42.33 development fund. The appropriation must be made annually by September 15.

43.1 (b) All loan repayments received under this section are to be deposited into the workforce  
43.2 and affordable homeownership development account in the housing development fund.

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

43.4 Sec. 6. **ADMINISTRATIVE APPROPRIATION.**

43.5 \$642,000 in fiscal year 2021 is appropriated to the commissioner of revenue to administer  
43.6 this act. The base for this appropriation is \$571,000 in fiscal year 2022 and \$0 in fiscal year  
43.7 2023.

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