

**SENATE  
STATE OF MINNESOTA  
NINETIETH SESSION**

**S.F. No. 3982**

(SENATE AUTHORS: CHAMBERLAIN, Rest and Dziejcie)

DATE  
04/16/2018

D-PG  
7303 Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; making modifications to individual income, corporate franchise,

1.3 property, sales and use, estate, and tobacco taxes, and other tax provisions;

1.4 modifying the working family credit; providing for a personal and dependent care

1.5 credit; providing for certain conformity and nonconformity to federal provisions;

1.6 modifying the property tax refund; extending the small business investment credit;

1.7 preventing tax evasion; modifying the research and development credit; modifying

1.8 the apportionment sales factor; clarifying the dividend received deduction; changing

1.9 the qualified data center exemption; increasing the tax on certain nonadmitted

1.10 insurance providers; modifying tobacco sales license provisions; specifying the

1.11 application of tobacco taxes to vapor products; modifying tobacco stamp provisions;

1.12 modifying homestead classification provisions; changing qualification and

1.13 application provisions for the senior property tax deferral program; reinstating the

1.14 inflator for the state general levy; eliminating the increase in the estate tax exclusion

1.15 amount; reinstating the annual indexing for the cigarette tax; reinstating a higher

1.16 rate for premium cigars; providing for monetary and criminal penalties;

1.17 appropriating money; amending Minnesota Statutes 2016, sections 16D.08,

1.18 subdivision 2; 116J.8737, subdivisions 5, 12; 270C.03, subdivision 1; 270C.33,

1.19 subdivision 6; 270C.722, subdivision 1; 270C.728, by adding a subdivision;

1.20 273.124, subdivisions 13c, 14; 273.1245, subdivision 1; 273.1315, subdivision 2;

1.21 289A.60, by adding a subdivision; 290.01, subdivision 29a, by adding a subdivision;

1.22 290.0131, subdivisions 1, 3, 12, 13, by adding subdivisions; 290.0132, subdivisions

1.23 1, 7, 20, by adding subdivisions; 290.0133, subdivision 6, by adding a subdivision;

1.24 290.05, subdivision 3; 290.06, subdivisions 2c, 2d; 290.067, subdivision 2a;

1.25 290.0671, subdivision 7; 290.0672, subdivision 2; 290.0681, subdivisions 3, 4;

1.26 290.0802, subdivision 2; 290.091, subdivision 3; 290.0921, subdivision 2; 290.0922,

1.27 subdivision 1; 290.095, subdivision 2; 290.191, subdivision 5; 290.21, subdivision

1.28 4, by adding a subdivision; 290.92, subdivision 1; 290A.03, subdivision 12;

1.29 290A.04, subdivision 4; 290B.03, subdivision 1; 290B.04, subdivision 1; 297A.68,

1.30 subdivisions 25, 42; 297B.03; 297F.01, subdivisions 9a, 10, 14, 17, 19, 20, 21, by

1.31 adding subdivisions; 297F.03, subdivisions 1, 2, 3, 5, 6, 7, by adding a subdivision;

1.32 297F.04, subdivisions 1, 2; 297F.05, by adding subdivisions; 297F.06, by adding

1.33 a subdivision; 297F.08, subdivision 8a; 297F.09, subdivisions 2, 7, 10; 297F.12,

1.34 subdivision 3; 297F.13, subdivisions 2, 4, by adding a subdivision; 297F.15,

1.35 subdivision 9; 297F.19, by adding a subdivision; 297F.20, subdivisions 5, 6, 7, 9,

1.36 by adding subdivisions; 297F.21, subdivision 1; 297I.05, subdivision 7; 461.12,

1.37 subdivision 8; 469.316, subdivision 1; Minnesota Statutes 2017 Supplement,

1.38 sections 270A.03, subdivision 5; 273.124, subdivisions 13, 13d; 275.025,

1.39 subdivision 1; 289A.02, subdivision 7; 289A.10, subdivision 1; 289A.12,

2.1 subdivision 14; 289A.35; 290.01, subdivisions 19, 31; 290.0131, subdivision 10;  
 2.2 290.0132, subdivision 26; 290.0133, subdivision 12; 290.067, subdivision 2b;  
 2.3 290.0671, subdivision 1; 290.0672, subdivision 1; 290.068, subdivision 2; 290.0681,  
 2.4 subdivisions 1, 2; 290.0684, subdivisions 1, 2; 290.091, subdivision 2; 290.17,  
 2.5 subdivision 2; 290A.03, subdivisions 3, 15; 291.005, subdivision 1; 291.016,  
 2.6 subdivision 3; 297F.01, subdivision 13a; 297F.05, subdivisions 3, 3a, 4a; 462D.06,  
 2.7 subdivisions 1, 2; proposing coding for new law in Minnesota Statutes, chapters  
 2.8 270C; 290; 297F; repealing Minnesota Statutes 2016, sections 289A.50, subdivision  
 2.9 10; 290.0131, subdivisions 7, 11; 290.0133, subdivisions 13, 14; 290.10, subdivision  
 2.10 2; 297F.185.

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

## 2.12 ARTICLE 1

### 2.13 TAX RELIEF FOR MINNESOTA FAMILIES

2.14 Section 1. Minnesota Statutes 2017 Supplement, section 290.0671, subdivision 1, is  
 2.15 amended to read:

2.16 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is  
 2.17 allowed a credit against the tax imposed by this chapter equal to a percentage of earned  
 2.18 income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the  
 2.19 Internal Revenue Code, except:

2.20 (1) that a taxpayer with no qualifying children who has attained the age of 21, but not  
 2.21 attained age 65 before the close of the taxable year and is otherwise eligible for a credit  
 2.22 under section 32 of the Internal Revenue Code may also receive a credit; and

2.23 (2) a taxpayer who is otherwise eligible for a credit under section 32 of the Internal  
 2.24 Revenue Code remains eligible for this credit even if the taxpayer's earned income or adjusted  
 2.25 gross income exceeds the income limitation under section 32 of the Internal Revenue Code.

2.26 (b) For individuals with no qualifying children, the credit equals ~~2.40~~ three percent of  
 2.27 the first ~~\$6,180~~ \$6,680 of earned income. The credit is reduced by ~~2.04~~ three percent of  
 2.28 earned income or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$12,340,  
 2.29 but in no case is the credit less than zero.

2.30 (c) For individuals with one qualifying child, the credit equals ~~9.35~~ 12.71 percent of the  
 2.31 first ~~\$11,120~~ \$8,590 of earned income. The credit is reduced by ~~6.02~~ 5.20 percent of earned  
 2.32 income or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,220, but  
 2.33 in no case is the credit less than zero.

2.34 (d) For individuals with two ~~or more~~ qualifying children, the credit equals ~~44~~ 14.94  
 2.35 percent of the first ~~\$18,240~~ \$14,080 of earned income. The credit is reduced by ~~40.82~~ 9.20

3.1 percent of earned income or adjusted gross income, whichever is greater, in excess of  
 3.2 ~~\$25,130~~ \$26,360, but in no case is the credit less than zero.

3.3 (e) For individuals with three or more qualifying children, the credit equals 15.78 percent  
 3.4 of the first \$14,870 of earned income. The credit is reduced by 9.07 percent of earned income  
 3.5 or adjusted gross income, whichever is greater, in excess of \$26,360, but in no case is the  
 3.6 credit less than zero.

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

3.9 ~~(f)~~ (g) For a person who was a resident for the entire tax year and has earned income  
 3.10 not subject to tax under this chapter, including income excluded under section 290.0132,  
 3.11 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross  
 3.12 income reduced by the earned income not subject to tax under this chapter over federal  
 3.13 adjusted gross income. For purposes of this paragraph, the following clauses are not  
 3.14 considered "earned income not subject to tax under this chapter":

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

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

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

3.19 ~~(g)~~ (h) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$12,340 in  
 3.20 paragraph (b), the ~~\$21,190~~ \$22,220 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph  
 3.21 (d), and the \$26,360 in paragraph (e), after being adjusted for inflation under subdivision  
 3.22 7, are each increased by ~~\$5,000~~ \$5,570 for married taxpayers filing joint returns. ~~For tax~~  
 3.23 ~~years beginning after December 31, 2013, the commissioner shall annually adjust the \$5,000~~  
 3.24 ~~by the percentage determined pursuant to the provisions of section 1(f) of the Internal~~  
 3.25 ~~Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for~~  
 3.26 ~~the word "1992."~~ For 2014, the commissioner shall then determine the percent change from  
 3.27 ~~the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2013,~~  
 3.28 ~~and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12~~  
 3.29 ~~months ending on August 31 of the year preceding the taxable year. The earned income~~  
 3.30 ~~thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends~~  
 3.31 ~~in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner~~  
 3.32 ~~under this subdivision is not a rule under the Administrative Procedure Act.~~

4.1 ~~(h)~~ (i) The commissioner shall construct tables showing the amount of the credit at  
4.2 various income levels and make them available to taxpayers. The tables shall follow the  
4.3 schedule contained in this subdivision, except that the commissioner may graduate the  
4.4 transition between income brackets.

4.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.6 31, 2017.

4.7 Sec. 2. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

4.8 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit  
4.9 and the income thresholds at which the maximum credit begins to be reduced in subdivision  
4.10 1, and the additional threshold amount for married taxpayers filing joint returns, must be  
4.11 adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant  
4.12 to the provisions of section 1(f) of the Internal Revenue Code, as amended through December  
4.13 31, 2016, except that in section 1(f)(3)(B) the word "2013" "2017" shall be substituted for  
4.14 the word "1992." For ~~2015~~ 2019, the commissioner shall then determine the percent change  
4.15 from the 12 months ending on August 31, ~~2013~~ 2017, to the 12 months ending on August  
4.16 31, ~~2014~~ 2018, and in each subsequent year, from the 12 months ending on August 31, ~~2013~~  
4.17 2017, to the 12 months ending on August 31 of the year preceding the taxable year. The  
4.18 earned income thresholds as adjusted for inflation must be rounded to the nearest \$10  
4.19 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The  
4.20 determination of the commissioner under this subdivision is not a rule under the  
4.21 Administrative Procedure Act.

4.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
4.23 31, 2017.

4.24 Sec. 3. **[290.0687] PERSONAL AND DEPENDENT CREDIT.**

4.25 Subdivision 1. **Credit allowed.** (a) A resident or part-year resident taxpayer is allowed  
4.26 a credit against the income tax due under section 290.06, subdivision 2c, in an amount equal  
4.27 to the sum of:

4.28 (1) \$60, or in the case of a married couple filing a joint return \$120; plus

4.29 (2) \$60 multiplied by the number of dependents of the taxpayer, as defined under sections  
4.30 151 and 152 of the Internal Revenue Code.

5.1 (b) The credit is not allowed to an individual who is eligible to be claimed as a dependent,  
5.2 as defined in sections 151 and 152 of the Internal Revenue Code. The credit may not exceed  
5.3 the liability for tax under this chapter.

5.4 Subd. 2. Credit amount. (a) The credit under subdivision 1 is reduced in the case of  
5.5 married individuals filing a joint return by one percent for each \$1,000, or fraction thereof,  
5.6 above the threshold, and for all other taxpayers by two percent for each \$1,000, or fraction  
5.7 thereof, above the threshold amount.

5.8 (b) The threshold amounts are:

5.9 (1) \$180,000 of federal adjusted gross income for married individuals filing a joint  
5.10 return; and

5.11 (2) \$90,000 of federal adjusted gross income for all other taxpayers.

5.12 (c) The thresholds must be increased by an amount equal to:

5.13 (1) the threshold dollar amount, multiplied by:

5.14 (2) the cost-of-living adjustment determined under section 1(f) of the Internal Revenue  
5.15 Code, as amended through December 16, 2016, for the calendar year in which the taxable  
5.16 year begins, by substituting "calendar year 2017" for "calendar year 1992" in subparagraph  
5.17 (B) of section 1(f)(3).

5.18 (d) The determination of the commissioner pursuant to this subdivision shall not be  
5.19 considered a rule and shall not be subject to the Administrative Procedure Act under chapter  
5.20 14, including section 14.386.

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

5.23 Sec. 4. **APPROPRIATION.**

5.24 \$276,000 in fiscal year 2019 is appropriated from the general fund to the commissioner  
5.25 of revenue to administer section 3. The base for this purpose is \$428,000 in fiscal year 2020  
5.26 and \$428,000 in fiscal year 2021.

## 5.27 **ARTICLE 2**

### 5.28 **RESPONSE TO THE 2017 FEDERAL LAW CHANGE**

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

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

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

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

6.16 (1) for an unmarried debtor, an income of \$12,560 or less;

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

6.18 (3) for a debtor with two dependents, an income of \$19,020 or less;

6.19 (4) for a debtor with three dependents, an income of \$21,580 or less;

6.20 (5) for a debtor with four dependents, an income of \$22,760 or less; and

6.21 (6) for a debtor with five or more dependents, an income of \$23,730 or less.

6.22 For purposes of this paragraph, "debtor" means the individual whose income, together  
6.23 with the income of the individual's spouse, other than a separated spouse, brings the  
6.24 individual within the income provisions of this paragraph. For purposes of this paragraph,  
6.25 a spouse, other than a separated spouse, shall be considered a dependent.

6.26 (c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage  
6.27 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as  
6.28 amended through December 16, 2016, except that in section 1(f)(3)(B) the word "2014"  
6.29 shall be substituted for the word "1992." For 2016, the commissioner shall then determine  
6.30 the percent change from the 12 months ending on August 31, 2014, to the 12 months ending  
6.31 on August 31, 2015, and in each subsequent year, from the 12 months ending on August  
6.32 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The  
6.33 determination of the commissioner pursuant to this subdivision shall not be considered a

7.1 "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.  
 7.2 The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount  
 7.3 ends in \$5, the amount is rounded up to the nearest \$10 amount.

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

7.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 7.7 31, 2017.

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

7.10 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 7.11 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~  
 7.12 ~~16, 2016~~ March 24, 2018.

7.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 7.14 31, 2017.

7.15 Sec. 3. Minnesota Statutes 2017 Supplement, section 289A.12, subdivision 14, is amended  
 7.16 to read:

7.17 Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated  
 7.18 investment company paying \$10 or more in exempt-interest dividends to an individual who  
 7.19 is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or  
 7.20 exempt-interest dividends and paying as nominee to an individual who is a resident of  
 7.21 Minnesota, must make a return indicating the amount of the exempt interest or  
 7.22 exempt-interest dividends, the name, address, and Social Security number of the recipient,  
 7.23 and any other information that the commissioner specifies. The return must be provided to  
 7.24 the recipient by February 15 of the year following the year of the payment. The return  
 7.25 provided to the recipient must include a clear statement, in the form prescribed by the  
 7.26 commissioner, that the exempt interest or exempt-interest dividends must be included in  
 7.27 the computation of Minnesota taxable income. By June 1 of each year, the payer must file  
 7.28 a copy of the return with the commissioner.

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

7.30 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section  
 7.31 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest

8.1 dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under  
8.2 section 290.0131, subdivision 2, paragraph (b).

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

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

8.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
8.11 31, 2017.

8.12 Sec. 4. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

8.13 **289A.35 ASSESSMENTS ON RETURNS.**

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

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

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

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

8.29 (e) The commissioner may audit and adjust the taxpayer's computation of tax under  
8.30 chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner  
8.31 shall notify the estate no later than nine months after the filing date, as provided by section



9.1 289A.38, subdivision 2, whether the return is under examination or the return has been  
9.2 processed as filed.

9.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
9.4 31, 2017.

9.5 Sec. 5. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended  
9.6 to read:

9.7 Subd. 19. **Net income.** For trusts and estates taxable under section 290.03, and  
9.8 corporations taxable under section 290.02, the term "net income" means the federal taxable  
9.9 income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through  
9.10 the date named in this subdivision, incorporating the federal effective dates of changes to  
9.11 the Internal Revenue Code and any elections made by the taxpayer in accordance with the  
9.12 Internal Revenue Code in determining federal taxable income for federal income tax  
9.13 purposes, and with the modifications provided in sections 290.0131 to 290.0136.

9.14 For individuals, the term "net income" means federal adjusted gross income, as defined  
9.15 in section 62 of the Internal Revenue Code of 1986, as amended through the date named in  
9.16 this subdivision, incorporating the federal effective dates of changes to the Internal Revenue  
9.17 Code and any elections made by the taxpayer in accordance with the Internal Revenue Code  
9.18 in determining federal adjusted gross income for federal income tax purposes, and with the  
9.19 modifications provided in sections 290.0131, 290.0132, 290.0135, and 290.0136.

9.20 In the case of a regulated investment company or a fund thereof, as defined in section  
9.21 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment  
9.22 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,  
9.23 except that:

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

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

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

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

10.4 The net income of a designated settlement fund as defined in section 468B(d) of the  
 10.5 Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal  
 10.6 Revenue Code.

10.7 For corporations, resident individuals, and resident estates and trusts who make a valid  
 10.8 election under section 965(h) of the Internal Revenue Code, including any successor in  
 10.9 interest, net income for the tax year includes the ratable amount of deferred foreign income  
 10.10 on which the taxpayer makes a federal tax payment in that year.

10.11 The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March  
 10.12 24, 2018, shall be in effect for taxable years beginning after December 31, 1996.

10.13 Except as otherwise provided, references to the Internal Revenue Code in this subdivision  
 10.14 and sections 290.0131 to 290.0136 mean the code in effect for purposes of determining net  
 10.15 income for the applicable year.

10.16 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 10.17 the changes incorporated by federal changes are effective retroactively at the same time as  
 10.18 the changes became effective for federal purposes.

10.19 Sec. 6. Minnesota Statutes 2016, section 290.01, subdivision 29a, is amended to read:

10.20 Subd. 29a. **State itemized deduction.** "State itemized deduction" means federal itemized  
 10.21 deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding any  
 10.22 ~~limitation under section 68 of the Internal Revenue Code~~ changes to itemized deductions  
 10.23 made by Public Law 115-97 other than the changes made by section 13705(a), and reduced  
 10.24 by the amount of the addition required under section 290.0131, subdivision 13 disregarding  
 10.25 the federal itemized deduction of income or sales taxes under section 164 of the Internal  
 10.26 Revenue Code.

10.27 For taxable years beginning after December 31, 2017, the amount that would have been  
 10.28 allowable as interest under section 163(h)(3)(E) of the Internal Revenue Code, disregarding  
 10.29 subparagraph 163(h)(3)(E)(iv), is allowed as a state itemized deduction.

10.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 10.31 31, 2017.

11.1 Sec. 7. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to  
 11.2 read:

11.3 Subd. 29b. **State standard deduction.** "State standard deduction" means the federal  
 11.4 standard deduction computed under section 63(c) and (f) of the Internal Revenue Code, as  
 11.5 amended through December 16, 2016.

11.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 11.7 31, 2017.

11.8 Sec. 8. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended  
 11.9 to read:

11.10 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal  
 11.11 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~  
 11.12 ~~16, 2016~~ March 24, 2018. Internal Revenue Code also includes any uncodified provision  
 11.13 in federal law that relates to provisions of the Internal Revenue Code that are incorporated  
 11.14 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,  
 11.15 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as  
 11.16 amended through March 18, 2010.

11.17 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
 11.18 the changes incorporated by the federal changes are effective retroactively at the same time  
 11.19 as the changes became effective for federal purposes.

11.20 Sec. 9. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

11.21 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means  
 11.22 an amount that must be added to federal taxable income in the case of a trust or an estate  
 11.23 or federal adjusted gross income in the case of an individual in computing net income for  
 11.24 the taxable year to which the amounts relate.

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

11.26 (c) Unless specifically indicated or unless the context clearly indicates otherwise, only  
 11.27 amounts that were deducted or excluded in computing federal taxable income in the case  
 11.28 of a trust or an estate or federal adjusted gross income in the case of individuals are an  
 11.29 addition under this section.

11.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 11.31 31, 2017.

12.1 Sec. 10. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

12.2 Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a) For trusts~~  
 12.3 ~~and estates,~~ the amount of income, sales and use, motor vehicle sales, or excise taxes paid  
 12.4 or accrued within the taxable year under this chapter and the amount of taxes based on net  
 12.5 income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any  
 12.6 province or territory of Canada is an addition to the extent deducted under section 63(d) of  
 12.7 the Internal Revenue Code.

12.8 ~~(b) The addition under paragraph (a) may not be more than the amount by which the~~  
 12.9 ~~state itemized deduction exceeds the amount of the standard deduction as defined in section~~  
 12.10 ~~63(e) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and~~  
 12.11 ~~use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under~~  
 12.12 ~~subdivision 12.~~

12.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 12.14 31, 2017.

12.15 Sec. 11. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended  
 12.16 to read:

12.17 Subd. 10. **Section 179 expensing.** For property placed in service in taxable years  
 12.18 beginning before December 31, 2017, 80 percent of the amount by which the deduction  
 12.19 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
 12.20 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
 12.21 December 31, 2003, is an addition.

12.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 12.23 31, 2017.

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

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

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

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

13.1 (2) 80 percent of the amount of the state itemized deductions otherwise allowable to the  
 13.2 taxpayer under the Internal Revenue Code for the taxable year.

13.3 (c) "Applicable amount" means \$100,000, or \$50,000 for a married individual filing a  
 13.4 separate return. Each dollar amount is increased by an amount equal to:

13.5 (1) that dollar amount, multiplied by

13.6 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue  
 13.7 Code, as amended through December 16, 2016, for the calendar year in which the taxable  
 13.8 year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph  
 13.9 (B) of section 1(f)(3).

13.10 (d) "Itemized deductions" excludes:

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

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

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

13.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 13.18 31, 2017.

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

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

13.23 (b) The disallowed personal exemption amount is equal to the ~~number of personal~~  
 13.24 ~~exemptions and dependent exemption subtraction~~ allowed under section ~~151(b) and (c) of~~  
 13.25 ~~the Internal Revenue Code~~ 290.0132, subdivision 20, multiplied by the ~~dollar amount for~~  
 13.26 ~~personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as~~  
 13.27 ~~adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the~~  
 13.28 applicable percentage.

13.29 (c) For a married individual filing a separate return, "applicable percentage" means two  
 13.30 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal  
 13.31 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,  
 13.32 applicable percentage means two percentage points for each \$2,500, or fraction of that

14.1 amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds  
14.2 the threshold amount. The applicable percentage must not exceed 100 percent.

14.3 (d) "Threshold amount" means:

14.4 (1) \$150,000 for a joint return or a surviving spouse;

14.5 (2) \$125,000 for a head of a household;

14.6 (3) \$100,000 for an individual who is not married and who is not a surviving spouse or  
14.7 head of a household; and

14.8 (4) \$75,000 for a married individual filing a separate return.

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

14.10 (1) the threshold dollar amount, multiplied by

14.11 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue  
14.12 Code, as amended through December 16, 2016, for the calendar year in which the taxable  
14.13 year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph  
14.14 (B) of section 1(f)(3).

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

14.17 Sec. 14. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
14.18 to read:

14.19 Subd. 15. **529 plan addition.** (a) The definitions under section 290.0684 apply for the  
14.20 purposes of this subdivision.

14.21 (b) The amount of a distribution attributed to gain from a qualified account that is not  
14.22 used to pay qualified higher education expenses as defined in section 290.0684, subdivision  
14.23 1, paragraph (e), is an addition to the distributee to the extent it is not included in federal  
14.24 taxable income.

14.25 (c) The amount of distribution attributed to gain is determined by:

14.26 (1) the total amount of contributions minus any distributions made for qualified higher  
14.27 education expenses made prior to the distribution that was not used to pay qualified higher  
14.28 education expenses;

14.29 (2) divided by account value on the date of the distribution;

14.30 (3) multiplied by the amount of the distribution;

15.1 (4) the result of which is then subtracted from the amount of the distribution.

15.2 (d) "Distributee" means the person who received the benefit of the distribution, but in  
 15.3 the case of a dependent as defined under section 152 of the Internal Revenue Code, the  
 15.4 distributee is the taxpayer who claims the dependent under section 151 of the Internal  
 15.5 Revenue Code.

15.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 15.7 31, 2017.

15.8 Sec. 15. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
 15.9 to read:

15.10 Subd. 16. **Alimony received.** (a) Alimony received is an addition to the recipient to the  
 15.11 extent the alimony is not included in the recipient's federal adjusted gross income.

15.12 (b) For the purposes of this subdivision, "alimony" is defined pursuant to section 71 of  
 15.13 the Internal Revenue Code, as amended through December 16, 2016.

15.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 15.15 31, 2018.

15.16 Sec. 16. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision  
 15.17 to read:

15.18 Subd. 17. **Section 199A addition.** For trusts and estates, the amount deducted under  
 15.19 section 199A of the Internal Revenue Code in computing the trust or estate's federal taxable  
 15.20 income is an addition.

15.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 15.22 31, 2017.

15.23 Sec. 17. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

15.24 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction"  
 15.25 means an amount that shall be subtracted from federal taxable income in the case of a trust  
 15.26 or an estate or federal adjusted gross income in the case of an individual in computing net  
 15.27 income for the taxable year to which the amounts relate.

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

15.29 (c) Unless specifically indicated or unless the context clearly indicates otherwise, no  
 15.30 amount deducted, subtracted, or otherwise excluded in computing federal taxable income

16.1 in the case of a trust or an estate or federal adjusted gross income in the case of an individual  
 16.2 is a subtraction under this section.

16.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 16.4 31, 2017.

16.5 Sec. 18. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

16.6 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** To the extent  
 16.7 not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in  
 16.8 determining federal ~~taxable~~ adjusted gross income by for an individual or for an individual  
 16.9 who does not itemize deductions for ~~federal~~ Minnesota income tax purposes for the taxable  
 16.10 year, an amount equal to 50 percent of the excess of charitable contributions over \$500  
 16.11 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue  
 16.12 Code is a subtraction.

16.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 16.14 31, 2017.

16.15 Sec. 19. Minnesota Statutes 2016, section 290.0132, subdivision 20, is amended to read:

16.16 Subd. 20. ~~**Disallowed Personal and dependent exemption.** The amount of the phaseout~~  
 16.17 ~~of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.~~  
 16.18 The amount of personal and dependent exemptions calculated under section 290.0138 is a  
 16.19 subtraction.

16.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 16.21 31, 2017.

16.22 Sec. 20. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended  
 16.23 to read:

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

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



17.1 (c) For single or head-of-household taxpayers, the maximum subtraction equals \$3,500.  
17.2 The maximum subtraction is reduced by 20 percent of provisional income over \$60,200.  
17.3 In no case is the subtraction less than zero.

17.4 (d) For married taxpayers filing separate returns, the maximum subtraction equals \$2,250.  
17.5 The maximum subtraction is reduced by 20 percent of provisional income over \$38,500.  
17.6 In no case is the subtraction less than zero.

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

17.11 (f) The commissioner shall adjust the maximum subtraction and threshold amounts in  
17.12 paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section  
17.13 1(f) of the Internal Revenue Code, as amended through December 16, 2016, except that in  
17.14 section 1(f)(3)(B) of the Internal Revenue Code the word "2016" shall be substituted for  
17.15 the word "1992." For 2018, the commissioner shall then determine the percentage change  
17.16 from the 12 months ending on August 31, 2016, to the 12 months ending on August 31,  
17.17 2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the  
17.18 12 months ending on August 31 of the year preceding the taxable year. The determination  
17.19 of the commissioner pursuant to this subdivision must not be considered a rule and is not  
17.20 subject to the Administrative Procedure Act contained in chapter 14, including section  
17.21 14.386. The maximum subtraction and threshold amounts as adjusted must be rounded to  
17.22 the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest  
17.23 \$10 amount.

17.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.25 31, 2017.

17.26 Sec. 21. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
17.27 to read:

17.28 **Subd. 27. Moving expenses.** Moving expenses that qualify as a deduction under section  
17.29 217(a) through (f) of the Internal Revenue Code to the extent the expenses are not deducted  
17.30 in the computation of federal taxable income is a subtraction.

17.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
17.32 31, 2017.

18.1 Sec. 22. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.2 to read:

18.3 Subd. 28. **Alimony payments.** (a) Alimony paid is a subtraction to the extent that the  
18.4 alimony paid is not deducted in computing the individual's federal adjusted gross income.

18.5 (b) For the purposes of this subdivision, "alimony" is defined pursuant to section 215  
18.6 of the Internal Revenue Code, as amended through December 16, 2016.

18.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.8 31, 2018.

18.9 Sec. 23. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.10 to read:

18.11 Subd. 29. **Standard or itemized deduction.** The amount allowed under section 290.0803  
18.12 is a subtraction.

18.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.14 31, 2017.

18.15 Sec. 24. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.16 to read:

18.17 Subd. 30. **Tuition subtraction.** The amount that would have been allowable under  
18.18 section 222 of the Internal Revenue Code, disregarding paragraph (e) and only to the extent  
18.19 the amount is not deducted in computing federal adjusted gross income is a subtraction.

18.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
18.21 31, 2018.

18.22 Sec. 25. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
18.23 to read:

18.24 Subd. 31. **Deferred foreign income of nonresidents.** In the case of a nonresident  
18.25 individual the amount of deferred foreign income recognized because of section 965 of the  
18.26 Internal Revenue Code is a subtraction.

18.27 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
18.28 after December 31, 2016, and before January 1, 2019.

19.1 Sec. 26. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision  
19.2 to read:

19.3 Subd. 32. **Employer reimbursement of employee bicycle commuting expense.** The  
19.4 amount of employer reimbursement excludable under section 132(f)(5)(F) of the Internal  
19.5 Revenue Code, as amended through December 16, 2017, is a subtraction for the employee  
19.6 receiving the reimbursement.

19.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
19.8 31, 2017.

19.9 Sec. 27. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

19.10 Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections  
19.11 241 to 247 and ~~965~~ 250 of the Internal Revenue Code is an addition.

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

19.15 **EFFECTIVE DATE.** Paragraph (a) is effective retroactively for taxable years beginning  
19.16 after December 31, 2016. Paragraph (b) is effective for taxable years beginning after  
19.17 December 31, 2017.

19.18 Sec. 28. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended  
19.19 to read:

19.20 Subd. 12. **Section 179 expensing.** For property placed in service in taxable years  
19.21 beginning before December 31, 2017, 80 percent of the amount by which the deduction  
19.22 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the  
19.23 deduction allowable by section 179 of the Internal Revenue Code, as amended through  
19.24 December 31, 2003, is an addition.

19.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
19.26 31, 2017.

19.27 Sec. 29. Minnesota Statutes 2016, section 290.0133, is amended by adding a subdivision  
19.28 to read:

19.29 Subd. 15. **Deferred foreign income.** (a) The amount of the deduction provided under  
19.30 section 965(c) of the Internal Revenue Code is an addition.

20.1 (b) For a taxpayer making a valid election under section 965(h) of the Internal Revenue  
20.2 Code, the addition under paragraph (a) must be applied ratably to the same tax periods in  
20.3 which the taxpayer includes deferred foreign income in Minnesota net income pursuant to  
20.4 section 290.01, subdivision 19.

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

20.7 Sec. 30. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

20.8 Subdivision 1. **Personal and dependent exemptions.** (a) A taxpayer is allowed (1) a  
20.9 personal exemption in the amount of \$4,150, and in the case of a married couple filing a  
20.10 joint return an additional personal exemption of \$4,150; plus (2) a dependent exemption of  
20.11 \$4,150 multiplied by the number of dependents of the taxpayer, as defined under sections  
20.12 151 and 152 of the Internal Revenue Code.

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

20.16 Subd. 2. **Cost-of-living adjustment.** For taxable years beginning after December 31,  
20.17 2018, the commissioner shall annually adjust the amounts in subdivision 1 by the percentage  
20.18 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code as  
20.19 amended through December 16, 2016, except that in section 1(f)(3)(B), the word "2017"  
20.20 shall be substituted for the word "1992." The exemption amount as adjusted for inflation  
20.21 must be rounded to the nearest \$10. If the amount ends in \$5, the commissioner shall round  
20.22 up to the next \$10 amount. The determination of the commissioner under this subdivision  
20.23 is not a rule under the Administrative Procedure Act.

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

20.26 Sec. 31. Minnesota Statutes 2016, section 290.05, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

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

21.20 (c) The tax shall be imposed on organizations subject to federal tax under section  
21.21 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate  
21.22 multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are  
21.23 attributable to lobbying the Minnesota state government.

21.24 (d) In calculating unrelated business taxable income under section 512 of the Internal  
21.25 Revenue Code, the amount of any net operating loss deduction claimed under section 172  
21.26 of the Internal Revenue Code is an addition. Taxpayers making an addition under this  
21.27 paragraph may deduct a net operating loss for the taxable year in the same manner as a  
21.28 corporation under section 290.095, in a form and manner prescribed by the commissioner,  
21.29 and may calculate the loss without the application of the limitation provided for under  
21.30 section 512(a)(6) of the Internal Revenue Code.

21.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
21.32 31, 2017.

22.1 Sec. 32. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

22.6 (1) On the first \$35,480, 5.35 percent;

22.7 (2) On all over \$35,480, but not over \$140,960, 7.05 percent;

22.8 (3) On all over \$140,960, but not over \$250,000, 7.85 percent;

22.9 (4) On all over \$250,000, 9.85 percent.

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

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

22.15 (1) On the first \$24,270, 5.35 percent;

22.16 (2) On all over \$24,270, but not over \$79,730, 7.05 percent;

22.17 (3) On all over \$79,730, but not over \$150,000, 7.85 percent;

22.18 (4) On all over \$150,000, 9.85 percent.

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

22.22 (1) On the first \$29,880, 5.35 percent;

22.23 (2) On all over \$29,880, but not over \$120,070, 7.05 percent;

22.24 (3) On all over \$120,070, but not over \$200,000, 7.85 percent;

22.25 (4) On all over \$200,000, 9.85 percent.

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

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

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

23.7 (1) the numerator is the individual's Minnesota source federal adjusted gross income as  
 23.8 defined in section 62 of the Internal Revenue Code and increased by the additions required  
 23.9 under section 290.0131, subdivisions 2 ~~and~~ 6, and 8 to 10, and reduced by the Minnesota  
 23.10 assignable portion of the subtraction for United States government interest under section  
 23.11 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions 9, 10,  
 23.12 14, 15, 17, and 18, after applying the allocation and assignability provisions of section  
 23.13 290.081, clause (a), or 290.17; and

23.14 (2) the denominator is the individual's federal adjusted gross income as defined in section  
 23.15 62 of the Internal Revenue Code, increased by the amounts specified in section 290.0131,  
 23.16 subdivisions 2 ~~and~~ 6, and 8 to 10, and reduced by the amounts specified in section  
 23.17 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and 18, and 31~~.

23.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 23.19 31, 2017, except the amendment to the list of subdivisions of section 290.0132 in paragraph  
 23.20 (e), clause (2), is effective retroactively for taxable years beginning after December 31,  
 23.21 2016.

23.22 Sec. 33. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

23.23 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
 23.24 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for  
 23.25 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage  
 23.26 determined under paragraph (b). For the purpose of making the adjustment as provided in  
 23.27 this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets  
 23.28 as they existed for taxable years beginning after December 31, 2012, and before January 1,  
 23.29 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts  
 23.30 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate  
 23.31 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in  
 23.32 \$5, it must be rounded up to the nearest \$10 amount.

24.1 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
24.2 pursuant to the provisions of section 1(f) of the Internal Revenue Code, as amended through  
24.3 December 16, 2016, except that in section 1(f)(3)(B) the word "2012" shall be substituted  
24.4 for the word "1992." For 2014, the commissioner shall then determine the percent change  
24.5 from the 12 months ending on August 31, 2012, to the 12 months ending on August 31,  
24.6 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the  
24.7 12 months ending on August 31 of the year preceding the taxable year. The determination  
24.8 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall  
24.9 not be subject to the Administrative Procedure Act contained in chapter 14.

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

24.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
24.13 31, 2017.

24.14 Sec. 34. Minnesota Statutes 2016, section 290.067, subdivision 2a, is amended to read:

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

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

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

24.20 (i) all nontaxable income;

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

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

24.27 (iv) cash public assistance and relief;

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



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

25.3 (vii) workers' compensation;

25.4 (viii) nontaxable strike benefits;

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

25.8 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
 25.9 1986, as amended through December 31, 1995;

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

25.15 (xii) nontaxable scholarship or fellowship grants;

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

25.17 ~~(xiv)~~ (xiii) the amount of deduction allowed under section 220 or 223 of the Internal  
 25.18 Revenue Code;

25.19 ~~(xv)~~ (xiv) the amount deducted for tuition expenses under section 222 of the Internal  
 25.20 Revenue Code; ~~and~~

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

25.23 (xvi) alimony received to the extent not included in the recipient's income.

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

25.29 (b) "Income" does not include:

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

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

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

26.5 (4) relief granted under chapter 290A;

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

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

26.11 (7) alimony subtracted under section 290.0132, subdivision 28.

26.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 26.13 31, 2017.

26.14 Sec. 35. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 2b, is amended  
 26.15 to read:

26.16 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of  
 26.17 the income threshold at which the maximum credit begins to be reduced under subdivision  
 26.18 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal  
 26.19 Revenue Code, as amended through December 16, 2016, except that in section 1(f)(3)(B)  
 26.20 the word "2016" shall be substituted for the word "1992." For 2018, the commissioner shall  
 26.21 then determine the percent change from the 12 months ending on August 31, 2016, to the  
 26.22 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months  
 26.23 ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding  
 26.24 the taxable year. The determination of the commissioner pursuant to this subdivision must  
 26.25 not be considered a "rule" and is not subject to the Administrative Procedure Act contained  
 26.26 in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount.  
 26.27 If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

26.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 26.29 31, 2017.

27.1 Sec. 36. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended  
27.2 to read:

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

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

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

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

27.10 (3) has been offered in compliance with the inflation protection requirements of section  
27.11 62S.23.

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

27.13 (d) "Premiums deducted in determining ~~federal taxable~~ net income" means the lesser of  
27.14 (1) long-term care insurance premiums that qualify as deductions under section 213 of the  
27.15 Internal Revenue Code; and (2) the total amount deductible for medical care under ~~section~~  
27.16 ~~213 of the Internal Revenue Code~~ sections 290.01, subdivision 29a, and 290.0132,  
27.17 subdivision 29.

27.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
27.19 31, 2017.

27.20 Sec. 37. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

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

27.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
27.31 31, 2017.

28.1 Sec. 38. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended  
28.2 to read:

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

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

28.7 (c) "Office" means the State Historic Preservation Office of the Department of  
28.8 Administration.

28.9 (d) "Project" means rehabilitation of a certified historic structure, as defined in section  
28.10 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a  
28.11 federal credit.

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

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

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

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

28.20 Sec. 39. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended  
28.21 to read:

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

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

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

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

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

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

29.9 Sec. 40. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

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

30.12 Sec. 41. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

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

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

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

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

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

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

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

31.1 Sec. 42. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 1, is amended  
31.2 to read:

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

31.5 (b) "Contribution" means the amount contributed to one or more qualified accounts  
31.6 except that the amount:

31.7 (1) is reduced by any withdrawals or distributions, other than transfers or rollovers to  
31.8 another qualified account, from a qualified account during the taxable year; and

31.9 (2) excludes the amount of any transfers or rollovers from a qualified account made  
31.10 during the taxable year.

31.11 (c) "Federal adjusted gross income" has the meaning given under section 62(a) of the  
31.12 Internal Revenue Code.

31.13 (d) "Qualified account" means an account qualifying under section 529 of the Internal  
31.14 Revenue Code.

31.15 (e) "Qualified higher education expenses" has the meaning given in section ~~529~~ 529(e)(3)  
31.16 of the Internal Revenue Code, except section 529(c)(7) of the Internal Revenue Code does  
31.17 not apply to the definition of qualified higher education expenses.

31.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
31.19 31, 2017.

31.20 Sec. 43. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended  
31.21 to read:

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

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

31.29 (c) For individual filers, the maximum credit is reduced by two percent of adjusted gross  
31.30 income in excess of \$75,000.

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

32.1 (1) for married couples with adjusted gross income in excess of \$75,000, but not more  
 32.2 than \$100,000, the maximum credit is reduced by one percent of adjusted gross income in  
 32.3 excess of \$75,000;

32.4 (2) for married couples with adjusted gross income in excess of \$100,000, but not more  
 32.5 than \$135,000, the maximum credit is \$250; and

32.6 (3) for married couples with adjusted gross income in excess of \$135,000, the maximum  
 32.7 credit is \$250, reduced by one percent of adjusted gross income in excess of \$135,000.

32.8 (e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum  
 32.9 credit must be adjusted for inflation. The commissioner shall adjust the income thresholds  
 32.10 by the percentage determined under the provisions of section 1(f) of the Internal Revenue  
 32.11 Code, as amended through December 16, 2016, except that in section 1(f)(3)(B) the word  
 32.12 "2016" is substituted for the word "1992." For 2018, the commissioner shall then determine  
 32.13 the percent change from the 12 months ending on August 31, 2016, to the 12 months ending  
 32.14 on August 31, 2017, and in each subsequent year, from the 12 months ending on August  
 32.15 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The  
 32.16 income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If  
 32.17 the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The  
 32.18 determination of the commissioner under this subdivision is not subject to chapter 14,  
 32.19 including section 14.386.

32.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 32.21 31, 2017.

32.22 Sec. 44. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

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

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

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

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

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



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

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

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

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

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

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

33.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
33.13 31, 2017.

33.14 Sec. 45. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

33.15 Subdivision 1. **Election.** An individual may elect to claim a state standard deduction in  
33.16 lieu of state itemized deductions. However, in the case of a married individual filing a  
33.17 separate return, if one spouse elects to claim state itemized deductions, the other spouse is  
33.18 not allowed a state standard deduction.

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

33.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
33.23 31, 2017.

33.24 Sec. 46. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended  
33.25 to read:

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

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

- 34.1 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
34.2 55(b)(2) of the Internal Revenue Code;
- 34.3 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum  
34.4 taxable income, but excluding:
- 34.5 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- 34.6 (ii) the medical expense deduction;
- 34.7 (iii) the casualty, theft, and disaster loss deduction; and
- 34.8 (iv) the impairment-related work expenses of a disabled person;
- 34.9 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue  
34.10 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),  
34.11 to the extent not included in federal alternative minimum taxable income, the excess of the  
34.12 deduction for depletion allowable under section 611 of the Internal Revenue Code for the  
34.13 taxable year over the adjusted basis of the property at the end of the taxable year (determined  
34.14 without regard to the depletion deduction for the taxable year);
- 34.15 (4) to the extent not included in federal alternative minimum taxable income, the amount  
34.16 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue  
34.17 Code determined without regard to subparagraph (E);
- 34.18 (5) to the extent not included in federal alternative minimum taxable income, the amount  
34.19 of interest income as provided by section 290.0131, subdivision 2; ~~and~~
- 34.20 (6) the amount of addition required by section 290.0131, subdivisions ~~9 to 11~~, 10, and  
34.21 16; and
- 34.22 (7) the deduction allowed under section 199A of the Internal Revenue Code;
- 34.23 less the sum of the amounts determined under the following:
- 34.24 (i) interest income as defined in section 290.0132, subdivision 2;
- 34.25 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision  
34.26 3, to the extent included in federal alternative minimum taxable income;
- 34.27 (iii) the amount of investment interest paid or accrued within the taxable year on  
34.28 indebtedness to the extent that the amount does not exceed net investment income, as defined  
34.29 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted  
34.30 in computing federal adjusted gross income;

35.1 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,  
 35.2 subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26 to 28, and 30; and~~

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

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

35.8 In the case of an estate or trust, alternative minimum taxable income must be computed  
 35.9 as provided in section 59(c) of the Internal Revenue Code, except alternative minimum  
 35.10 taxable income must be increased by the addition in section 290.0131, subdivision 17.

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

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

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

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

35.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 35.20 31, 2017.

35.21 Sec. 47. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

35.22 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum  
 35.23 tax, the exemption amount is, for taxable years beginning after December 31, 2005, \$60,000  
 35.24 for married couples filing joint returns, \$30,000 for married individuals filing separate  
 35.25 returns, estates, and trusts, and \$45,000 for unmarried individuals.

35.26 (b) The exemption amount determined under this subdivision is subject to the phase out  
 35.27 under section ~~55(d)(3)~~ 55(d)(2) and (4) of the Internal Revenue Code, except that alternative  
 35.28 minimum taxable income as determined under this section must be substituted in the  
 35.29 computation of the phase out.

35.30 (c) For taxable years beginning after December 31, 2006, the exemption amount under  
 35.31 paragraph (a) must be adjusted for inflation. The commissioner shall adjust the exemption  
 35.32 amount by the percentage determined pursuant to the provisions of section 1(f) of the Internal

36.1 Revenue Code, as amended through December 16, 2016, except that in section 1(f)(3)(B)  
36.2 the word "2005" shall be substituted for the word "1992." For 2007, the commissioner shall  
36.3 then determine the percent change from the 12 months ending on August 31, 2005, to the  
36.4 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months  
36.5 ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding  
36.6 the taxable year. The exemption amount as adjusted must be rounded to the nearest \$10. If  
36.7 the amount ends in \$5, it must be rounded up to the nearest \$10 amount. The determination  
36.8 of the commissioner under this subdivision is not a rule under the Administrative Procedure  
36.9 Act.

36.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
36.11 31, 2017.

36.12 Sec. 48. Minnesota Statutes 2016, section 290.0921, subdivision 2, is amended to read:

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

36.15 (b) "Alternative minimum taxable net income" is alternative minimum taxable income,

36.16 (1) less the exemption amount, and

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

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

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

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

36.28 (2) a deduction for dividends received from a property and casualty insurer as defined  
36.29 under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations  
36.30 as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in  
36.31 consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31,

37.1 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal  
37.2 Revenue Code.

37.3 (e) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended  
37.4 through December 16, 2016.

37.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
37.6 31, 2017.

37.7 Sec. 49. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

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

37.12	If the sum of the corporation's Minnesota		
37.13	property, payrolls, and sales or receipts is:		the tax equals:
37.14	less than	\$ 930,000	\$ 0
37.15	\$ 930,000 to	\$ 1,869,999	\$ 190
37.16	\$ 1,870,000 to	\$ 9,339,999	\$ 560
37.17	\$ 9,340,000 to	\$ 18,679,999	\$ 1,870
37.18	\$ 18,680,000 to	\$ 37,359,999	\$ 3,740
37.19	\$ 37,360,000 or more		\$ 9,340

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

37.27	If the sum of the S corporation's		
37.28	or partnership's Minnesota		
37.29	property, payrolls, and sales or		
37.30	receipts is:		the tax equals:
37.31	less than	\$ 930,000	\$ 0
37.32	\$ 930,000 to	\$ 1,869,999	\$ 190
37.33	\$ 1,870,000 to	\$ 9,339,999	\$ 560
37.34	\$ 9,340,000 to	\$ 18,679,999	\$ 1,870
37.35	\$ 18,680,000 to	\$ 37,359,999	\$ 3,740
37.36	\$ 37,360,000 or more		\$ 9,340

38.1 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,  
38.2 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage  
38.3 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as  
38.4 amended through December 16, 2016, except that in section 1(f)(3)(B) the word "2012"  
38.5 must be substituted for the word "1992." For 2014, the commissioner shall determine the  
38.6 percentage change from the 12 months ending on August 31, 2012, to the 12 months ending  
38.7 on August 31, 2013, and in each subsequent year, from the 12 months ending on August  
38.8 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The  
38.9 determination of the commissioner pursuant to this subdivision is not a "rule" subject to the  
38.10 Administrative Procedure Act contained in chapter 14. The tax amounts as adjusted must  
38.11 be rounded to the nearest \$10 amount and the threshold amounts must be adjusted to the  
38.12 nearest \$10,000 amount. For tax amounts that end in \$5, the amount is rounded up to the  
38.13 nearest \$10 amount and for the threshold amounts that end in \$5,000, the amount is rounded  
38.14 up to the nearest \$10,000.

38.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
38.16 31, 2017.

38.17 Sec. 50. Minnesota Statutes 2016, section 290.095, subdivision 2, is amended to read:

38.18 Subd. 2. **Defined and limited.** (a) The term "net operating loss" as used in this section  
38.19 shall mean a net operating loss as defined in section 172(c) of the Internal Revenue Code,  
38.20 with the modifications specified in subdivision 4. The deductions provided in section 290.21  
38.21 cannot be used in the determination of a net operating loss.

38.22 (b) The term "net operating loss deduction" as used in this section means the aggregate  
38.23 of the net operating loss carryovers to the taxable year, computed in accordance with  
38.24 subdivision 3. The provisions of section 172(b) of the Internal Revenue Code relating to  
38.25 the carryback of net operating losses, do not apply.

38.26 (c) The net operating loss deduction under this section may not offset more than 80  
38.27 percent of taxable net income in a single taxable year.

38.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
38.29 31, 2017.

39.1 Sec. 51. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended  
39.2 to read:

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

39.6 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section  
39.7 3401(a) ~~and~~, (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the  
39.8 extent that, the work of the employee is performed within it; all other income from such  
39.9 sources is treated as income from sources without this state.

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

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

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

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

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

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

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

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

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

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

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

40.25 (d) Income from winnings on a bet made by an individual while in Minnesota is assigned  
40.26 to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision  
40.27 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

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

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

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



41.1 Sec. 52. Minnesota Statutes 2016, section 290.21, is amended by adding a subdivision to  
41.2 read:

41.3 Subd. 9. **Controlled foreign corporations.** For the purposes of this chapter, the net  
41.4 income of a domestic corporation that is included pursuant to sections 951, 951A, and 965  
41.5 of the Internal Revenue Code is dividend income.

41.6 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning  
41.7 after December 21, 2016.

41.8 Sec. 53. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

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

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

41.17 (3) **Employee.** For purposes of this section the term "employee" means any resident  
41.18 individual performing services for an employer, either within or without, or both within and  
41.19 without the state of Minnesota, and every nonresident individual performing services within  
41.20 the state of Minnesota, the performance of which services constitute, establish, and determine  
41.21 the relationship between the parties as that of employer and employee. As used in the  
41.22 preceding sentence, the term "employee" includes an officer of a corporation, and an officer,  
41.23 employee, or elected official of the United States, a state, or any political subdivision thereof,  
41.24 or the District of Columbia, or any agency or instrumentality of any one or more of the  
41.25 foregoing.

41.26 (4) **Employer.** For purposes of this section the term "employer" means any person,  
41.27 including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies,  
41.28 and corporations transacting business in or deriving any income from sources within the  
41.29 state of Minnesota for whom an individual performs or performed any service, of whatever  
41.30 nature, as the employee of such person, except that if the person for whom the individual  
41.31 performs or performed the services does not have control of the payment of the wages for  
41.32 such services, the term "employer," except for purposes of paragraph (1), means the person  
41.33 having control of the payment of such wages. As used in the preceding sentence, the term

42.1 "employer" includes any corporation, individual, estate, trust, or organization which is  
 42.2 exempt from taxation under section 290.05 and further includes, but is not limited to, officers  
 42.3 of corporations who have control, either individually or jointly with another or others, of  
 42.4 the payment of the wages.

42.5 (5) **Number of withholding exemptions claimed.** For purposes of this section, the term  
 42.6 "number of withholding exemptions claimed" means the number of withholding exemptions  
 42.7 claimed in a withholding exemption certificate in effect under subdivision 5, except that if  
 42.8 no such certificate is in effect, the number of withholding exemptions claimed shall be  
 42.9 considered to be zero.

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

42.11 Sec. 54. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended  
 42.12 to read:

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

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

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

42.16 (i) all nontaxable income;

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

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

42.23 (iv) cash public assistance and relief;

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

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

42.31 (vii) workers' compensation;

- 43.1 (viii) nontaxable strike benefits;
- 43.2 (ix) the gross amounts of payments received in the nature of disability income or sick  
43.3 pay as a result of accident, sickness, or other disability, whether funded through insurance  
43.4 or otherwise;
- 43.5 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
43.6 1986, as amended through December 31, 1995;
- 43.7 (xi) contributions made by the claimant to an individual retirement account, including  
43.8 a qualified voluntary employee contribution; simplified employee pension plan;  
43.9 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of  
43.10 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal  
43.11 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for  
43.12 the claimant and spouse;
- 43.13 (xii) to the extent not included in federal adjusted gross income, distributions received  
43.14 by the claimant or spouse from a traditional or Roth style retirement account or plan;
- 43.15 (xiii) nontaxable scholarship or fellowship grants;
- 43.16 ~~(xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;~~
- 43.17 ~~(xv)~~ (xiv) the amount of deduction allowed under section 220 or 223 of the Internal  
43.18 Revenue Code;
- 43.19 ~~(xvi)~~ (xv) the amount deducted for tuition expenses under section 222 of the Internal  
43.20 Revenue Code; ~~and~~
- 43.21 ~~(xvii)~~ (xvi) the amount deducted for certain expenses of elementary and secondary school  
43.22 teachers under section 62(a)(2)(D) of the Internal Revenue Code; and
- 43.23 (xvii) alimony to the extent not included in the recipient's income.
- 43.24 In the case of an individual who files an income tax return on a fiscal year basis, the  
43.25 term "federal adjusted gross income" shall mean federal adjusted gross income reflected in  
43.26 the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced  
43.27 by the amount of a net operating loss carryback or carryforward or a capital loss carryback  
43.28 or carryforward allowed for the year.
- 43.29 (b) "Income" does not include:
- 43.30 (1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

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

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

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

44.9 (5) relief granted under this chapter;

44.10 (6) child support payments received under a temporary or final decree of dissolution or  
 44.11 legal separation; ~~or~~

44.12 (7) restitution payments received by eligible individuals and excludable interest as  
 44.13 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001,  
 44.14 Public Law 107-16; or

44.15 (8) alimony subtracted under section 290.0132, subdivision 28.

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

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

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

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

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

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

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

44.25 (d)(1) For purposes of this subdivision, the "exemption amount" means ~~the exemption~~  
 44.26 ~~amount under section 151(d) of the Internal Revenue Code for the taxable year for which~~  
 44.27 ~~the income is reported; "retirement base amount" means the deductible amount for the~~  
 44.28 ~~taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue~~  
 44.29 ~~Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue~~  
 44.30 ~~Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional~~  
 44.31 ~~or Roth style retirement account or plan" means retirement plans under sections 401, 403,~~

45.1 ~~408, 408A, and 457 of the Internal Revenue Code~~: \$4,150. For taxable years beginning  
 45.2 after December 31, 2018, the commissioner shall annually adjust the \$4,150 by the percentage  
 45.3 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as  
 45.4 amended through December 16, 2016, except that in section 1(f)(3)(B), the word "2017"  
 45.5 shall be substituted for the word "1992." The exemption amount as adjusted for inflation  
 45.6 must be rounded to the nearest \$10. The determination of the commissioner under this  
 45.7 subdivision is not a rule under the Administrative Procedure Act, including section 14.386;  
 45.8 and

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

45.15 **EFFECTIVE DATE.** This section is effective for property tax refunds based on property  
 45.16 taxes payable after December 31, 2018, and rent constituting property taxes payable after  
 45.17 December 31, 2017.

45.18 Sec. 55. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

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

45.23 (b) The gross rent of a resident of a nursing home or intermediate care facility is \$350  
 45.24 per month. The gross rent of a resident of an adult foster care home is \$550 per month.  
 45.25 Beginning for rent paid in 2002, the commissioner shall annually adjust for inflation the  
 45.26 gross rent amounts stated in this paragraph. The adjustment must be made in accordance  
 45.27 with section 1(f) of the Internal Revenue Code, as amended through December 16, 2016,  
 45.28 except that for purposes of this paragraph the percentage increase shall be determined from  
 45.29 the year ending on June 30, 2001, to the year ending on June 30 of the year in which the  
 45.30 rent is paid. The commissioner shall round the gross rents to the nearest \$10 amount. If the  
 45.31 amount ends in \$5, the commissioner shall round it up to the next \$10 amount. The  
 45.32 determination of the commissioner under this paragraph is not a rule under the Administrative  
 45.33 Procedure Act.

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

46.4 (d) Any amount paid by a claimant residing in property assessed pursuant to section  
46.5 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from  
46.6 gross rent for purposes of this chapter. However, property taxes imputed to the homestead  
46.7 of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead  
46.8 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the  
46.9 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that  
46.10 ownership is not in the name of the claimant.

46.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
46.12 31, 2017.

46.13 Sec. 56. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended  
46.14 to read:

46.15 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue  
46.16 Code of 1986, as amended through ~~December 16, 2016~~ March 24, 2018.

46.17 **EFFECTIVE DATE.** This section is effective the day following final enactment, except  
46.18 the changes to household income adopted by the federal changes are effective retroactively  
46.19 at the same time the changes became effective for federal purposes.

46.20 Sec. 57. Minnesota Statutes 2016, section 290A.04, subdivision 4, is amended to read:

46.21 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar  
46.22 year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds  
46.23 and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner  
46.24 shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue  
46.25 Code, as amended through December 16, 2016, except that for purposes of this subdivision  
46.26 the percentage increase shall be determined as provided in this subdivision.

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

46.31 (c) In adjusting the dollar amounts of the income thresholds and the maximum refunds  
46.32 under subdivision 2a for inflation, the percentage increase shall be determined from the

47.1 year ending on June 30, 2013, to the year ending on June 30 of the year preceding that in  
47.2 which the refund is payable.

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

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

47.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
47.13 31, 2017.

47.14 Sec. 58. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended  
47.15 to read:

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

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

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

47.25 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,  
47.26 as amended through ~~December 16, 2016~~ March 24, 2018.

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

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

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

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

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

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

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

48.17 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue  
48.18 Code, owned by a nonresident decedent and that is normally kept or located in this state  
48.19 because it is on loan to an organization, qualifying as exempt from taxation under section  
48.20 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is  
48.21 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

48.25 For a nonresident decedent with an ownership interest in a pass-through entity with  
48.26 assets that include real or tangible personal property, situs of the real or tangible personal  
48.27 property, including qualified works of art, is determined as if the pass-through entity does  
48.28 not exist and the real or tangible personal property is personally owned by the decedent. If  
48.29 the pass-through entity is owned by a person or persons in addition to the decedent, ownership  
48.30 of the property is attributed to the decedent in proportion to the decedent's capital ownership  
48.31 share of the pass-through entity.

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



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

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

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

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

49.9 (v) an entity whose ownership interest securities are traded on an exchange regulated  
49.10 by the Securities and Exchange Commission as a national securities exchange under section  
49.11 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

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

49.14 Sec. 59. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

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

49.19 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,  
49.20 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended  
49.21 through December 16, 2016;

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

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

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

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

49.27 (6) the total amount of gross receipts from the sale of trade or business property made  
49.28 during the calendar month of the sale and the preceding 11 calendar months does not exceed  
49.29 \$1,000.

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

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

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

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

50.10 (3) A "sale of substantially all of the assets of a trade or business" must occur as a single  
50.11 transaction or a series of related transactions within the 12-month period beginning on the  
50.12 date of the first sale of assets intended to qualify for the exemption provided in paragraph  
50.13 (a), clause (5).

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

50.16 Sec. 60. Minnesota Statutes 2016, section 297B.03, is amended to read:

50.17 **297B.03 EXEMPTIONS.**

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

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

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

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

50.31 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota  
50.32 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,

51.1 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,  
51.2 as amended through December 16, 2016;

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

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

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

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

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

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

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

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

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

51.30 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide  
51.31 transit service is exempt if the transit provider is either (i) receiving financial assistance or  
51.32 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,  
51.33 473.388, or 473.405;

52.1 (13) purchase or use of a motor vehicle by a qualified business, as defined in section  
 52.2 469.310, located in a job opportunity building zone, if the motor vehicle is principally  
 52.3 garaged in the job opportunity building zone and is primarily used as part of or in direct  
 52.4 support of the person's operations carried on in the job opportunity building zone. The  
 52.5 exemption under this clause applies to sales, if the purchase was made and delivery received  
 52.6 during the duration of the job opportunity building zone. The exemption under this clause  
 52.7 also applies to any local sales and use tax;

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

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

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

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

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

52.18 Sec. 61. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended  
 52.19 to read:

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

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

52.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 52.28 31, 2017.

53.1 Sec. 62. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended  
53.2 to read:

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

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

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

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

53.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
53.14 31, 2017.

53.15 Sec. 63. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

53.16 Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business  
53.17 in a job opportunity building zone, and an individual, estate, or trust making a qualifying  
53.18 investment in a qualified business operating in a job opportunity building zone qualifies for  
53.19 the exemptions from taxes imposed under chapter 290, as provided in this section. The  
53.20 exemptions provided under this section apply only to the extent that the income otherwise  
53.21 would be taxable under chapter 290. Subtractions under this section from federal adjusted  
53.22 gross income, federal taxable income, alternative minimum taxable income, or any other  
53.23 base subject to tax are limited to the amount that otherwise would be included in the tax  
53.24 base absent the exemption under this section. This section applies only to taxable years  
53.25 beginning during the duration of the job opportunity building zone.

53.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
53.27 31, 2017.

53.28 Sec. 64. **APPROPRIATIONS.**

53.29 \$97,000 in fiscal year 2018 and \$3,054,000 in fiscal year 2019 are appropriated from  
53.30 the general fund to the commissioner of revenue to administer the provisions of this article.  
53.31 The base for this purpose is \$1,631,000 in fiscal year 2020 and \$1,447,000 in fiscal year  
53.32 2021.

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

54.2 Sec. 65. **REPEALER.**

54.3 Minnesota Statutes 2016, sections 289A.50, subdivision 10; 290.0131, subdivisions 7  
54.4 and 11; 290.0133, subdivisions 13 and 14; and 290.10, subdivision 2, are repealed.

54.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
54.6 31, 2017.

### 54.7 ARTICLE 3

#### 54.8 ANGEL TAX CREDIT

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

54.10 Subd. 5. **Credit allowed.** (a)(1) A qualified investor or qualified fund is eligible for a  
54.11 credit equal to 25 percent of the qualified investment in a qualified small business.

54.12 Investments made by a pass-through entity qualify for a credit only if the entity is a qualified  
54.13 fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$10,000,000 in credits  
54.14 to qualified investors or qualified funds for taxable years beginning after December 31,  
54.15 ~~2013~~ 2017, and before January 1, ~~2017~~, ~~and must not allocate more than \$10,000,000 in~~  
54.16 ~~credits to qualified investors or qualified funds for taxable years beginning after December~~  
54.17 ~~31, 2016, and before January 1, 2018~~ 2019; and

54.18 ~~(2) for taxable years beginning after December 31, 2014, and before January 1, 2018,~~  
54.19 50 percent must be allocated to credits for qualifying investments in qualified greater  
54.20 Minnesota businesses and minority- or women-owned qualified small businesses in  
54.21 Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments  
54.22 in greater Minnesota businesses and minority- or women-owned qualified small businesses  
54.23 in Minnesota that is not allocated by September 30 of the taxable year is available for  
54.24 allocation to other credit applications beginning on October 1. Any portion of a taxable  
54.25 year's credits that is not allocated by the commissioner does not cancel and may be carried  
54.26 forward to subsequent taxable years until all credits have been allocated.

54.27 (b) The commissioner may not allocate more than a total maximum amount in credits  
54.28 for a taxable year to a qualified investor for the investor's cumulative qualified investments  
54.29 as an individual qualified investor and as an investor in a qualified fund; for married couples  
54.30 filing joint returns the maximum is \$250,000, and for all other filers the maximum is  
54.31 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits  
54.32 over all taxable years for qualified investments in any one qualified small business.

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

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

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

55.8 A member of the family of an individual disqualified by this paragraph is not eligible for a  
55.9 credit under this section. For a married couple filing a joint return, the limitations in this  
55.10 paragraph apply collectively to the investor and spouse. For purposes of determining the  
55.11 ownership interest of an investor under this paragraph, the rules under section 267(c) and  
55.12 267(e) of the Internal Revenue Code apply.

55.13 (d) Applications for tax credits for 2010 must be made available on the department's  
55.14 Web site by September 1, 2010, and the department must begin accepting applications by  
55.15 September 1, 2010. Applications for subsequent years must be made available by November  
55.16 1 of the preceding year.

55.17 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.  
55.18 Tax credits must be allocated to qualified investors or qualified funds in the order that the  
55.19 tax credit request applications are filed with the department. The commissioner must approve  
55.20 or reject tax credit request applications within 15 days of receiving the application. The  
55.21 investment specified in the application must be made within 60 days of the allocation of  
55.22 the credits. If the investment is not made within 60 days, the credit allocation is canceled  
55.23 and available for reallocation. A qualified investor or qualified fund that fails to invest as  
55.24 specified in the application, within 60 days of allocation of the credits, must notify the  
55.25 commissioner of the failure to invest within five business days of the expiration of the  
55.26 60-day investment period.

55.27 (f) All tax credit request applications filed with the department on the same day must  
55.28 be treated as having been filed contemporaneously. If two or more qualified investors or  
55.29 qualified funds file tax credit request applications on the same day, and the aggregate amount  
55.30 of credit allocation claims exceeds the aggregate limit of credits under this section or the  
55.31 lesser amount of credits that remain unallocated on that day, then the credits must be allocated  
55.32 among the qualified investors or qualified funds who filed on that day on a pro rata basis  
55.33 with respect to the amounts claimed. The pro rata allocation for any one qualified investor  
55.34 or qualified fund is the product obtained by multiplying a fraction, the numerator of which

56.1 is the amount of the credit allocation claim filed on behalf of a qualified investor and the  
 56.2 denominator of which is the total of all credit allocation claims filed on behalf of all  
 56.3 applicants on that day, by the amount of credits that remain unallocated on that day for the  
 56.4 taxable year.

56.5 (g) A qualified investor or qualified fund, or a qualified small business acting on their  
 56.6 behalf, must notify the commissioner when an investment for which credits were allocated  
 56.7 has been made, and the taxable year in which the investment was made. A qualified fund  
 56.8 must also provide the commissioner with a statement indicating the amount invested by  
 56.9 each investor in the qualified fund based on each investor's share of the assets of the qualified  
 56.10 fund at the time of the qualified investment. After receiving notification that the investment  
 56.11 was made, the commissioner must issue credit certificates for the taxable year in which the  
 56.12 investment was made to the qualified investor or, for an investment made by a qualified  
 56.13 fund, to each qualified investor who is an investor in the fund. The certificate must state  
 56.14 that the credit is subject to revocation if the qualified investor or qualified fund does not  
 56.15 hold the investment in the qualified small business for at least three years, consisting of the  
 56.16 calendar year in which the investment was made and the two following years. The three-year  
 56.17 holding period does not apply if:

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

56.20 (2) 80 percent or more of the assets of the qualified small business is sold before the end  
 56.21 of the three-year period;

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

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

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

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

56.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 56.29 31, 2017.

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

56.31 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,  
 56.32 ~~2017~~2018, except that reporting requirements under subdivision 6 and revocation of credits



57.1 under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified  
 57.2 funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under  
 57.3 subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11  
 57.4 remains in effect through ~~2021~~ 2022.

57.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 57.6 31, 2017.

#### 57.7 **ARTICLE 4**

#### 57.8 **CORPORATE TAX REFORM**

57.9 Section 1. Minnesota Statutes 2016, section 16D.08, subdivision 2, is amended to read:

57.10 Subd. 2. **Powers.** (a) In addition to the collection remedies available to private collection  
 57.11 agencies in this state, the commissioner, with legal assistance from the attorney general,  
 57.12 may utilize any statutory authority granted to a referring agency for purposes of collecting  
 57.13 debt owed to that referring agency. The commissioner may also use the tax collection  
 57.14 remedies in sections 270C.03, subdivision 1, clause ~~(8)~~ (9), 270C.31, 270C.32, 270C.52,  
 57.15 subdivisions 2 and 3, 270C.63, 270C.65, and 270C.67 to 270C.72. A debtor may take  
 57.16 advantage of any administrative or appeal rights contained in the listed sections. For  
 57.17 administrative and appeal rights for nontax debts, references to administrative appeals or  
 57.18 to the taxpayer rights advocate shall be construed to be references to the case reviewer,  
 57.19 references to Tax Court shall be construed to mean district court, and offers in compromise  
 57.20 shall be submitted to the referring agency. A debtor who qualifies for cancellation of  
 57.21 collection costs under section 16D.11, subdivision 3, clause (1), can apply to the  
 57.22 commissioner for reduction or release of a continuous wage levy, if the debtor establishes  
 57.23 that the debtor needs all or a portion of the wages being levied upon to pay for essential  
 57.24 living expenses, such as food, clothing, shelter, medical care, or expenses necessary for  
 57.25 maintaining employment. The commissioner's determination not to reduce or release a  
 57.26 continuous wage levy is appealable to district court. The word "tax" or "taxes" when used  
 57.27 in the tax collection statutes listed in this subdivision also means debts referred under this  
 57.28 chapter.

57.29 (b) Before using the tax collection remedies listed in this subdivision, notice and demand  
 57.30 for payment of the amount due must be given to the person liable for the payment or  
 57.31 collection of the debt at least 30 days prior to the use of the remedies. The notice must be  
 57.32 sent to the person's last known address and must include a brief statement that sets forth in  
 57.33 simple and nontechnical terms the amount and source of the debt, the nature of the available  
 57.34 collection remedies, and remedies available to the debtor.

58.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
58.2 31, 2017.

58.3 Sec. 2. Minnesota Statutes 2016, section 270C.03, subdivision 1, is amended to read:

58.4 Subdivision 1. **Powers and duties.** The commissioner shall have and exercise the  
58.5 following powers and duties:

58.6 (1) administer and enforce the assessment and collection of taxes;

58.7 (2) make determinations, corrections, and assessments with respect to taxes, including  
58.8 interest, additions to taxes, and assessable penalties;

58.9 (3) disallow the tax effects of a transaction that does not have economic substance;

58.10 ~~(3)~~ (4) use statistical or other sampling techniques consistent with generally accepted  
58.11 auditing standards in examining returns or records and making assessments;

58.12 ~~(4)~~ (5) investigate the tax laws of other states and countries, and formulate and submit  
58.13 to the legislature such legislation as the commissioner may deem expedient to prevent  
58.14 evasions of state revenue laws and to secure just and equal taxation and improvement in  
58.15 the system of state revenue laws;

58.16 ~~(5)~~ (6) consult and confer with the governor upon the subject of taxation, the  
58.17 administration of the laws in regard thereto, and the progress of the work of the department,  
58.18 and furnish the governor, from time to time, such assistance and information as the governor  
58.19 may require relating to tax matters;

58.20 ~~(6)~~ (7) execute and administer any agreement with the secretary of the treasury or the  
58.21 Bureau of Alcohol, Tobacco, Firearms and Explosives in the Department of Justice of the  
58.22 United States or a representative of another state regarding the exchange of information and  
58.23 administration of the state revenue laws;

58.24 ~~(7)~~ (8) require town, city, county, and other public officers to report information as to  
58.25 the collection of taxes received from licenses and other sources, and such other information  
58.26 as may be needful in the work of the commissioner, in such form as the commissioner may  
58.27 prescribe;

58.28 ~~(8)~~ (9) authorize the use of unmarked motor vehicles to conduct seizures or criminal  
58.29 investigations pursuant to the commissioner's authority;

58.30 ~~(9)~~ (10) authorize the participation in audits performed by the Multistate Tax Commission.  
58.31 For the purposes of chapter 270B, the Multistate Tax Commission will be considered to be  
58.32 a state for the purposes of auditing corporate sales, excise, and income tax returns;

59.1 ~~(10)~~ (11) maintain toll-free telephone access for taxpayer assistance for calls from  
59.2 locations within the state; and

59.3 ~~(11)~~ (12) exercise other powers and authority and perform other duties required of or  
59.4 imposed upon the commissioner by law.

59.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
59.6 31, 2017.

59.7 Sec. 3. Minnesota Statutes 2016, section 270C.33, subdivision 6, is amended to read:

59.8 Subd. 6. **Assessment presumed valid.** (a) A return or assessment of tax made by the  
59.9 commissioner is prima facie correct and valid. The taxpayer has the burden of establishing  
59.10 its incorrectness or invalidity in any related action or proceeding.

59.11 (b) To overcome the presumption that an order of the commissioner that disallows the  
59.12 tax effects of a transaction because the commissioner determined the transaction does not  
59.13 have economic substance pursuant to section 270C.03, subdivision 1, clause (3), is prima  
59.14 facie correct and valid, the taxpayer must prove with clear and convincing evidence that  
59.15 the transaction has economic substance.

59.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
59.17 31, 2017.

59.18 Sec. 4. **[270C.331] PREVENTING TAX EVASION.**

59.19 Subdivision 1. **Economic substance.** (a) For purposes of disallowing the tax effects of  
59.20 a transaction that does not have economic substance pursuant to section 270C.03, subdivision  
59.21 1, clause (3), a transaction shall be treated as having economic substance only if:

59.22 (1) the transaction changes in a meaningful way, apart from tax effects, the taxpayer's  
59.23 economic position; and

59.24 (2) the taxpayer has a substantial purpose, apart from tax effects, for entering into the  
59.25 transaction.

59.26 (b) In determining whether the requirements of paragraph (a), clauses (1) and (2), are  
59.27 met, the potential for profit of a transaction shall be taken into account only if the present  
59.28 value of the reasonable expected pretax profit from the transaction is substantial in relation  
59.29 to the present value of the expected net tax benefits that would be allowed if the transaction  
59.30 was respected. Fees and other transaction expenses shall be taken into account as expenses  
59.31 in determining pretax profit.

60.1 (c) For purposes of paragraph (a), clause (2), achieving a financial accounting benefit  
60.2 shall not be taken into account as a purpose for entering into a transaction if the origin of  
60.3 such financial accounting benefit is a reduction of federal, state, or local tax.

60.4 Subd. 2. **Apart from tax effects.** For purposes of this section, "apart from tax effects"  
60.5 means apart from the state and local tax effects arising from the application of the laws of  
60.6 any state or local unit of government to the form of the transaction, the federal tax effects  
60.7 resulting from the transaction, or both.

60.8 Subd. 3. **Transaction.** For purposes of this section and section 270C.03, subdivision 1,  
60.9 clause (3), "transaction" includes a series of transactions.

60.10 Subd. 4. **Personal transactions of individuals.** In the case of an individual, subdivision  
60.11 1 applies only to transactions entered into in connection with a trade or business or an  
60.12 activity engaged in for the production of income.

60.13 Subd. 5. **Commissioner to issue guidance.** (a) The commissioner shall promulgate  
60.14 guidance on how the provisions of this section will be applied. The guidance must include,  
60.15 at a minimum, examples of transactions that will not be challenged as not having economic  
60.16 substance and examples of transactions that may be challenged as not having economic  
60.17 substance.

60.18 (b) The commissioner shall establish and publish a formal departmental procedure for  
60.19 uniform application of this section, except the publishing of such procedure is subject to  
60.20 limitations of protected nonpublic data in section 270B.02.

60.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
60.22 31, 2017.

60.23 Sec. 5. Minnesota Statutes 2016, section 289A.60, is amended by adding a subdivision to  
60.24 read:

60.25 Subd. 27a. **Noneconomic substance transaction understatement penalty.** (a) If the  
60.26 tax effects of a transaction are disallowed pursuant to section 270C.03, subdivision 1, clause  
60.27 (3), a penalty equal to 20 percent of the amount of the disclosed noneconomic substance  
60.28 transaction understatement must be added to the tax. This subdivision applies to any income  
60.29 or item that is attributable to any transaction disallowed pursuant to section 270C.03,  
60.30 subdivision 1, clause (3).

60.31 (b) If the tax effects of a transaction are disallowed pursuant to section 270C.03,  
60.32 subdivision 1, clause (3), a penalty equal to 40 percent of the amount of the nondisclosed  
60.33 noneconomic substance transaction understatement must be added to the tax. This subdivision

61.1 applies to any income or item that is attributable to any transaction disallowed pursuant to  
61.2 section 270C.03, subdivision 1, clause (3).

61.3 (c) For purposes of this subdivision, "disclosed noneconomic substance transaction"  
61.4 means a transaction that fails to meet the criteria for having economic substance as described  
61.5 in section 270C.03, subdivision 1, clause (3), with respect to which the relevant facts affecting  
61.6 the tax treatment are adequately disclosed in the return or in a statement attached to the  
61.7 return.

61.8 (d) For purposes of this subdivision, "nondisclosed noneconomic substance transaction"  
61.9 means a transaction that fails to meet the criteria for having economic substance as described  
61.10 in section 270C.03, subdivision 1, clause (3), with respect to which the relevant facts affecting  
61.11 the tax treatment are not adequately disclosed in the return nor in a statement attached to  
61.12 the return.

61.13 (e) In no event shall any amendment or supplement to a tax return be taken into account  
61.14 for purposes of this subdivision to reduce the noneconomic substance transaction  
61.15 understatement if the amendment or supplement is filed after the date the taxpayer is first  
61.16 contacted by the commissioner regarding examination of the return.

61.17 (f) For purposes of this subdivision, "understatement" means the product of:

61.18 (1) the amount of the increase, if any, in taxable income that results from a difference  
61.19 between the proper tax treatment of an item to which section 270C.03, subdivision 1, clause  
61.20 (3), applies and the taxpayer's treatment of that item as shown on the taxpayer's tax return.  
61.21 For purposes of this clause, any reduction of the excess of deductions allowed for the taxable  
61.22 year over gross income for that year, and any reduction in the amount of capital losses that  
61.23 would, without regard to section 1211 of the Internal Revenue Code, be allowed for that  
61.24 year, must be treated as an increase in taxable income; and

61.25 (2) the highest rate of tax imposable on the taxpayer under section 290.06 determined  
61.26 without regard to the understatement.

61.27 (g) If the noneconomic substance transaction understatement penalty is imposed under  
61.28 this subdivision, the noneconomic substance transaction understatement penalty applies in  
61.29 lieu of the penalties imposed under subdivision 27.

61.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
61.31 31, 2017.

62.1 Sec. 6. Minnesota Statutes 2017 Supplement, section 290.068, subdivision 2, is amended  
62.2 to read:

62.3 Subd. 2. **Definitions.** For purposes of this section, the following terms have the meanings  
62.4 given.

62.5 (a) "Qualified research expenses" means (i) qualified research expenses and basic research  
62.6 payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does  
62.7 not include expenses incurred for qualified research or basic research conducted outside  
62.8 the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and  
62.9 (ii) contributions to a nonprofit corporation established and operated pursuant to the  
62.10 provisions of chapter 317A for the purpose of promoting the establishment and expansion  
62.11 of business in this state, provided the contributions are invested by the nonprofit corporation  
62.12 for the purpose of providing funds for small, technologically innovative enterprises in  
62.13 Minnesota during the early stages of their development.

62.14 (b) "Qualified research" means qualified research as defined in section 41(d) of the  
62.15 Internal Revenue Code, except that the term does not include qualified research conducted  
62.16 outside the state of Minnesota.

62.17 (c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue  
62.18 Code, except that the average annual gross receipts and aggregate gross receipts must be  
62.19 calculated using Minnesota sales or receipts under section 290.191 and the definitions  
62.20 contained in paragraphs (a) and (b) shall apply. If there are inadequate records, or the records  
62.21 are unavailable to compute or verify the base percentage, a fixed base percentage of 16  
62.22 percent must be used.

62.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
62.24 31, 2017.

62.25 Sec. 7. Minnesota Statutes 2016, section 290.191, subdivision 5, is amended to read:

62.26 Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules  
62.27 apply in determining the sales factor.

62.28 (a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary  
62.29 course of the business, except that the following types of income are not included in the  
62.30 sales factor:

62.31 (1) interest;

62.32 (2) dividends;

63.1 (3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

63.2 (4) sales of property used in the trade or business, except sales of leased property of a  
63.3 type which is regularly sold as well as leased; ~~and~~

63.4 (5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue  
63.5 Code or sales of stock; and

63.6 (6) receipts from trading options, futures contracts, forward contracts, notional principal  
63.7 contracts such as swaps, equities, and foreign currency transactions.

63.8 (b) Sales of tangible personal property are made within this state if the property is  
63.9 received by a purchaser at a point within this state, regardless of the f.o.b. point, other  
63.10 conditions of the sale, or the ultimate destination of the property.

63.11 (c) Tangible personal property delivered to a common or contract carrier or foreign  
63.12 vessel for delivery to a purchaser in another state or nation is a sale in that state or nation,  
63.13 regardless of f.o.b. point or other conditions of the sale.

63.14 (d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented  
63.15 malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by  
63.16 a state or political subdivision to resell this property only within the state of ultimate  
63.17 destination, the sale is made in that state.

63.18 (e) Sales made by or through a corporation that is qualified as a domestic international  
63.19 sales corporation under section 992 of the Internal Revenue Code are not considered to have  
63.20 been made within this state.

63.21 (f) Sales, rents, royalties, and other income in connection with real property is attributed  
63.22 to the state in which the property is located.

63.23 (g) Receipts from the lease or rental of tangible personal property, including finance  
63.24 leases and true leases, must be attributed to this state if the property is located in this state  
63.25 and to other states if the property is not located in this state. Receipts from the lease or rental  
63.26 of moving property including, but not limited to, motor vehicles, rolling stock, aircraft,  
63.27 vessels, or mobile equipment are included in the numerator of the receipts factor to the  
63.28 extent that the property is used in this state. The extent of the use of moving property is  
63.29 determined as follows:

63.30 (1) A motor vehicle is used wholly in the state in which it is registered.

63.31 (2) The extent that rolling stock is used in this state is determined by multiplying the  
63.32 receipts from the lease or rental of the rolling stock by a fraction, the numerator of which

64.1 is the miles traveled within this state by the leased or rented rolling stock and the denominator  
64.2 of which is the total miles traveled by the leased or rented rolling stock.

64.3 (3) The extent that an aircraft is used in this state is determined by multiplying the  
64.4 receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the  
64.5 number of landings of the aircraft in this state and the denominator of which is the total  
64.6 number of landings of the aircraft.

64.7 (4) The extent that a vessel, mobile equipment, or other mobile property is used in the  
64.8 state is determined by multiplying the receipts from the lease or rental of the property by a  
64.9 fraction, the numerator of which is the number of days during the taxable year the property  
64.10 was in this state and the denominator of which is the total days in the taxable year.

64.11 (h) Royalties and other income received for the use of or for the privilege of using  
64.12 intangible property, including patents, know-how, formulas, designs, processes, patterns,  
64.13 copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or  
64.14 similar items, must be attributed to the state in which the property is used by the purchaser.  
64.15 If the property is used in more than one state, the royalties or other income must be  
64.16 apportioned to this state pro rata according to the portion of use in this state. If the portion  
64.17 of use in this state cannot be determined, the royalties or other income must be excluded  
64.18 from both the numerator and the denominator. Intangible property is used in this state if the  
64.19 purchaser uses the intangible property or the rights therein in the regular course of its business  
64.20 operations in this state, regardless of the location of the purchaser's customers.

64.21 (i) Sales of intangible property are made within the state in which the property is used  
64.22 by the purchaser. If the property is used in more than one state, the sales must be apportioned  
64.23 to this state pro rata according to the portion of use in this state. If the portion of use in this  
64.24 state cannot be determined, the sale must be excluded from both the numerator and the  
64.25 denominator of the sales factor. Intangible property is used in this state if the purchaser used  
64.26 the intangible property in the regular course of its business operations in this state.

64.27 (j) Receipts from the performance of services must be attributed to the state where the  
64.28 services are received. For the purposes of this section, receipts from the performance of  
64.29 services provided to a corporation, partnership, or trust may only be attributed to a state  
64.30 where it has a fixed place of doing business. If the state where the services are received is  
64.31 not readily determinable or is a state where the corporation, partnership, or trust receiving  
64.32 the service does not have a fixed place of doing business, the services shall be deemed to  
64.33 be received at the location of the office of the customer from which the services were ordered  
64.34 in the regular course of the customer's trade or business. If the ordering office cannot be



65.1 determined, the services shall be deemed to be received at the office of the customer to  
 65.2 which the services are billed.

65.3 (k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from  
 65.4 management, distribution, or administrative services performed by a person or corporation  
 65.5 ~~or trust~~ for a fund of a person or corporation or trust regulated under United States Code,  
 65.6 title 15, ~~sections 80a-1 through 80a-64~~ chapter 2D, subchapter I, must be attributed to the  
 65.7 state where the shareholder of the fund resides. Under this paragraph, receipts for services  
 65.8 attributed to shareholders are determined on the basis of the ratio of: (1) the average of the  
 65.9 outstanding shares in the fund owned by shareholders residing within Minnesota at the  
 65.10 beginning and end of each year; and (2) the average of the total number of outstanding  
 65.11 shares in the fund at the beginning and end of each year. Residence of the shareholder, in  
 65.12 the case of an individual, is determined by the mailing address furnished by the shareholder  
 65.13 to the fund. Residence of the shareholder, when the shares are held by an insurance company  
 65.14 as a depositor for the insurance company policyholders, is the mailing address of the  
 65.15 policyholders. In the case of an insurance company holding the shares as a depositor for  
 65.16 the insurance company policyholders, if the mailing address of the policyholders cannot be  
 65.17 determined by the taxpayer, the receipts must be excluded from both the numerator and  
 65.18 denominator. Residence of other shareholders is the mailing address of the shareholder.

65.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
 65.20 31, 2017.

65.21 Sec. 8. Minnesota Statutes 2016, section 290.21, subdivision 4, is amended to read:

65.22 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of  
 65.23 dividends received by a corporation during the taxable year from another corporation, in  
 65.24 which the recipient owns 20 percent or more of the stock, by vote and value, not including  
 65.25 stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate  
 65.26 stock with respect to which dividends are paid does not constitute the stock in trade of the  
 65.27 taxpayer or would not be included in the inventory of the taxpayer, or does not constitute  
 65.28 property held by the taxpayer primarily for sale to customers in the ordinary course of the  
 65.29 taxpayer's trade or business, or when the trade or business of the taxpayer does not consist  
 65.30 principally of the holding of the stocks and the collection of the income and gains therefrom;  
 65.31 and

65.32 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in  
 65.33 an affiliated company transferred in an overall plan of reorganization and the dividend is

66.1 eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended  
66.2 through December 31, 1989;

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

66.9 (iii) the remaining 20 percent of the dividends if the dividends are received from a  
66.10 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a  
66.11 member of an affiliated group of corporations as defined by the Internal Revenue Code and  
66.12 either: (A) the dividend is eliminated in consolidation under Treasury Regulation  
66.13 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted  
66.14 under an election under section 243(b) of the Internal Revenue Code.

66.15 (b) Seventy percent of dividends received by a corporation during the taxable year from  
66.16 another corporation in which the recipient owns less than 20 percent of the stock, by vote  
66.17 or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code  
66.18 when the corporate stock with respect to which dividends are paid does not constitute the  
66.19 stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily  
66.20 for sale to customers in the ordinary course of the taxpayer's trade or business, or when the  
66.21 trade or business of the taxpayer does not consist principally of the holding of the stocks  
66.22 and the collection of income and gain therefrom.

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

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

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

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

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

67.4 (d) If dividends received by a corporation that does not have nexus with Minnesota under  
 67.5 the provisions of Public Law 86-272 are included as income on the return of an affiliated  
 67.6 corporation permitted or required to file a combined report under section 290.17, subdivision  
 67.7 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to  
 67.8 whether the trade or business of the corporation consists principally of the holding of stocks  
 67.9 and the collection of income and gains therefrom shall be made with reference to the trade  
 67.10 or business of the affiliated corporation having a nexus with Minnesota.

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

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

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

67.21 Sec. 9. Minnesota Statutes 2016, section 297A.68, subdivision 42, is amended to read:

67.22 Subd. 42. **Qualified data centers.** (a) The following purchases of enterprise information  
 67.23 technology equipment and computer software are exempt:

67.24 (1) purchases of enterprise information technology equipment and computer software,  
 67.25 and replacements or upgrades to the equipment, for use in a qualified data center, or a  
 67.26 qualified refurbished data center, ~~are exempt, except that computer software;~~

67.27 (2) purchases of computer software, and replacements or upgrades to the software, that  
 67.28 exclusively operates, maintains, or monitors the enterprise information technology equipment  
 67.29 exempted by clause (1);

67.30 (3) for a constructed qualified data center, where the total cost of construction and  
 67.31 investment in enterprise information technology equipment and computer software is at  
 67.32 least \$200,000,000 within a 48-month period, purchases of computer software, and  
 67.33 replacements or upgrades to the software, that manages, manipulates, analyzes, collects,

68.1 stores, processes, distributes, or allows access to large amounts of data, or any other similar  
68.2 functions related to the data, at the data center. The exemption in this clause applies only  
68.3 to constructed qualified data centers, and not to data centers that are refurbished, substantially  
68.4 refurbished, rebuilt, or modified; and

68.5 (4) purchases of maintenance agreements are exempt for computer software exempt  
68.6 under this paragraph, but only for purchases made agreements purchased after June 30,  
68.7 2013.

68.8 The tax on purchases exempt under this paragraph must be imposed and collected as if the  
68.9 rate under section 297A.62, subdivision 1, applied, and then refunded after June 30, 2013,  
68.10 in the manner provided in section 297A.75. ~~This exemption includes enterprise information~~  
68.11 ~~technology equipment and computer software purchased to replace or upgrade enterprise~~  
68.12 ~~information technology equipment and computer software in a qualified data center, or a~~  
68.13 ~~qualified refurbished data center.~~

68.14 (b) Electricity used or consumed in the operation of a qualified data center or qualified  
68.15 refurbished data center is exempt.

68.16 (c) For purposes of this subdivision, "qualified data center" means a facility in Minnesota:

68.17 (1) that is comprised of one or more buildings that consist in the aggregate of at least  
68.18 25,000 square feet, and that are located on a single parcel or on contiguous parcels, where  
68.19 the total cost of construction or refurbishment, investment in enterprise information  
68.20 technology equipment, and computer software is at least \$30,000,000 within a 48-month  
68.21 period. The 48-month period begins no sooner than July 1, 2012, except that costs for  
68.22 computer software maintenance agreements purchased before July 1, 2013, are not included  
68.23 in determining if the \$30,000,000 threshold has been met;

68.24 (2) that is constructed or substantially refurbished after June 30, 2012, where  
68.25 "substantially refurbished" means that at least 25,000 square feet have been rebuilt or  
68.26 modified, including:

68.27 (i) installation of enterprise information technology equipment; environmental control,  
68.28 computer software, and energy efficiency improvements; and

68.29 (ii) building improvements; and

68.30 (3) that is used to house enterprise information technology equipment, where the facility  
68.31 has the following characteristics:

68.32 (i) uninterruptible power supplies, generator backup power, or both;

69.1 (ii) sophisticated fire suppression and prevention systems; and

69.2 (iii) enhanced security. A facility will be considered to have enhanced security if it has  
69.3 restricted access to the facility to selected personnel; permanent security guards; video  
69.4 camera surveillance; an electronic system requiring pass codes, keycards, or biometric scans,  
69.5 such as hand scans and retinal or fingerprint recognition; or similar security features.

69.6 In determining whether the facility has the required square footage, the square footage  
69.7 of the following spaces shall be included if the spaces support the operation of enterprise  
69.8 information technology equipment: office space, meeting space, and mechanical and other  
69.9 support facilities. For purposes of this subdivision, "computer software" includes, but is not  
69.10 limited to, software utilized or loaded at a qualified data center or qualified refurbished data  
69.11 center, including maintenance, licensing, and software customization.

69.12 (d) For purposes of this subdivision, a "qualified refurbished data center" means an  
69.13 existing facility that qualifies as a data center under paragraph (c), clauses (2) and (3), but  
69.14 that is comprised of one or more buildings that consist in the aggregate of at least 25,000  
69.15 square feet, and that are located on a single parcel or contiguous parcels, where the total  
69.16 cost of construction or refurbishment, investment in enterprise information technology  
69.17 equipment, and computer software is at least \$50,000,000 within a 24-month period.

69.18 (e) For purposes of this subdivision, "enterprise information technology equipment"  
69.19 means computers and equipment supporting computing, networking, or data storage,  
69.20 including servers and routers. It includes, but is not limited to: cooling systems, cooling  
69.21 towers, and other temperature control infrastructure; power infrastructure for transformation,  
69.22 distribution, or management of electricity used for the maintenance and operation of a  
69.23 qualified data center or qualified refurbished data center, including but not limited to exterior  
69.24 dedicated business-owned substations, backup power generation systems, battery systems,  
69.25 and related infrastructure; and racking systems, cabling, and trays, which are necessary for  
69.26 the maintenance and operation of the qualified data center or qualified refurbished data  
69.27 center.

69.28 (f) A qualified data center or qualified refurbished data center may claim the exemptions  
69.29 in this subdivision for purchases made either within 20 years of the date of its first purchase  
69.30 qualifying for the exemption under paragraph (a), or by June 30, 2042, whichever is earlier.

69.31 (g) The purpose of this exemption is to create jobs in the construction and data center  
69.32 industries.

69.33 (h) This subdivision is effective for sales and purchases made before July 1, 2042.

70.1 (i)(1) The commissioner of employment and economic development must certify to the  
70.2 commissioner of revenue, in a format approved by the commissioner of revenue, when a  
70.3 qualified data center has met the requirements under paragraph (c) or a qualified refurbished  
70.4 data center has met the requirements under paragraph (d). The certification must provide  
70.5 the following information regarding each qualified data center or qualified refurbished data  
70.6 center:

70.7 (i) the total square footage amount;

70.8 (ii) the total amount of construction or refurbishment costs and the total amount of  
70.9 qualifying investments in enterprise information technology equipment and computer  
70.10 software; and

70.11 (iii) the beginning and ending of the applicable period under either paragraph (c) or (d)  
70.12 in which the qualifying expenditures and purchases under item (ii) were made, but in no  
70.13 case shall the period begin before July 1, 2012;

70.14 (2) Any refund for sales tax paid on qualifying purchases under this subdivision must  
70.15 not be issued unless the commissioner of revenue has received the certification required  
70.16 under clause (1) either from the commissioner of employment and economic development  
70.17 or the qualified data center or qualified refurbished data center claiming the refund; and

70.18 (3) The commissioner of employment and economic development must annually notify  
70.19 the commissioner of revenue of the qualified data centers that are projected to meet the  
70.20 requirements under paragraph (c) and the qualified refurbished data centers that are projected  
70.21 to meet the requirements under paragraph (d) in each of the next four years. The notification  
70.22 must provide the information required under clause (1), items (i) to (iii), for each qualified  
70.23 data center or qualified refurbished data center.

70.24 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June  
70.25 30, 2018.

70.26 Sec. 10. Minnesota Statutes 2016, section 297I.05, subdivision 7, is amended to read:

70.27 Subd. 7. **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus lines  
70.28 brokers. The rate of tax is equal to three percent of the gross premiums less return premiums  
70.29 paid by an insured whose home state is Minnesota.

70.30 (b) A tax is imposed on a person, firm, corporation, or purchasing group as defined in  
70.31 section 60E.02, or any member of a purchasing group, that procures insurance directly from  
70.32 a nonadmitted insurer. The rate of tax is equal to ~~two~~ three percent of the gross premiums  
70.33 less return premiums paid by an insured whose home state is Minnesota.

71.1 (c) No state other than the home state of an insured may require any premium tax payment  
 71.2 for nonadmitted insurance. When Minnesota is the home state of the insured, as provided  
 71.3 under section 297I.01, 100 percent of the gross premiums are taxable in Minnesota with no  
 71.4 allocation of the tax to other states.

71.5 **EFFECTIVE DATE.** This section is effective for nonadmitted insurance policies that  
 71.6 go into effect after December 31, 2018.

## 71.7 **ARTICLE 5**

### 71.8 **TOBACCO TAX MODIFICATIONS**

71.9 Section 1. Minnesota Statutes 2016, section 270C.722, subdivision 1, is amended to read:

71.10 Subdivision 1. **Notice of revocation; hearings.** (a) If: ~~(1)~~ a person fails to comply with  
 71.11 chapter 297A or the sales and use tax provisions of chapter 289A or the rules related to  
 71.12 sales tax, ~~or (2) any retailer purchases for resale from an unlicensed seller more than 20,000~~  
 71.13 ~~cigarettes or \$500 or more worth of tobacco products, without reasonable cause,~~ the  
 71.14 commissioner may give the person 30 days' notice in writing, specifying the violations, and  
 71.15 stating that based on the violations the commissioner intends to revoke the person's permit  
 71.16 issued under section 297A.84. The notice must also advise the person of the right to contest  
 71.17 the revocation under this subdivision. It must also explain the general procedures for a  
 71.18 contested case hearing under chapter 14. The notice may be served personally or by mail  
 71.19 in the manner prescribed for service of an order of assessment.

71.20 (b) If the person does not request a hearing within 30 days after the date of the notice  
 71.21 of intent, the commissioner may serve a notice of revocation of permit upon the person, and  
 71.22 the permit is revoked. If a hearing is timely requested, and held, the permit is revoked after  
 71.23 the commissioner serves an order of revocation of permit under section 14.62, subdivision  
 71.24 1.

71.25 **EFFECTIVE DATE.** This section is effective August 1, 2018.

71.26 Sec. 2. Minnesota Statutes 2016, section 270C.728, is amended by adding a subdivision  
 71.27 to read:

71.28 **Subd. 8. Publication of revoked retail cigarette licenses.** (a) Notwithstanding any  
 71.29 other law, the commissioner may publish a list of persons who have had their retail licenses  
 71.30 to sell cigarettes or tobacco products revoked under section 297F.186. In the case of a license  
 71.31 holder that is a business entity, the commissioner may also publish the name of responsible  
 71.32 persons of the license holder, as defined in section 297F.186, subdivision 1.

72.1 (b) At least 30 days before publishing the name of a license holder or responsible person,  
 72.2 the commissioner shall mail a written notice to the license holder and to responsible persons  
 72.3 of the license holder of the commissioner's intent to publish. This notice may be included  
 72.4 as part of the notice of intent to revoke a license as required under section 297F.186,  
 72.5 subdivision 3.

72.6 (c) The list may be published by any medium or method. The list must contain the name  
 72.7 and address of the license holder and name of the responsible person and the date the license  
 72.8 was revoked.

72.9 (d) The commissioner shall remove the name of a license holder or responsible person  
 72.10 from the list five years from the date of the license revocation or upon the license holder or  
 72.11 responsible person receiving a license clearance under section 297F.186.

72.12 **EFFECTIVE DATE.** This section is effective August 1, 2018.

72.13 Sec. 3. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to  
 72.14 read:

72.15 Subd. 6a. **Consumable material.** "Consumable material" means any liquid nicotine  
 72.16 solution or other material containing nicotine that is depleted as a vapor product is used.

72.17 **EFFECTIVE DATE.** This section is effective January 1, 2019.

72.18 Sec. 4. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to  
 72.19 read:

72.20 Subd. 7a. **Consumer packaging.** "Consumer packaging" means any container of vapor  
 72.21 product that is of an appropriate size for sale to a consumer.

72.22 **EFFECTIVE DATE.** This section is effective January 1, 2019.

72.23 Sec. 5. Minnesota Statutes 2016, section 297F.01, subdivision 9a, is amended to read:

72.24 Subd. 9a. **Invoice.** "Invoice" means a detailed list of cigarettes and tobacco products  
 72.25 purchased or sold in this state that contains the following information:

72.26 (1) name of seller;

72.27 (2) name of purchaser;

72.28 (3) date of sale;

72.29 (4) invoice number;



73.1 (5) itemized list of goods sold including brands of cigarettes and number of cartons of  
73.2 each brand, unit price, and identification of tobacco products by name, quantity, and unit  
73.3 price; ~~and~~

73.4 (6) any rebates, discounts, or other reductions; and

73.5 (7) the weight or volume of the consumable material and concentration level of nicotine  
73.6 of each vapor product sold.

73.7 **EFFECTIVE DATE.** This section is effective for invoices issued for vapor products  
73.8 purchased or sold after December 31, 2018.

73.9 Sec. 6. Minnesota Statutes 2016, section 297F.01, subdivision 10, is amended to read:

73.10 Subd. 10. **Manufacturer.** "Manufacturer" means a person who produces and sells  
73.11 cigarettes or tobacco products and includes a manufacturer of vapor products.

73.12 **EFFECTIVE DATE.** This section is effective January 1, 2019.

73.13 Sec. 7. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to  
73.14 read:

73.15 Subd. 10c. **Manufacturer of vapor products.** "Manufacturer of vapor products" means  
73.16 a person who makes, modifies, mixes, fabricates, assembles, processes, repacks, or relabels  
73.17 a vapor product in Minnesota to sell.

73.18 **EFFECTIVE DATE.** This section is effective January 1, 2019.

73.19 Sec. 8. Minnesota Statutes 2016, section 297F.01, subdivision 14, is amended to read:

73.20 Subd. 14. **Retailer.** "Retailer" means a person ~~required to be licensed under chapter 461~~  
73.21 located in this state engaged ~~in this state~~ in the business of selling, or offering to sell,  
73.22 cigarettes or tobacco products to consumers.

73.23 **EFFECTIVE DATE.** This section is effective August 1, 2018.

73.24 Sec. 9. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to  
73.25 read:

73.26 Subd. 16a. **Sales price of vapor products.** (a) "Sales price of vapor products" means  
73.27 the price at which a distributor or retailer purchases a vapor product or the price at which  
73.28 a subjobber purchases vapor products from a manufacturer of vapor products.

74.1 (b) For the purposes of section 297F.05, subdivision 3b, paragraph (a), clause (5), "sales  
 74.2 price of vapor product" means the price at which the manufacturer sells the product minus  
 74.3 a retailer markup equal to ten percent of that price.

74.4 (c) If a vapor product described in section 297F.01, subdivision 22b, paragraph (b),  
 74.5 includes a cartridge, bottle, or other package of nicotine solution which is available for  
 74.6 purchase as a separate item by the distributor, retailer, subjobber, or consumer, then the  
 74.7 price at which the vapor product is purchased or sold for purposes of paragraphs (a) and (b)  
 74.8 is limited to the usual price, without regard to any discount or reduction, at which the  
 74.9 cartridge, bottle, or other package of nicotine solution is separately sold to a distributor,  
 74.10 retailer, subjobber, or consumer.

74.11 (d) Sales price of vapor products includes the applicable federal excise tax, freight  
 74.12 charges, and packaging costs, regardless of whether they were included in the purchase  
 74.13 price, but does not include the tax imposed under section 297F.05, subdivision 3b.

74.14 **EFFECTIVE DATE.** This section is effective for vapor products subject to tax after  
 74.15 December 31, 2018.

74.16 Sec. 10. Minnesota Statutes 2016, section 297F.01, subdivision 17, is amended to read:

74.17 Subd. 17. **Stamp.** "Stamp" means the adhesive stamp supplied by the commissioner of  
 74.18 revenue for use on cigarette packages or packages of moist snuff or other tobacco products  
 74.19 or any other indicia adopted by the commissioner to indicate that the tax has been paid.

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

74.21 Sec. 11. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

74.22 Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing,  
 74.23 made, or derived from tobacco that is intended for human consumption, whether chewed,  
 74.24 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or  
 74.25 any component, part, or accessory of a tobacco product, including, but not limited to, cigars;  
 74.26 cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking  
 74.27 tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing  
 74.28 tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds  
 74.29 and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco  
 74.30 products includes vapor products. Tobacco products excludes any tobacco product that has  
 74.31 been approved by the United States Food and Drug Administration for sale as a tobacco

75.1 cessation product, as a tobacco dependence product, or for other medical purposes, and is  
75.2 being marketed and sold solely for such an approved purpose.

75.3 (b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco  
75.4 products includes a premium cigar, as defined in subdivision 13a.

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

75.6 Sec. 12. Minnesota Statutes 2016, section 297F.01, subdivision 20, is amended to read:

75.7 Subd. 20. **Tobacco products distributor.** (a) "Tobacco products distributor" means ~~any~~  
75.8 ~~of the following:~~

75.9 (1) a person engaged in the business of selling tobacco products in this state who brings,  
75.10 or causes to be brought, into this state from outside the state any tobacco products for sale;  
75.11 or

75.12 (2) ~~a person who makes, manufactures, or fabricates tobacco products in this state for~~  
75.13 ~~sale in this state;~~

75.14 (3) a person engaged in the business of selling tobacco products outside this state who  
75.15 ships or transports tobacco products to retailers in this state, to be sold by those retailers.

75.16 (b) "Tobacco products distributor" includes a person who makes, manufactures, or  
75.17 fabricates tobacco products, other than vapor products, in this state for sale in this state.

75.18 (c) "Tobacco products distributor" includes a manufacturer of vapor products only to  
75.19 the extent that the manufacturer brings tobacco products into this state for use other than in  
75.20 manufacturing vapor products.

75.21 **EFFECTIVE DATE.** This section is effective January 1, 2019.

75.22 Sec. 13. Minnesota Statutes 2016, section 297F.01, subdivision 21, is amended to read:

75.23 Subd. 21. **Tobacco products subjobber.** "Tobacco products subjobber" means:

75.24 (1) a person, other than a manufacturer or distributor, who buys<sub>2</sub> from a manufacturer  
75.25 of vapor products or a distributor<sub>2</sub> tobacco products upon which the tax imposed by this  
75.26 chapter has been paid and sells them to persons other than the ultimate consumers<sub>5</sub>; ; and

75.27 (2) any licensed distributor who delivers, sells, or distributes tobacco products upon  
75.28 which the tax imposed by this chapter has been paid from a place of business other than  
75.29 that licensed in the distributor's license.

75.30 **EFFECTIVE DATE.** This section is effective January 1, 2019.

76.1 Sec. 14. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision  
76.2 to read:

76.3 Subd. 22b. **Vapor products.** (a) "Vapor products" means any cartridge, bottle, or other  
76.4 package that contains nicotine made or derived from tobacco, that is in a solution that is  
76.5 consumed, or meant to be consumed, through the use of a heating element, power source,  
76.6 electronic circuit, or other electronic, chemical, or mechanical means that produces vapor  
76.7 from the nicotine. This paragraph expires December 31, 2018.

76.8 (b) Beginning January 1, 2019, "vapor products" means any cartridge, bottle, or other  
76.9 package that contains nicotine, including nicotine produced from sources other than tobacco,  
76.10 that is in a solution that is consumed, or meant to be consumed, through the use of a heating  
76.11 element, power source, electronic circuit, or other electronic, chemical, or mechanical means  
76.12 that produces vapor from the nicotine.

76.13 (c) Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo,  
76.14 electronic pipe, or similar product or device, and any batteries, heating elements, or other  
76.15 components, parts, or accessories sold with and meant to be used in the consumption of the  
76.16 nicotine solution.

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

76.18 Sec. 15. Minnesota Statutes 2016, section 297F.03, subdivision 1, is amended to read:

76.19 Subdivision 1. **Selling without license illegal.** No person shall engage in the business  
76.20 of a manufacturer of vapor products, distributor, or subjobber at any place of business  
76.21 without first having received a license from the commissioner to engage in that business at  
76.22 that place of business.

76.23 **EFFECTIVE DATE.** This section is effective January 1, 2019.

76.24 Sec. 16. Minnesota Statutes 2016, section 297F.03, subdivision 2, is amended to read:

76.25 Subd. 2. **Form of application.** Every application for a cigarette or tobacco products,  
76.26 or manufacturer of vapor products license shall be made on a form prescribed by the  
76.27 commissioner.

76.28 **EFFECTIVE DATE.** This section is effective January 1, 2019.

76.29 Sec. 17. Minnesota Statutes 2016, section 297F.03, subdivision 3, is amended to read:

76.30 Subd. 3. **Place of application.** A separate application for a distributor's license or a  
76.31 manufacturer of vapor products license shall be made for each place of business at which

77.1 a distributor proposes to engage in business or a manufacturer proposes to manufacture  
 77.2 vapor products.

77.3 A separate application for a subjobber's license may be made by a licensed distributor  
 77.4 for each place of business, other than that licensed in the distributor's license, to which the  
 77.5 distributor sells or distributes stamped cigarettes or tobacco products.

77.6 **EFFECTIVE DATE.** This section is effective January 1, 2019.

77.7 Sec. 18. Minnesota Statutes 2016, section 297F.03, subdivision 5, is amended to read:

77.8 Subd. 5. **License fees; cigarettes.** Each application for a cigarette distributor's license  
 77.9 must be accompanied by a fee of ~~\$300~~ \$500. Each application for a cigarette subjobber's  
 77.10 license must be accompanied by a fee of ~~\$24~~ \$100. A distributor or subjobber applying for  
 77.11 a license during the second year of a two-year licensing period is required to pay only  
 77.12 one-half of the license fee.

77.13 **EFFECTIVE DATE.** This section is effective for license periods beginning after  
 77.14 December 31, 2018.

77.15 Sec. 19. Minnesota Statutes 2016, section 297F.03, subdivision 6, is amended to read:

77.16 Subd. 6. **License fees; tobacco products.** Each application for a tobacco products  
 77.17 distributor's license must be accompanied by a fee of ~~\$75~~ \$500. Each application for a  
 77.18 tobacco products subjobber's license must be accompanied by a fee of ~~\$20~~ \$100. A distributor  
 77.19 or subjobber applying for a license during the second year of a two-year licensing period  
 77.20 is required to pay only one-half of the license fee.

77.21 **EFFECTIVE DATE.** This section is effective for license periods beginning after  
 77.22 December 31, 2018.

77.23 Sec. 20. Minnesota Statutes 2016, section 297F.03, is amended by adding a subdivision  
 77.24 to read:

77.25 Subd. 6a. **License fees, vapor products.** Each application for a manufacturer of vapor  
 77.26 products license must be accompanied by a fee equal to the fee for a tobacco products  
 77.27 distributor license under subdivision 6. A manufacturer of vapor products is not required  
 77.28 to obtain a distributor license under subdivision 6 to sell vapor products manufactured by  
 77.29 the licensee and sold in consumer packaging to a tobacco products distributor, a tobacco  
 77.30 products subjobber, or a retailer.

77.31 **EFFECTIVE DATE.** This section is effective January 1, 2019.

78.1 Sec. 21. Minnesota Statutes 2016, section 297F.03, subdivision 7, is amended to read:

78.2 Subd. 7. **Issuance of license.** The commissioner, upon receipt of the application in proper  
78.3 form, and payment of the license fee required by this chapter, shall, unless otherwise provided  
78.4 by this chapter, issue the applicant a license in the form prescribed by the commissioner.  
78.5 The license permits the applicant to engage in business as a manufacturer of vapor products,  
78.6 distributor, or subjobber at the place of business shown in the application.

78.7 **EFFECTIVE DATE.** This section is effective January 1, 2019.

78.8 Sec. 22. Minnesota Statutes 2016, section 297F.04, subdivision 1, is amended to read:

78.9 Subdivision 1. **Powers of commissioner.** The commissioner may revoke or suspend the  
78.10 license or licenses of any manufacturer of vapor products, distributor, or subjobber for  
78.11 violation of this chapter, any other act applicable to the sale of cigarettes or tobacco products,  
78.12 or any rule promulgated by the commissioner, in furtherance of this chapter.

78.13 **EFFECTIVE DATE.** This section is effective January 1, 2019.

78.14 Sec. 23. Minnesota Statutes 2016, section 297F.04, subdivision 1, is amended to read:

78.15 Subdivision 1. **Powers of commissioner.** The commissioner may revoke or suspend,  
78.16 or refuse to renew the license or licenses of any distributor or subjobber, or refuse to issue  
78.17 a license to an applicant for a distributor or subjobber license, for violation of this chapter,  
78.18 any other act applicable to the sale of cigarettes or tobacco products, or any rule promulgated  
78.19 by the commissioner, in furtherance of this chapter.

78.20 **EFFECTIVE DATE.** This section is effective August 1, 2018.

78.21 Sec. 24. Minnesota Statutes 2016, section 297F.04, subdivision 2, is amended to read:

78.22 Subd. 2. **Refusal to issue or renew; revocation.** The commissioner must not issue or  
78.23 renew a license under this chapter, and may revoke a license under this chapter, if the  
78.24 applicant or licensee:

78.25 (1) owes \$500 or more in delinquent taxes as defined in section 270C.72, subdivision  
78.26 2;

78.27 (2) after demand, has not filed tax returns required by the commissioner;

78.28 (3) had a ~~cigarette or tobacco~~ license under this chapter revoked by the commissioner  
78.29 within the past two years;

79.1 (4) had a sales and use tax permit revoked by the commissioner within the past two  
79.2 years; or

79.3 (5) has been convicted of a crime involving cigarettes, including but not limited to:  
79.4 selling stolen cigarettes or tobacco products, receiving stolen cigarettes or tobacco products,  
79.5 or involvement in the smuggling of cigarettes or tobacco products.

79.6 **EFFECTIVE DATE.** This section is effective January 1, 2019.

79.7 Sec. 25. Minnesota Statutes 2017 Supplement, section 297F.05, subdivision 3, is amended  
79.8 to read:

79.9 Subd. 3. **Rates; tobacco products.** (a) Except as provided in paragraphs (b) and (c) and  
79.10 ~~subdivision~~ subdivisions 3a and 3b, a tax is imposed upon all tobacco products in this state  
79.11 and upon any person engaged in business as a distributor, at the rate of 95 percent of the  
79.12 wholesale sales price of the tobacco products. The tax is imposed at the time the distributor:

79.13 (1) brings, or causes to be brought, into this state from outside the state tobacco products  
79.14 for sale;

79.15 (2) makes, manufactures, or fabricates tobacco products in this state for sale in this state;  
79.16 or

79.17 (3) ships or transports tobacco products to retailers in this state, to be sold by those  
79.18 retailers.

79.19 (b) A tax equal to the greater of the tax imposed under paragraph (a) or a minimum tax  
79.20 equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds  
79.21 per thousand, as established under subdivision 1, is imposed on each container of moist  
79.22 snuff weighing not more than 1.2 ounces. When more than one container subject to tax  
79.23 under this paragraph is packaged together, each container is subject to the minimum tax.

79.24 (c) Except as provided in paragraph (b), a tax equal to the greater of the tax imposed  
79.25 under paragraph (a) or a minimum tax equal to the rate imposed on a pack of 20 cigarettes  
79.26 weighing not more than three pounds per thousand, as established under subdivision 1,  
79.27 multiplied by the number of ounces of moist snuff in the container, divided by 1.2, is imposed  
79.28 on each container of moist snuff weighing more than 1.2 ounces.

79.29 (d) For purposes of this subdivision, a "container" means a consumer-size can, package,  
79.30 or other container that is marketed or packaged for sale to a retail purchaser.

79.31 **EFFECTIVE DATE.** This section is effective January 1, 2019.

80.1 Sec. 26. Minnesota Statutes 2016, section 297F.05, is amended by adding a subdivision  
80.2 to read:

80.3 Subd. 3b. Rates; vapor products. (a) In lieu of the tax imposed under subdivision 3, a  
80.4 tax is imposed upon all vapor products in this state equal to:

80.5 (1) in the case of a Minnesota distributor who brings, or causes to be brought, vapor  
80.6 products into this state, 95 percent of the sales price of vapor products paid by the distributor;

80.7 (2) in the case of a distributor who sells vapor products from outside this state to a  
80.8 retailer, 95 percent of the sales price of vapor products paid by the retailer;

80.9 (3) in the case of a manufacturer of vapor products who sells the manufactured product  
80.10 to retailers or subjobbers, 95 percent of the sales price of vapor products paid by the retailer  
80.11 or subjobber;

80.12 (4) in the case of a Minnesota distributor who purchases vapor products from a  
80.13 manufacturer of vapor products, 95 percent of the sales price of vapor products paid by the  
80.14 distributor; and

80.15 (5) in the case of a manufacturer of vapor products who is also a retailer who sells the  
80.16 manufactured product to consumers, 95 percent of the sales price of vapor products.

80.17 (b) The tax under this subdivision is imposed:

80.18 (1) on the distributor at the time the vapor products in consumer packaging are brought  
80.19 into the state or received by the distributor who brings, or causes to be brought, into this  
80.20 state the vapor products for sale in this state;

80.21 (2) on the distributor at the time the distributor ships or transports the vapor products in  
80.22 consumer packaging from outside this state to retailers in this state;

80.23 (3) on the manufacturer of vapor products at the time the vapor products are sold to a  
80.24 retailer or subjobber;

80.25 (4) on the distributor at the time a Minnesota distributor purchases the vapor products  
80.26 in consumer packaging that were manufactured by a Minnesota manufacturer of vapor  
80.27 products; and

80.28 (5) on the manufacturer of vapor products who is also a retailer of vapor products, at  
80.29 the time the vapor products manufactured in this state are sold to the consumer.

80.30 **EFFECTIVE DATE.** This section is effective for vapor products bought, sold, or  
80.31 manufactured in Minnesota after December 31, 2018.



81.1 Sec. 27. Minnesota Statutes 2016, section 297F.06, is amended by adding a subdivision  
81.2 to read:

81.3 **Subd. 6. Exempt sales of vapor products to licensed manufacturers of vapor**  
81.4 **products.** (a) A tobacco products distributor or manufacturer of vapor products, who at the  
81.5 time of sale accepts in good faith a valid exemption certificate from a purchaser that is a  
81.6 licensed manufacturer of vapor products, may sell vapor products in consumer packaging  
81.7 containing more than 50 milliliters of nicotine solution to the purchaser exempt from the  
81.8 tax imposed under section 297F.05, subdivision 3b.

81.9 (b) An exemption certificate is valid if it:

81.10 (1) is substantially in the form prescribed by the commissioner;

81.11 (2) bears the name and address of the purchaser;

81.12 (3) indicates the manufacturer of vapor products identification number issued to the  
81.13 purchaser by the commissioner;

81.14 (4) is signed by the purchaser if it is in paper form, or meets the requirements of section  
81.15 270C.304 if it is in electronic form; and

81.16 (5) indicates that the purchaser:

81.17 (i) intends to use the product to manufacture vapor products;

81.18 (ii) agrees to pay the applicable tax on the finished manufactured vapor products; and

81.19 (iii) agrees to pay the applicable tax if the purchaser does not use the product to  
81.20 manufacture vapor product, but sells the product to a consumer or retailer.

81.21 (c) For determining the tax due under paragraph (b), clause (5), item (iii), any product  
81.22 subject to tax is treated as if it was manufactured by the purchaser.

81.23 (d) A purchaser may use a blanket exemption certificate for continuing purchases. A  
81.24 purchaser using a blanket exemption certificate must update the certificate as needed to  
81.25 accurately reflect the information required under paragraph (b).

81.26 **EFFECTIVE DATE.** This section is effective January 1, 2019.

81.27 Sec. 28. Minnesota Statutes 2016, section 297F.08, subdivision 8a, is amended to read:

81.28 Subd. 8a. **Revolving account.** A cigarette tax stamp revolving account is created. The  
81.29 commissioner shall use the amounts in this fund to purchase stamps for resale. The  
81.30 commissioner shall charge distributors for the tax value of the stamps they receive along  
81.31 with the commissioner's cost to purchase the stamps and ship them to the distributor. The

82.1 stamp purchase and shipping costs recovered must be credited to the revolving account and  
82.2 are appropriated to the commissioner for the further purchases and shipping costs. The  
82.3 revolving account is initially funded by a \$40,000 transfer from the Department of Revenue.

82.4 **EFFECTIVE DATE.** This section is effective January 1, 2020.

82.5 Sec. 29. **[297F.081] TOBACCO PRODUCTS STAMPS.**

82.6 Subdivision 1. **Stamp affixed by distributor.** (a) Before delivering, or causing to be  
82.7 delivered, a package of moist snuff to a distributor, subjobber, retailer, or consumer in this  
82.8 state, a distributor in this state must firmly affix to each package of moist snuff a tax stamp  
82.9 obtained from the commissioner.

82.10 (b) When moist snuff is shipped into this state by any distributor from outside this state  
82.11 to a retailer or subjobber, the appropriate stamp must be affixed to the package at the time  
82.12 the package enters the state.

82.13 Subd. 2. **Stamps; design; printing.** The commissioner shall adopt the design of the  
82.14 moist snuff stamp. At least one stamp must be designed for application to packages of moist  
82.15 snuff destined for retail sale on an Indian reservation that is a party to an agreement under  
82.16 section 270C.19, subdivision 2, and only to those packages. The commissioner shall arrange  
82.17 for the printing of stamps in such amounts and denominations as the commissioner deems  
82.18 necessary.

82.19 Subd. 3. **Deposit of proceeds.** The commissioner shall use the amounts appropriated  
82.20 by law to purchase stamps for resale. The commissioner shall charge the purchasers for the  
82.21 commissioner's cost to purchase the stamps along with the tax value of the stamps plus  
82.22 shipping costs. The tax value of the stamps must be deposited in the general fund. The  
82.23 portion of the charge to the purchaser that represents the commissioner's cost to purchase  
82.24 the stamps and the shipping costs must be deposited in the revolving stamp fund under  
82.25 section 297F.08, subdivision 8a.

82.26 Subd. 4. **Sale of stamps.** (a) The commissioner shall sell moist snuff stamps only to  
82.27 persons licensed as a tobacco products distributor.

82.28 (b) The commissioner may prescribe the method of shipment of the stamps to the  
82.29 distributor.

82.30 (c) The commissioner shall charge the purchaser for the commissioner's cost to purchase  
82.31 the stamps along with the tax value plus shipping costs.

83.1 (d)(1) The commissioner may sell moist snuff stamps on a credit basis to a distributor  
83.2 unless:

83.3 (i) the distributor has been licensed by the commissioner as a tobacco products distributor  
83.4 for less than one year;

83.5 (ii) the distributor has failed, without reasonable cause, to timely file tax returns or  
83.6 reports required to be filed with the commissioner under a law administered by the  
83.7 commissioner at any time during the prior 24 months; or

83.8 (iii) the distributor has failed, without reasonable cause, to timely pay taxes and fees  
83.9 payable to the commissioner under a law administered by the commissioner at any time  
83.10 during the prior 24 months.

83.11 (2) A distributor may purchase on a credit basis in any calendar month no more than the  
83.12 number of stamps needed to affix to 15 percent of the number of moist snuff packages  
83.13 reported to the commissioner as sold by the distributor during the previous 12-month period.

83.14 (3) A distributor who purchases stamps on a credit basis must pay the cost of the stamps  
83.15 determined under paragraph (c) to the commissioner no later than the due date of the return  
83.16 required under section 297F.09, subdivision 2, for the month that the order for the stamps  
83.17 was received by the commissioner.

83.18 Subd. 5. **Tax stamping machines.** The commissioner may require any person licensed  
83.19 as a distributor to stamp packages of moist snuff with a tax stamping machine, approved  
83.20 by the commissioner, which shall be provided by the distributor. The commissioner shall  
83.21 also supervise and check the operation of the machines. If the commissioner finds that a  
83.22 stamping machine is not affixing a legible stamp on the package, the commissioner may  
83.23 order the distributor to immediately cease the stamping process until the machine is  
83.24 functioning properly.

83.25 Subd. 6. **Resale or transfer of stamps prohibited.** (a) No distributor shall resell or  
83.26 transfer any moist snuff stamps purchased by the distributor from the commissioner. A  
83.27 distributor may transfer another state's stamped moist snuff to another distributor for the  
83.28 purpose of resale in the other state.

83.29 (b) A distributor who has on hand any moist snuff stamps when its tobacco products  
83.30 distributor license is revoked, canceled, or not renewed may return the stamps to the  
83.31 commissioner and receive a refund of the amount paid for the stamps.

83.32 (c) Moist snuff stamps that have become mutilated or unfit for use, or are affixed to  
83.33 moist snuff packages being returned to the manufacturer, or are affixed to packages of moist

84.1 snuff that, or the contents of which, have become damaged and unfit for sale, shall be  
 84.2 replaced by the commissioner, upon application by the distributor owning the stamps or  
 84.3 moist snuff if the commissioner determines the stamps have not evidenced a taxable  
 84.4 transaction.

84.5 Subd. 7. **Rulemaking for stamps on other tobacco products.** The commissioner may  
 84.6 promulgate rules that require tax stamps to be affixed to tobacco products other than moist  
 84.7 snuff. The rules may apply to one or more classes or types of tobacco product.

84.8 **EFFECTIVE DATE.** Subdivision 1 is effective for moist snuff delivered, caused to be  
 84.9 delivered, or shipped after June 30, 2020. Subdivisions 2 to 7 are effective January 1, 2020.

84.10 Sec. 30. Minnesota Statutes 2016, section 297F.09, subdivision 2, is amended to read:

84.11 Subd. 2. **Monthly return; tobacco products distributor.** On or before the 18th day of  
 84.12 each calendar month, a distributor with a place of business in this state or a manufacturer  
 84.13 of vapor products shall file a return with the commissioner showing the quantity and  
 84.14 wholesale sales price or sales price of vapor product of each tobacco product:

84.15 (1) brought, or caused to be brought, into this state for sale; and

84.16 (2) made, manufactured, or fabricated in this state for sale in this state, during the  
 84.17 preceding calendar month.

84.18 Every licensed distributor outside this state shall in like manner file a return showing  
 84.19 the quantity and wholesale sales price or sales of vapor product of each tobacco product  
 84.20 shipped or transported to retailers in this state to be sold by those retailers, during the  
 84.21 preceding calendar month. Returns must be made in the form and manner prescribed by the  
 84.22 commissioner and must contain any other information required by the commissioner. The  
 84.23 return must be accompanied by a remittance for the full tax liability shown. For distributors  
 84.24 subject to the accelerated tax payment requirements in subdivision 10, the return for the  
 84.25 May liability is due two business days before June 30th of the year and the return for the  
 84.26 June liability is due on or before August 18th of the year.

84.27 **EFFECTIVE DATE.** This section is effective for taxes imposed on vapor products  
 84.28 brought into the state or manufactured in the state after December 31, 2018.

84.29 Sec. 31. Minnesota Statutes 2016, section 297F.09, subdivision 7, is amended to read:

84.30 Subd. 7. **Electronic payment.** A cigarette or tobacco products distributor or a  
 84.31 manufacturer of vapor products having a liability of \$10,000 or more during a fiscal year  
 84.32 ending June 30 must remit all liabilities in all subsequent calendar years by electronic means.

85.1 **EFFECTIVE DATE.** This section is effective January 1, 2019.

85.2 Sec. 32. Minnesota Statutes 2016, section 297F.09, subdivision 10, is amended to read:

85.3 Subd. 10. **Accelerated tax payment; cigarette or tobacco products distributor or**  
85.4 **manufacturer of vapor products.** A cigarette or tobacco products distributor or a  
85.5 manufacturer of vapor products having a liability of \$250,000 or more during a fiscal year  
85.6 ending June 30, shall remit the June liability for the next year in the following manner:

85.7 (a) Two business days before June 30 of the year, the distributor or manufacturer shall  
85.8 remit the actual May liability and 81.4 percent of the estimated June liability to the  
85.9 commissioner and file the return in the form and manner prescribed by the commissioner.

85.10 (b) On or before August 18 of the year, the distributor or manufacturer shall submit a  
85.11 return showing the actual June liability and pay any additional amount of tax not remitted  
85.12 in June. A penalty is imposed equal to ten percent of the amount of June liability required  
85.13 to be paid in June, less the amount remitted in June. However, the penalty is not imposed  
85.14 if the amount remitted in June equals the lesser of:

85.15 (1) 81.4 percent of the actual June liability; or

85.16 (2) 81.4 percent of the preceding May liability.

85.17 **EFFECTIVE DATE.** This section is effective January 1, 2019.

85.18 Sec. 33. Minnesota Statutes 2016, section 297F.12, subdivision 3, is amended to read:

85.19 Subd. 3. **Manufacturers.** (a) A manufacturer of tobacco products as defined by this  
85.20 chapter shall report in the form and manner prescribed by the commissioner all sales of  
85.21 tobacco products to Minnesota licensed distributors, subjobbers, retailers, or to any locations  
85.22 within the state. The report is due on the 18th day of the month following the reporting  
85.23 period.

85.24 (b) A manufacturer of vapor products must file a report with the commissioner no later  
85.25 than the 18th day of each month identifying all vapor products placed into consumer  
85.26 packaging and all sales of vapor products made by the manufacturer during the preceding  
85.27 month. The report must identify the names and addresses of the persons within the state to  
85.28 whom shipments to tobacco products distributors, subjobbers, or retailers were made, and  
85.29 the quantity of vapor products manufactured or sold by type of product, brand, and size.  
85.30 The reports must also include information related to sales and purchases of tax exempt vapor  
85.31 products. If the manufacturer is also a retailer, the report must include the quantity of vapor  
85.32 products sold to customers by type of product, brand, and size.

86.1 **EFFECTIVE DATE.** This section is effective January 1, 2019.

86.2 Sec. 34. Minnesota Statutes 2016, section 297F.13, subdivision 2, is amended to read:

86.3 Subd. 2. **Tobacco products distributor.** (a) A distributor shall keep at each licensed  
86.4 place of business complete and accurate records for that place of business, including itemized  
86.5 invoices of tobacco products held, purchased, manufactured, brought in or caused to be  
86.6 brought in from outside the state, or shipped or transported to retailers in this state, and all  
86.7 sales of tobacco products made, except sales to the ultimate consumer. These records must  
86.8 show the names and addresses of purchasers, the inventory of all moist snuff stamps affixed  
86.9 and unaffixed to packages of moist snuff, and all moist snuff on hand at the close of each  
86.10 period for which a return is required, and any other pertinent papers and documents relating  
86.11 to the purchase, sale, or disposition of moist snuff.

86.12 (b) When a licensed distributor sells tobacco products exclusively to the ultimate  
86.13 consumer at the address given in the license, no invoice of those sales is required, but  
86.14 itemized invoices must be made of all tobacco products transferred to other retail outlets  
86.15 owned or controlled by that licensed distributor.

86.16 (c) All books, records, and other documents required by this chapter must be preserved  
86.17 for a period of at least 3-1/2 years after the date of the documents or the date of the entries  
86.18 appearing in the records, unless the commissioner authorizes in writing their destruction or  
86.19 disposal at an earlier date.

86.20 (d) To determine whether the distributor is in compliance with the provisions of this  
86.21 chapter, at any time during usual business hours the commissioner, or duly authorized agents  
86.22 or employees, may enter a place of business of a distributor, without a search warrant, and  
86.23 inspect the premises, the records required to be kept under this chapter, and the tobacco  
86.24 products in that place of business. If the commissioner, or an agent or employee of the  
86.25 commissioner, is denied free access or is hindered or interfered with in making the  
86.26 examination, the commissioner may revoke the distributor's license.

86.27 **EFFECTIVE DATE.** This section is effective for moist snuff purchased, sold, or  
86.28 disposed of after June 30, 2020.

86.29 Sec. 35. Minnesota Statutes 2016, section 297F.13, is amended by adding a subdivision  
86.30 to read:

86.31 Subd. 2a. **Manufacturers of vapor products.** (a) A manufacturer of vapor products  
86.32 shall keep at each licensed place of business complete and accurate records for that place

87.1 of business, including itemized invoices of vapor products held, purchased, manufactured,  
87.2 brought in or caused to be brought in from outside the state, or shipped or transported to  
87.3 distributors, subjobbers, or retailers in this state.

87.4 (b) A manufacturer of vapor products who is also a retailer must keep records of all sales  
87.5 made to the ultimate customer. These records must include cash register tapes or other  
87.6 similar electronic records and any other records which involve purchases or sales of vapor  
87.7 products which are required to be kept by a retailer who makes sales subject to tax under  
87.8 chapter 297A.

87.9 (c) When a manufacturer of vapor products sells vapor products exclusively to the  
87.10 ultimate consumer at the address given in the license, no invoice of those sales is required,  
87.11 but itemized invoices must be made of all vapor products transferred to other retail outlets  
87.12 owned or controlled by that manufacturer.

87.13 (d) All books, records, and other documents required by this subdivision must be  
87.14 preserved for a period of at least 3-1/2 years after the date of the documents or the date of  
87.15 the entries appearing in the records, unless the commissioner authorizes in writing the  
87.16 destruction or disposal at an earlier date.

87.17 (e) To determine whether the manufacturer is in compliance with the provisions of this  
87.18 chapter, at any time during usual business hours the commissioner, or duly authorized agents  
87.19 or employees, may enter a place of business of a manufacturer, without a search warrant,  
87.20 and inspect the premises, the records required to be kept under this chapter, and the vapor  
87.21 products in that place of business. If the commissioner, or an agent or employee of the  
87.22 commissioner, is denied free access or is hindered or interfered with in making the  
87.23 examination, the commissioner may revoke the manufacturer's license.

87.24 **EFFECTIVE DATE.** This section is effective January 1, 2019.

87.25 Sec. 36. Minnesota Statutes 2016, section 297F.13, subdivision 4, is amended to read:

87.26 Subd. 4. **Retailer and subjobber to preserve purchase invoices.** Every retailer and  
87.27 subjobber shall procure itemized invoices of all cigarettes or tobacco products purchased.

87.28 The retailer and subjobber shall preserve a legible copy of each invoice for one year  
87.29 from the date of the invoice or as long as the cigarette or tobacco product listed on the  
87.30 invoice is available for sale or in their possession, whichever period is longer. The retailer  
87.31 and subjobber shall preserve copies of the invoices at each retail location or at a central  
87.32 location provided that the invoice must be produced and made available at a retail location

88.1 within one hour when requested by the commissioner or duly authorized agents and  
88.2 employees. Copies should be numbered and kept in chronological order.

88.3 To determine whether the business is in compliance with the provisions of this chapter,  
88.4 at any time during usual business hours, the commissioner, or duly authorized agents and  
88.5 employees, may enter any place of business of a retailer or subjobber without a search  
88.6 warrant and inspect the premises, the records required to be kept under this chapter, and the  
88.7 packages of cigarettes, tobacco products, and vending devices contained on the premises.

88.8 **EFFECTIVE DATE.** This section is effective for sales and purchases by subjobbers  
88.9 and retailers made on or after August 1, 2018.

88.10 Sec. 37. Minnesota Statutes 2016, section 297F.15, subdivision 9, is amended to read:

88.11 Subd. 9. **Physical inventory.** The commissioner or the commissioner's authorized agents  
88.12 may, as considered necessary, require a cigarette or tobacco products distributor or a  
88.13 manufacturer of vapor products to furnish a physical inventory of all cigarettes or tobacco  
88.14 products in stock. The inventory must contain the information that the commissioner requests  
88.15 and must be certified by an officer of the corporation.

88.16 **EFFECTIVE DATE.** This section is effective January 1, 2019.

88.17 Sec. 38. **[297F.186] REVOCATION OF CIGARETTE AND TOBACCO RETAIL**  
88.18 **LICENSE.**

88.19 **Subdivision 1. Cigarette and tobacco retail revocation.** (a) A licensing authority must  
88.20 not issue, transfer, or renew, and must revoke, a license if the commissioner notifies the  
88.21 licensing authority that the license holder has been in possession of contraband cigarettes  
88.22 or tobacco products under section 297F.21 at the location covered by the license.

88.23 (b) Within ten days after receipt of the notification from the commissioner under  
88.24 paragraph (a), the licensing authority must notify the license holder by mail of the revocation  
88.25 of the license. The notice must include a copy of the commissioner's notice to the licensing  
88.26 authority and information, in the form specified by the commissioner, on the licensee's  
88.27 option for receiving a license clearance from the commissioner. The licensing authority  
88.28 must revoke the license within 30 days after receiving the notice from the commissioner,  
88.29 unless it receives a license clearance from the commissioner as provided in subdivision 2,  
88.30 paragraph (b).

88.31 (c) For purposes of this section, the following terms have the meanings given.



89.1 (1) "License holder" means an individual or legal entity who has a license to sell cigarettes  
89.2 or tobacco products issued under chapter 461.

89.3 (2) "License" means a license to sell cigarettes or tobacco products under chapter 461.

89.4 (3) "Licensing authority" means a town board, county board, governing body of a home  
89.5 rule charter or statutory city, or state agricultural society authorized to issue licenses under  
89.6 chapter 461.

89.7 (4) "Applicant" is any individual, corporation, partnership, or any other legal entity that  
89.8 is a holder of a license or that has filed an application to obtain a license.

89.9 (5) "Responsible person" means any individual who, either singly or jointly with others,  
89.10 has the control of, supervision of, or responsibility for filing tax returns or reports, paying  
89.11 taxes, or collecting or withholding and remitting taxes to the commissioner for a license  
89.12 holder, or who has authority to purchase cigarettes or tobacco products, or supervises a  
89.13 person who has authority to purchase cigarettes or tobacco products for the license holder.

89.14 Subd. 2. **New licenses after revocation.** (a) An applicant who has had a license revoked  
89.15 under this section, or an applicant with a responsible person who was a responsible person  
89.16 for another entity for which a license was revoked under this section, may not apply for a  
89.17 license or seek the reinstatement of a revoked license unless the applicant presents to the  
89.18 licensing authority a license clearance issued by the commissioner. A licensing authority  
89.19 must not issue a new license to an applicant with such a responsible person or to an applicant  
89.20 who has had a license revoked under this section or reinstate a revoked license unless the  
89.21 applicant presents to the authority a license clearance issued by the commissioner.

89.22 (b) Except as provided in paragraph (f), the commissioner may issue a license clearance  
89.23 if the applicant and all responsible persons of the applicant:

89.24 (1) sign an agreement that acknowledges that the applicant and the responsible person  
89.25 will follow all laws related to the taxation of cigarettes and tobacco products, including the  
89.26 requirements to:

89.27 (i) purchase all cigarettes and tobacco products from distributors and subjobbers licensed  
89.28 by the commissioner;

89.29 (ii) maintain invoices of all cigarettes or tobacco products purchased as required under  
89.30 section 297F.13, subdivision 4, and produce those invoices within one hour when requested  
89.31 by the commissioner or duly authorized agents and employees; and

89.32 (iii) timely file and pay to the commissioner all returns and all sales taxes related to the  
89.33 sale of tobacco products; and

90.1 (2) deposit with the commissioner security or a surety bond in an amount equal to ten  
90.2 times the amount of tax on the contraband cigarettes or tobacco products. The commissioner  
90.3 must hold the security deposit for two years.

90.4 (c) The commissioner must pay interest on any money deposited as security. The interest  
90.5 is calculated from the date of deposit to the date of refund, or date of application to any  
90.6 outstanding tax liability, at a rate specified in section 270C.405. The commissioner must  
90.7 refund the security deposit to the applicant at the end of the two-year period unless the  
90.8 applicant has any unpaid tax liabilities payable to the commissioner. The commissioner  
90.9 may apply the security deposit to any unpaid tax liabilities of the applicant owed to the  
90.10 commissioner as well as the tax on any contraband cigarettes or tobacco products owned,  
90.11 possessed, sold, or offered for sale by the applicant after the license clearance has been  
90.12 issued.

90.13 (d) The commissioner may refund the security deposit before the end of the two-year  
90.14 holding period if the license holder no longer has a license to sell cigarettes or tobacco  
90.15 products issued by any licensing authority in the state.

90.16 (e) If the commissioner determines that a licensing authority has issued a new license  
90.17 or reinstated a revoked license without the applicant submitting a license clearance, the  
90.18 commissioner may notify the licensing authority to revoke the license. Revocations under  
90.19 this subdivision are controlled by the provisions of subdivision 1, paragraph (b), and  
90.20 subdivision 3. Notice of intent to require revocation from the commissioner must be sent  
90.21 to the license holder and to the responsible person of the license holder.

90.22 (f) If an applicant has had, or if a person has been a responsible person to, a cumulative  
90.23 number of two licenses revoked under this subdivision in a five-year period by all licensing  
90.24 authorities within the state, the commissioner may refuse to issue a license clearance until  
90.25 24 months have elapsed after the last revocation and the applicant has satisfied the conditions  
90.26 for reinstatement of a revoked license or issuance of a new license imposed by this  
90.27 subdivision.

90.28 Subd. 3. **Notice and hearing.** (a) Prior to notifying a licensing authority pursuant to  
90.29 subdivision 1 to revoke a license, the commissioner must send a notice to the license holder  
90.30 and to any known responsible person of the license holder of the commissioner's intent to  
90.31 require revocation of the license and of the license holder's or responsible person's right to  
90.32 a hearing. If the license holder or responsible person requests a hearing in writing within  
90.33 30 days of the date of the notice, a contested case hearing must be held. The hearing must  
90.34 be held within 45 days of the date the commissioner refers the case to the Office of

91.1 Administrative Hearings. Notwithstanding any law to the contrary, the license holder or  
91.2 responsible person must be served within 20 days' notice in writing specifying the time and  
91.3 place of the hearing and the allegations against the license holder or responsible person.  
91.4 The notice may be served personally or by mail. A license is subject to revocation when 30  
91.5 days have passed following the date of the notice in this paragraph without the license holder  
91.6 requesting a hearing, or, if a hearing is timely requested, upon final determination of the  
91.7 hearing under section 14.62, subdivision 1.

91.8 (b) The commissioner may notify a licensing authority under subdivision 1 only after  
91.9 the requirements of paragraph (a) have been satisfied.

91.10 (c) A hearing under this subdivision is in lieu of any other hearing or proceeding provided  
91.11 by law arising from any action taken under subdivision 1.

91.12 **EFFECTIVE DATE.** This section is effective August 1, 2018.

91.13 Sec. 39. Minnesota Statutes 2016, section 297F.19, is amended by adding a subdivision  
91.14 to read:

91.15 Subd. 10. **Penalty for retailers who fail to comply.** (a) A retailer who fails to produce  
91.16 an itemized invoice from a licensed seller within one hour of being requested by the  
91.17 commissioner to do so as required under section 297F.13, subdivision 4, or who offers for  
91.18 sale or holds in inventory cigarettes or tobacco products without a license required under  
91.19 chapter 461 is subject to a penalty of \$100 for the first violation, \$2,000 for the second  
91.20 violation, and \$5,000 for the third and each subsequent violation occurring during any  
91.21 36-month period.

91.22 (b) A retailer who offers for sale or holds in inventory untaxed cigarettes or tobacco  
91.23 products is subject to a penalty equal to the greater of \$2,000, or 150 percent of the tax due  
91.24 on the cigarettes or tobacco products.

91.25 **EFFECTIVE DATE.** This section is effective for violations occurring on or after August  
91.26 1, 2018.

91.27 Sec. 40. Minnesota Statutes 2016, section 297F.20, is amended by adding a subdivision  
91.28 to read:

91.29 Subd. 2a. **Penalties for willful failure to file or pay.** (a) A person or consumer required  
91.30 to file a return, report, or other document with the commissioner who willfully attempts in  
91.31 any manner to evade or defeat a tax by failing to do so when required is guilty of a felony.

92.1 (b) A person or consumer required to pay or to collect and remit a tax under this chapter,  
92.2 who willfully attempts to evade or defeat a tax by failing to do so when required, is guilty  
92.3 of a felony.

92.4 **EFFECTIVE DATE.** This section is effective for offenses committed on or after August  
92.5 1, 2018.

92.6 Sec. 41. Minnesota Statutes 2016, section 297F.20, subdivision 5, is amended to read:

92.7 Subd. 5. **Unstamped cigarettes or moist snuff; presumption.** (a) Except as provided  
92.8 in paragraph (b), whenever a package of cigarettes or moist snuff is found in the place of  
92.9 business or in the possession of any person without a proper stamp affixed as required by  
92.10 this chapter, it is presumed that those cigarettes or moist snuff are kept there or held by that  
92.11 person illegally.

92.12 (b) This presumption does not apply to:

92.13 (1) cigarettes or moist snuff in the place of business or in the possession of a licensed  
92.14 distributor;

92.15 (2) cigarettes or moist snuff in the possession of a common carrier or sleeping car  
92.16 company engaged in interstate commerce;

92.17 (3) cigarettes or moist snuff held in a public warehouse of first destination in this state,  
92.18 in the unbroken, original shipping containers, subject to delivery or shipping instructions  
92.19 from the manufacturer or a distributor;

92.20 (4) cigarettes or moist snuff in the possession of a person other than a distributor in  
92.21 quantities of 200 cigarettes or less or \$50 or less of moist snuff, when those cigarettes or  
92.22 moist snuff have had the individual packages or seals broken, and when they are intended  
92.23 for personal use and not to be sold or offered for sale;

92.24 (5) cigarettes or moist snuff sold under circumstances in which the tax cannot legally  
92.25 be imposed because of the laws or Constitution of the United States.

92.26 **EFFECTIVE DATE.** This section is effective for moist snuff possessed after December  
92.27 31, 2020.

92.28 Sec. 42. Minnesota Statutes 2016, section 297F.20, subdivision 6, is amended to read:

92.29 Subd. 6. **Unstamped cigarettes; untaxed tobacco products.** (a) A person, other than  
92.30 a licensed distributor, a licensed manufacturer of vapor products, or a consumer, who

93.1 possesses, receives, or transports fewer than 5,000 unstamped cigarettes, or up to \$350  
93.2 worth of untaxed tobacco products is guilty of a misdemeanor.

93.3 (b) A person, other than a licensed distributor, a licensed manufacturer of vapor products,  
93.4 or a consumer, who possesses, receives, or transports 5,000 or more, but fewer than 20,001  
93.5 unstamped cigarettes, or more than \$350 but less than \$1,400 worth of untaxed tobacco  
93.6 products is guilty of a gross misdemeanor.

93.7 (c) A person, other than a licensed distributor, a licensed manufacturer of vapor products,  
93.8 or a consumer, who possesses, receives, or transports more than 20,000 unstamped cigarettes,  
93.9 or \$1,400 or more worth of untaxed tobacco products is guilty of a felony.

93.10 (d) For purposes of this subdivision, an individual in possession of more than 4,999  
93.11 unstamped cigarettes, or more than \$350 worth of untaxed tobacco products, is presumed  
93.12 not to be a consumer.

93.13 **EFFECTIVE DATE.** This section is effective January 1, 2019.

93.14 Sec. 43. Minnesota Statutes 2016, section 297F.20, subdivision 6, is amended to read:

93.15 Subd. 6. **Unstamped cigarettes; untaxed tobacco products.** (a) A person, other than  
93.16 a licensed distributor or a consumer, who possesses, receives, or transports fewer than 5,000  
93.17 unstamped cigarettes, or up to \$350 worth of untaxed tobacco products or unstamped moist  
93.18 snuff is guilty of a misdemeanor.

93.19 (b) A person, other than a licensed distributor or a consumer, who possesses, receives,  
93.20 or transports 5,000 or more, but fewer than 20,001 unstamped cigarettes, or more than \$350  
93.21 but less than \$1,400 worth of untaxed tobacco products or unstamped moist snuff is guilty  
93.22 of a gross misdemeanor.

93.23 (c) A person, other than a licensed distributor or a consumer, who possesses, receives,  
93.24 or transports more than 20,000 unstamped cigarettes, or \$1,400 or more worth of untaxed  
93.25 tobacco products or unstamped moist snuff is guilty of a felony.

93.26 (d) For purposes of this subdivision, an individual in possession of more than 4,999  
93.27 unstamped cigarettes, or more than \$350 worth of untaxed tobacco products or unstamped  
93.28 moist snuff, is presumed not to be a consumer.

93.29 **EFFECTIVE DATE.** This section is effective for moist snuff possessed after December  
93.30 31, 2020, or for moist snuff received or transported after June 30, 2020.

94.1 Sec. 44. Minnesota Statutes 2016, section 297F.20, subdivision 7, is amended to read:

94.2 Subd. 7. **Sale of cigarette packages with Indian stamp.** (a) A retailer doing business  
94.3 off of an Indian reservation who sells or offers to sell more than 200 but fewer than 5,000  
94.4 cigarettes or up to \$350 worth of tobacco products with Indian stamps is guilty of a  
94.5 misdemeanor.

94.6 (b) A retailer doing business off of an Indian reservation who sells or offers to sell 5,000  
94.7 or more, but fewer than 20,001 cigarettes or more than \$350 but less than \$1,400 worth of  
94.8 tobacco products with Indian stamps is guilty of a gross misdemeanor.

94.9 (c) A retailer doing business off of an Indian reservation who sells or offers to sell more  
94.10 than 20,000 cigarettes or \$1,400 or more worth of tobacco products with Indian stamps is  
94.11 guilty of a felony.

94.12 **EFFECTIVE DATE.** This section is effective for sales of tobacco products, or offers  
94.13 to sell tobacco products, after June 30, 2020.

94.14 Sec. 45. Minnesota Statutes 2016, section 297F.20, subdivision 9, is amended to read:

94.15 Subd. 9. **Purchases from unlicensed sellers.** (a) No retailer or subjobber shall purchase  
94.16 cigarettes or tobacco products from any person who is not licensed under section 297F.03  
94.17 as a licensed distributor, manufacturer of vapor products, or subjobber.

94.18 (b) A retailer or subjobber who purchases from an unlicensed seller fewer than 5,000  
94.19 cigarettes or up to \$350 worth of tobacco products is guilty of a misdemeanor.

94.20 (c) A retailer or subjobber who purchases from an unlicensed seller 5,000 or more, but  
94.21 fewer than 20,001 cigarettes or more than \$350 but less than \$1,400 worth of tobacco  
94.22 products is guilty of a gross misdemeanor.

94.23 (d) A retailer or subjobber who purchases from an unlicensed seller more than 20,000  
94.24 cigarettes or \$1,400 or more worth of tobacco products is guilty of a felony.

94.25 **EFFECTIVE DATE.** This section is effective January 1, 2019.

94.26 Sec. 46. Minnesota Statutes 2016, section 297F.20, is amended by adding a subdivision  
94.27 to read:

94.28 Subd. 13. **Aggregation and consolidation of venue.** In any prosecution under this  
94.29 section, the number of unstamped cigarettes or the value of the untaxed tobacco products  
94.30 possessed, received, transported, sold, offered to be sold, or purchased in violation of this  
94.31 section within any six-month period may be aggregated and the defendant charged

95.1 accordingly in applying the provisions of this section. When two or more offenses are  
95.2 committed by the same individual in two or more counties, the accused may be prosecuted  
95.3 in any county in which one of the offenses was committed.

95.4 **EFFECTIVE DATE.** This section is effective for offenses committed on or after August  
95.5 1, 2018.

95.6 Sec. 47. Minnesota Statutes 2016, section 297F.21, subdivision 1, is amended to read:

95.7 Subdivision 1. **Contraband defined.** The following are declared to be contraband and  
95.8 therefore subject to civil and criminal penalties under this chapter:

95.9 (a) Cigarette packages which do not have stamps affixed to them as provided in this  
95.10 chapter, including but not limited to (i) packages with illegible stamps and packages with  
95.11 stamps that are not complete or whole even if the stamps are legible, and (ii) all devices for  
95.12 the vending of cigarettes in which packages as defined in item (i) are found, including all  
95.13 contents contained within the devices.

95.14 (b) A device for the vending of cigarettes and all packages of cigarettes, where the device  
95.15 does not afford at least partial visibility of contents. Where any package exposed to view  
95.16 does not carry the stamp required by this chapter, it shall be presumed that all packages  
95.17 contained in the device are unstamped and contraband.

95.18 (c) A device for the vending of cigarettes to which the commissioner or authorized agents  
95.19 have been denied access for the inspection of contents. In lieu of seizure, the commissioner  
95.20 or an agent may seal the device to prevent its use until inspection of contents is permitted.

95.21 (d) A device for the vending of cigarettes which does not carry the name and address of  
95.22 the owner, plainly marked and visible from the front of the machine.

95.23 (e) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes,  
95.24 and boats used with the knowledge of the owner or of a person operating with the consent  
95.25 of the owner for the storage or transportation of more than 5,000 cigarettes which are  
95.26 contraband under this subdivision. When cigarettes are being transported in the course of  
95.27 interstate commerce, or are in movement from either a public warehouse to a distributor  
95.28 upon orders from a manufacturer or distributor, or from one distributor to another, the  
95.29 cigarettes are not contraband, notwithstanding the provisions of clause (a).

95.30 (f) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes,  
95.31 and boats used with the knowledge of the owner, or of a person operating with the consent  
95.32 of the owner, for the storage or transportation of untaxed tobacco products intended for sale

96.1 in Minnesota other than those in the possession of a licensed distributor on or before the  
96.2 due date for payment of the tax under section 297F.09, subdivision 2.

96.3 (g) Cigarette packages or tobacco products obtained from an unlicensed seller.

96.4 (h) Cigarette packages offered for sale or held as inventory in violation of section  
96.5 297F.20, subdivision 7.

96.6 (i) Tobacco products on which the tax has not been paid by a licensed distributor or  
96.7 manufacturer of vapor products.

96.8 (j) Any cigarette packages or tobacco products offered for sale or held as inventory for  
96.9 which there is not an invoice from a licensed seller as required under section 297F.13,  
96.10 subdivision 4.

96.11 (k) Cigarette packages which have been imported into the United States in violation of  
96.12 United States Code, title 26, section 5754. All cigarettes held in violation of that section  
96.13 shall be presumed to have entered the United States after December 31, 1999, in the absence  
96.14 of proof to the contrary.

96.15 (l) Cigarettes subject to forfeiture under section 299F.854, subdivision 5, and cigarette  
96.16 packaging and markings, including the cigarettes contained therein, which do not meet the  
96.17 requirements under section 299F.853, paragraph (a).

96.18 (m) Vapor products purchased exempt from tax under section 297F.06, subdivision 6,  
96.19 by a person other than a licensed manufacturer of vapor products.

96.20 **EFFECTIVE DATE.** This section is effective January 1, 2019.

96.21 Sec. 48. Minnesota Statutes 2016, section 297F.21, subdivision 1, is amended to read:

96.22 Subdivision 1. **Contraband defined.** The following are declared to be contraband and  
96.23 therefore subject to civil and criminal penalties under this chapter:

96.24 (a) Cigarette packages which do not have stamps affixed to them as provided in this  
96.25 chapter, including but not limited to (i) packages with illegible stamps and packages with  
96.26 stamps that are not complete or whole even if the stamps are legible, and (ii) all devices for  
96.27 the vending of cigarettes in which packages as defined in item (i) are found, including all  
96.28 contents contained within the devices.

96.29 (b) A device for the vending of cigarettes and all packages of cigarettes, where the device  
96.30 does not afford at least partial visibility of contents. Where any package exposed to view  
96.31 does not carry the stamp required by this chapter, it shall be presumed that all packages  
96.32 contained in the device are unstamped and contraband.



97.1 (c) A device for the vending of cigarettes to which the commissioner or authorized agents  
97.2 have been denied access for the inspection of contents. In lieu of seizure, the commissioner  
97.3 or an agent may seal the device to prevent its use until inspection of contents is permitted.

97.4 (d) A device for the vending of cigarettes which does not carry the name and address of  
97.5 the owner, plainly marked and visible from the front of the machine.

97.6 (e) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes,  
97.7 and boats used with the knowledge of the owner or of a person operating with the consent  
97.8 of the owner for the storage or transportation of more than 5,000 cigarettes which are  
97.9 contraband under this subdivision. When cigarettes are being transported in the course of  
97.10 interstate commerce, or are in movement from either a public warehouse to a distributor  
97.11 upon orders from a manufacturer or distributor, or from one distributor to another, the  
97.12 cigarettes are not contraband, notwithstanding the provisions of clause (a).

97.13 (f) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes,  
97.14 and boats used with the knowledge of the owner, or of a person operating with the consent  
97.15 of the owner, for the storage or transportation of untaxed tobacco products intended for sale  
97.16 in Minnesota other than those in the possession of a licensed distributor on or before the  
97.17 due date for payment of the tax under section 297F.09, subdivision 2.

97.18 (g) Cigarette packages or tobacco products obtained from an unlicensed seller.

97.19 (h) Cigarette packages offered for sale or held as inventory in violation of section  
97.20 297F.20, subdivision 7.

97.21 (i) Tobacco products on which the tax has not been paid by a licensed distributor.

97.22 (j) Any cigarette packages or tobacco products offered for sale or held as inventory for  
97.23 ~~which there is not an invoice from a licensed seller~~ the retailer or subjobber does not produce  
97.24 an itemized invoice from a licensed seller within one hour after being requested by the  
97.25 commissioner to do so as required under section 297F.13, subdivision 4.

97.26 (k) Cigarette packages which have been imported into the United States in violation of  
97.27 United States Code, title 26, section 5754. All cigarettes held in violation of that section  
97.28 shall be presumed to have entered the United States after December 31, 1999, in the absence  
97.29 of proof to the contrary.

97.30 (l) Cigarettes subject to forfeiture under section 299F.854, subdivision 5, and cigarette  
97.31 packaging and markings, including the cigarettes contained therein, which do not meet the  
97.32 requirements under section 299F.853, paragraph (a).

98.1 (m) All cigarettes and tobacco products, including those for which the tax has been paid,  
98.2 offered for sale or held as inventory by a retailer operating without a license required under  
98.3 chapter 461.

98.4 **EFFECTIVE DATE.** This section is effective August 1, 2018.

98.5 Sec. 49. Minnesota Statutes 2016, section 297F.21, subdivision 1, is amended to read:

98.6 Subdivision 1. **Contraband defined.** The following are declared to be contraband and  
98.7 therefore subject to civil and criminal penalties under this chapter:

98.8 (a) Cigarette or tobacco products packages which do not have stamps affixed to them  
98.9 as provided in this chapter, including but not limited to (i) packages with illegible stamps  
98.10 and packages with stamps that are not complete or whole even if the stamps are legible, and  
98.11 (ii) all devices for the vending of cigarettes in which packages as defined in item (i) are  
98.12 found, including all contents contained within the devices.

98.13 (b) A device for the vending of cigarettes and all packages of cigarettes, where the device  
98.14 does not afford at least partial visibility of contents. Where any package exposed to view  
98.15 does not carry the stamp required by this chapter, it shall be presumed that all packages  
98.16 contained in the device are unstamped and contraband.

98.17 (c) A device for the vending of cigarettes to which the commissioner or authorized agents  
98.18 have been denied access for the inspection of contents. In lieu of seizure, the commissioner  
98.19 or an agent may seal the device to prevent its use until inspection of contents is permitted.

98.20 (d) A device for the vending of cigarettes which does not carry the name and address of  
98.21 the owner, plainly marked and visible from the front of the machine.

98.22 (e) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes,  
98.23 and boats used with the knowledge of the owner or of a person operating with the consent  
98.24 of the owner for the storage or transportation of more than 5,000 cigarettes which are  
98.25 contraband under this subdivision. When cigarettes are being transported in the course of  
98.26 interstate commerce, or are in movement from either a public warehouse to a distributor  
98.27 upon orders from a manufacturer or distributor, or from one distributor to another, the  
98.28 cigarettes are not contraband, notwithstanding the provisions of ~~clause~~ paragraph (a).

98.29 (f) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes,  
98.30 and boats used with the knowledge of the owner, or of a person operating with the consent  
98.31 of the owner, for the storage or transportation of untaxed tobacco products intended for sale  
98.32 in Minnesota other than those in the possession of a licensed distributor on or before the  
98.33 due date for payment of the tax under section 297F.09, subdivision 2.

99.1 (g) Cigarette packages or tobacco products obtained from an unlicensed seller.

99.2 (h) Cigarette or tobacco products packages offered for sale or held as inventory in  
99.3 violation of section 297F.20, subdivision 7.

99.4 (i) Tobacco products on which the tax has not been paid by a licensed distributor.

99.5 (j) Any cigarette packages or tobacco products offered for sale or held as inventory for  
99.6 which there is not an invoice from a licensed seller as required under section 297F.13,  
99.7 subdivision 4.

99.8 (k) Cigarette packages which have been imported into the United States in violation of  
99.9 United States Code, title 26, section 5754. All cigarettes held in violation of that section  
99.10 shall be presumed to have entered the United States after December 31, 1999, in the absence  
99.11 of proof to the contrary.

99.12 (l) Cigarettes subject to forfeiture under section 299F.854, subdivision 5, and cigarette  
99.13 packaging and markings, including the cigarettes contained therein, which do not meet the  
99.14 requirements under section 299F.853, paragraph (a).

99.15 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective January 1, 2021.  
99.16 The amendment to paragraph (h) is effective for packages of tobacco products offered for  
99.17 sale or held as inventory after June 30, 2020.

99.18 Sec. 50. Minnesota Statutes 2016, section 461.12, subdivision 8, is amended to read:

99.19 Subd. 8. **Notice to commissioner.** The licensing authority under this section shall, within  
99.20 30 days of the issuance or renewal of a license, ~~inform~~ provide the commissioner of revenue  
99.21 ~~of,~~ on a form prescribed by the commissioner and completed by the applicant, the licensee's  
99.22 name, address, trade name, Minnesota business identification number, the name of the  
99.23 individual or individuals who will be responsible for purchasing cigarettes or tobacco  
99.24 products for the licensee, and the effective and expiration dates of the license. The  
99.25 commissioner of revenue must also be informed of a license ~~renewal,~~ transfer, cancellation,  
99.26 suspension, or revocation during the license period.

99.27 **EFFECTIVE DATE.** This section is effective for licenses issued, renewed, transferred,  
99.28 canceled, suspended, or revoked after December 31, 2018.

99.29 Sec. 51. **APPROPRIATIONS.**

99.30 \$417,000 in fiscal year 2019 is appropriated from the general fund to the commissioner  
99.31 of revenue to carry out the provisions of this article. \$462,000 in fiscal year 2020 and

100.1 \$425,000 in fiscal year 2021 shall be added to the base appropriations to the Department  
100.2 of Revenue.

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

100.4 Sec. 52. **REPEALER.**

100.5 Minnesota Statutes 2016, section 297F.185, is repealed

100.6 **EFFECTIVE DATE.** This section is effective August 1, 2018.

100.7 **ARTICLE 6**

100.8 **PROPERTY TAX UPDATES**

100.9 Section 1. Minnesota Statutes 2017 Supplement, section 273.124, subdivision 13, is  
100.10 amended to read:

100.11 Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements  
100.12 under subdivision 1 must file a homestead application with the county assessor to initially  
100.13 obtain homestead classification.

100.14 (b) The commissioner shall prescribe the content, format, and manner of the homestead  
100.15 application required to be filed under this chapter pursuant to section 270C.30. The  
100.16 application must clearly inform the taxpayer that this application must be signed by all  
100.17 owners who occupy the property or by the qualifying relative and returned to the county  
100.18 assessor in order for the property to receive homestead treatment.

100.19 (c) Every property owner applying for homestead classification must furnish to the  
100.20 county assessor the Social Security number or individual tax identification number of each  
100.21 occupant who is listed as an owner of the property on the deed of record, the name and  
100.22 address of each owner who does not occupy the property, and the name and Social Security  
100.23 number or individual tax identification number of each owner's spouse. The application  
100.24 must be signed by each owner who occupies the property and by each owner's spouse who  
100.25 occupies the property, or, in the case of property that qualifies as a homestead under  
100.26 subdivision 1, paragraph (c), by the qualifying relative.

100.27 If a property owner occupies a homestead, the property owner's spouse may not claim  
100.28 another property as a homestead unless the property owner and the property owner's spouse  
100.29 file with the assessor an affidavit or other proof required by the assessor stating that the  
100.30 property qualifies as a homestead under subdivision 1, paragraph (e).

101.1 Owners or spouses occupying residences owned by their spouses and previously occupied  
101.2 with the other spouse, either of whom fail to include the other spouse's name and Social  
101.3 Security number or individual tax identification number on the homestead application or  
101.4 provide the affidavits or other proof requested, will be deemed to have elected to receive  
101.5 only partial homestead treatment of their residence. The remainder of the residence will be  
101.6 classified as nonhomestead residential. When an owner or spouse's name and Social Security  
101.7 number or individual tax identification number appear on homestead applications for two  
101.8 separate residences and only one application is signed, the owner or spouse will be deemed  
101.9 to have elected to homestead the residence for which the application was signed.

101.10 (d) If residential real estate is occupied and used for purposes of a homestead by a relative  
101.11 of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for  
101.12 the property to receive homestead status, a homestead application must be filed with the  
101.13 assessor. The Social Security number or individual tax identification number of each relative  
101.14 occupying the property and the name and Social Security number or individual tax  
101.15 identification number of the spouse of a relative occupying the property shall be required  
101.16 on the homestead application filed under this subdivision. If a different relative of the owner  
101.17 subsequently occupies the property, the owner of the property must notify the assessor  
101.18 within 30 days of the change in occupancy. The Social Security number or individual tax  
101.19 identification number of a relative occupying the property or the spouse of a relative  
101.20 occupying the property is private data on individuals as defined by section 13.02, subdivision  
101.21 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding  
101.22 under the Revenue Recapture Act to recover personal property taxes owing, to the county  
101.23 treasurer.

101.24 (e) The homestead application shall also notify the property owners that if the property  
101.25 is granted homestead status for any assessment year, that same property shall remain  
101.26 classified as homestead until the property is sold or transferred to another person, or the  
101.27 owners, the spouse of the owner, or the relatives no longer use the property as their  
101.28 homestead. Upon the sale or transfer of the homestead property, a certificate of value must  
101.29 be timely filed with the county auditor as provided under section 272.115. Failure to notify  
101.30 the assessor within 30 days that the property has been sold, transferred, or that the owner,  
101.31 the spouse of the owner, or the relative is no longer occupying the property as a homestead,  
101.32 shall result in the penalty provided under this subdivision and the property will lose its  
101.33 current homestead status.

101.34 (f) If a homestead application has not been filed with the county by December 15, the  
101.35 assessor shall classify the property as nonhomestead for the current assessment year for

102.1 taxes payable in the following year, provided that the owner may be entitled to receive the  
102.2 homestead classification by proper application under section 375.192.

102.3 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in  
102.4 2018 and thereafter.

102.5 Sec. 2. Minnesota Statutes 2016, section 273.124, subdivision 13c, is amended to read:

102.6 Subd. 13c. **Property lists.** In addition to lists of homestead properties, the commissioner  
102.7 may ask the counties to furnish lists of all properties and the record owners. The Social  
102.8 Security numbers, individual tax identification numbers, and federal identification numbers  
102.9 that are maintained by a county or city assessor for property tax administration purposes,  
102.10 and that may appear on the lists retain their classification as private or nonpublic data; but  
102.11 may be viewed, accessed, and used by the county auditor or treasurer of the same county  
102.12 for the limited purpose of assisting the commissioner in the preparation of microdata samples  
102.13 under section 270C.12. The commissioner shall use the information provided on the lists  
102.14 as appropriate under the law, including for the detection of improper claims by owners, or  
102.15 relatives of owners, under chapter 290A.

102.16 **EFFECTIVE DATE.** This section is effective for homestead data provided to the  
102.17 commissioner of revenue in 2019 and thereafter.

102.18 Sec. 3. Minnesota Statutes 2017 Supplement, section 273.124, subdivision 13d, is amended  
102.19 to read:

102.20 Subd. 13d. **Homestead data.** On or before April 30 each year beginning in 2007, each  
102.21 county must provide the commissioner with the following data for each parcel of homestead  
102.22 property by electronic means as defined in section 289A.02, subdivision 8:

102.23 (1) the property identification number assigned to the parcel for purposes of taxes payable  
102.24 in the current year;

102.25 (2) the name and Social Security number or individual tax identification number of each  
102.26 occupant of homestead property who is the property owner or qualifying relative of a property  
102.27 owner, and the spouse of the property owner who occupies homestead property or spouse  
102.28 of a qualifying relative of a property owner who occupies homestead property;

102.29 (3) the classification of the property under section 273.13 for taxes payable in the current  
102.30 year and in the prior year;

103.1 (4) an indication of whether the property was classified as a homestead for taxes payable  
 103.2 in the current year because of occupancy by a relative of the owner or by a spouse of a  
 103.3 relative;

103.4 (5) the property taxes payable as defined in section 290A.03, subdivision 13, for the  
 103.5 current year and the prior year;

103.6 (6) the market value of improvements to the property first assessed for tax purposes for  
 103.7 taxes payable in the current year;

103.8 (7) the assessor's estimated market value assigned to the property for taxes payable in  
 103.9 the current year and the prior year;

103.10 (8) the taxable market value assigned to the property for taxes payable in the current  
 103.11 year and the prior year;

103.12 (9) whether there are delinquent property taxes owing on the homestead;

103.13 (10) the unique taxing district in which the property is located; and

103.14 (11) such other information as the commissioner decides is necessary.

103.15 The commissioner shall use the information provided on the lists as appropriate under  
 103.16 the law, including for the detection of improper claims by owners, or relatives of owners,  
 103.17 under chapter 290A.

103.18 **EFFECTIVE DATE.** This section is effective for homestead data provided to the  
 103.19 commissioner of revenue in 2019 and thereafter.

103.20 Sec. 4. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

103.21 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten  
 103.22 acres that is the homestead of its owner must be classified as class 2a under section 273.13,  
 103.23 subdivision 23, paragraph (a), if:

103.24 (1) the parcel on which the house is located is contiguous on at least two sides to (i)  
 103.25 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife  
 103.26 Service, or (iii) land administered by the Department of Natural Resources on which in lieu  
 103.27 taxes are paid under sections 477A.11 to 477A.14;

103.28 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20  
 103.29 acres;

103.30 (3) the noncontiguous land is located not farther than four townships or cities, or a  
 103.31 combination of townships or cities from the homestead; and

104.1 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to  
104.2 at least 50 percent of the market value of the house, garage, and one acre of land.

104.3 Homesteads initially classified as class 2a under the provisions of this paragraph shall  
104.4 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining  
104.5 properties, as long as the homestead remains under the same ownership, the owner owns a  
104.6 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use  
104.7 value qualifies under clause (4). Homestead classification under this paragraph is limited  
104.8 to property that qualified under this paragraph for the 1998 assessment.

104.9 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same  
104.10 extent as other agricultural homestead property, if all of the following criteria are met:

104.11 (1) the agricultural property consists of at least 40 acres including undivided government  
104.12 lots and correctional 40's;

104.13 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner  
104.14 or of the owner's spouse, is actively farming the agricultural property, either on the person's  
104.15 own behalf as an individual or on behalf of a partnership operating a family farm, family  
104.16 farm corporation, joint family farm venture, or limited liability company of which the person  
104.17 is a partner, shareholder, or member;

104.18 (3) both the owner of the agricultural property and the person who is actively farming  
104.19 the agricultural property under clause (2), are Minnesota residents;

104.20 (4) neither the owner nor the spouse of the owner claims another agricultural homestead  
104.21 in Minnesota; and

104.22 (5) neither the owner nor the person actively farming the agricultural property lives  
104.23 farther than four townships or cities, or a combination of four townships or cities, from the  
104.24 agricultural property, except that if the owner or the owner's spouse is required to live in  
104.25 employer-provided housing, the owner or owner's spouse, whichever is actively farming  
104.26 the agricultural property, may live more than four townships or cities, or combination of  
104.27 four townships or cities from the agricultural property.

104.28 The relationship under this paragraph may be either by blood or marriage.

104.29 (ii) Agricultural property held by a trustee under a trust is eligible for agricultural  
104.30 homestead classification under this paragraph if the qualifications in clause (i) are met,  
104.31 except that "owner" means the grantor of the trust.



105.1 (iii) Property containing the residence of an owner who owns qualified property under  
105.2 clause (i) shall be classified as part of the owner's agricultural homestead, if that property  
105.3 is also used for noncommercial storage or drying of agricultural crops.

105.4 (iv) As used in this paragraph, "agricultural property" means class 2a property and any  
105.5 class 2b property that is contiguous to and under the same ownership as the class 2a property.

105.6 (c) Noncontiguous land shall be included as part of a homestead under section 273.13,  
105.7 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached  
105.8 land is located in the same township or city, or not farther than four townships or cities or  
105.9 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must  
105.10 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,  
105.11 and, if the homestead is located in another county, the taxpayer must also notify the assessor  
105.12 of the other county.

105.13 (d) Agricultural land used for purposes of a homestead and actively farmed by a person  
105.14 holding a vested remainder interest in it must be classified as a homestead under section  
105.15 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other  
105.16 dwellings on the land used for purposes of a homestead by persons holding vested remainder  
105.17 interests who are actively engaged in farming the property, and up to one acre of the land  
105.18 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,  
105.19 must also be assessed class 2a.

105.20 (e) Agricultural land and buildings that were class 2a homestead property under section  
105.21 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as  
105.22 agricultural homesteads for subsequent assessments if:

105.23 (1) the property owner abandoned the homestead dwelling located on the agricultural  
105.24 homestead as a result of the April 1997 floods;

105.25 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or  
105.26 Wilkin;

105.27 (3) the agricultural land and buildings remain under the same ownership for the current  
105.28 assessment year as existed for the 1997 assessment year and continue to be used for  
105.29 agricultural purposes;

105.30 (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles  
105.31 of one of the parcels of agricultural land that is owned by the taxpayer; and

105.32 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,  
105.33 and the owner furnishes the assessor any information deemed necessary by the assessor in

106.1 verifying the change in dwelling. Further notifications to the assessor are not required if the  
106.2 property continues to meet all the requirements in this paragraph and any dwellings on the  
106.3 agricultural land remain uninhabited.

106.4 (f) Agricultural land and buildings that were class 2a homestead property under section  
106.5 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified  
106.6 agricultural homesteads for subsequent assessments if:

106.7 (1) the property owner abandoned the homestead dwelling located on the agricultural  
106.8 homestead as a result of damage caused by a March 29, 1998, tornado;

106.9 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,  
106.10 Nicollet, Nobles, or Rice;

106.11 (3) the agricultural land and buildings remain under the same ownership for the current  
106.12 assessment year as existed for the 1998 assessment year;

106.13 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of  
106.14 one of the parcels of agricultural land that is owned by the taxpayer; and

106.15 (5) the owner notifies the county assessor that the relocation was due to a March 29,  
106.16 1998, tornado, and the owner furnishes the assessor any information deemed necessary by  
106.17 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the  
106.18 owner must notify the assessor by December 1, 1998. Further notifications to the assessor  
106.19 are not required if the property continues to meet all the requirements in this paragraph and  
106.20 any dwellings on the agricultural land remain uninhabited.

106.21 (g) Agricultural property of a family farm corporation, joint family farm venture, family  
106.22 farm limited liability company, or partnership operating a family farm as described under  
106.23 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead  
106.24 property, if all of the following criteria are met:

106.25 (1) the property consists of at least 40 acres including undivided government lots and  
106.26 correctional 40's;

106.27 (2) a shareholder, member, or partner of that entity is actively farming the agricultural  
106.28 property;

106.29 (3) that shareholder, member, or partner who is actively farming the agricultural property  
106.30 is a Minnesota resident;

106.31 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,  
106.32 member, or partner claims another agricultural homestead in Minnesota; and

107.1 (5) that shareholder, member, or partner does not live farther than four townships or  
107.2 cities, or a combination of four townships or cities, from the agricultural property.

107.3 Homestead treatment applies under this paragraph for property leased to a family farm  
107.4 corporation, joint farm venture, limited liability company, or partnership operating a family  
107.5 farm if legal title to the property is in the name of an individual who is a member, shareholder,  
107.6 or partner in the entity.

107.7 (h) To be eligible for the special agricultural homestead under this subdivision, an initial  
107.8 full application must be submitted to the county assessor where the property is located.  
107.9 Owners and the persons who are actively farming the property shall be required to complete  
107.10 only a one-page abbreviated version of the application in each subsequent year provided  
107.11 that none of the following items have changed since the initial application:

107.12 (1) the day-to-day operation, administration, and financial risks remain the same;

107.13 (2) the owners and the persons actively farming the property continue to live within the  
107.14 four townships or city criteria and are Minnesota residents;

107.15 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

107.16 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

107.17 (5) the property's acreage is unchanged; and

107.18 (6) none of the property's acres have been enrolled in a federal or state farm program  
107.19 since the initial application.

107.20 The owners and any persons who are actively farming the property must include the  
107.21 appropriate Social Security numbers or individual tax identification numbers, and sign and  
107.22 date the application. If any of the specified information has changed since the full application  
107.23 was filed, the owner must notify the assessor, and must complete a new application to  
107.24 determine if the property continues to qualify for the special agricultural homestead. The  
107.25 commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

107.26 (i) Agricultural land and buildings that were class 2a homestead property under section  
107.27 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified  
107.28 agricultural homesteads for subsequent assessments if:

107.29 (1) the property owner abandoned the homestead dwelling located on the agricultural  
107.30 homestead as a result of damage caused by the August 2007 floods;

107.31 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,  
107.32 Wabasha, or Winona;

108.1 (3) the agricultural land and buildings remain under the same ownership for the current  
108.2 assessment year as existed for the 2007 assessment year;

108.3 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of  
108.4 one of the parcels of agricultural land that is owned by the taxpayer; and

108.5 (5) the owner notifies the county assessor that the relocation was due to the August 2007  
108.6 floods, and the owner furnishes the assessor any information deemed necessary by the  
108.7 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the  
108.8 owner must notify the assessor by December 1, 2008. Further notifications to the assessor  
108.9 are not required if the property continues to meet all the requirements in this paragraph and  
108.10 any dwellings on the agricultural land remain uninhabited.

108.11 (j) Agricultural land and buildings that were class 2a homestead property under section  
108.12 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as  
108.13 agricultural homesteads for subsequent assessments if:

108.14 (1) the property owner abandoned the homestead dwelling located on the agricultural  
108.15 homestead as a result of the March 2009 floods;

108.16 (2) the property is located in the county of Marshall;

108.17 (3) the agricultural land and buildings remain under the same ownership for the current  
108.18 assessment year as existed for the 2008 assessment year and continue to be used for  
108.19 agricultural purposes;

108.20 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles  
108.21 of one of the parcels of agricultural land that is owned by the taxpayer; and

108.22 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,  
108.23 and the owner furnishes the assessor any information deemed necessary by the assessor in  
108.24 verifying the change in dwelling. Further notifications to the assessor are not required if the  
108.25 property continues to meet all the requirements in this paragraph and any dwellings on the  
108.26 agricultural land remain uninhabited.

108.27 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in  
108.28 2018 and thereafter.

108.29 Sec. 5. Minnesota Statutes 2016, section 273.1245, subdivision 1, is amended to read:

108.30 Subdivision 1. **Private or nonpublic data.** The following data are private or nonpublic  
108.31 data as defined in section 13.02, subdivisions 9 and 12, when they are submitted to a county  
108.32 or local assessor under section 273.124, 273.13, or another section, to support a claim for

109.1 the property tax homestead classification under section 273.13, or other property tax  
109.2 classification or benefit:

109.3 (1) Social Security numbers;

109.4 (2) individual tax identification numbers;

109.5 ~~(2)~~ (3) copies of state or federal income tax returns; and

109.6 ~~(3)~~ (4) state or federal income tax return information, including the federal income tax  
109.7 schedule F.

109.8 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in  
109.9 2018 and thereafter.

109.10 Sec. 6. Minnesota Statutes 2016, section 273.1315, subdivision 2, is amended to read:

109.11 Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property owner  
109.12 seeking classification and assessment of the owner's homestead as class 1b property pursuant  
109.13 to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file with the  
109.14 county assessor a class 1b homestead declaration, on a form prescribed by the commissioner  
109.15 of revenue. The declaration must contain the following information:

109.16 (1) the information necessary to verify that, on or before June 30 of the filing year, the  
109.17 property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision  
109.18 22, paragraph (b), for class 1b classification; and

109.19 (2) any additional information prescribed by the commissioner.

109.20 (b) The declaration must be filed on or before October 1 to be effective for property  
109.21 taxes payable during the succeeding calendar year. The Social Security numbers, individual  
109.22 tax identification numbers, and income and medical information received from the property  
109.23 owner pursuant to this subdivision are private data on individuals as defined in section  
109.24 13.02. If approved by the assessor, the declaration remains in effect until the property no  
109.25 longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the  
109.26 assessor within 30 days that the property no longer qualifies under that paragraph because  
109.27 of a sale, change in occupancy, or change in the status or condition of an occupant shall  
109.28 result in the penalty provided in section 273.124, subdivision 13b, computed on the basis  
109.29 of the class 1b benefits for the property, and the property shall lose its current class 1b  
109.30 classification.

109.31 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in  
109.32 2018 and thereafter.

110.1 Sec. 7. Minnesota Statutes 2016, section 290B.03, subdivision 1, is amended to read:

110.2 Subdivision 1. **Program qualifications.** The qualifications for the senior citizens'  
110.3 property tax deferral program are as follows:

110.4 (1) the property must be owned and occupied as a homestead by a person 65 years of  
110.5 age or older. In the case of a married couple, at least one of the spouses must be at least 65  
110.6 years old at the time the first property tax deferral is granted, regardless of whether the  
110.7 property is titled in the name of one spouse or both spouses, or titled in another way that  
110.8 permits the property to have homestead status, and the other spouse must be at least 62 years  
110.9 of age;

110.10 (2) the total household income of the qualifying homeowners, as defined in section  
110.11 290A.03, subdivision 5, for the calendar year preceding the year of the initial application  
110.12 may not exceed \$60,000;

110.13 (3) the homestead must have been owned and occupied as the homestead of at least one  
110.14 of the qualifying homeowners for at least ~~15~~ five years prior to the year the initial application  
110.15 is filed;

110.16 (4) there are no state or federal tax liens or judgment liens on the homesteaded property;

110.17 (5) there are no mortgages or other liens on the property that secure future advances,  
110.18 except for those subject to credit limits that result in compliance with clause (6); and

110.19 (6) the total unpaid balances of debts secured by mortgages and other liens on the  
110.20 property, including unpaid and delinquent special assessments and interest and any delinquent  
110.21 property taxes, penalties, and interest, but not including property taxes payable during the  
110.22 year, does not exceed 75 percent of the assessor's estimated market value for the year.

110.23 **EFFECTIVE DATE.** This section is effective for applications for deferral of taxes  
110.24 payable in 2019 and thereafter.

110.25 Sec. 8. Minnesota Statutes 2016, section 290B.04, subdivision 1, is amended to read:

110.26 Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications  
110.27 under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes.  
110.28 Applications are due on or before ~~July~~ November 1 for deferral of any of the following  
110.29 year's property taxes. A taxpayer may apply in the year in which the taxpayer becomes 65  
110.30 years old, provided that no deferral of property taxes will be made until the calendar year  
110.31 after the taxpayer becomes 65 years old. The application, which shall be prescribed by the

111.1 commissioner of revenue, shall include the following items and any other information which  
111.2 the commissioner deems necessary:

111.3 (1) the name, address, and Social Security number of the owner or owners;

111.4 (2) a copy of the property tax statement for the current payable year for the homesteaded  
111.5 property;

111.6 (3) the initial year of ownership and occupancy as a homestead;

111.7 (4) the owner's household income for the previous calendar year; and

111.8 (5) information on any mortgage loans or other amounts secured by mortgages or other  
111.9 liens against the property, for which purpose the commissioner may require the applicant  
111.10 to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing  
111.11 on the mortgage loan provided by the mortgage holder. The commissioner may require the  
111.12 appropriate documents in connection with obtaining and confirming information on unpaid  
111.13 amounts secured by other liens.

111.14 The application must state that program participation is voluntary. The application must  
111.15 also state that the deferred amount depends directly on the applicant's household income,  
111.16 and that program participation includes authorization for the annual deferred amount, the  
111.17 cumulative deferral and interest that appear on each year's notice prepared by the county  
111.18 under subdivision 6, is public data.

111.19 The application must state that program participants may claim the property tax refund  
111.20 based on the full amount of property taxes eligible for the refund, including any deferred  
111.21 amounts. The application must also state that property tax refunds will be used to offset any  
111.22 deferral and interest under this program, and that any other amounts subject to revenue  
111.23 recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and  
111.24 interest under this program.

111.25 (b) As part of the initial application process, the commissioner may require the applicant  
111.26 to obtain at the applicant's own cost and submit:

111.27 (1) if the property is registered property under chapter 508 or 508A, a copy of the original  
111.28 certificate of title in the possession of the county registrar of titles (sometimes referred to  
111.29 as "condition of register"); or

111.30 (2) if the property is abstract property, a report prepared by a licensed abstracter showing  
111.31 the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien  
111.32 notices which were recorded on or after the date of that last deed with respect to the property  
111.33 or to the applicant.

112.1 The certificate or report under clauses (1) and (2) need not include references to any  
 112.2 documents filed or recorded more than 40 years prior to the date of the certification or report.  
 112.3 The certification or report must be as of a date not more than 30 days prior to submission  
 112.4 of the application.

112.5 The commissioner may also require the county recorder or county registrar of the county  
 112.6 where the property is located to provide copies of recorded documents related to the applicant  
 112.7 or the property, for which the recorder or registrar shall not charge a fee. The commissioner  
 112.8 may use any information available to determine or verify eligibility under this section. The  
 112.9 household income from the application is private data on individuals as defined in section  
 112.10 13.02, subdivision 12.

112.11 **EFFECTIVE DATE.** This section is effective for applications for deferral of taxes  
 112.12 payable in 2019 and thereafter.

## 112.13 **ARTICLE 7**

### 112.14 **SUSTAINABLE FOREST INCENTIVE ACT PRIVATE LANDS TIMBER HARVEST** 112.15 **CREDIT**

#### 112.16 Section 1. **INCENTIVE CREDITS FOR HARVESTING TIMBER.**

112.17 **Subdivision 1. Eligibility.** An individual, estate, or trust that is a fee title owner of at  
 112.18 least 20 acres in the state may apply for a credit under this section for timber harvested and  
 112.19 sold to a timber mill located in the state. No more than one owner is entitled to a payment  
 112.20 under this section with respect to any tract, parcel, or piece of land that has been assigned  
 112.21 the same parcel identification number. When eligible land is owned by two or more persons,  
 112.22 the owners must determine between them which person is eligible to claim the credit provided  
 112.23 under this section.

112.24 **Subd. 2. Application.** (a) An eligible owner may apply to the commissioner of natural  
 112.25 resources to confirm eligibility and to verify the availability of funds before proceeding  
 112.26 with a timber sale.

112.27 (b) To receive a credit under this section, an eligible owner must harvest and sell timber  
 112.28 from the owner's land located in the state and submit an application to the commissioner of  
 112.29 natural resources that includes:

112.30 (1) the name of the eligible owner and the owner's mailing address; and

112.31 (2) a receipt for the timber sold, according to paragraph (c).



113.1 (c) The receipt required under paragraph (b) must be from a timber mill located in the  
 113.2 state, be dated on or after July 1, 2018, but no later than December 31, 2020, and must  
 113.3 include:

113.4 (1) the name of the eligible owner;

113.5 (2) a legal description of the land from which the timber was harvested; and

113.6 (3) the number of cords sold.

113.7 Subd. 3. **Credit amount.** The commissioner of natural resources must authorize payment  
 113.8 of a credit of \$5 per cord of timber sold for timber sales verified by application and receipt  
 113.9 according to subdivision 2. The maximum payment to an eligible owner under this section  
 113.10 is \$5,000.

113.11 Subd. 4. **Payment.** The commissioner of natural resources must administer and issue  
 113.12 payment of each credit authorized under subdivision 3 to the extent money is available for  
 113.13 that purpose. When credits are authorized, but insufficient funds remain to satisfy full  
 113.14 payment of the credits, the commissioner must pay the credits pro rata until all funds are  
 113.15 expended. The commissioner of natural resources must pay credits quarterly.

113.16 Subd. 5. **Appropriation.** \$8,720,000 in fiscal year 2019 is appropriated from the general  
 113.17 fund to the commissioner of natural resources for purposes of this section. Of this amount,  
 113.18 \$8,000,000 is for payment of credits to eligible owners and \$720,000 is for administration  
 113.19 of this section by the commissioner of natural resources. This appropriation is available  
 113.20 until June 30, 2021.

## 113.21 **ARTICLE 8**

### 113.22 **NEEDED CORRECTIONS TO 2017 TAX BILL**

113.23 Section 1. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended  
 113.24 to read:

113.25 Subdivision 1. **Levy amount.** The state general levy is levied against  
 113.26 commercial-industrial property and seasonal residential recreational property, as defined  
 113.27 in this section. The state general levy base amount for commercial-industrial property is  
 113.28 \$784,590,000 for taxes payable in 2018 ~~and thereafter~~. The state general levy base amount  
 113.29 for seasonal-recreational property is \$44,190,000 for taxes payable in 2018 ~~and thereafter~~.  
 113.30 For taxes payable in subsequent years, the levy base amount for commercial-industrial  
 113.31 property and seasonal-recreational property is increased each year by multiplying the levy  
 113.32 base amount for the prior year by the sum of one plus the rate of increase, if any, in the

114.1 implicit price deflator for government consumption expenditures and gross investment for  
 114.2 state and local governments prepared by the Bureau of Economic Analysts of the United  
 114.3 States Department of Commerce for the 12-month period ending March 31 of the year prior  
 114.4 to the year the taxes are payable. The tax under this section is not treated as a local tax rate  
 114.5 under section 469.177 and is not the levy of a governmental unit under chapters 276A and  
 114.6 473F.

114.7 The commissioner shall increase or decrease the preliminary or final rate for a year as  
 114.8 necessary to account for errors and tax base changes that affected a preliminary or final rate  
 114.9 for either of the two preceding years. Adjustments are allowed to the extent that the necessary  
 114.10 information is available to the commissioner at the time the rates for a year must be certified,  
 114.11 and for the following reasons:

114.12 (1) an erroneous report of taxable value by a local official;

114.13 (2) an erroneous calculation by the commissioner; and

114.14 (3) an increase or decrease in taxable value for commercial-industrial or seasonal  
 114.15 residential recreational property reported on the abstracts of tax lists submitted under section  
 114.16 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89  
 114.17 for the same year.

114.18 The commissioner may, but need not, make adjustments if the total difference in the tax  
 114.19 levied for the year would be less than \$100,000.

114.20 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

114.21 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.10, subdivision 1, is amended  
 114.22 to read:

114.23 Subdivision 1. **Return required.** In the case of a decedent who has an interest in property  
 114.24 with a situs in Minnesota, the personal representative must submit a Minnesota estate tax  
 114.25 return to the commissioner, on a form prescribed by the commissioner, if:

114.26 (1) a federal estate tax return is required to be filed; or

114.27 (2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in  
 114.28 section 2001(b) of the Internal Revenue Code, made within three years of the date of the  
 114.29 decedent's death exceeds \$1,200,000 for estates of decedents dying in 2014; \$1,400,000 for  
 114.30 estates of decedents dying in 2015; \$1,600,000 for estates of decedents dying in 2016;  
 114.31 \$2,100,000 for estates of decedents dying in 2017; or \$2,400,000 for estates of decedents

115.1 dying in 2018; ~~\$2,700,000 for estates of decedents dying in 2019; and \$3,000,000 for estates~~  
115.2 ~~of decedents dying in 2020~~ and thereafter.

115.3 The return must contain a computation of the Minnesota estate tax due. The return must  
115.4 be signed by the personal representative.

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

115.6 Sec. 3. Minnesota Statutes 2017 Supplement, section 291.016, subdivision 3, is amended  
115.7 to read:

115.8 Subd. 3. **Subtraction.** (a) For estates of decedents dying after December 31, 2016, A  
115.9 subtraction is allowed in computing the Minnesota taxable estate, equal to the sum of:

115.10 (1) the exclusion amount for the year of death under paragraph (b); and

115.11 (2) the lesser of:

115.12 (i) the value of qualified small business property under section 291.03, subdivision 9,  
115.13 and the value of qualified farm property under section 291.03, subdivision 10; or

115.14 (ii) \$5,000,000 minus the exclusion amount for the year of death under paragraph (b).

115.15 (b) The following exclusion amounts apply for the year of death:

115.16 (1) \$2,100,000 for decedents dying in 2017; and

115.17 (2) \$2,400,000 for decedents dying in 2018; and thereafter.

115.18 ~~(3) \$2,700,000 for decedents dying in 2019; and~~

115.19 ~~(4) \$3,000,000 for decedents dying in 2020 and thereafter.~~

115.20 (c) The subtraction under this subdivision must not reduce the Minnesota taxable estate  
115.21 to less than zero.

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

115.23 Sec. 4. Minnesota Statutes 2017 Supplement, section 297F.01, subdivision 13a, is amended  
115.24 to read:

115.25 Subd. 13a. **Premium cigar.** "Premium cigar" means any cigar that is hand-constructed  
115.26 and hand-rolled, has a wrapper that is made entirely from whole tobacco leaf, has a filler  
115.27 and binder that is made entirely of tobacco, except for adhesives or other materials used to  
115.28 maintain size, texture, or flavor, and has a wholesale price of no less than \$2.

115.29 **EFFECTIVE DATE.** This section is effective July 1, 2018.

116.1 Sec. 5. Minnesota Statutes 2016, section 297F.05, is amended by adding a subdivision to  
116.2 read:

116.3 Subd. 1b. **Annual indexing.** (a) Each year the commissioner shall adjust the tax rates  
116.4 under subdivision 1, including any adjustment made in prior years under this subdivision,  
116.5 by multiplying the mill rates for the current calendar year by an adjustment factor and  
116.6 rounding the result to the nearest mill. The adjustment factor equals the in-lieu sales tax  
116.7 rate that applies to the following calendar year divided by the in-lieu sales tax rate for the  
116.8 current calendar year. For purposes of this subdivision, "in-lieu sales tax rate" means the  
116.9 tax rate established under section 297F.25, subdivision 1. For purposes of the calculations  
116.10 under this subdivision to be made in any year in which an increase in the federal or state  
116.11 excise tax on cigarettes is implemented, the commissioner shall exclude from the calculated  
116.12 average price for the current year an amount equal to any increase in the state or federal  
116.13 excise tax rate.

116.14 (b) The commissioner shall publish the resulting rate by November 1 and the rate applies  
116.15 to sales made on or after January 1 of the following year.

116.16 (c) The determination of the commissioner under this subdivision is not a rule and is  
116.17 not subject to the Administrative Procedure Act in chapter 14.

116.18 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
116.19 applies beginning with rates calculated for calendar year 2019.

116.20 Sec. 6. Minnesota Statutes 2017 Supplement, section 297F.05, subdivision 3a, is amended  
116.21 to read:

116.22 **Subd. 3a. Rates; premium cigars.** (a) A tax is imposed upon all premium cigars in this  
116.23 state and upon any person engaged in business as a tobacco product distributor, at the lesser  
116.24 of:

116.25 (1) the rate of 95 percent of the wholesale sales price of the premium cigars; or

116.26 (2) ~~\$0.50~~ \$3.50 per premium cigar.

116.27 (b) The tax imposed under paragraph (a) is imposed at the time the tobacco products  
116.28 distributor:

116.29 (1) brings, or causes to be brought, into this state from outside the state premium cigars  
116.30 for sale;

116.31 (2) makes, manufactures, or fabricates premium cigars in this state for sale in this state;  
116.32 or

117.1 (3) ships or transports premium cigars to retailers in this state, to be sold by those retailers.

117.2 **EFFECTIVE DATE.** This section is effective for cigars brought into the state or  
117.3 manufactured in the state after June 30, 2018.

117.4 Sec. 7. Minnesota Statutes 2017 Supplement, section 297F.05, subdivision 4a, is amended  
117.5 to read:

117.6 Subd. 4a. **Use tax; premium cigars.** A tax is imposed upon the use or storage by  
117.7 consumers of all premium cigars in this state, and upon such consumers, at the lesser of:

117.8 (1) the rate of 95 percent of the cost to the consumer of the premium cigars; or

117.9 (2) ~~\$0.50~~ \$3.50 per premium cigar.

117.10 **EFFECTIVE DATE.** This section is effective for cigars for which the consumer has  
117.11 acquired title to, or possession of, after June 30, 2018.

APPENDIX  
Article locations in SF3982-0

ARTICLE 1	TAX RELIEF FOR MINNESOTA FAMILIES.....	Page.Ln 2.12
ARTICLE 2	RESPONSE TO THE 2017 FEDERAL LAW CHANGE.....	Page.Ln 5.27
ARTICLE 3	ANGEL TAX CREDIT.....	Page.Ln 54.7
ARTICLE 4	CORPORATE TAX REFORM.....	Page.Ln 57.7
ARTICLE 5	TOBACCO TAX MODIFICATIONS.....	Page.Ln 71.7
ARTICLE 6	PROPERTY TAX UPDATES.....	Page.Ln 100.7
ARTICLE 7	SUSTAINABLE FOREST INCENTIVE ACT PRIVATE LANDS TIMBER HARVEST CREDIT.....	Page.Ln 112.13
ARTICLE 8	NEEDED CORRECTIONS TO 2017 TAX BILL.....	Page.Ln 113.21

**289A.50 CLAIMS FOR REFUNDS.**

Subd. 10. **Limitation on refund.** (a) If an addition to federal taxable income under section 290.0131, subdivision 2, is judicially determined to discriminate against interstate commerce with respect to obligations of a certain character or type, the legislature intends that the discrimination be remedied by adding to federal taxable income interest on comparable obligations of Minnesota governmental units and Indian tribes. For purposes of this subdivision, "comparable obligation" means obligations of the character or type that the court found to be unconstitutionally favored by section 290.0131, subdivision 2, whether based on the security for payment, use of the proceeds, or any other factor identified as determinative by the court.

(b) This subdivision applies beginning with the taxable years that begin during the calendar year in which the court's decision is final. Other remedies apply for previous taxable years.

**290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.**

Subd. 7. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

Subd. 11. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

**290.0133 CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.**

Subd. 13. **Income attributable to domestic production activities.** The amount of the deduction allowable under section 199 of the Internal Revenue Code is an addition.

Subd. 14. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

**290.10 NONDEDUCTIBLE ITEMS.**

Subd. 2. **Fines, fees, and penalties.** (a) Except as provided in this subdivision, no deduction from taxable income for a trade or business expense under section 162(a) of the Internal Revenue Code shall be allowed for any amount paid or incurred, whether by suit, agreement, or otherwise, to, or at the direction of, a government or entity described in paragraph (d) in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

(b) Exception for amounts constituting restitution or paid to come into compliance with the law. Paragraph (a) does not apply to any amount which:

(1) the taxpayer establishes:

(i) constitutes restitution, including remediation of property for damage or harm caused by or which may be caused by the violation of any law or the potential violation of any law; or

(ii) is paid to come into compliance with any law which was violated or involved in the investigation or inquiry; and

(2) is identified as restitution or as an amount paid to come into compliance with the law, as the case may be, in the court order or settlement agreement.

This paragraph does not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

(c) Paragraph (a) does not apply to any amount paid or incurred by order of a court in a suit in which no government or entity described in paragraph (d) is a party.

(d) An entity is described in this paragraph if it is:

(1) a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, in connection with a qualified board or exchange, as defined in section 1256(g)(7) of the Internal Revenue Code, or;

(2) to the extent provided in federal regulations, a nongovernmental entity which exercises self-regulatory powers, including imposing sanctions, as part of performing an essential governmental function.

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(e) Paragraph (a) does not apply to any amount paid or incurred as taxes due.

**297F.185 REVOCATION OF SALES AND USE TAX PERMITS.**

(a) If a retailer purchases for resale from an unlicensed seller more than 20,000 cigarettes or \$500 or more worth of tobacco products, the commissioner may revoke the person's sales and use tax permit as provided in section 270C.722.

(b) The commissioner may revoke a retailer's sales or use permit as provided in section 270C.722 if the retailer, directly or indirectly, purchases for resale cigarettes without the proper stamp affixed.