

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

**S.F. No. 263**

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DATE	D-PG	OFFICIAL STATUS
01/21/2021	137	Introduction and first reading Referred to Taxes
03/04/2021	646a	Comm report: To pass as amended
	674	Second reading
03/11/2021	849a	Special Order: Amended
	868	Third reading Passed See First Special Session 2021, HF9

1.1 A bill for an act

1.2 relating to taxation; individual income and corporate franchise; providing for

1.3 federal conformity to exclusion of paycheck protection loan forgiveness from gross

1.4 income and certain related deductions; providing certain business entities the option

1.5 to file as C-option corporations; clarifying section 179 expensing conformity;

1.6 providing a deduction for certain unemployment compensation; amending

1.7 Minnesota Statutes 2020, sections 289A.02, subdivision 7; 289A.08, by adding a

1.8 subdivision; 289A.38, by adding a subdivision; 290.01, subdivisions 19, 31, by

1.9 adding a subdivision; 290.0132, by adding subdivisions; 290.06, subdivisions 2c,

1.10 22; 290.091, subdivision 2; 290.0921, subdivision 2; 290.92, subdivisions 4b, 4c;

1.11 290A.03, subdivision 15; 291.005, subdivision 1; Laws 2020, Seventh Special

1.12 Session chapter 2, article 1, section 1, subdivision 7; article 4, section 1, subdivision

1.13 2; article 5, section 1; proposing coding for new law in Minnesota Statutes, chapter

1.14 290.

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

1.16 Section 1. Minnesota Statutes 2020, section 289A.02, subdivision 7, is amended to read:

1.17 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal

1.18 Revenue Code" means the Internal Revenue Code of 1986, as amended through December

1.19 31, 2018, except that for the following purposes, "Internal Revenue Code" means the Internal

1.20 Revenue Code as amended through December 27, 2020: (1) exclusion from gross income

1.21 of paycheck protection loan forgiveness under section 1106 of Public Law 116-136; (2)

1.22 modifications to the paycheck protection loan program under Public Laws 116-142, 116-139,

1.23 and 116-147; (3) deductions allowed under section 276 of Public Law 116-260-; and (4)

1.24 for taxable years beginning after December 31, 2019, and before January 1, 2022, the

1.25 exclusion from gross income of educator expenses, including personal protective equipment,

1.26 disinfectant, and other supplies used for the prevention of the spread of COVID-19 under

1.27 section 275 of Public Law 116-260.

2.1 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
2.2 that changes incorporated by federal changes are effective retroactively at the same time  
2.3 the changes were effective for federal purposes.

2.4 Sec. 2. Minnesota Statutes 2020, section 289A.08, is amended by adding a subdivision to  
2.5 read:

2.6 Subd. 7a. **Election to file as C-option corporation.** (a) A qualifying entity may elect  
2.7 to file a return as a C-option corporation. Except as provided in this subdivision, a C-option  
2.8 corporation must calculate its tax liability as a corporation subject to the franchise tax on  
2.9 corporations imposed in section 290.02 and must allocate its income as a corporation as  
2.10 required under sections 290.17, 290.191, and 290.20.

2.11 (b) The election under paragraph (a):

2.12 (1) must be made on or before the due date or extended due date of the qualifying entity's  
2.13 return as a C-option corporation;

2.14 (2) may only be made by persons who hold more than 50 percent ownership interest in  
2.15 the qualifying entity; and

2.16 (3) is binding on all persons who have an ownership interest in the qualifying entity.

2.17 (c) The election is binding for a period of four taxable years following the taxable year  
2.18 of the election. The election may be revoked before the expiration of the period if:

2.19 (1) the revocation is requested by persons who hold more than 50 percent ownership  
2.20 interest in the qualifying entity; and

2.21 (2) the revocation is made on or before the due date or the extended due date of the  
2.22 qualifying entity's return for that year.

2.23 (d) If an election is revoked before the expiration of the period, a new election to file as  
2.24 a C-option corporation may not be made by the qualifying entity for the following four  
2.25 taxable years.

2.26 (e) The expiration or revocation of an election is effective at the close of a taxable year  
2.27 and nothing in this section releases a C-option corporation from complying with the  
2.28 requirements of this chapter for that taxable year.

2.29 (f) For purposes of this subdivision:

2.30 (1) "qualifying entity" means a:

2.31 (i) partnership;

3.1 (ii) limited liability company; or

3.2 (iii) corporation organized under subchapter S of the Internal Revenue Code for federal  
3.3 income tax purposes, including a qualified subsidiary also organized under subchapter S of  
3.4 the Internal Revenue Code; and

3.5 (2) "C-option corporation" means a qualifying entity that has made the election under  
3.6 paragraph (a).

3.7 (g) Tax liability must be calculated by multiplying the Minnesota taxable income of the  
3.8 qualifying entity by a tax rate of 9.85 percent.

3.9 (h) A member's, partner's, or shareholder's adjusted basis in the member's, partner's, or  
3.10 shareholder's interest in the limited liability company, partnership, or S corporation, and  
3.11 the treatment of distributions, is determined as if the election under this subdivision is not  
3.12 made.

3.13 (i) A qualifying entity must not have a partnership, limited liability company, or  
3.14 corporation as a member or partner.

3.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.16 31, 2020.

3.17 Sec. 3. Minnesota Statutes 2020, section 289A.38, is amended by adding a subdivision to  
3.18 read:

3.19 **Subd. 17. C-option corporations.** For purposes of this section, "taxpayer" includes a  
3.20 C-option corporation, and all applicable reports, amendments, adjustments, assessments,  
3.21 changes in tax, refunds, and statements under this section apply to a C-option corporation  
3.22 for those taxable years in which the C-option election under section 289A.08, subdivision  
3.23 7a, is effective. For purposes of this subdivision, "C-option corporation" means a qualifying  
3.24 entity under section 289A.08, subdivision 7a, paragraph (f), that made the election in section  
3.25 289A.08, subdivision 7a, paragraph (a), for the applicable tax year.

3.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
3.27 31, 2020.

4.1 Sec. 4. Minnesota Statutes 2020, section 290.01, is amended by adding a subdivision to  
4.2 read:

4.3 Subd. 4d. **C-option corporation.** "C-option corporation" means a qualifying entity  
4.4 under section 289A.08, subdivision 7a, paragraph (f), that made the election in section  
4.5 289A.08, subdivision 7a, paragraph (a), for the applicable tax year.

4.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.7 31, 2020.

4.8 Sec. 5. Minnesota Statutes 2020, section 290.01, subdivision 19, is amended to read:

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

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

4.18 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
4.19 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
4.20 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
4.21 except that:

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

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

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

5.1 (d) The net income of a real estate investment trust as defined and limited by section  
5.2 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
5.3 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

5.7 (f) The Internal Revenue Code of 1986, as amended through December 31, 2018, shall  
5.8 be in effect for taxable years beginning after December 31, 1996, except that for the following  
5.9 purposes, "Internal Revenue Code" means the Internal Revenue Code as amended through  
5.10 December 27, 2020: (1) exclusion from gross income of paycheck protection loan forgiveness  
5.11 under section 1106 of Public Law 116-136; (2) modifications to the paycheck protection  
5.12 loan program under Public Laws 116-142, 116-139, and 116-147; (3) deductions allowed  
5.13 under section 276 of Public Law 116-260; and (4) for taxable years beginning after  
5.14 December 31, 2019, and before January 1, 2022, the exclusion from gross income of educator  
5.15 expenses, including personal protective equipment, disinfectant, and other supplies used  
5.16 for the prevention of the spread of COVID-19 under section 275 of Public Law 116-260.

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

5.20 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
5.21 that changes incorporated by federal changes are effective retroactively at the same time  
5.22 the changes were effective for federal purposes.

5.23 Sec. 6. Minnesota Statutes 2020, section 290.01, subdivision 31, is amended to read:

5.24 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
5.25 Revenue Code" means the Internal Revenue Code of 1986, as amended through December  
5.26 31, 2018. Internal Revenue Code also includes any uncodified provision in federal law that  
5.27 relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law,  
5.28 except that for the following purposes, "Internal Revenue Code" means the Internal Revenue  
5.29 Code as amended through December 27, 2020: (1) exclusion from gross income of paycheck  
5.30 protection loan forgiveness under section 1106 of Public Law 116-136; (2) modifications  
5.31 to the paycheck protection loan program under Public Laws 116-142, 116-139, and 116-147;  
5.32 (3) deductions allowed under section 276 of Public Law 116-260; and (4) for taxable years  
5.33 beginning after December 31, 2019, and before January 1, 2022, the exclusion from gross  
5.34 income of educator expenses, including personal protective equipment, disinfectant, and

6.1 other supplies used for the prevention of the spread of COVID-19 under section 275 of  
6.2 Public Law 116-260.

6.3 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
6.4 that changes incorporated by federal changes are effective retroactively at the same time  
6.5 the changes were effective for federal purposes.

6.6 Sec. 7. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision  
6.7 to read:

6.8 Subd. 30. **Income of partners, members, or shareholders.** The amount of income  
6.9 determined after allowable deductions and the additions and subtractions required under  
6.10 this chapter that is received from a qualifying entity, as defined under section 289A.08,  
6.11 subdivision 7a, for purposes of calculating adjusted gross income by a partner, member, or  
6.12 shareholder of a qualifying entity that has elected to file as a C-option corporation under  
6.13 section 289A.08, subdivision 7a, is a subtraction. The amount of net income as adjusted  
6.14 under this subdivision must not be less than zero. The amount of the subtraction allowed  
6.15 under this subdivision may not exceed the partner's, member's, or shareholder's portions of  
6.16 the qualifying entity's net income after assignment under section 290.17, or apportionment  
6.17 under section 290.191 or 290.20, as may be required.

6.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.19 31, 2020.

6.20 Sec. 8. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision  
6.21 to read:

6.22 Subd. 31. **Certain unemployment insurance compensation payments.** For taxable  
6.23 years beginning after December 31, 2019, and before January 1, 2021, 18 percent of the  
6.24 amount of unemployment compensation received by an individual under section 2104 of  
6.25 the CARES Act, Public Law 116-136, is a subtraction. The subtraction is reduced by \$1 for  
6.26 every \$4 of adjusted gross income over:

6.27 (1) \$150,000 for married couples filing a joint return or surviving spouses;

6.28 (2) \$112,500 for head of household filers; and

6.29 (3) \$75,000 for all other filers.

6.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
6.31 31, 2019, and before January 1, 2021.

7.1 Sec. 9. Minnesota Statutes 2020, section 290.06, subdivision 2c, is amended to read:

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

7.6 (1) On the first \$38,770, 5.35 percent;

7.7 (2) On all over \$38,770, but not over \$154,020, 6.8 percent;

7.8 (3) On all over \$154,020, but not over \$269,010, 7.85 percent;

7.9 (4) On all over \$269,010, 9.85 percent.

7.10 Married individuals filing separate returns, estates, and trusts must compute their income  
7.11 tax by applying the above rates to their taxable income, except that the income brackets  
7.12 will be one-half of the above amounts after the adjustment required in subdivision 2d.

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

7.15 (1) On the first \$26,520, 5.35 percent;

7.16 (2) On all over \$26,520, but not over \$87,110, 6.8 percent;

7.17 (3) On all over \$87,110, but not over \$161,720, 7.85 percent;

7.18 (4) On all over \$161,720, 9.85 percent.

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

7.22 (1) On the first \$32,650, 5.35 percent;

7.23 (2) On all over \$32,650, but not over \$131,190, 6.8 percent;

7.24 (3) On all over \$131,190, but not over \$214,980, 7.85 percent;

7.25 (4) On all over \$214,980, 9.85 percent.

7.26 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax  
7.27 of any individual taxpayer whose taxable net income for the taxable year is less than an  
7.28 amount determined by the commissioner must be computed in accordance with tables  
7.29 prepared and issued by the commissioner of revenue based on income brackets of not more  
7.30 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in

8.1 this subdivision, provided that the commissioner may disregard a fractional part of a dollar  
8.2 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

8.7 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
8.8 defined in section 62 of the Internal Revenue Code and increased by:

8.9 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and  
8.10 17, and 290.0137, paragraph (a); and reduced by

8.11 (ii) the Minnesota assignable portion of the subtraction for United States government  
8.12 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,  
8.13 subdivisions 9, 10, 14, 15, 17, 18, ~~and 27,~~ and 30, and 290.0137, paragraph (c), after applying  
8.14 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

8.15 (2) the denominator is the individual's federal adjusted gross income as defined in section  
8.16 62 of the Internal Revenue Code, increased by:

8.17 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and  
8.18 17, and 290.0137, paragraph (a); and reduced by

8.19 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, ~~and~~  
8.20 27, and 30, and 290.0137, paragraph (c).

8.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
8.22 31, 2020.

8.23 Sec. 10. Minnesota Statutes 2020, section 290.06, subdivision 22, is amended to read:

8.24 Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes  
8.25 based on net income to another state, as provided in paragraphs (b) through (f), upon income  
8.26 allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state  
8.27 if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who  
8.28 is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who  
8.29 is subject to income tax as a resident in the state of the individual's domicile is not allowed  
8.30 this credit unless the state of domicile does not allow a similar credit.

8.31 (b) For an individual, estate, or trust, the credit is determined by multiplying the tax  
8.32 payable under this chapter by the ratio derived by dividing the income subject to tax in the



9.1 other state that is also subject to tax in Minnesota while a resident of Minnesota by the  
9.2 taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue  
9.3 Code, modified by the addition required by section 290.0131, subdivision 2, and the  
9.4 subtraction allowed by section 290.0132, subdivision 2, to the extent the income is allocated  
9.5 or assigned to Minnesota under sections 290.081 and 290.17.

9.6 (c) If the taxpayer is an athletic team that apportions all of its income under section  
9.7 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this  
9.8 chapter by the ratio derived from dividing the total net income subject to tax in the other  
9.9 state by the taxpayer's Minnesota taxable income.

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

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

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

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

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

10.1 the term "net income tax" means any tax imposed on or measured by a corporation's net  
10.2 income.

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

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

10.9 (1) includes:

10.10 (i) the District of Columbia; and

10.11 (ii) a province or territory of Canada; but

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

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

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

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

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

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

10.29 (2) If the amount of the credit that a qualifying individual is eligible to receive under  
10.30 clause (1) for tax paid to a qualifying state exceeds the tax due under this chapter before  
10.31 the application of the credit calculated under clause (1), the commissioner shall refund the

11.1 excess to the qualifying individual. An amount sufficient to pay the refunds required by this  
 11.2 subdivision is appropriated to the commissioner from the general fund.

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

11.11 (m) A resident partner, member, or shareholder of a qualifying entity as defined in section  
 11.12 289A.08, subdivision 7a, paragraph (f), may claim a credit for the amount of their pro rata  
 11.13 share of any net income tax paid to another state by the entity or on a composite return filed  
 11.14 with that state on behalf of its Minnesota resident partners, members, or shareholders. For  
 11.15 purposes of this paragraph, "net income tax" means any tax imposed on or measured by net  
 11.16 income, but "net income" does not include any income that is apportioned to this state under  
 11.17 section 290.191 or 290.20.

11.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 11.19 31, 2020.

11.20 Sec. 11. Minnesota Statutes 2020, section 290.091, subdivision 2, is amended to read:

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

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

11.25 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
 11.26 55(b)(2) of the Internal Revenue Code;

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

11.29 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

11.30 (ii) the medical expense deduction;

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

11.32 (iv) the impairment-related work expenses of a person with a disability;

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

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

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

12.12 (6) the amount of addition required by section 290.0131, subdivisions 9, 10, and 16;

12.13 (7) the deduction allowed under section 199A of the Internal Revenue Code, to the extent  
12.14 not included in the addition required under clause (6); and

12.15 (8) to the extent not included in federal alternative minimum taxable income, the amount  
12.16 of foreign-derived intangible income deducted under section 250 of the Internal Revenue  
12.17 Code;

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

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

12.20 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
12.21 3, to the extent included in federal alternative minimum taxable income;

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

12.26 (iv) amounts subtracted from federal taxable or adjusted gross income as provided by  
12.27 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, and 26 to ~~29~~ 30;

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

12.30 (vi) the amount allowable as a Minnesota itemized deduction under section 290.0122,  
12.31 subdivision 7.

13.1 In the case of an estate or trust, alternative minimum taxable income must be computed  
 13.2 as provided in section 59(c) of the Internal Revenue Code, except alternative minimum  
 13.3 taxable income must be increased by the addition in section 290.0131, subdivision 16.

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

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

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

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

13.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 13.13 31, 2020.

13.14 Sec. 12. Minnesota Statutes 2020, section 290.0921, subdivision 2, is amended to read:

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

13.17 (b) "Alternative minimum taxable net income" is alternative minimum taxable income,  
 13.18 (1) less the exemption amount, and

13.19 (2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

13.20 (c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of  
 13.21 the excess of alternative minimum taxable income over \$150,000.

13.22 (d) "Minnesota alternative minimum taxable income" is alternative minimum taxable  
 13.23 net income, less the deductions for alternative tax net operating loss under subdivision 4;  
 13.24 and dividends received under subdivision 6. The sum of the deductions under this paragraph  
 13.25 may not exceed 90 percent of alternative minimum taxable net income. This limitation does  
 13.26 not apply to:

13.27 (1) a deduction for dividends paid to or received from a corporation which is subject to  
 13.28 tax under section 290.36 and which is a member of an affiliated group of corporations as  
 13.29 defined by the Internal Revenue Code; or

13.30 (2) a deduction for dividends received from a property and casualty insurer as defined  
 13.31 under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations

14.1 as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in  
 14.2 consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31,  
 14.3 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal  
 14.4 Revenue Code.

14.5 (e) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended  
 14.6 through December 16, 2016, except that for the following purposes, "Internal Revenue  
 14.7 Code" means the Internal Revenue Code as amended through December 27, 2020: (1)  
 14.8 exclusion from gross income of paycheck protection loan forgiveness under section 1106  
 14.9 of Public Law 116-136; (2) modifications to the paycheck protection loan program under  
 14.10 Public Laws 116-142, 116-139, and 116-147; (3) deductions allowed under section 276 of  
 14.11 Public Law 116-260; and (4) for taxable years beginning after December 31, 2019, and  
 14.12 before January 1, 2022, the exclusion from gross income of educator expenses, including  
 14.13 personal protective equipment, disinfectant, and other supplies used for the prevention of  
 14.14 the spread of COVID-19 under section 275 of Public Law 116-260.

14.15 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 14.16 that changes incorporated by federal changes are effective retroactively at the same time  
 14.17 the changes were effective for federal purposes.

14.18 **Sec. 13. [290.096] SPECIAL RULES FOR C-OPTION CORPORATIONS.**

14.19 **Subdivision 1. Allocation of subtractions and credits.** No carryover generated by a  
 14.20 C-option corporation for a subtraction allowed under this chapter that remains after the  
 14.21 revocation or expiration of the election in section 289A.08, subdivision 7a, paragraph (a),  
 14.22 may be claimed by a partner, member, or shareholder of that C-option corporation.

14.23 **Subd. 2. Credits.** (a) Credits and credit carryovers against the tax due under this chapter  
 14.24 that are claimed by a C-option corporation must be distributed as follows:

14.25 (1) for a nonrefundable credit, the credit is distributed to the C-option corporation; and

14.26 (2) for a refundable credit, the amount of the credit that does not exceed the C-option  
 14.27 corporation's taxable income is distributed to the C-option corporation and the amount of  
 14.28 the credit that exceeds the amount of the C-option corporation's taxable income is distributed  
 14.29 in the same manner as the subtraction in section 290.0132, subdivision 30.

14.30 (b) A credit carryover generated by an individual taxpayer may be claimed by a C-option  
 14.31 corporation of which the individual is a partner, member, or shareholder.

15.1 Subd. 3. Refunds. (a) A C-option corporation may make a claim for a refund under  
15.2 section 289A.50. Refunds must be paid to each partner, member, or shareholder in the same  
15.3 manner as the distribution of the subtraction in section 290.0132, subdivision 30.

15.4 (b) For purposes of applying interest to refunds under paragraph (a), the amount refunded  
15.5 bears interest under section 289A.56, subdivision 2, from the later of when the partner's,  
15.6 member's, or shareholder's individual return is filed or when the C-option corporation's  
15.7 return is filed.

15.8 Subd. 4. Estimated tax. (a) A C-option corporation must make payments of estimated  
15.9 tax as required under section 289A.26.

15.10 (b) Payments of estimated tax under paragraph (a) made by a C-option corporation for  
15.11 a taxable year for which the taxpayer is not a C-option corporation must be distributed to  
15.12 each partner, member, or shareholder in the same manner as the distribution of the subtraction  
15.13 in section 290.0132, subdivision 30.

15.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.15 31, 2020.

15.16 Sec. 14. Minnesota Statutes 2020, section 290.92, subdivision 4b, is amended to read:

15.17 **Subd. 4b. Withholding by partnerships.** (a) A partnership shall deduct and withhold  
15.18 a tax as provided in paragraph (b) for nonresident individual partners based on their  
15.19 distributive shares of partnership income for a taxable year of the partnership.

15.20 (b) The amount of tax withheld is determined by multiplying the partner's distributive  
15.21 share allocable to Minnesota under section 290.17, paid or credited during the taxable year  
15.22 by the highest rate used to determine the income tax liability for an individual under section  
15.23 290.06, subdivision 2c, except that the amount of tax withheld may be determined by the  
15.24 commissioner if the partner submits a withholding exemption certificate under subdivision  
15.25 5.

15.26 (c) The commissioner may reduce or abate the tax withheld under this subdivision if the  
15.27 partnership had reasonable cause to believe that no tax was due under this section.

15.28 (d) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold  
15.29 tax for a nonresident partner if:

15.30 (1) the partner elects to have the tax due paid as part of the partnership's composite return  
15.31 under section 289A.08, subdivision 7;

16.1 (2) the partner has Minnesota assignable federal adjusted gross income from the  
16.2 partnership of less than \$1,000; or

16.3 (3) the partnership is liquidated or terminated, the income was generated by a transaction  
16.4 related to the termination or liquidation, and no cash or other property was distributed in  
16.5 the current or prior taxable year;

16.6 (4) the distributive shares of partnership income are attributable to:

16.7 (i) income required to be recognized because of discharge of indebtedness;

16.8 (ii) income recognized because of a sale, exchange, or other disposition of real estate,  
16.9 depreciable property, or property described in section 179 of the Internal Revenue Code;  
16.10 or

16.11 (iii) income recognized on the sale, exchange, or other disposition of any property that  
16.12 has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of  
16.13 the Internal Revenue Code

16.14 to the extent that the income does not include cash received or receivable or, if there is cash  
16.15 received or receivable, to the extent that the cash is required to be used to pay indebtedness  
16.16 by the partnership or a secured debt on partnership property; ~~or~~

16.17 (5) the partnership is a publicly traded partnership, as defined in section 7704(b) of the  
16.18 Internal Revenue Code; or

16.19 (6) the partnership has elected to be taxed as a C-option corporation under section  
16.20 289A.08, subdivision 7a.

16.21 (e) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2,  
16.22 paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a partnership is considered an  
16.23 employer.

16.24 (f) To the extent that income is exempt from withholding under paragraph (d), clause  
16.25 (4), the commissioner has a lien in an amount up to the amount that would be required to  
16.26 be withheld with respect to the income of the partner attributable to the partnership interest,  
16.27 but for the application of paragraph (d), clause (4). The lien arises under section 270C.63  
16.28 from the date of assessment of the tax against the partner, and attaches to that partner's share  
16.29 of the profits and any other money due or to become due to that partner in respect of the  
16.30 partnership. Notice of the lien may be sent by mail to the partnership, without the necessity  
16.31 for recording the lien. The notice has the force and effect of a levy under section 270C.67,  
16.32 and is enforceable against the partnership in the manner provided by that section. Upon



17.1 payment in full of the liability subsequent to the notice of lien, the partnership must be  
17.2 notified that the lien has been satisfied.

17.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.4 31, 2020.

17.5 Sec. 15. Minnesota Statutes 2020, section 290.92, subdivision 4c, is amended to read:

17.6 Subd. 4c. **Withholding by S corporations.** (a) A corporation having a valid election in  
17.7 effect under section 290.9725 shall deduct and withhold a tax as provided in paragraph (b)  
17.8 for nonresident individual shareholders their share of the corporation's income for the taxable  
17.9 year.

17.10 (b) The amount of tax withheld is determined by multiplying the amount of income  
17.11 allocable to Minnesota under section 290.17 by the highest rate used to determine the income  
17.12 tax liability of an individual under section 290.06, subdivision 2c, except that the amount  
17.13 of tax withheld may be determined by the commissioner if the shareholder submits a  
17.14 withholding exemption certificate under subdivision 5.

17.15 (c) Notwithstanding paragraph (a), a corporation is not required to deduct and withhold  
17.16 tax for a nonresident shareholder, if:

17.17 (1) the shareholder elects to have the tax due paid as part of the corporation's composite  
17.18 return under section 289A.08, subdivision 7;

17.19 (2) the shareholder has Minnesota assignable federal adjusted gross income from the  
17.20 corporation of less than \$1,000; ~~or~~

17.21 (3) the corporation is liquidated or terminated, the income was generated by a transaction  
17.22 related to the termination or liquidation, and no cash or other property was distributed in  
17.23 the current or prior taxable year; or

17.24 (4) the S corporation has elected to be taxed as a C-option corporation under section  
17.25 289A.08, subdivision 7a.

17.26 (d) For purposes of sections 270C.60, 289A.09, subdivision 2, 289A.20, subdivision 2,  
17.27 paragraph (c), 289A.50, 289A.56, 289A.60, and 289A.63, a corporation is considered an  
17.28 employer.

17.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.30 31, 2020.

18.1 Sec. 16. Minnesota Statutes 2020, section 290A.03, subdivision 15, is amended to read:

18.2 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue  
18.3 Code of 1986, as amended through December 31, 2018, except that for the following  
18.4 purposes, "Internal Revenue Code" means the Internal Revenue Code as amended through  
18.5 December 27, 2020: (1) exclusion from gross income of paycheck protection loan forgiveness  
18.6 under section 1106 of Public Law 116-136; (2) modifications to the paycheck protection  
18.7 loan program under Public Laws 116-142, 116-139, and 116-147; (3) deductions allowed  
18.8 under section 276 of Public Law 116-260; and (4) for taxable years beginning after  
18.9 December 31, 2019, and before January 1, 2022, the exclusion from gross income of educator  
18.10 expenses, including personal protective equipment, disinfectant, and other supplies used  
18.11 for the prevention of the spread of COVID-19 under section 275 of Public Law 116-260.

18.12 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
18.13 that changes incorporated by federal changes are effective retroactively at the same time  
18.14 the changes were effective for federal purposes.

18.15 Sec. 17. Minnesota Statutes 2020, section 291.005, subdivision 1, is amended to read:

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

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

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

18.25 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,  
18.26 as amended through December 31, 2018, except that for the following purposes, "Internal  
18.27 Revenue Code" means the Internal Revenue Code as amended through December 27, 2020:  
18.28 (1) exclusion from gross income of paycheck protection loan forgiveness under section  
18.29 1106 of Public Law 116-136; (2) modifications to the paycheck protection loan program  
18.30 under Public Laws 116-142, 116-139, and 116-147; (3) deductions allowed under section  
18.31 276 of Public Law 116-260; and (4) for taxable years beginning after December 31, 2019,  
18.32 and before January 1, 2022, the exclusion from gross income of educator expenses, including

19.1 personal protective equipment, disinfectant, and other supplies used for the prevention of  
19.2 the spread of COVID-19 under section 275 of Public Law 116-260.

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

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

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

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

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

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

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

19.25 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
19.26 Code, owned by a nonresident decedent and that is normally kept or located in this state  
19.27 because it is on loan to an organization, qualifying as exempt from taxation under section  
19.28 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
19.29 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

20.1 For a nonresident decedent with an ownership interest in a pass-through entity with  
 20.2 assets that include real or tangible personal property, situs of the real or tangible personal  
 20.3 property, including qualified works of art, is determined as if the pass-through entity does  
 20.4 not exist and the real or tangible personal property is personally owned by the decedent. If  
 20.5 the pass-through entity is owned by a person or persons in addition to the decedent, ownership  
 20.6 of the property is attributed to the decedent in proportion to the decedent's capital ownership  
 20.7 share of the pass-through entity.

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

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

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

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

20.15 (iv) a trust to the extent the property is includable in the decedent's federal gross estate;  
 20.16 but excludes

20.17 (v) an entity whose ownership interest securities are traded on an exchange regulated  
 20.18 by the Securities and Exchange Commission as a national securities exchange under section  
 20.19 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

20.20 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 20.21 that changes incorporated by federal changes are effective retroactively at the same time  
 20.22 the changes were effective for federal purposes.

20.23 Sec. 18. Laws 2020, Seventh Special Session chapter 2, article 1, section 1, subdivision  
 20.24 7, is amended to read:

20.25 Subd. 7. **Appropriation.** (a) \$88,000,000 in fiscal year 2021 is appropriated from the  
 20.26 general fund to the commissioner of revenue to make payments required under this section.  
 20.27 This is a onetime appropriation. Of this amount, \$250,000 is appropriated to the commissioner  
 20.28 of revenue to administer this section.

20.29 (b) The appropriation under this subdivision expires on ~~March 15~~ May 5, 2021. Any  
 20.30 unexpended amount from the appropriation in paragraph (a) after ~~March 15~~ May 5, 2021,  
 20.31 is canceled.

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

21.1 Sec. 19. Laws 2020, Seventh Special Session chapter 2, article 4, section 1, subdivision  
21.2 2, is amended to read:

21.3 Subd. 2. **Grants.** (a) To be eligible for a grant under this subdivision, a business must,  
21.4 to the extent it is feasible for the commissioner of employment and economic development  
21.5 to determine:

21.6 (1) be either:

21.7 (i) a movie theater that has at least one permanent indoor auditorium for viewing films  
21.8 for entertainment by the general public who attend by the purchase of an individual ticket  
21.9 to view a specific non-adult-oriented film and that also had at least \$15,000 in ticket sales  
21.10 in 2019; or

21.11 (ii) a multipurpose convention center with a capacity for 1,500 people or more, that is  
21.12 not part of a hotel, university, or retail mall, and is not primarily a music venue or theater;

21.13 (2) have experienced a decline in overall sales between 2019 and 2020 of 30 percent or  
21.14 more measured by sales in the second and third quarters of each year;

21.15 (3) have been directly impacted by Governor's Executive Order No. 20-99 and not be  
21.16 exempt from that order;

21.17 (4) have a physical location in the state of Minnesota; and

21.18 (5) have no current tax liens on record with the secretary of state as of the time of  
21.19 application for a grant under this section.

21.20 (b) The commissioner of employment and economic development shall make grants to  
21.21 eligible businesses according to the following:

21.22 (1) eligible businesses that are movie theaters shall receive a grant of \$15,000 per screen  
21.23 for each of the first two screens in the theater and a grant of \$10,000 per screen for each  
21.24 additional screen in the theater, with no theater receiving a total grant of more than \$150,000.  
21.25 Grant funds must be used for the operating expenses of the location that qualified for the  
21.26 grant; and

21.27 (2) eligible businesses that are convention centers shall receive a grant proportional to  
21.28 the size of the venue and its workforce, with no convention center receiving a grant of more  
21.29 than \$500,000. Grant funds must be used for the direct operations and upkeep of convention  
21.30 center facilities and must not be added to the general fund of any local unit of government.

21.31 (c) Grants and the process of making grants under this section are exempt from the  
21.32 following statutes and related policies: Minnesota Statutes, sections 16A.15, subdivision 3;

22.1 16B.97; and 16B.98, subdivisions 5, 7, and 8. The commissioner of employment and  
 22.2 economic development shall monitor the use of grant funds under this section. The  
 22.3 exemptions under this paragraph expire on March 15, 2021.

22.4 (d) Any unexpended amount from the appropriation in subdivision 1 after ~~April 1~~ May  
 22.5 5, 2021, is canceled.

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

22.7 Sec. 20. Laws 2020, Seventh Special Session chapter 2, article 5, section 1, is amended  
 22.8 to read:

22.9 Section 1. **COUNTY RELIEF GRANTS TO LOCAL BUSINESSES;**  
 22.10 **APPROPRIATION.**

22.11 (a) \$114,800,000 in fiscal year 2021 is appropriated from the general fund to the  
 22.12 commissioner of management and budget for payments to counties for relief grants to local  
 22.13 businesses. This is a onetime appropriation.

22.14 (b) Each county shall be issued a payment in the amount of \$256,250 or a per capita  
 22.15 amount determined by reference to the population of each county according to the most  
 22.16 recently available 2019 population estimate from the state demographer as of December 1,  
 22.17 2020, whichever is greater.

22.18 (c) Each county may use the greater of \$6,250 or 2.5 percent of the amount received  
 22.19 under paragraph (b) for administrative costs incurred from making grants under this section.  
 22.20 A county may contract with a third party to administer the grant program on behalf of the  
 22.21 county.

22.22 (d) Counties shall use the funds to make grants to individual businesses and nonprofits  
 22.23 that, to the extent it is feasible for the county to determine:

22.24 (1) are located in the applicable county in the state of Minnesota or on adjacent tribal  
 22.25 land;

22.26 (2) have no current tax liens on record with the secretary of state as of the time of  
 22.27 application for a grant under this section; and

22.28 (3) were impacted by an executive order related to the COVID-19 pandemic.

22.29 (e) A county shall determine grant recipients and the grant amount awarded per grant.  
 22.30 A business that receives a business relief payment under article 1 is not excluded from  
 22.31 applying for a county relief grant under this section. A county may award a grant to a

23.1 business that is owned by a tribal government and located on tribal land if the business has  
 23.2 voluntarily complied with Executive Order No. 20-99. Nonprofits, nonprofit arts  
 23.3 organizations, nonprofit museums, and nonprofit fitness centers that earn revenue similar  
 23.4 to businesses, including but not limited to ticket sales and membership fees, are eligible for  
 23.5 grants under this section.

23.6 (f) Grant funds must be used by the eligible business or nonprofit for operations expenses  
 23.7 incurred during the COVID-19 pandemic.

23.8 (g) Grants under this section must be awarded by March 15, 2021.

23.9 (h) Grants and the process of making grants under this section are exempt from the  
 23.10 following statutes and related policies: Minnesota Statutes, sections 16A.15, subdivision 3;  
 23.11 16B.97; and 16B.98, subdivisions 5, 7, and 8. A county opting to use a third party to  
 23.12 administer grants is exempt from Minnesota Statutes, section 471.345, in the selection of  
 23.13 the third-party administrator. The exemptions under this paragraph expire on March 15,  
 23.14 2021.

23.15 (i) By June 30, 2021, the commissioner of employment and economic development shall  
 23.16 report to the legislative committees with jurisdiction over economic development policy  
 23.17 and finance on the grants provided under this section.

23.18 (j) Any unexpended amount from the appropriation in paragraph (a) after ~~April 1~~ May  
 23.19 5, 2021, is canceled.

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

23.21 **Sec. 21. CLARIFICATION OF SECTION 179 EXPENSING CONFORMITY.**

23.22 For taxable years beginning after December 31, 2019, no addition is required under  
 23.23 Minnesota Statutes, sections 290.0131, subdivision 10, and 290.0133, subdivision 12, for  
 23.24 property placed in service in taxable years beginning before January 1, 2020, including the  
 23.25 following:

23.26 (1) the addition for carryover amounts pursuant to section 179(b)(3) of the Internal  
 23.27 Revenue Code for property placed in service in taxable years beginning before January 1,  
 23.28 2020; and

23.29 (2) the addition for property placed in service in taxable years beginning before January  
 23.30 1, 2020, resulting from being a shareholder or partner in an S-corporation or partnership  
 23.31 with a taxable year that began before January 1, 2020.

24.1 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
 24.2 after December 31, 2019.

24.3 Sec. 22. **NO DENIAL OF DEDUCTION.**

24.4 Notwithstanding Minnesota Statutes, section 290.10, the commissioner of revenue must  
 24.5 not deny a taxpayer a deduction that is allowed under section 276 of the COVID-related  
 24.6 Tax Relief Act of 2020 in Public Law 116-260.

24.7 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 24.8 that changes incorporated by federal changes are effective retroactively at the same time  
 24.9 the changes were effective for federal purposes.

24.10 Sec. 23. **CLARIFICATION OF NET OPERATING LOSS TREATMENT.**

24.11 The update of the Internal Revenue Code in sections 1, 5, 6, 12, 16, 17, and 22:

24.12 (1) applies only to:

24.13 (i) the exclusion from gross income under section 1106 of Public Law 116-136;

24.14 (ii) modifications to Paycheck Protection Program loan requirements under Public Laws  
 24.15 116-142, 116-139, and 116-147; and

24.16 (iii) deductions allowed under section 276 of Public Law 116-260; and

24.17 (2) does not apply to the modifications to treatment of net operating losses under section  
 24.18 2303 of the CARES Act, Public Law 116-136, as modified by section 281 of the  
 24.19 COVID-related Tax Relief Act of 2020 in Public Law 116-260.

24.20 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 24.21 that changes incorporated by federal changes are effective retroactively at the same time  
 24.22 the changes were effective for federal purposes.

24.23 Sec. 24. **ONETIME FILING EXTENSION FOR CORPORATE AND PARTNERSHIP**  
 24.24 **RETURNS.**

24.25 For taxable years beginning after December 31, 2019, and before January 1, 2021:

24.26 (1) notwithstanding Minnesota Statutes, section 298A.18, subdivision 1, clause (1), for  
 24.27 returns made on the basis of the calendar year, returns of corporations and partnerships may  
 24.28 be filed 30 days after the due date for filing the federal return; and



25.1 (2) notwithstanding Minnesota Statutes, section 298A.18, subdivision 1, clause (2), for  
25.2 returns made on the basis of the fiscal year, returns of corporations and partnerships may  
25.3 be filed 30 days after the due date for filing the federal return.

25.4 **EFFECTIVE DATE.** This section is effective the day following final enactment, and  
25.5 applies to taxable years beginning after December 31, 2019, and before January 1, 2021.