

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

**S.F. No. 3843**

(SENATE AUTHORS: CHAMBERLAIN)

DATE	D-PG	OFFICIAL STATUS
03/02/2020	5119	Introduction and first reading Referred to Taxes
04/30/2020		Comm report: To pass as amended Second reading Urgency declared rules suspended Third reading Passed as amended Author stricken Rest

1.1 A bill for an act

1.2 relating to taxation; modifying income and corporate franchise, special taxes, and

1.3 property taxes; modifying the K-12 education expense credit, charitable contribution

1.4 subtraction, and section 179 expensing provisions; providing ongoing funding for

1.5 the small business investment tax credit; extending certain deadlines; modifying

1.6 certain lawful gambling tax and other provisions; providing for certain federal

1.7 conformity; modifying referendum equalization levy; requiring a moratorium on

1.8 reclassifying certain property; amending Minnesota Statutes 2018, sections 273.13,

1.9 subdivision 25; 290.0131, subdivision 10; 290.0133, subdivision 12; 290.0674,

1.10 subdivision 2; 297E.02, subdivision 6; 297E.021, subdivision 2; 349.15, subdivision

1.11 1; 349.151, subdivision 4; Minnesota Statutes 2019 Supplement, sections 116J.8737,

1.12 subdivision 5; 126C.17, subdivision 6; 289A.02, subdivision 7; 290.01, subdivisions

1.13 19, 31; 290.0132, subdivision 7; 290A.03, subdivision 15; 291.005, subdivision

1.14 1; repealing Minnesota Statutes 2018, sections 290.0674, subdivision 2a; 290.0692,

1.15 subdivision 6; Minnesota Statutes 2019 Supplement, section 116J.8737, subdivision

1.16 12.

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

1.18 **ARTICLE 1**

1.19 **PROPERTY TAXES AND AIDS AND CREDITS**

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

1.21 to read:

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

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

1.24 equalization levy.

1.25 (b) A district's first tier referendum equalization levy equals the district's first tier

1.26 referendum equalization revenue times the lesser of (1) one ~~or~~, (2) the ratio of the district's

2.1 referendum market value per resident pupil unit to ~~\$567,000~~ \$650,000, or (3) the ratio of  
 2.2 the district's referendum market value per adjusted pupil unit to \$650,000.

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

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

2.8 Sec. 2. Minnesota Statutes 2018, section 273.13, subdivision 25, is amended to read:

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

2.16 (b) Class 4b includes:

2.17 (1) residential real estate containing less than four units that does not qualify as class  
 2.18 4bb, other than seasonal residential recreational property;

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

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

2.22 (4) unimproved property that is classified residential as determined under subdivision  
 2.23 33.

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

2.25 (c) Class 4bb includes:

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

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

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

3.1 Class 4bb property has the same classification rates as class 1a property under subdivision  
3.2 22.

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

3.6 (d) Class 4c property includes:

3.7 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
3.8 devoted to commercial temporary and seasonal residential occupancy for recreation purposes,  
3.9 for not more than 250 days in the year preceding the year of assessment. For purposes of  
3.10 this clause, property is devoted to a commercial purpose on a specific day if any portion of  
3.11 the property is used for residential occupancy, and a fee is charged for residential occupancy.  
3.12 Class 4c property under this clause must contain three or more rental units. A "rental unit"  
3.13 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site  
3.14 equipped with water and electrical hookups for recreational vehicles. A camping pad offered  
3.15 for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c  
3.16 under this clause regardless of the term of the rental agreement, as long as the use of the  
3.17 camping pad does not exceed 250 days. In order for a property to be classified under this  
3.18 clause, either (i) the business located on the property must provide recreational activities,  
3.19 at least 40 percent of the annual gross lodging receipts related to the property must be from  
3.20 business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid  
3.21 bookings by lodging guests during the year must be for periods of at least two consecutive  
3.22 nights; or (B) at least 20 percent of the annual gross receipts must be from charges for  
3.23 providing recreational activities, or (ii) the business must contain 20 or fewer rental units,  
3.24 and must be located in a township or a city with a population of 2,500 or less located outside  
3.25 the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion  
3.26 of a state trail administered by the Department of Natural Resources. For purposes of item  
3.27 (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c  
3.28 property also includes commercial use real property used exclusively for recreational  
3.29 purposes in conjunction with other class 4c property classified under this clause and devoted  
3.30 to temporary and seasonal residential occupancy for recreational purposes, up to a total of  
3.31 two acres, provided the property is not devoted to commercial recreational use for more  
3.32 than 250 days in the year preceding the year of assessment and is located within two miles  
3.33 of the class 4c property with which it is used. In order for a property to qualify for  
3.34 classification under this clause, the owner must submit a declaration to the assessor  
3.35 designating the cabins or units occupied for 250 days or less in the year preceding the year

4.1 of assessment by January 15 of the assessment year. Those cabins or units and a proportionate  
4.2 share of the land on which they are located must be designated class 4c under this clause  
4.3 as otherwise provided. The remainder of the cabins or units and a proportionate share of  
4.4 the land on which they are located will be designated as class 3a. The owner of property  
4.5 desiring designation as class 4c property under this clause must provide guest registers or  
4.6 other records demonstrating that the units for which class 4c designation is sought were not  
4.7 occupied for more than 250 days in the year preceding the assessment if so requested. The  
4.8 portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center  
4.9 or meeting room, and (5) other nonresidential facility operated on a commercial basis not  
4.10 directly related to temporary and seasonal residential occupancy for recreation purposes  
4.11 does not qualify for class 4c. For the purposes of this paragraph, "recreational activities"  
4.12 means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country  
4.13 ski equipment; providing marina services, launch services, or guide services; or selling bait  
4.14 and fishing tackle;

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

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

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

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

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

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

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

4.32 For purposes of this clause:

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

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

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

5.10 (D) "revenue-producing activities" shall include but not be limited to property or that  
5.11 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt  
5.12 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling  
5.13 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an  
5.14 insurance business, or office or other space leased or rented to a lessee who conducts a  
5.15 for-profit enterprise on the premises.

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

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

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

5.30 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding  
5.31 manufactured home parks described in items (ii) and (iii), (ii) manufactured home parks as  
5.32 defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision  
5.33 3a, and (iii) class I manufactured home parks as defined in section 327C.01, subdivision  
5.34 13;

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

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

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

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

6.10 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be  
6.11 filed by the new owner with the assessor of the county where the property is located within  
6.12 60 days of the sale;

6.13 (8) a privately owned noncommercial aircraft storage hangar not exempt under section  
6.14 272.01, subdivision 2, and the land on which it is located, provided that:

6.15 (i) the land abuts a public airport; and

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

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

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

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

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

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

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

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

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

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

7.24 Class 4c property has a classification rate of 1.5 percent of market value, except that (i)  
7.25 each parcel of noncommercial seasonal residential recreational property under clause (12)  
7.26 has the same classification rates as class 4bb property, (ii) manufactured home parks assessed  
7.27 under clause (5), item (i), have the same classification rate as class 4b property, the market  
7.28 value of manufactured home parks assessed under clause (5), item (ii), have a classification  
7.29 rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by  
7.30 shareholders in the cooperative corporation or association and a classification rate of one  
7.31 percent if 50 percent or less of the lots are so occupied, and class I manufactured home  
7.32 parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent,  
7.33 (iii) commercial-use seasonal residential recreational property and marina recreational land  
7.34 as described in clause (11), has a classification rate of one percent for the first \$500,000 of  
7.35 market value, and 1.25 percent for the remaining market value, (iv) the market value of

8.1 property described in clause (4) has a classification rate of one percent, (v) the market value  
 8.2 of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent,  
 8.3 (vi) that portion of the market value of property in clause (9) qualifying for class 4c property  
 8.4 has a classification rate of 1.25 percent, and (vii) property qualifying for classification under  
 8.5 clause (3) that is owned or operated by a congressionally chartered veterans organization  
 8.6 has a classification rate of one percent. The commissioner of veterans affairs must provide  
 8.7 a list of congressionally chartered veterans organizations to the commissioner of revenue  
 8.8 by June 30, 2017, and by January 1, 2018, and each year thereafter.

8.9 (e) Class 4d property is qualifying low-income rental housing certified to the assessor  
 8.10 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of  
 8.11 the units in the building qualify as low-income rental housing units as certified under section  
 8.12 273.128, subdivision 3, only the proportion of qualifying units to the total number of units  
 8.13 in the building qualify for class 4d. The remaining portion of the building shall be classified  
 8.14 by the assessor based upon its use. Class 4d also includes the same proportion of land as  
 8.15 the qualifying low-income rental housing units are to the total units in the building. For all  
 8.16 properties qualifying as class 4d, the market value determined by the assessor must be based  
 8.17 on the normal approach to value using normal unrestricted rents. Class 4d property has a  
 8.18 classification rate of 0.25 percent.

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

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

8.32 **Sec. 3. EXTENSION OF PROPERTY TAX DUE DATE; STATE GENERAL TAX.**

8.33 Subdivision 1. **Due date extension.** Notwithstanding Minnesota Statutes, section 279.01,  
 8.34 subdivision 1, for taxes payable in 2020 only, payment of the first half of the state general



9.1 tax imposed under Minnesota Statutes, section 275.025, must be made on or before July  
 9.2 15, 2020. Penalties on the first half payment of the state general tax shall not begin to accrue  
 9.3 until July 16, 2020.

9.4 Subd. 2. **Distribution of funds.** Notwithstanding Minnesota Statutes, section 276.112,  
 9.5 by July 30, 2020, the county treasurer must make full settlement with the county auditor  
 9.6 for all receipts of the state general tax collected from the date of the last settlement up to  
 9.7 and including July 15, 2020, and must transmit those receipts to the commissioner of revenue.

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

9.9 Sec. 4. **MORATORIUM ON CHANGES IN ASSESSMENT; SHORT-TERM**  
 9.10 **RENTAL PROPERTIES.**

9.11 For assessment years 2020 and 2021, unless there is a change in primary use or a change  
 9.12 is necessary to correct a clerical error, property that the assessor determines to be used for  
 9.13 short-term rental purposes based on the assessor's determination of the property's primary  
 9.14 use must receive the same classification under Minnesota Statutes, section 273.13, as the  
 9.15 property received for assessment year 2019.

9.16 **EFFECTIVE DATE.** This section is effective for assessment years 2020 and 2021  
 9.17 only.

9.18 **ARTICLE 2**

9.19 **INDIVIDUAL INCOME, BUSINESS, AND MISCELLANEOUS TAXES**

9.20 Section 1. Minnesota Statutes 2019 Supplement, section 116J.8737, subdivision 5, is  
 9.21 amended to read:

9.22 Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a credit  
 9.23 equal to 25 percent of the qualified investment in a qualified small business. Investments  
 9.24 made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The  
 9.25 commissioner must not allocate more than \$10,000,000 in credits to qualified investors or  
 9.26 qualified funds for the taxable years listed in paragraph (i). For each taxable year, 50 percent  
 9.27 must be allocated to credits for qualifying investments in qualified greater Minnesota  
 9.28 businesses and minority-owned, women-owned, or veteran-owned qualified small businesses  
 9.29 in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying  
 9.30 investments in greater Minnesota businesses and minority-owned, women-owned, or  
 9.31 veteran-owned qualified small businesses in Minnesota that is not allocated by September  
 9.32 30 of the taxable year is available for allocation to other credit applications beginning on

10.1 October 1. Any portion of a taxable year's credits that is not allocated by the commissioner  
10.2 does not cancel and may be carried forward to subsequent taxable years until all credits  
10.3 have been allocated.

10.4 (b) The commissioner may not allocate more than a total maximum amount in credits  
10.5 for a taxable year to a qualified investor for the investor's cumulative qualified investments  
10.6 as an individual qualified investor and as an investor in a qualified fund; for married couples  
10.7 filing joint returns the maximum is \$250,000, and for all other filers the maximum is  
10.8 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits  
10.9 over all taxable years for qualified investments in any one qualified small business.

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

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

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

10.17 A member of the family of an individual disqualified by this paragraph is not eligible for a  
10.18 credit under this section. For a married couple filing a joint return, the limitations in this  
10.19 paragraph apply collectively to the investor and spouse. For purposes of determining the  
10.20 ownership interest of an investor under this paragraph, the rules under section 267(c) and  
10.21 267(e) of the Internal Revenue Code apply.

10.22 (d) Applications for tax credits for 2010 must be made available on the department's  
10.23 website by September 1, 2010, and the department must begin accepting applications by  
10.24 September 1, 2010. Applications for subsequent years must be made available by November  
10.25 1 of the preceding year.

10.26 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.  
10.27 Tax credits must be allocated to qualified investors or qualified funds in the order that the  
10.28 tax credit request applications are filed with the department. The commissioner must approve  
10.29 or reject tax credit request applications within 15 days of receiving the application. The  
10.30 investment specified in the application must be made within 60 days of the allocation of  
10.31 the credits. If the investment is not made within 60 days, the credit allocation is canceled  
10.32 and available for reallocation. A qualified investor or qualified fund that fails to invest as  
10.33 specified in the application, within 60 days of allocation of the credits, must notify the

11.1 commissioner of the failure to invest within five business days of the expiration of the  
11.2 60-day investment period.

11.3 (f) All tax credit request applications filed with the department on the same day must  
11.4 be treated as having been filed contemporaneously. If two or more qualified investors or  
11.5 qualified funds file tax credit request applications on the same day, and the aggregate amount  
11.6 of credit allocation claims exceeds the aggregate limit of credits under this section or the  
11.7 lesser amount of credits that remain unallocated on that day, then the credits must be allocated  
11.8 among the qualified investors or qualified funds who filed on that day on a pro rata basis  
11.9 with respect to the amounts claimed. The pro rata allocation for any one qualified investor  
11.10 or qualified fund is the product obtained by multiplying a fraction, the numerator of which  
11.11 is the amount of the credit allocation claim filed on behalf of a qualified investor and the  
11.12 denominator of which is the total of all credit allocation claims filed on behalf of all  
11.13 applicants on that day, by the amount of credits that remain unallocated on that day for the  
11.14 taxable year.

11.15 (g) A qualified investor or qualified fund, or a qualified small business acting on their  
11.16 behalf, must notify the commissioner when an investment for which credits were allocated  
11.17 has been made, and the taxable year in which the investment was made. A qualified fund  
11.18 must also provide the commissioner with a statement indicating the amount invested by  
11.19 each investor in the qualified fund based on each investor's share of the assets of the qualified  
11.20 fund at the time of the qualified investment. After receiving notification that the investment  
11.21 was made, the commissioner must issue credit certificates for the taxable year in which the  
11.22 investment was made to the qualified investor or, for an investment made by a qualified  
11.23 fund, to each qualified investor who is an investor in the fund. The certificate must state  
11.24 that the credit is subject to revocation if the qualified investor or qualified fund does not  
11.25 hold the investment in the qualified small business for at least three years, consisting of the  
11.26 calendar year in which the investment was made and the two following years. The three-year  
11.27 holding period does not apply if:

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

11.30 (2) 80 percent or more of the assets of the qualified small business is sold before the end  
11.31 of the three-year period;

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

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

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

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

12.4 (i) The credit allowed under this subdivision is effective for ~~each of the following taxable~~  
12.5 ~~years:~~

12.6 ~~(1) taxable years beginning after December 31, 2018, and before January 1, 2020; and,~~

12.7 ~~(2) taxable years beginning after December 31, 2020, and before January 1, 2022.~~

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

12.9 Sec. 2. Minnesota Statutes 2019 Supplement, section 289A.02, subdivision 7, is amended  
12.10 to read:

12.11 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
12.12 Revenue Code" means the Internal Revenue Code of 1986, as amended through December  
12.13 31, 2018, except that for purposes of exclusion from gross income of paycheck protection  
12.14 loans under section 1106 of Public Law 116-136, "Internal Revenue Code" means the  
12.15 Internal Revenue Code as amended through March 27, 2020.

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

12.19 Sec. 3. Minnesota Statutes 2019 Supplement, section 290.01, subdivision 19, is amended  
12.20 to read:

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

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

12.30 (c) In the case of a regulated investment company or a fund thereof, as defined in section  
12.31 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment

13.1 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
13.2 except that:

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

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

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

13.12 (d) The net income of a real estate investment trust as defined and limited by section  
13.13 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust  
13.14 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

13.18 (f) The Internal Revenue Code of 1986, as amended through December 31, 2018, shall  
13.19 be in effect for taxable years beginning after December 31, 1996, except that for purposes  
13.20 of exclusion from gross income of paycheck protection loans under section 1106 of Public  
13.21 Law 116-136, "Internal Revenue Code" means the Internal Revenue Code as amended  
13.22 through March 27, 2020.

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

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

13.29 Sec. 4. Minnesota Statutes 2019 Supplement, section 290.01, subdivision 31, is amended  
13.30 to read:

13.31 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
13.32 Revenue Code" means the Internal Revenue Code of 1986, as amended through December

14.1 31, 2018. Internal Revenue Code also includes any uncodified provision in federal law that  
14.2 relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law,  
14.3 except that for purposes of exclusion from gross income of paycheck protection loans under  
14.4 section 1106 of Public Law 116-136, "Internal Revenue Code" means the Internal Revenue  
14.5 Code as amended through March 27, 2020.

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

14.9 Sec. 5. Minnesota Statutes 2018, section 290.0131, subdivision 10, is amended to read:

14.10 Subd. 10. **Section 179 expensing.** For property placed in service in taxable years  
14.11 beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed  
14.12 under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction  
14.13 allowable by section 179 of the Internal Revenue Code, as amended through December 31,  
14.14 2003, is an addition.

14.15 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
14.16 after December 31, 2017.

14.17 Sec. 6. Minnesota Statutes 2019 Supplement, section 290.0132, subdivision 7, is amended  
14.18 to read:

14.19 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** For an individual  
14.20 who does not itemize deductions under section 290.0132, subdivision 19, for the taxable  
14.21 year, an amount equal to ~~50~~ 60 percent of the excess of charitable contributions over ~~\$500~~  
14.22 \$300 allowable as a deduction for the taxable year under section 290.0122, subdivision 4,  
14.23 is a subtraction. The subtraction under this subdivision must not include a distribution that  
14.24 is excluded from federal adjusted gross income and that is not deductible under section  
14.25 408(d)(8)(E) of the Internal Revenue Code.

14.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
14.27 31, 2019.

14.28 Sec. 7. Minnesota Statutes 2018, section 290.0133, subdivision 12, is amended to read:

14.29 Subd. 12. **Section 179 expensing.** For property placed in service in taxable years  
14.30 beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed  
14.31 under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction

15.1 allowable by section 179 of the Internal Revenue Code, as amended through December 31,  
15.2 2003, is an addition.

15.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
15.4 after December 31, 2017.

15.5 Sec. 8. Minnesota Statutes 2018, section 290.0674, subdivision 2, is amended to read:

15.6 Subd. 2. **Limitations.** (a) For claimants with adjusted gross income not greater than  
15.7 ~~\$33,500~~ the income eligibility guideline, the maximum credit allowed for a family is \$1,000  
15.8 multiplied by the number of qualifying children in kindergarten through grade 12 in the  
15.9 family. The maximum credit for families with one qualifying child in kindergarten through  
15.10 grade 12 is reduced by \$1 for each \$4 of ~~household~~ adjusted gross income over ~~\$33,500~~  
15.11 the income eligibility guideline, and the maximum credit for families with two or more  
15.12 qualifying children in kindergarten through grade 12 is reduced by \$2 for each \$4 of  
15.13 ~~household~~ adjusted gross income over ~~\$33,500~~ the income eligibility guideline, but in no  
15.14 case is the credit less than zero.

15.15 (b) For purposes of this subdivision, "income eligibility guideline" means the greater of  
15.16 \$33,500 or the amounts determined under United States Code, title 42, section 1758(b)(1),  
15.17 for reduced-price lunch as of July 1 of the taxable year. For purposes of determining the  
15.18 income eligibility guideline, the taxpayer's household size equals the sum of:

15.19 (1) two for a married couple filing a joint return, or one for all other taxpayers; plus

15.20 (2) the number of the taxpayer's dependents, as defined in section 152 of the Internal  
15.21 Revenue Code.

15.22 ~~(b)~~ (c) In the case of a married claimant, a credit is not allowed unless a joint income  
15.23 tax return is filed.

15.24 ~~(e)~~ (d) For a nonresident or part-year resident, the credit determined under subdivision  
15.25 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage  
15.26 calculated in section 290.06, subdivision 2c, paragraph (e).

15.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
15.28 31, 2019.

16.1 Sec. 9. Minnesota Statutes 2019 Supplement, section 290A.03, subdivision 15, is amended  
16.2 to read:

16.3 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue  
16.4 Code of 1986, as amended through December 31, 2018, except that for purposes of exclusion  
16.5 from gross income of paycheck protection loans under section 1106 of Public Law 116-136,  
16.6 "Internal Revenue Code" means the Internal Revenue Code as amended through March 27,  
16.7 2020.

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

16.11 Sec. 10. Minnesota Statutes 2019 Supplement, section 291.005, subdivision 1, is amended  
16.12 to read:

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

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

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

16.22 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,  
16.23 as amended through December 31, 2018, except that for purposes of exclusion from gross  
16.24 income of paycheck protection loans under section 1106 of Public Law 116-136, "Internal  
16.25 Revenue Code" means the Internal Revenue Code as amended through March 27, 2020.

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

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



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

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

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

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

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

17.17 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
17.18 Code, owned by a nonresident decedent and that is normally kept or located in this state  
17.19 because it is on loan to an organization, qualifying as exempt from taxation under section  
17.20 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
17.21 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

17.25 For a nonresident decedent with an ownership interest in a pass-through entity with  
17.26 assets that include real or tangible personal property, situs of the real or tangible personal  
17.27 property, including qualified works of art, is determined as if the pass-through entity does  
17.28 not exist and the real or tangible personal property is personally owned by the decedent. If  
17.29 the pass-through entity is owned by a person or persons in addition to the decedent, ownership  
17.30 of the property is attributed to the decedent in proportion to the decedent's capital ownership  
17.31 share of the pass-through entity.

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

- 18.1 (i) an entity electing S corporation status under section 1362 of the Internal Revenue  
 18.2 Code;
- 18.3 (ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;
- 18.4 (iii) a single-member limited liability company or similar entity, regardless of whether  
 18.5 it is taxed as an association or is disregarded for federal income tax purposes under Code  
 18.6 of Federal Regulations, title 26, section 301.7701-3; or
- 18.7 (iv) a trust to the extent the property is includable in the decedent's federal gross estate;  
 18.8 but excludes
- 18.9 (v) an entity whose ownership interest securities are traded on an exchange regulated  
 18.10 by the Securities and Exchange Commission as a national securities exchange under section  
 18.11 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

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. 11. Minnesota Statutes 2018, section 297E.02, subdivision 6, is amended to read:

18.16 Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under  
 18.17 subdivision 1, a tax is imposed on the combined net receipts of the organization. As used  
 18.18 in this section, "combined net receipts" is the sum of the organization's gross receipts from  
 18.19 lawful gambling less gross receipts directly derived from the conduct of paper bingo, raffles,  
 18.20 and paddlewheels, as defined in section 297E.01, subdivision 8, and less the net prizes  
 18.21 actually paid, other than prizes actually paid for paper bingo, raffles, and paddlewheels, for  
 18.22 the fiscal year. The combined net receipts of an organization are subject to a tax computed  
 18.23 according to the following schedule:

18.24	If the combined net receipts	The tax is:
18.25	for the fiscal year are:	
18.26	Not over \$87,500	<del>nine</del> <u>eight</u> percent
18.27	Over \$87,500, but not over	<del>\$7,875</del> <u>\$7,000</u> plus <del>18</del> <u>16</u> percent of
18.28	\$122,500	the amount over \$87,500, but not over
18.29		\$122,500
18.30	Over \$122,500, but not	<del>\$14,175</del> <u>\$12,600</u> plus <del>27</del> <u>24</u> percent
18.31	over \$157,500	of the amount over \$122,500, but not
18.32		over \$157,500
18.33	Over \$157,500	<del>\$23,625</del> <u>\$21,000</u> plus <del>36</del> <u>32</u> percent
18.34		of the amount over \$157,500

19.1 ~~(b) On or before April 1, 2016, the commissioner shall estimate the total amount of~~  
 19.2 ~~revenue, including interest and penalties, that will be collected for fiscal year 2016 from~~  
 19.3 ~~taxes imposed under this chapter. If the amount estimated by the commissioner equals or~~  
 19.4 ~~exceeds \$94,800,000, the commissioner shall certify that effective July 1, 2016, the rates~~  
 19.5 ~~under this paragraph apply in lieu of the rates under paragraph (a) and shall publish a notice~~  
 19.6 ~~to that effect in the State Register and notify each taxpayer by June 1, 2016. If the rates~~  
 19.7 ~~under this section apply, the combined net receipts of an organization are subject to a tax~~  
 19.8 ~~computed according to the following schedule:~~

19.9	If the combined net receipts	The tax is:
19.10	for the fiscal year are:	
19.11	Not over \$87,500	8.5 percent
19.12	Over \$87,500, but not over	\$7,438 plus 17 percent of the amount
19.13	\$122,500	over \$87,500, but not over \$122,500
19.14	Over \$122,500, but not	\$13,388 plus 25.5 percent of the
19.15	over \$157,500	amount over \$122,500, but not over
19.16		\$157,500
19.17	Over \$157,500	\$22,313 plus 34 percent of the amount
19.18		over \$157,500

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

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

19.24 Sec. 12. Minnesota Statutes 2018, section 297E.021, subdivision 2, is amended to read:

19.25 Subd. 2. **Determination of revenue increase.** By March 15 of each fiscal year, the  
 19.26 commissioner of management and budget, in consultation with the commissioner, shall  
 19.27 determine the estimated increase in revenues received from taxes imposed under this chapter  
 19.28 over ~~the estimated revenues under the February 2012 state budget forecast for that fiscal~~  
 19.29 ~~year. For fiscal years after fiscal year 2015, the commissioner of management and budget~~  
 19.30 ~~shall use the February 2012 state budget forecast for fiscal year 2015 as the~~ a baseline of:  
 19.31 (1) \$..... in fiscal year 2021; (2) \$..... in fiscal year 2022; and (3) \$..... in fiscal year 2023  
 19.32 and thereafter. All calculations under this subdivision must be made net of estimated refunds  
 19.33 of the taxes required to be paid.

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

20.1 Sec. 13. Minnesota Statutes 2018, section 349.15, subdivision 1, is amended to read:

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

20.6 (b) For each 12-month period beginning July 1, a licensed organization will be evaluated  
20.7 by the board to determine a rating based on the percentage of annual lawful purpose  
20.8 expenditures when compared to available gross profits for the same period. The rating will  
20.9 be used to determine the organization's profitability percent and is not a rating of the  
20.10 organization's lawful gambling operation. An organization will be evaluated according to  
20.11 the following criteria:

20.12 (1) an organization that expends ~~50~~ 70 percent or more of gross profits on lawful purposes  
20.13 will receive a five-star rating;

20.14 (2) an organization that expends ~~40~~ 55 percent or more but less than ~~50~~ 70 percent of  
20.15 gross profits on lawful purposes will receive a four-star rating;

20.16 (3) an organization that expends ~~30~~ 40 percent or more but less than ~~40~~ 55 percent of  
20.17 gross profits on lawful purposes will receive a three-star rating;

20.18 (4) an organization that expends ~~20~~ 25 percent or more but less than ~~30~~ 40 percent of  
20.19 gross profits on lawful purposes will receive a two-star rating; and

20.20 (5) an organization that expends less than ~~20~~ 25 percent of gross profits on lawful  
20.21 purposes will receive a one-star rating.

20.22 (c) An organization that fails to expend a minimum of ~~30~~ 40 percent annually of gross  
20.23 profits on lawful purposes, or ~~20~~ 25 percent annually for organizations that conduct lawful  
20.24 gambling in a location where the primary business is bingo, is automatically on probation  
20.25 effective July 1 for a period of one year. The organization must increase its rating to the  
20.26 required minimum or be subject to sanctions by the board. If an organization fails to meet  
20.27 the minimum after a one-year probation, the board may suspend the organization's license  
20.28 or impose a civil penalty as follows:

20.29 (1) in determining any suspension or penalty for a violation of this paragraph, the board  
20.30 must consider any unique factors or extraordinary circumstances that caused the organization  
20.31 to not meet the minimum rate of profitability. Unique factors or extraordinary circumstances  
20.32 include, but are not limited to, the purchase of capital assets necessary to conduct lawful  
20.33 gambling; road or other construction causing impaired access to the lawful gambling

21.1 premises; and flood, tornado, or other catastrophe that had a direct impact on the continuing  
 21.2 lawful gambling operation; and

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

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

21.6 Sec. 14. Minnesota Statutes 2018, section 349.151, subdivision 4, is amended to read:

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

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

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

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

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

21.16 (5) to make rules authorized by this chapter;

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

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

21.21 (8) to report annually to the governor and legislature on its activities and on recommended  
 21.22 changes in the laws governing gambling, including an annual report that provides: a tabulation  
 21.23 of the number of compliance reviews completed; the percentage of organizations reviewed;  
 21.24 an average of the number of months between reviews; the number, location, and organization  
 21.25 of site inspections; and the number of allegations awaiting investigation by the board;

21.26 (9) to report annually to the governor and legislature a financial summary for each  
 21.27 licensed organization identifying the gross receipts, prizes paid, allowable expenses, lawful  
 21.28 purpose expenditures including charitable contributions and all taxes and fees as per section  
 21.29 349.12, subdivision 25, paragraph (a), clauses (8) and (18), and the percentage of annual  
 21.30 gross profit used for lawful purposes;

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

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

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

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

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

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

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

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

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

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

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

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

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

22.26 (b) The board, or director if authorized to act on behalf of the board, may by citation  
22.27 assess any organization, distributor, distributor salesperson, manufacturer, linked bingo  
22.28 game provider, or gambling manager a civil penalty of not more than \$1,000 per violation  
22.29 for a failure to comply with any provision of this chapter, chapter 297E, or any rule adopted  
22.30 or order issued by the board. Any organization, distributor, distributor salesperson, gambling  
22.31 manager, linked bingo game provider, or manufacturer assessed a civil penalty under this

23.1 paragraph may request a hearing before the board. Appeals of citations imposing a civil  
 23.2 penalty are not subject to the provisions of the Administrative Procedure Act.

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

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

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

23.9 Sec. 15. **EXTENSION FOR FILING AND PAYING 2019 TAXES; ELIMINATION**  
 23.10 **OF PENALTY AND INTEREST FOR CERTAIN TAXES.**

23.11 **Subdivision 1. Filing and payment; individual income taxes.** (a) Notwithstanding  
 23.12 Minnesota Statutes, sections 289A.18, subdivision 1, and 289A.20, subdivision 1, individual  
 23.13 income taxpayers may file and pay taxes due for taxable year 2019 by July 15, 2020.

23.14 (b) Notwithstanding Minnesota Statutes, sections 289A.60 and 289A.55, the  
 23.15 commissioner of revenue must only calculate any late payment penalty imposed under  
 23.16 Minnesota Statutes, section 289A.60, subdivision 1, or interest imposed under Minnesota  
 23.17 Statutes, section 289A.55, on the amount of taxes due but not paid under paragraph (a) by  
 23.18 July 15, 2020.

23.19 (c) Notwithstanding Minnesota Statutes, section 289A.60, subdivision 2, for purposes  
 23.20 of any penalty imposed under Minnesota Statutes, section 289A.60, subdivision 2, the due  
 23.21 date for filing a return for taxable year 2019 is July 15, 2020.

23.22 **Subd. 2. Filing of returns; other entities.** (a) Notwithstanding Minnesota Statutes,  
 23.23 sections 289A.18, subdivision 1, 289A.19, subdivisions 1, 2, and 7, and 289A.20, subdivision  
 23.24 1, qualifying taxpayers may file a return for taxable year 2019 at the later of July 15, 2020,  
 23.25 or an extension granted by the Internal Revenue Service.

23.26 (b) For purposes of this subdivision, "qualifying taxpayer" means:

23.27 (1) fiduciaries;

23.28 (2) partnerships, including partnerships with nonresident partners filing composite returns  
 23.29 under Minnesota Statutes, section 289A.07, subdivision 7;

23.30 (3) S corporations; and

23.31 (4) corporations.

24.1 (c) Notwithstanding Minnesota Statutes, section 289A.18, subdivision 3, estate tax  
24.2 returns due before July 15, 2020, may be filed at the later of July 15, 2020, or the time  
24.3 allowed under Minnesota Statutes, section 289A.19, subdivision 4.

24.4 (d) Notwithstanding Minnesota Statutes, section 289A.60, subdivision 2, for purposes  
24.5 of any penalty imposed under Minnesota Statutes, section 289A.60, subdivision 2:

24.6 (1) the due date for filing a return under paragraph (a) for taxable year 2019 is the later  
24.7 of July 15, 2020, or an extension granted by the Internal Revenue Service; and

24.8 (2) the due date for filing an estate tax return under paragraph (c) that is otherwise due  
24.9 under Minnesota Statutes, section 289A.18, subdivision 3, is the later of July 15, 2020, or  
24.10 the time allowed under Minnesota Statutes, section 289A.19, subdivision 4.

24.11 Subd. 3. **Payment of taxes; other entities.** (a) Notwithstanding Minnesota Statutes,  
24.12 sections 289A.18, subdivision 1, and 289A.20, subdivision 1, a qualifying taxpayer may  
24.13 pay taxes due for taxable year 2019 at the later of July 15, 2020, or an extension granted  
24.14 by the Internal Revenue Service.

24.15 (b) For purposes of this subdivision, "qualifying taxpayer" means:

24.16 (1) fiduciaries;

24.17 (2) partnerships, including partnerships with nonresident partners filing composite returns  
24.18 under Minnesota Statutes, section 289A.07, subdivision 7;

24.19 (3) S corporations; and

24.20 (4) corporations.

24.21 (c) Notwithstanding Minnesota Statutes, section 289A.20, subdivision 3, estate tax  
24.22 payments due before July 15, 2020, may be submitted at the later of July 15, 2020, or the  
24.23 time allowed under Minnesota Statutes, section 289A.30, subdivision 2, for extensions  
24.24 granted under section 6161 or 6166 of the Internal Revenue Code.

24.25 (d) Notwithstanding Minnesota Statutes, sections 289A.60 and 289A.55, the  
24.26 commissioner of revenue:

24.27 (1) must only calculate any late payment penalty imposed under Minnesota Statutes,  
24.28 section 289A.60, subdivision 1, or interest imposed under Minnesota Statutes, section  
24.29 289A.55, on the amount of taxes due but not paid under the due date specified in paragraph  
24.30 (a); and

24.31 (2) must only calculate any late payment penalty imposed under Minnesota Statutes,  
24.32 section 289A.60, subdivision 1, or interest imposed under Minnesota Statutes, section



25.1 289A.55, on the amount of estate taxes due but not paid under the due date specified in  
25.2 paragraph (c).

25.3 Subd. 4. **Abatement; other penalties.** This section does not limit the commissioner of  
25.4 revenue's authority to abate, reduce, or refund any penalty or interest under Minnesota  
25.5 Statutes, section 270C.34, or any other law.

25.6 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
25.7 applies to: (1) tax returns and payments due for qualifying taxpayers for taxable year 2019  
25.8 only, and any interest and penalties applied to those returns and payments; and (2) estate  
25.9 tax returns and payments otherwise due at the later of an extension granted by the Internal  
25.10 Revenue Service or July 15, 2020, only, and any interest and penalties applied to those  
25.11 returns and payments.

25.12 Sec. 16. **SECTION 179 EXPENSING; SUBTRACTIONS.**

25.13 (a) Under the modifications to the additions in Minnesota Statutes, section 290.0131,  
25.14 subdivision 10, in section 5, and Minnesota Statutes, section 290.0133, subdivision 12, in  
25.15 section 7, a taxpayer is not allowed a subtraction in computing net income for property  
25.16 placed in service in taxable years beginning after December 31, 2017.

25.17 (b) A taxpayer who claimed a subtraction under Minnesota Statutes, section 290.0132,  
25.18 subdivision 14, or 290.0134, subdivision 14, for property for which an addition was made  
25.19 under paragraph (a), must recompute their tax for the year in which the property was placed  
25.20 in service and in each year the taxpayer claimed a subtraction.

25.21 **EFFECTIVE DATE.** This section is effective the day following final enactment for  
25.22 property placed in service in taxable years beginning after December 31, 2017.

25.23 Sec. 17. **SPECIAL PENALTY EXCEPTION.**

25.24 (a) The interest provisions under Minnesota Statutes, section 289A.55, and penalty for  
25.25 failure to pay tax provisions under Minnesota Statutes, section 289A.60, subdivision 1, do  
25.26 not apply to late payments of tax arising from an order of the commissioner assessing  
25.27 additional income tax on a capital gain that was previously deferred under section 1031 of  
25.28 the Internal Revenue Code of 1986, as amended through December 16, 2016, for taxable  
25.29 years beginning after December 31, 2017, and ending before January 1, 2019. The penalty  
25.30 and interest exceptions under this section only apply to a taxpayer:

25.31 (1) who is subject to the retroactive application of section 13303 of Public Law 115-97  
25.32 in Laws 2019, First Special Session chapter 6, article 1, section 61, paragraph (b); and

26.1 (2) whose total amount of income tax due for taxable years beginning after December  
 26.2 31, 2017, and ending before January 1, 2019, increased by at least 12 percent due to the  
 26.3 retroactive application of law described in clause (1).

26.4 (b) Within 60 days of the effective date of this section, the commissioner must refund  
 26.5 to a taxpayer the amount of interest and penalties paid by the taxpayer that are subject to  
 26.6 the exception in paragraph (a).

26.7 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 26.8 applies retroactively for interest and penalties on assessments ordered after June 1, 2019.

26.9 **Sec. 18. TEMPORARY SUSPENSION OF CERTAIN ESTIMATED TAX**  
 26.10 **PAYMENTS.**

26.11 (a) Notwithstanding Minnesota Statutes, sections 289A.25 and 289A.26, taxpayers,  
 26.12 including taxpayers who file composite returns under Minnesota Statutes, section 289A.08,  
 26.13 subdivision 7, may submit installments of estimated payments as provided in this section.

26.14 (b) For calendar year taxpayers, installments of estimated tax payments for taxable year  
 26.15 2020 due under Minnesota Statutes, section 289A.25, subdivision 3, paragraph (b), may be  
 26.16 submitted as provided in this paragraph:

26.17 (1) the April 15, 2020, installment may be submitted by July 15, 2020; and

26.18 (2) the June 15, 2020, installment may be included with the September 15, 2020,  
 26.19 installment.

26.20 (c) For fiscal year tax payers making estimated tax payments under Minnesota Statutes,  
 26.21 section 289A.25, subdivision 11, installments of estimated payments may be submitted as  
 26.22 provided in this paragraph:

26.23 (1) the installment due May 15, 2020, for either taxable year 2019 or 2020 may be  
 26.24 included with the August 15, 2020, installment; and

26.25 (2) the installment due June 15, 2020, for either taxable year 2019 or 2020 may be  
 26.26 included with the September 15, 2020, installment.

26.27 (d) Installments of estimated payments due under Minnesota Statutes, section 289A.26,  
 26.28 subdivision 2, may be submitted as provided in this paragraph:

26.29 (1) the installment due May 15, 2020, for either taxable year 2019 or 2020 may be  
 26.30 included with the August 15, 2020, installment; and

27.1 (2) the installment due June 15, 2020, for either taxable year 2019 or 2020 may be  
27.2 included with the September 15, 2020, installment.

27.3 (e) The provisions of Minnesota Statutes, section 289A.25, subdivision 2, do not apply  
27.4 in the case of installment payments made under paragraphs (b) or (c). The provisions of  
27.5 Minnesota Statutes, section 289A.26, subdivision 4, do not apply in the case of installment  
27.6 payments made under paragraph (d).

27.7 (f) This section does not limit the commissioner of revenue's authority to abate, reduce,  
27.8 or refund any penalty or interest under Minnesota Statutes, section 270C.34, or any other  
27.9 law.

27.10 **EFFECTIVE DATE.** Paragraph (b), clause (1), is effective retroactively for the April  
27.11 15, 2020, installment for taxable year 2020 only. Paragraph (b), clause (2), is effective for  
27.12 the June 15, 2020, installment for taxable year 2020 only. Paragraphs (c) and (d) are effective  
27.13 for the installments due May 15, 2020, and June 15, 2020, for the taxpayer's 2019 or 2020  
27.14 taxable year only.

27.15 Sec. 19. **TEMPORARY SUSPENSION OF JUNE ACCELERATED SALES AND**  
27.16 **USE AND LIQUOR GROSS RECEIPTS TAX REMITTANCES.**

27.17 (a) Notwithstanding Minnesota Statutes, section 289A.20, subdivision 4, paragraph (b),  
27.18 for June 2020 only, a taxpayer subject to the June accelerated remittance requirements under  
27.19 Minnesota Statutes, section 289A.20, subdivision 4, paragraph (b) and paragraph (c), clause  
27.20 (2), may submit June 2020 tax liabilities by July 20, 2020.

27.21 (b) For purposes of this section, "June 2020 tax liabilities" means the total amount of  
27.22 the following taxes collected by a qualifying taxpayer in June 2020 under the following  
27.23 provisions:

27.24 (1) sales and use taxes under Minnesota Statutes, chapter 297A;

27.25 (2) local sales and use taxes subject to the provisions of Minnesota Statutes, section  
27.26 297A.99; and

27.27 (3) liquor gross receipts taxes under Minnesota Statutes, section 295.75.

27.28 (c) Notwithstanding Minnesota Statutes, sections 289A.60 and 289A.55, the commissioner  
27.29 of revenue must only calculate any late payment penalty imposed under Minnesota Statutes,  
27.30 section 289A.60, subdivision 1, or interest imposed under Minnesota Statutes, section  
27.31 289A.55, on the amount of taxes due but not paid under paragraph (a) by July 20, 2020.

28.1 (d) This section does not limit the commissioner of revenue's authority to abate, reduce,  
28.2 or refund any penalty or interest under Minnesota Statutes, section 270C.34, or any other  
28.3 law.

28.4 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
28.5 applies to payments of taxes collected in June 2020.

28.6 Sec. 20. **NO DOUBLE BENEFIT.**

28.7 In calculating net income, as defined under Minnesota Statutes, section 290.01,  
28.8 subdivision 19, a taxpayer must not take into account both the amount of paycheck protection  
28.9 loans excluded from gross income under section 1106 of Public Law 116-136, and amounts  
28.10 deducted as trade or business expenses under section 162 of the Internal Revenue Code as  
28.11 amended through December 31, 2018. For purposes of Minnesota Statutes, chapter 290,  
28.12 the calculation of net income includes the greater of the calculation resulting from:

28.13 (1) the amount of paycheck protection loans excluded from gross income under section  
28.14 1106 of Public Law 116-136; or

28.15 (2) the amount deducted as trade or business expenses under section 162 of the Internal  
28.16 Revenue Code as amended through December 31, 2018.

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

28.20 Sec. 21. **REPEALER.**

28.21 (a) Minnesota Statutes 2018, section 290.0674, subdivision 2a, is repealed.

28.22 (b) Minnesota Statutes 2018, section 290.0692, subdivision 6, is repealed.

28.23 (c) Minnesota Statutes 2019 Supplement, section 116J.8737, subdivision 12, is repealed.

28.24 **EFFECTIVE DATE.** Paragraph (a) is effective for taxable years beginning after  
28.25 December 31, 2019. Paragraphs (b) and (c) are effective the day following final enactment.

**116J.8737 SMALL BUSINESS INVESTMENT TAX CREDIT.**

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, 2021, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through 2023 for qualified investors and qualified funds, and through 2025 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through 2021, and the appropriation in subdivision 11 remains in effect through 2025.

**290.0674 MINNESOTA EDUCATION CREDIT.**

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

- (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and
- (2) the sum of the following amounts to the extent not included in clause (1):

- (i) all nontaxable income;

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

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

- (iv) cash public assistance and relief;

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

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

- (vii) workers' compensation;

- (viii) nontaxable strike benefits;

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

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

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

- (xii) nontaxable scholarship or fellowship grants;

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

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

- (xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code;

and

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

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

(b) "Income" does not include:

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

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

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

(4) relief granted under chapter 290A;

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

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

**290.0692 SMALL BUSINESS INVESTMENT CREDIT.**

Subd. 6. **Sunset.** This section expires at the same time and on the same terms as section 116J.8737, except that the expiration of this section does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this section.