

SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 2411

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DATE
03/13/2019

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861 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to taxation; providing conformity and nonconformity to certain federal

1.3 tax law changes; modifying individual income and corporate franchise taxes, sales

1.4 and use taxes, property taxes, local government aids, tobacco taxes, special taxes,

1.5 and other miscellaneous taxes and tax provisions; expanding and increasing working

1.6 family credit; expanding and modifying threshold for social security subtraction;

1.7 modifying the qualified data center exemption; changing qualification and

1.8 application provisions for the senior property tax deferral program; providing a

1.9 riparian buffer credit; providing an increase to local government aid and county

1.10 program aid; reinstating the inflator for the state general levy; reinstating the annual

1.11 indexing for the cigarette tax; reinstating a higher rate for premium cigars;

1.12 eliminating the increase in the estate tax exclusion amount; modifying sales tax

1.13 exemptions for local governments and nonprofits; appropriating money; amending

1.14 Minnesota Statutes 2018, sections 116J.8737, subdivisions 1, 2, 3, 4, 5, 6, 12;

1.15 270A.03, subdivision 5; 272.115, subdivision 1; 273.124, subdivisions 13, 13c,

1.16 13d, 14; 273.1245, subdivision 1; 273.13, subdivision 35; 273.1315, subdivision

1.17 2; 273.1384, subdivision 2; 273.1392; 273.1393; 275.025, subdivision 1; 275.065,

1.18 subdivision 3; 276.04, subdivision 2; 287.21, subdivision 1; 289A.08, subdivisions

1.19 1, 7; 289A.10, subdivision 1; 289A.11, by adding a subdivision; 289A.20, by

1.20 adding a subdivision; 289A.60, subdivision 29; 290.01, subdivisions 29a, 31, by

1.21 adding subdivisions; 290.0131, subdivisions 1, 3, 12, 13, by adding subdivisions;

1.22 290.0132, subdivisions 1, 7, 20, 26, by adding subdivisions; 290.0133, subdivision

1.23 6; 290.032, subdivision 2; 290.05, subdivision 3; 290.06, subdivisions 2c, 2d, 2h;

1.24 290.0671, subdivisions 1, 7; 290.0672, subdivision 2; 290.0681, subdivisions 3,

1.25 4; 290.0684, subdivision 2; 290.0802, subdivision 2; 290.091, subdivision 3;

1.26 290.0921, subdivisions 1, 8; 290.0922, subdivision 1; 290.095, subdivision 2;

1.27 290.21, by adding a subdivision; 290.92, subdivision 1; 290A.03, subdivision 12;

1.28 290A.04, subdivision 4; 290B.03, subdivision 1; 290B.04, subdivision 1; 291.016,

1.29 subdivision 3; 297A.66; 297A.68, subdivisions 25, 42; 297A.71, by adding a

1.30 subdivision; 297A.75, subdivisions 1, 2, 3; 297A.83, subdivision 1; 297B.03;

1.31 297F.01, subdivision 13a; 297F.05, subdivisions 3a, 4a, by adding a subdivision;

1.32 469.316, subdivision 1; 477A.03, subdivisions 2a, 2b; Minnesota Statutes 2019

1.33 Supplement, sections 289A.02, subdivision 7; 289A.12, subdivision 14; 289A.35;

1.34 290.01, subdivision 19; 290.0131, subdivision 10; 290.0132, subdivision 21;

1.35 290.0133, subdivision 12; 290.067, subdivision 2b; 290.0672, subdivision 1;

1.36 290.0681, subdivisions 1, 2; 290.0684, subdivisions 1, 2; 290.091, subdivision 2;

1.37 290.17, subdivision 2; 290A.03, subdivision 15; 291.005, subdivision 1; 462D.06,

1.38 subdivisions 1, 2; proposing coding for new law in Minnesota Statutes, chapters

2.1 273; 290; repealing Minnesota Statutes 2018, sections 290.0131, subdivisions 7,
2.2 11; 290.0133, subdivisions 13, 14; 290.10, subdivision 2.

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

2.4 **ARTICLE 1**

2.5 **FEDERAL RESPONSE**

2.6 Section 1. Minnesota Statutes 2018, section 270A.03, subdivision 5, is amended to read:

2.7 Subd. 5. **Debt; debtor.** (a) "Debt" means a legal obligation of a natural person to pay a
2.8 fixed and certain amount of money, which equals or exceeds \$25 and which is due and
2.9 payable to a claimant agency. The term includes criminal fines imposed under section 609.10
2.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision
2.11 4a, and restitution. A debt may arise under a contractual or statutory obligation, a court
2.12 order, or other legal obligation, but need not have been reduced to judgment.

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

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

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

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

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

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

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

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

2.28 For purposes of this paragraph, "debtor" means the individual whose income, together
2.29 with the income of the individual's spouse, other than a separated spouse, brings the
2.30 individual within the income provisions of this paragraph. For purposes of this paragraph,
2.31 a spouse, other than a separated spouse, shall be considered a dependent.

3.1 (c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage
 3.2 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as
 3.3 amended through December 16, 2016, except that in section 1(f)(3)(B) the word "2014"
 3.4 shall be substituted for the word "1992." For 2016, the commissioner shall then determine
 3.5 the percent change from the 12 months ending on August 31, 2014, to the 12 months ending
 3.6 on August 31, 2015, and in each subsequent year, from the 12 months ending on August
 3.7 31, 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The
 3.8 determination of the commissioner pursuant to this subdivision shall not be considered a
 3.9 "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.
 3.10 The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount
 3.11 ends in \$5, the amount is rounded up to the nearest \$10 amount.

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

3.14 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 3.15 after December 21, 2017.

3.16 Sec. 2. Minnesota Statutes 2018, section 289A.02, subdivision 7, is amended to read:

3.17 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 3.18 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~
 3.19 ~~16, 2016~~ December 31, 2018.

3.20 **EFFECTIVE DATE.** This section is effective the day following final enactment except
 3.21 the changes incorporated by federal changes are effective retroactively at the same time the
 3.22 changes became effective for federal purposes.

3.23 Sec. 3. Minnesota Statutes 2018, section 289A.08, subdivision 1, is amended to read:

3.24 Subdivision 1. **Generally; individuals.** (a) A taxpayer must file a return for each taxable
 3.25 year the taxpayer is required to file a return under section 6012 of the Internal Revenue
 3.26 Code or meets the requirements under paragraph (d) to file a return, except that:

3.27 (1) an individual who is not a Minnesota resident for any part of the year is not required
 3.28 to file a Minnesota income tax return if the individual's gross income derived from Minnesota
 3.29 sources as determined under sections 290.081, paragraph (a), and 290.17, is less than the
 3.30 filing requirements for a single individual who is a full year resident of Minnesota; ~~and~~

3.31 (2) an individual who is a Minnesota resident is not required to file a Minnesota income
 3.32 tax return if the individual's gross income derived from Minnesota sources as determined

4.1 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions
4.2 12 and 15, is less than the filing requirements for a single individual who is a full-year
4.3 resident of Minnesota.

4.4 (b) The decedent's final income tax return, and other income tax returns for prior years
4.5 where the decedent had gross income in excess of the minimum amount at which an
4.6 individual is required to file and did not file, must be filed by the decedent's personal
4.7 representative, if any. If there is no personal representative, the return or returns must be
4.8 filed by the transferees, as defined in section 270C.58, subdivision 3, who receive property
4.9 of the decedent.

4.10 (c) The term "gross income," as it is used in this section, has the same meaning given it
4.11 in section 290.01, subdivision 20.

4.12 (d) The commissioner of revenue must annually determine the gross income levels at
4.13 which individuals are required to file a return for each taxable year based on the amounts
4.14 that may be deducted pursuant to the election under section 290.0803 and the personal and
4.15 dependent exemptions under section 290.0138, subdivision 1.

4.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.17 31, 2018.

4.18 Sec. 4. Minnesota Statutes 2018, section 289A.08, subdivision 7, is amended to read:

4.19 Subd. 7. **Composite income tax returns for nonresident partners, shareholders, and**
4.20 **beneficiaries.** (a) The commissioner may allow a partnership with nonresident partners to
4.21 file a composite return and to pay the tax on behalf of nonresident partners who have no
4.22 other Minnesota source income. This composite return must include the names, addresses,
4.23 Social Security numbers, income allocation, and tax liability for the nonresident partners
4.24 electing to be covered by the composite return.

4.25 (b) The computation of a partner's tax liability must be determined by multiplying the
4.26 income allocated to that partner by the highest rate used to determine the tax liability for
4.27 individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard
4.28 deductions, or personal exemptions are not allowed.

4.29 (c) The partnership must submit a request to use this composite return filing method for
4.30 nonresident partners. The requesting partnership must file a composite return in the form
4.31 prescribed by the commissioner of revenue. The filing of a composite return is considered
4.32 a request to use the composite return filing method.

5.1 (d) The electing partner must not have any Minnesota source income other than the
5.2 income from the partnership and other electing partnerships. If it is determined that the
5.3 electing partner has other Minnesota source income, the inclusion of the income and tax
5.4 liability for that partner under this provision will not constitute a return to satisfy the
5.5 requirements of subdivision 1. The tax paid for the individual as part of the composite return
5.6 is allowed as a payment of the tax by the individual on the date on which the composite
5.7 return payment was made. If the electing nonresident partner has no other Minnesota source
5.8 income, filing of the composite return is a return for purposes of subdivision 1.

5.9 (e) This subdivision does not negate the requirement that an individual pay estimated
5.10 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
5.11 The individual's liability to pay estimated tax is, however, satisfied when the partnership
5.12 pays composite estimated tax in the manner prescribed in section 289A.25.

5.13 (f) If an electing partner's share of the partnership's gross income from Minnesota sources
5.14 is less than the filing requirements for a nonresident under this subdivision, the tax liability
5.15 is zero. However, a statement showing the partner's share of gross income must be included
5.16 as part of the composite return.

5.17 (g) The election provided in this subdivision is only available to a partner who has no
5.18 other Minnesota source income and who is either (1) a full-year nonresident individual or
5.19 (2) a trust or estate that does not claim a deduction under either section 651 or 661 of the
5.20 Internal Revenue Code.

5.21 (h) A corporation defined in section 290.9725 and its nonresident shareholders may
5.22 make an election under this paragraph. The provisions covering the partnership apply to
5.23 the corporation and the provisions applying to the partner apply to the shareholder.

5.24 (i) Estates and trusts distributing current income only and the nonresident individual
5.25 beneficiaries of the estates or trusts may make an election under this paragraph. The
5.26 provisions covering the partnership apply to the estate or trust. The provisions applying to
5.27 the partner apply to the beneficiary.

5.28 (j) For the purposes of this subdivision, "income" means the partner's share of federal
5.29 adjusted gross income from the partnership modified by the additions provided in section
5.30 290.0131, subdivisions 8 to ~~10~~ 10 and 17, and the subtractions provided in: (1) section
5.31 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota
5.32 under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed
5.33 under section 290.0132, subdivision 9, is only allowed on the composite tax computation
5.34 to the extent the electing partner would have been allowed the subtraction.

6.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.2 31, 2018.

6.3 Sec. 5. Minnesota Statutes 2018, section 289A.12, subdivision 14, is amended to read:

6.4 Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated
6.5 investment company paying \$10 or more in exempt-interest dividends to an individual who
6.6 is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or
6.7 exempt-interest dividends and paying as nominee to an individual who is a resident of
6.8 Minnesota, must make a return indicating the amount of the exempt interest or
6.9 exempt-interest dividends, the name, address, and Social Security number of the recipient,
6.10 and any other information that the commissioner specifies. The return must be provided to
6.11 the recipient by February 15 of the year following the year of the payment. The return
6.12 provided to the recipient must include a clear statement, in the form prescribed by the
6.13 commissioner, that the exempt interest or exempt-interest dividends must be included in
6.14 the computation of Minnesota taxable income. By June 1 of each year, the payer must file
6.15 a copy of the return with the commissioner.

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

6.17 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section
6.18 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest
6.19 dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under
6.20 section 290.0131, subdivision 2, paragraph (b).

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

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

6.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.29 31, 2018.

7.1 Sec. 6. Minnesota Statutes 2018, section 289A.20, is amended by adding a subdivision to
7.2 read:

7.3 Subd. 1a. Tax on deferred foreign income; election to pay in installments. (a) A
7.4 taxpayer subject to tax under section 290.06, subdivision 1, may elect to pay the net tax
7.5 liability on the deferred foreign income in installments in the same percentages of the net
7.6 tax liability for each taxable year as provided in section 965(h)(1) of the Internal Revenue
7.7 Code. Payment of an installment for a taxable year is due on the due date, determined without
7.8 regard to any extensions of time for filing the return, for the tax return for that taxable year.

7.9 (b) If an acceleration of payment applies for federal income tax purposes under section
7.10 965(h)(3) of the Internal Revenue Code, the unpaid portion of the remaining installments
7.11 due under chapter 290 must be paid on the same date as the federal tax is due. Assessment
7.12 of deficiencies must be prorated as provided under section 965(h)(4) of the Internal Revenue
7.13 Code.

7.14 (c) For purposes of determining date and time limits under sections 270C.62, 270C.63,
7.15 270C.67, and 270C.68, the date on which an installment is due under paragraph (a), including
7.16 any acceleration under paragraph (b), must be treated as the assessment date, due date, or
7.17 other date from which the time limit must be determined for that payment.

7.18 (d) For purposes of this subdivision, "net tax liability" means the excess of:

7.19 (1) the tax liability, determined under chapter 290, for the taxable year in which the
7.20 deferred foreign income was includable in federal taxable income; over

7.21 (2) the tax liability, determined under chapter 290, for that taxable year computed after
7.22 excluding the deferred foreign income under section 965 of the Internal Revenue Code.

7.23 (e) If a taxpayer has not made the first installment payment under paragraph (a), the
7.24 taxpayer must pay the first installment payment at the same time and due date as the second
7.25 installment payment. For purposes of paragraph (c), payments under this paragraph are
7.26 deemed to be due at the same time the second installment is due.

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

7.29 Sec. 7. Minnesota Statutes 2018, section 289A.35, is amended to read:

7.30 **289A.35 ASSESSMENTS ON RETURNS.**

7.31 (a) The commissioner may audit and adjust the taxpayer's computation of federal adjusted
7.32 gross income, federal taxable income, items of federal tax preferences, or federal credit

8.1 amounts to make them conform with the provisions of chapter 290 or section 298.01. If a
8.2 return has been filed, the commissioner shall enter the liability reported on the return and
8.3 may make any audit or investigation that is considered necessary.

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

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

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

8.14 (e) The commissioner may audit and adjust the taxpayer's computation of tax under
8.15 chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner
8.16 shall notify the estate no later than nine months after the filing date, as provided by section
8.17 289A.38, subdivision 2, whether the return is under examination or the return has been
8.18 processed as filed.

8.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.20 31, 2018.

8.21 Sec. 8. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to
8.22 read:

8.23 **Subd. 3c. Determination of marital status.** The determination of marital status is made
8.24 by section 7703 of the Internal Revenue Code.

8.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.26 31, 2018.

8.27 Sec. 9. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to
8.28 read:

8.29 **Subd. 14a. Surviving spouse.** The term "surviving spouse" means an individual who is
8.30 a surviving spouse under section 2(a) of the Internal Revenue Code for the taxable year.

9.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.2 31, 2018.

9.3 Sec. 10. Minnesota Statutes 2018, section 290.01, subdivision 19, is amended to read:

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

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

9.13 (c) In the case of a regulated investment company or a fund thereof, as defined in section
9.14 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
9.15 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
9.16 except that:

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

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

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

9.26 (d) The net income of a real estate investment trust as defined and limited by section
9.27 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
9.28 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

10.1 (f) The Internal Revenue Code of 1986, as amended through December 16, 2016
 10.2 December 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

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

10.6 **EFFECTIVE DATE.** (a) The amendments to paragraphs (a) and (b) are effective for
 10.7 taxable years beginning after December 31, 2018.

10.8 (b) The amendment to paragraph (f) is effective the day following final enactment, except
 10.9 the changes incorporated by federal changes are effective retroactively at the same time as
 10.10 the changes became effective for federal purposes.

10.11 Sec. 11. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to
 10.12 read:

10.13 Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of
 10.14 a domestic corporation that is included in net income under section 965 of the Internal
 10.15 Revenue Code, exclusive of the deduction allowed under section 965(c) of the Internal
 10.16 Revenue Code.

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

10.19 Sec. 12. Minnesota Statutes 2018, section 290.01, is amended by adding a subdivision to
 10.20 read:

10.21 Subd. 21a. **Adjusted gross income; federal adjusted gross income.** The terms "adjusted
 10.22 gross income" and "federal adjusted gross income" mean adjusted gross income, as defined
 10.23 in section 62 of the Internal Revenue Code, as amended through the date named in
 10.24 subdivision 19, incorporating the federal effective date of changes to the Internal Revenue
 10.25 Code and any elections made by the taxpayer under the Internal Revenue Code in determining
 10.26 federal adjusted gross income for federal income tax purposes.

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

10.28 Sec. 13. Minnesota Statutes 2018, section 290.01, subdivision 29a, is amended to read:

10.29 Subd. 29a. **State itemized deduction.** (a) "State itemized deduction" means federal
 10.30 itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding
 10.31 any limitation under section 68 of the Internal Revenue Code, and reduced by the amount

11.1 ~~of the addition required under section 290.0131, subdivision 13~~ the individual itemized
 11.2 deductions for individual income tax listed in section 290.0139.

11.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 11.4 31, 2018.

11.5 Sec. 14. Minnesota Statutes 2018, section 290.01, subdivision 31, is amended to read:

11.6 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 11.7 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~
 11.8 ~~16, 2016~~ December 31, 2018. Internal Revenue Code also includes any uncodified provision
 11.9 in federal law that relates to provisions of the Internal Revenue Code that are incorporated
 11.10 into Minnesota law.

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

11.14 Sec. 15. Minnesota Statutes 2018, section 290.0131, subdivision 1, is amended to read:

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

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

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

11.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 11.25 31, 2018.

11.26 Sec. 16. Minnesota Statutes 2018, section 290.0131, subdivision 3, is amended to read:

11.27 Subd. 3. **Income, sales and use, motor vehicle sales, or excise taxes paid.** ~~(a)~~ For trusts
 11.28 and estates, the amount of income, sales and use, motor vehicle sales, or excise taxes paid
 11.29 or accrued within the taxable year under this chapter and the amount of taxes based on net
 11.30 income, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any

12.1 province or territory of Canada is an addition to the extent deducted under section 63(d) of
 12.2 the Internal Revenue Code.

12.3 ~~(b) The addition under paragraph (a) may not be more than the amount by which the~~
 12.4 ~~state itemized deduction exceeds the amount of the standard deduction as defined in section~~
 12.5 ~~63(e) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and~~
 12.6 ~~use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under~~
 12.7 ~~subdivision 12.~~

12.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 12.9 31, 2018.

12.10 Sec. 17. Minnesota Statutes 2018, section 290.0131, subdivision 10, is amended to read:

12.11 Subd. 10. **Section 179 expensing.** For property placed in service in taxable years
 12.12 beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed
 12.13 under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction
 12.14 allowable by section 179 of the Internal Revenue Code, as amended through December 31,
 12.15 2003, is an addition.

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

12.18 Sec. 18. Minnesota Statutes 2018, section 290.0131, subdivision 12, is amended to read:

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

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

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

12.27 (2) 80 percent of the amount of the state itemized deductions otherwise allowable to the
 12.28 taxpayer under ~~the Internal Revenue Code~~ section 290.0139 for the taxable year.

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

12.31 (1) that dollar amount, multiplied by

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

13.5 (d) "Itemized deductions" excludes:

13.6 (1) the deduction for medical expenses under section ~~213 of the Internal Revenue Code~~
 13.7 290.0139, subdivision 2;

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

13.10 (3) the deduction under section ~~165(a) of the Internal Revenue Code~~ 290.0139,
 13.11 subdivision 7, for casualty or theft losses described in paragraph (2) or (3) of section 165(c)
 13.12 of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue
 13.13 Code.

13.14 **EFFECTIVE DATE.** (a) The amendments to paragraphs (a), (b), and (d) are effective
 13.15 for taxable years beginning after December 31, 2018.

13.16 (b) The amendment to paragraph (c) is effective retroactively for taxable years beginning
 13.17 after December 31, 2017.

13.18 Sec. 19. Minnesota Statutes 2018, section 290.0131, subdivision 13, is amended to read:

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

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

13.28 (c) For a married individual filing a separate return, "applicable percentage" means two
 13.29 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal
 13.30 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,
 13.31 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.** (a) The amendment to paragraph (b) is effective for taxable years
14.16 beginning after December 31, 2018.

14.17 (b) The amendment to paragraph (e) is effective retroactively for taxable years beginning
14.18 after December 31, 2017.

14.19 Sec. 20. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision
14.20 to read:

14.21 **Subd. 15. 529 plan addition.** (a) The definitions under sections 290.06, subdivision 2h,
14.22 and 290.0684, apply for the purposes of this subdivision.

14.23 (b) The amount of a distribution attributed to gain from a qualified account that is not
14.24 used to pay qualified higher education expenses as defined in section 290.0684, subdivision
14.25 1, paragraph (e), is an addition to the distributee to the extent it is not included in federal
14.26 taxable income.

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

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

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

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

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

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

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

15.10 Sec. 21. Minnesota Statutes 2018, section 290.0131, is amended by adding a subdivision
15.11 to read:

15.12 Subd. 16. **Section 199A addition.** For trusts and estates, the amount deducted under
15.13 section 199A of the Internal Revenue Code in computing the trust or estate's federal taxable
15.14 income is an addition.

15.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.16 31, 2018.

15.17 Sec. 22. Minnesota Statutes 2018, section 290.0132, subdivision 1, is amended to read:

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

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

15.23 (c) Unless specifically indicated or unless the context clearly indicates otherwise, no
15.24 amount deducted, subtracted, or otherwise excluded in computing federal taxable income
15.25 in the case of a trust or an estate or federal adjusted gross income in the case of an individual
15.26 is a subtraction under this section.

15.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.28 31, 2018.

16.1 Sec. 23. Minnesota Statutes 2018, section 290.0132, subdivision 7, is amended to read:

16.2 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent~~
16.3 ~~not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in~~
16.4 ~~determining federal taxable income by~~ For an individual who does not elect to itemize
16.5 ~~deductions for federal income tax purposes under section 290.0803 for the taxable year, an~~
16.6 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
16.7 as a deduction for the taxable year under section ~~170(a) of the Internal Revenue Code~~
16.8 290.0139, subdivision 5, is a subtraction. The subtraction under this subdivision must not
16.9 include a distribution that is excluded from federal adjusted gross income and that is not
16.10 deductible under section 408(d)(8)(E) of the Internal Revenue Code.

16.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.12 31, 2018.

16.13 Sec. 24. Minnesota Statutes 2018, section 290.0132, subdivision 20, is amended to read:

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

16.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.19 31, 2018.

16.20 Sec. 25. Minnesota Statutes 2018, section 290.0132, subdivision 21, is amended to read:

16.21 Subd. 21. **Military service pension; retirement pay.** To the extent included in federal
16.22 ~~taxable adjusted gross income,~~ compensation received from a pension or other retirement
16.23 pay from the federal government for service in the military, as computed under United
16.24 States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733, is a subtraction. The
16.25 subtraction is limited to individuals who do not claim the credit under section 290.0677.

16.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.27 31, 2018.

17.1 Sec. 26. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
17.2 to read:

17.3 Subd. 27. **Moving expenses.** Moving expenses that qualify as a deduction under section
17.4 217(a) through (f) of the Internal Revenue Code to the extent the expenses are not deducted
17.5 in the computation of federal adjusted gross income is a subtraction.

17.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.7 31, 2018.

17.8 Sec. 27. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
17.9 to read:

17.10 Subd. 28. **Standard or itemized deduction.** The amount allowed under section 290.0138
17.11 or 290.0139, as elected under section 290.0803, is a subtraction.

17.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
17.13 31, 2018.

17.14 Sec. 28. Minnesota Statutes 2018, section 290.0132, is amended by adding a subdivision
17.15 to read:

17.16 Subd. 29. **Deferred foreign income of nonresidents.** In the case of a nonresident
17.17 individual the amount of deferred foreign income as defined in section 290.01, subdivision
17.18 19, is a subtraction.

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

17.21 Sec. 29. Minnesota Statutes 2018, section 290.0133, subdivision 6, is amended to read:

17.22 Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections
17.23 241 to 247 and 965, except paragraph (h) of section 965, of the Internal Revenue Code is
17.24 an addition.

17.25 (b) The addition under this subdivision is reduced by the amount of the deduction under
17.26 section 245A of the Internal Revenue Code equal to any amount included in federal taxable
17.27 income in a prior taxable year under section 965 of the Internal Revenue Code.

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

18.1 Sec. 30. Minnesota Statutes 2018, section 290.0133, subdivision 12, is amended to read:

18.2 Subd. 12. **Section 179 expensing.** For property placed in service in taxable years
18.3 beginning before January 1, 2018, 80 percent of the amount by which the deduction allowed
18.4 under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction
18.5 allowable by section 179 of the Internal Revenue Code, as amended through December 31,
18.6 2003, is an addition.

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

18.9 Sec. 31. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS; STANDARD**
18.10 **DEDUCTION.**

18.11 **Subdivision 1. Personal and dependent exemptions.** (a) A taxpayer is allowed a
18.12 subtraction from federal adjusted gross income equal to:

18.13 (1) a personal exemption in the amount of \$4,250, and in the case of a married couple
18.14 filing a joint return or a surviving spouse an additional personal exemption of \$4,250; plus

18.15 (2) a dependent exemption of \$4,250 multiplied by the number of dependents of the
18.16 taxpayer, as defined under sections 151 and 152 of the Internal Revenue Code.

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

18.20 **Subd. 2. Standard deduction.** (a) In addition to the exemptions allowed under
18.21 subdivision 1, an individual is allowed a standard deduction as provided in this subdivision.

18.22 (b) The standard deduction is equal to:

18.23 (1) for married filing jointly or surviving spouse, \$13,000;

18.24 (2) for a head of household, \$9,750; or

18.25 (3) for any other taxpayer, \$6,650.

18.26 (c) Taxpayers who are elderly or blind are entitled to an additional standard deduction
18.27 amount equal to:

18.28 (1) \$1,300 if the taxpayer has attained age 65 before the close of the taxable year, plus
18.29 \$1,300 for the spouse of the taxpayer if the spouse has obtained age 65 before the close of
18.30 the taxable year and meets the requirements of section 151(b) of the Internal Revenue Code;

19.1 (2) \$1,300, if the taxpayer is blind before the close of the taxable year, plus \$1,300 for
19.2 the spouse of the taxpayer if the spouse is blind as of the close of the taxable year and meets
19.3 the requirements of section 151(b) of the Internal Revenue Code. If the spouse dies during
19.4 the taxable year, the determination of whether the spouse is blind shall be made as of the
19.5 time of the death of the spouse; or

19.6 (3) In the case if an individual who is not married and is not a surviving spouse, \$1,650
19.7 if the taxpayer has attained the age of 65 before the close of the taxable year and \$1,650 if
19.8 the taxpayer has not attained the age of 65 before the close of the taxable year.

19.9 (d) For purposes of paragraph (c), an individual is blind only if the taxpayer's central
19.10 visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if the
19.11 taxpayer's visual acuity is greater than 20/200 but is accompanied by a limitation in the
19.12 fields of vision such that the widest diameter of the visual field subtends an angle no greater
19.13 than 20 degrees.

19.14 (e) The standard deduction under this section for an individual that is a dependent under
19.15 section 151 of the Internal Revenue Code for a taxable year beginning in the calendar year
19.16 in which the individual's tax year begins, must not exceed the greater of:

19.17 (1) \$1,100; or

19.18 (2) the sum of \$350 plus the amount of earned income of the individual, but in no case
19.19 may the individual's standard deduction exceed \$6,650.

19.20 (f) A taxpayer who is not eligible for the standard deduction under section 63(b)(6) of
19.21 the Internal Revenue Code, is not eligible for a standard deduction under this section.

19.22 Subd. 3. **Itemized deductions.** In lieu of the standard deduction in subdivision 2, a
19.23 taxpayer may elect under section 290.0803 to take state itemized deductions as allowed
19.24 under section 290.0139.

19.25 Subd. 4. **Cost-of-living adjustment.** For taxable years beginning after December 31,
19.26 2018, the commissioner shall annually adjust the amounts in subdivisions 1 and 2 by the
19.27 percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue
19.28 Code as amended through December 16, 2016, except that in section 1(f)(3)(B), the word
19.29 "2017" shall be substituted for the word "1992." The exemption amount as adjusted for
19.30 inflation must be rounded to the nearest \$50. If a dollar amount as adjusted for inflation is
19.31 not a multiple of \$50, the dollar amount must be rounded to the next lowest multiple of \$50.
19.32 The determination of the commissioner under this subdivision is not a rule under the
19.33 Administrative Procedure Act, including section 14.386.

20.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
20.2 31, 2018.

20.3 Sec. 32. **[290.0139] INDIVIDUAL ITEMIZED DEDUCTIONS.**

20.4 Subdivision 1. **Allowance of deductions.** If a taxpayer elects under section 290.0803,
20.5 the taxpayer may subtract from federal adjusted gross income the deductions in this section
20.6 to the extent not already deducted in computing federal adjusted gross income. The
20.7 deductions in this section are in lieu of the standard deduction under section 290.0138,
20.8 subdivision 2.

20.9 Subd. 2. **Medical expenses.** A deduction is allowed for medical expenses as provided
20.10 in section 213 of the Internal Revenue Code.

20.11 Subd. 3. **Taxes.** A deduction is allowed for the amount paid or accrued during the taxable
20.12 year for real or personal property taxes imposed by a state or a political subdivision of a
20.13 state.

20.14 Subd. 4. **Interest.** To the extent not already deducted from federal adjusted gross income,
20.15 a deduction is allowed for interest paid or accrued, as provided in section 163 of the Internal
20.16 Revenue Code, disregarding the limitation on interest deductions in paragraphs (h)(3)(F)(i)(I),
20.17 (III), and (IV).

20.18 Subd. 5. **Charitable contributions.** A deduction is allowed for charitable contributions
20.19 as provided in section 170 of the Internal Revenue Code.

20.20 Subd. 6. **Losses.** A deduction is allowed for losses, as provided for in sections 165(d)
20.21 and 165(h) of the Internal Revenue Code, disregarding the limitation on personal casualty
20.22 losses in paragraph (h)(5).

20.23 Subd. 7. **Other miscellaneous expenses subject to a minimum.** A deduction is allowed
20.24 for miscellaneous expenses as provided for in section 67 of the Internal Revenue Code,
20.25 disregarding paragraph (g). The expenses shall only be allowed to the extent that the
20.26 aggregate amount of miscellaneous deductions exceeds two percent of federal adjusted
20.27 gross income.

20.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
20.29 31, 2018.

21.1 Sec. 33. Minnesota Statutes 2018, section 290.032, subdivision 2, is amended to read:

21.2 Subd. 2. **Computation.** The amount of tax imposed by subdivision 1 shall be computed
21.3 in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of
21.4 1986, as amended through December 31, 1995, except that the initial separate tax shall be
21.5 an amount equal to five times the tax which would be imposed by section 290.06, subdivision
21.6 2c, if the recipient was an unmarried individual, and the taxable net income was an amount
21.7 equal to one-fifth of the excess of

21.8 (i) the total taxable amount of the lump-sum distribution for the year, over

21.9 (ii) the minimum distribution allowance, and except that references in section 402(d) of
21.10 the Internal Revenue Code of 1986, as amended through December 31, 1995, to paragraph
21.11 (1)(A) thereof shall instead be references to subdivision 1, and the excess, if any, of the
21.12 subtraction base amount over ~~federal~~ taxable net income for a qualified individual as provided
21.13 under section 290.0802, subdivision 2.

21.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
21.15 31, 2018.

21.16 Sec. 34. Minnesota Statutes 2018, section 290.05, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

22.3 (2) revenues from lawful gambling authorized under chapter 349 that are expended for
 22.4 purposes that qualify for the deduction for charitable contributions under section 170 of the
 22.5 Internal Revenue Code, disregarding the limitation under section 170(b)(2), but only to the
 22.6 extent the contributions are not deductible in computing federal taxable income; or

22.7 (3) any increase in unrelated business taxable income from disallowed fringe benefit as
 22.8 provided in section 512(a)(7) of the Internal Revenue Code.

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

22.13 (c) The tax shall be imposed on organizations subject to federal tax under section
 22.14 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate
 22.15 multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are
 22.16 attributable to lobbying the Minnesota state government.

22.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 22.18 31, 2018.

22.19 Sec. 35. Minnesota Statutes 2018, section 290.06, subdivision 2c, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23.14 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax
23.15 of any individual taxpayer whose taxable net income for the taxable year is less than an
23.16 amount determined by the commissioner must be computed in accordance with tables
23.17 prepared and issued by the commissioner of revenue based on income brackets of not more
23.18 than \$100. The amount of tax for each bracket shall be computed at the rates set forth in
23.19 this subdivision, provided that the commissioner may disregard a fractional part of a dollar
23.20 unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

23.25 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
23.26 defined in section 62 of the Internal Revenue Code and increased by the additions required
23.27 under section 290.0131, subdivisions 2 ~~and~~ 6, 8 to 10, 16, and 17, and reduced by the
23.28 Minnesota assignable portion of the subtraction for United States government interest under
23.29 section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions
23.30 9, 10, 14, 15, 17, ~~and 18, and 29~~, after applying the allocation and assignability provisions
23.31 of section 290.081, clause (a), or 290.17; and

24.1 (2) the denominator is the individual's federal adjusted gross income as defined in section
 24.2 62 of the Internal Revenue Code, increased by the amounts specified in section 290.0131,
 24.3 subdivisions 2 ~~and~~ 6, 8 to ~~11~~ 10, 16, and 17, and reduced by the amounts specified in section
 24.4 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and~~ 18, and 29.

24.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 24.6 31, 2018.

24.7 Sec. 36. Minnesota Statutes 2018, section 290.06, subdivision 2d, is amended to read:

24.8 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
 24.9 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for
 24.10 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage
 24.11 determined under paragraph (b). For the purpose of making the adjustment as provided in
 24.12 this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets
 24.13 as they existed for taxable years beginning after December 31, 2012, and before January 1,
 24.14 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts
 24.15 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
 24.16 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
 24.17 \$5, it must be rounded up to the nearest \$10 amount.

24.18 (b) The commissioner shall adjust the rate brackets and by the percentage determined
 24.19 pursuant to the provisions of section 1(f) of the Internal Revenue Code, as amended through
 24.20 December 16, 2016, except that in section 1(f)(3)(B) the word "2012" shall be substituted
 24.21 for the word "1992." For 2014, the commissioner shall then determine the percent change
 24.22 from the 12 months ending on August 31, 2012, to the 12 months ending on August 31,
 24.23 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the
 24.24 12 months ending on August 31 of the year preceding the taxable year. The determination
 24.25 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall
 24.26 not be subject to the Administrative Procedure Act contained in chapter 14.

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

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

24.31 Sec. 37. Minnesota Statutes 2018, section 290.06, subdivision 2h, is amended to read:

24.32 Subd. 2h. **Section 529 plan recapture.** (a) For the purposes of this subdivision:

25.1 (1) the definitions under section 290.0684 apply;

25.2 (2) "account owner" means an individual who owns one or more qualified accounts;

25.3 (3) "credit ratio" means the ratio of (i) two times the total amount of credits that an
25.4 account owner claimed under section 290.0684 for contributions to the account owner's
25.5 qualified accounts to (ii) the total contributions in all taxable years to the account owner's
25.6 qualified accounts; ~~and~~

25.7 (4) "qualified higher education expenses" has the meaning given in section 29(e)(3) of
25.8 the Internal Revenue Code except section 529(c)(7) does not apply; and

25.9 ~~(4)~~ (5) "subtraction ratio" means the ratio of (i) the total amount of subtractions that an
25.10 account owner claimed under section 290.0132, subdivision 23, for contributions to the
25.11 account owner's qualified accounts to (ii) the total contributions in all taxable years to the
25.12 account owner's qualified accounts.

25.13 (b) If a distribution from a qualified account is used for a purpose other than to pay for
25.14 qualified higher education expenses, the account owner must pay an additional tax equal
25.15 to:

25.16 (1) 50 percent of the product of the credit ratio and the amount of the distribution; plus

25.17 (2) ten percent of the product of the subtraction ratio and the amount of the distribution.

25.18 (c) The additional tax under this subdivision does not apply to any portion of a distribution
25.19 that is subject to the additional tax under section 529(c)(6) of the Internal Revenue Code.

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

25.22 Sec. 38. Minnesota Statutes 2018, section 290.067, subdivision 2b, is amended to read:

25.23 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of
25.24 the income threshold at which the maximum credit begins to be reduced under subdivision
25.25 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal
25.26 Revenue Code, as amended through December 16, 2016, except that in section 1(f)(3)(B)
25.27 the word "2016" shall be substituted for the word "1992." For 2018, the commissioner shall
25.28 then determine the percent change from the 12 months ending on August 31, 2016, to the
25.29 12 months ending on August 31, 2017, and in each subsequent year, from the 12 months
25.30 ending on August 31, 2016, to the 12 months ending on August 31 of the year preceding
25.31 the taxable year. The determination of the commissioner pursuant to this subdivision must
25.32 not be considered a "rule" and is not subject to the Administrative Procedure Act contained

26.1 in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount.
26.2 If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

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

26.5 Sec. 39. Minnesota Statutes 2018, section 290.0671, subdivision 1, is amended to read:

26.6 Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is
26.7 allowed a credit against the tax imposed by this chapter equal to a percentage of earned
26.8 income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the
26.9 Internal Revenue Code, except that a taxpayer with no qualifying children who has attained
26.10 the age of 21, but not attained age 65 before the close of the taxable year and is otherwise
26.11 eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit.

26.12 (b) For individuals with no qualifying children, the credit equals 2.10 percent of the first
26.13 \$6,180 of earned income. The credit is reduced by 2.01 percent of earned income or adjusted
26.14 gross income, whichever is greater, in excess of \$8,130, but in no case is the credit less than
26.15 zero.

26.16 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first
26.17 \$11,120 of earned income. The credit is reduced by 6.02 percent of earned income or adjusted
26.18 gross income, whichever is greater, in excess of \$21,190, but in no case is the credit less
26.19 than zero.

26.20 (d) For individuals with two or more qualifying children, the credit equals 11 percent
26.21 of the first \$18,240 of earned income. The credit is reduced by 10.82 percent of earned
26.22 income or adjusted gross income, whichever is greater, in excess of \$25,130, but in no case
26.23 is the credit less than zero.

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

26.26 (f) For a person who was a resident for the entire tax year and has earned income not
26.27 subject to tax under this chapter, including income excluded under section 290.0132,
26.28 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross
26.29 income reduced by the earned income not subject to tax under this chapter over federal
26.30 adjusted gross income. For purposes of this paragraph, the following clauses are not
26.31 considered "earned income not subject to tax under this chapter":

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

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

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

27.4 (g) For tax years beginning after December 31, 2013, the \$8,130 in paragraph (b), the
27.5 \$21,190 in paragraph (c), and the \$25,130 in paragraph (d), after being adjusted for inflation
27.6 under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns.
27.7 For tax years beginning after December 31, 2013, the commissioner shall annually adjust
27.8 the \$5,000 by the percentage determined pursuant to the provisions of section 1(f) of the
27.9 Internal Revenue Code as amended through December 16, 2016, except that in section
27.10 1(f)(3)(B), the word "2008" shall be substituted for the word "1992." For 2014, the
27.11 commissioner shall then determine the percent change from the 12 months ending on August
27.12 31, 2008, to the 12 months ending on August 31, 2013, and in each subsequent year, from
27.13 the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the
27.14 year preceding the taxable year. The earned income thresholds as adjusted for inflation must
27.15 be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the
27.16 nearest \$10. The determination of the commissioner under this subdivision is not a rule
27.17 under the Administrative Procedure Act.

27.18 (h) The commissioner shall construct tables showing the amount of the credit at various
27.19 income levels and make them available to taxpayers. The tables shall follow the schedule
27.20 contained in this subdivision, except that the commissioner may graduate the transition
27.21 between income brackets.

27.22 **EFFECTIVE DATE.** This section is effectively retroactively for taxable years beginning
27.23 after December 31, 2017.

27.24 Sec. 40. Minnesota Statutes 2018, section 290.0671, subdivision 7, is amended to read:

27.25 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit
27.26 and the income thresholds at which the maximum credit begins to be reduced in subdivision
27.27 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined
27.28 pursuant to the provisions of section 1(f) of the Internal Revenue Code as amended through
27.29 December 16, 2016, except that in section 1(f)(3)(B) the word "2013" shall be substituted
27.30 for the word "1992." For 2015, the commissioner shall then determine the percent change
27.31 from the 12 months ending on August 31, 2013, to the 12 months ending on August 31,
27.32 2014, and in each subsequent year, from the 12 months ending on August 31, 2013, to the
27.33 12 months ending on August 31 of the year preceding the taxable year. The earned income
27.34 thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount

28.1 ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the
28.2 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

28.5 Sec. 41. Minnesota Statutes 2018, section 290.0672, subdivision 1, is amended to read:

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

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

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

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

28.13 (3) has been offered in compliance with the inflation protection requirements of section
28.14 62S.23.

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

28.16 (d) "Premiums deducted in determining ~~federal taxable~~ net income" means the lesser of
28.17 (1) long-term care insurance premiums that qualify as deductions under section 213 of the
28.18 Internal Revenue Code; and (2) the total amount deductible for medical care under ~~section~~
28.19 ~~213 of the Internal Revenue Code~~ sections 290.01, subdivision 29a, and 290.0132,
28.20 subdivision 28.

28.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
28.22 31, 2018.

28.23 Sec. 42. Minnesota Statutes 2018, section 290.0672, subdivision 2, is amended to read:

28.24 Subd. 2. **Credit.** A taxpayer is allowed a credit against the tax imposed by this chapter
28.25 for long-term care insurance policy premiums paid during the tax year. The credit for each
28.26 policy equals 25 percent of premiums paid to the extent not deducted in determining ~~federal~~
28.27 ~~taxable~~ net income. A taxpayer may claim a credit for only one policy for each qualified
28.28 beneficiary. A maximum of \$100 applies to each qualified beneficiary. The maximum total
28.29 credit allowed per year is \$200 for married couples filing joint returns and \$100 for all other
28.30 filers. For a nonresident or part-year resident, the credit determined under this section must

29.1 be allocated based on the percentage calculated under section 290.06, subdivision 2c,
29.2 paragraph (e).

29.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
29.4 31, 2018.

29.5 Sec. 43. Minnesota Statutes 2018, section 290.0681, subdivision 1, is amended to read:

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

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

29.10 (c) "Office" means the State Historic Preservation Office of the Department of
29.11 Administration.

29.12 (d) "Project" means rehabilitation of a certified historic structure, as defined in section
29.13 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a
29.14 federal credit.

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

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

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

29.21 **EFFECTIVE DATE.** This section is effective retroactively for applications for allocation
29.22 certificates submitted after December 31, 2017.

29.23 Sec. 44. Minnesota Statutes 2018, section 290.0681, subdivision 2, is amended to read:

29.24 Subd. 2. **Credit or grant allowed; certified historic structure.** (a) A credit is allowed
29.25 against the tax imposed under this chapter equal to not more than 100 percent of the credit
29.26 allowed under section ~~47(a)(2)~~ 47(a) of the Internal Revenue Code for a project. The credit
29.27 is payable each taxable year in five equal yearly installments beginning with the year the
29.28 project is placed in service. To qualify for the credit:

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

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

30.3 (b) The commissioner of administration may pay a grant in lieu of the credit. The grant
30.4 equals 90 percent of the credit that would be allowed for the project. The grant is payable
30.5 each taxable year in five equal yearly installments beginning with the year the project is
30.6 placed in service.

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

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

30.11 Sec. 45. Minnesota Statutes 2018, section 290.0681, subdivision 3, is amended to read:

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

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

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

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

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

30.31 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or
30.32 grant recipient is entitled to receive one-fifth of the total amount of either the credit or the

31.1 grant at the time the project is placed in service, provided that date is within three calendar
31.2 years following the issuance of the allocation certificate.

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

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

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

31.12 **EFFECTIVE DATE.** This section is effective retroactively for applications for allocation
31.13 certificates submitted after December 31, 2017.

31.14 Sec. 46. Minnesota Statutes 2018, section 290.0681, subdivision 4, is amended to read:

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

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

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

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

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

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

32.1 **EFFECTIVE DATE.** This section is effective retroactively for applications for allocation
32.2 certificates submitted after December 31, 2017.

32.3 Sec. 47. Minnesota Statutes 2018, section 290.0684, subdivision 1, is amended to read:

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

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

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

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

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

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

32.16 ~~(e) "Qualified higher education expenses" has the meaning given in section 529 of the~~
32.17 ~~Internal Revenue Code.~~

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

32.19 Sec. 48. Minnesota Statutes 2018, section 290.0684, subdivision 2, is amended to read:

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

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

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

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

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

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

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

33.8 (e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum
33.9 credit must be adjusted for inflation. The commissioner shall adjust the income thresholds
33.10 by the percentage determined under the provisions of section 1(f) of the Internal Revenue
33.11 Code, as amended through December 16, 2016, except that in section 1(f)(3)(B) the word
33.12 "2016" is substituted for the word "1992." For 2018, the commissioner shall then determine
33.13 the percent change from the 12 months ending on August 31, 2016, to the 12 months ending
33.14 on August 31, 2017, and in each subsequent year, from the 12 months ending on August
33.15 31, 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The
33.16 income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If
33.17 the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The
33.18 determination of the commissioner under this subdivision is not subject to chapter 14,
33.19 including section 14.386.

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

33.22 Sec. 49. Minnesota Statutes 2018, section 290.0802, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

34.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 34.13 31, 2018.

34.14 Sec. 50. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

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

34.19 **Subd. 2. Subtraction.** Based on the election under subdivision 1, individuals are allowed
 34.20 to subtract from federal adjusted gross income:

34.21 (1) the state standard deduction under section 290.0138, subdivision 2; or

34.22 (2) the state itemized deduction under section 290.0139.

34.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 34.24 31, 2018.

34.25 Sec. 51. Minnesota Statutes 2018, section 290.091, subdivision 2, is amended to read:

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

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

- 35.1 (1) the taxpayer's federal alternative minimum taxable income as defined in section
35.2 55(b)(2) of the Internal Revenue Code;
- 35.3 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
35.4 taxable income, but excluding:
- 35.5 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
- 35.6 (ii) the medical expense deduction;
- 35.7 (iii) the casualty, theft, and disaster loss deduction; and
- 35.8 (iv) the impairment-related work expenses of a disabled person;
- 35.9 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
35.10 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
35.11 to the extent not included in federal alternative minimum taxable income, the excess of the
35.12 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
35.13 taxable year over the adjusted basis of the property at the end of the taxable year (determined
35.14 without regard to the depletion deduction for the taxable year);
- 35.15 (4) to the extent not included in federal alternative minimum taxable income, the amount
35.16 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
35.17 Code determined without regard to subparagraph (E);
- 35.18 (5) to the extent not included in federal alternative minimum taxable income, the amount
35.19 of interest income as provided by section 290.0131, subdivision 2; ~~and~~
- 35.20 (6) the amount of addition required by section 290.0131, subdivisions ~~9 to 11~~, 10, and
35.21 16; and
- 35.22 (7) the deduction allowed under section 199A of the Internal Revenue Code;
- 35.23 less the sum of the amounts determined under the following:
- 35.24 (i) interest income as defined in section 290.0132, subdivision 2;
- 35.25 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
35.26 3, to the extent included in federal alternative minimum taxable income;
- 35.27 (iii) the amount of investment interest paid or accrued within the taxable year on
35.28 indebtedness to the extent that the amount does not exceed net investment income, as defined
35.29 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
35.30 in computing federal adjusted gross income;

36.1 (iv) amounts subtracted from federal taxable income as provided by section 290.0132,
 36.2 subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26 to 29~~; ~~and~~

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

36.5 (vi) the amount allowable as a Minnesota itemized deduction under section 290.0139,
 36.6 subdivision 7.

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

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

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

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

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

36.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 36.19 31, 2018.

36.20 Sec. 52. Minnesota Statutes 2018, section 290.091, subdivision 3, is amended to read:

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

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

36.29 (c) For taxable years beginning after December 31, 2006, the exemption amount under
 36.30 paragraph (a) must be adjusted for inflation. The commissioner shall adjust the exemption
 36.31 amount by the percentage determined pursuant to the provisions of section 1(f) of the Internal
 36.32 Revenue Code, as amended through December 16, 2016, except that in section 1(f)(3)(B)

37.1 the word "2005" shall be substituted for the word "1992." For 2007, the commissioner shall
 37.2 then determine the percent change from the 12 months ending on August 31, 2005, to the
 37.3 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months
 37.4 ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding
 37.5 the taxable year. The exemption amount as adjusted must be rounded to the nearest \$10. If
 37.6 the amount ends in \$5, it must be rounded up to the nearest \$10 amount. The determination
 37.7 of the commissioner under this subdivision is not a rule under the Administrative Procedure
 37.8 Act.

37.9 **EFFECTIVE DATE.** (a) The amendment to paragraph (b) is effective the day following
 37.10 final enactment.

37.11 (b) The amendment to paragraph (c) is effective retroactively for taxable years beginning
 37.12 after December 31, 2017.

37.13 Sec. 53. Minnesota Statutes 2018, section 290.0921, subdivision 1, is amended to read:

37.14 Subdivision 1. **Tax imposed.** In addition to the taxes computed under this chapter without
 37.15 regard to this section, for taxable years beginning before January 1, 2018, the franchise tax
 37.16 imposed on corporations includes a tax equal to the excess, if any, for the taxable year of:

37.17 (1) 5.8 percent of Minnesota alternative minimum taxable income; over

37.18 (2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

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

37.21 Sec. 54. Minnesota Statutes 2018, section 290.0921, subdivision 8, is amended to read:

37.22 Subd. 8. **Carryover credit.** (a) A corporation is allowed a credit against qualified regular
 37.23 tax for qualified alternative minimum tax previously paid. The credit is allowable only ~~if~~
 37.24 ~~the corporation has no tax liability under this section for the taxable year and~~ if the
 37.25 corporation has an alternative minimum tax credit carryover from a previous year. The
 37.26 credit allowable in a taxable year equals the lesser of:

37.27 (1) ~~the excess of the qualified regular tax for the taxable year over the amount computed~~
 37.28 ~~under subdivision 1, clause (1), for the taxable year;~~ or

37.29 (2) the carryover credit to the taxable year.

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

38.1 (1) "Qualified alternative minimum tax" equals the amount determined under subdivision
38.2 1 for ~~the~~ a taxable year beginning before January 1, 2018.

38.3 (2) "Qualified regular tax" means the tax imposed under section 290.06, subdivision 1.

38.4 (c) The qualified alternative minimum tax for a taxable year is an alternative minimum
38.5 tax credit carryover to each of the three taxable years succeeding the taxable year. The entire
38.6 amount of the credit must be carried to the earliest taxable year to which the amount may
38.7 be carried. Any unused portion of the credit must be carried to the following taxable year.
38.8 No credit may be carried to a taxable year in which alternative minimum tax was paid.

38.9 (d) An acquiring corporation may carry over this credit from a transferor or distributor
38.10 corporation in a corporate acquisition. The provisions of section 381 of the Internal Revenue
38.11 Code apply in determining the amount of the carryover, if any.

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

38.14 Sec. 55. Minnesota Statutes 2018, section 290.0922, subdivision 1, is amended to read:

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

38.19	If the sum of the corporation's Minnesota		
38.20	property, payrolls, and sales or receipts is:		the tax equals:
38.21	less than	\$ 930,000	\$ 0
38.22	\$ 930,000 to	\$ 1,869,999	\$ 190
38.23	\$ 1,870,000 to	\$ 9,339,999	\$ 560
38.24	\$ 9,340,000 to	\$ 18,679,999	\$ 1,870
38.25	\$ 18,680,000 to	\$ 37,359,999	\$ 3,740
38.26	\$ 37,360,000 or more		\$ 9,340

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

39.1 If the sum of the S corporation's
39.2 or partnership's Minnesota
39.3 property, payrolls, and sales or
39.4 receipts is:

the tax equals:

39.5	less than	\$ 930,000	\$ 0
39.6	\$ 930,000 to	\$ 1,869,999	\$ 190
39.7	\$ 1,870,000 to	\$ 9,339,999	\$ 560
39.8	\$ 9,340,000 to	\$ 18,679,999	\$ 1,870
39.9	\$ 18,680,000 to	\$ 37,359,999	\$ 3,740
39.10	\$ 37,360,000 or more		\$ 9,340

39.11 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,
39.12 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage
39.13 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, as
39.14 amended through December 16, 2016, except that in section 1(f)(3)(B) the word "2012"
39.15 must be substituted for the word "1992." For 2014, the commissioner shall determine the
39.16 percentage change from the 12 months ending on August 31, 2012, to the 12 months ending
39.17 on August 31, 2013, and in each subsequent year, from the 12 months ending on August
39.18 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The
39.19 determination of the commissioner pursuant to this subdivision is not a "rule" subject to the
39.20 Administrative Procedure Act contained in chapter 14. The tax amounts as adjusted must
39.21 be rounded to the nearest \$10 amount and the threshold amounts must be adjusted to the
39.22 nearest \$10,000 amount. For tax amounts that end in \$5, the amount is rounded up to the
39.23 nearest \$10 amount and for the threshold amounts that end in \$5,000, the amount is rounded
39.24 up to the nearest \$10,000.

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

39.27 Sec. 56. Minnesota Statutes 2018, section 290.095, subdivision 2, is amended to read:

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

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

40.1 (c) The amount of net operating loss deduction under this section must not exceed 80
40.2 percent of taxable net income in a single taxable year.

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

40.5 Sec. 57. Minnesota Statutes 2018, section 290.17, subdivision 2, is amended to read:

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

40.9 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section
40.10 3401(a) ~~and~~, (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the
40.11 extent that, the work of the employee is performed within it; all other income from such
40.12 sources is treated as income from sources without this state.

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

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

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

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

40.32 (3) For purposes of this section, amounts received by a nonresident as "retirement income"
40.33 as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public

41.1 Law 104-95, are not considered income derived from carrying on a trade or business or
41.2 from wages or other compensation for work an employee performed in Minnesota, and are
41.3 not taxable under this chapter.

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

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

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

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

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

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

41.28 (d) Income from winnings on a bet made by an individual while in Minnesota is assigned
41.29 to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision
41.30 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

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

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

42.3 **EFFECTIVE DATE.** This section is effective for wages paid after December 31, 2018.

42.4 Sec. 58. Minnesota Statutes 2018, section 290.21, is amended by adding a subdivision to
42.5 read:

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

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

42.11 Sec. 59. Minnesota Statutes 2018, section 290.92, subdivision 1, is amended to read:

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

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

42.20 (3) **Employee.** For purposes of this section the term "employee" means any resident
42.21 individual performing services for an employer, either within or without, or both within and
42.22 without the state of Minnesota, and every nonresident individual performing services within
42.23 the state of Minnesota, the performance of which services constitute, establish, and determine
42.24 the relationship between the parties as that of employer and employee. As used in the
42.25 preceding sentence, the term "employee" includes an officer of a corporation, and an officer,
42.26 employee, or elected official of the United States, a state, or any political subdivision thereof,
42.27 or the District of Columbia, or any agency or instrumentality of any one or more of the
42.28 foregoing.

42.29 (4) **Employer.** For purposes of this section the term "employer" means any person,
42.30 including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies,
42.31 and corporations transacting business in or deriving any income from sources within the
42.32 state of Minnesota for whom an individual performs or performed any service, of whatever

43.1 nature, as the employee of such person, except that if the person for whom the individual
43.2 performs or performed the services does not have control of the payment of the wages for
43.3 such services, the term "employer," except for purposes of paragraph (1), means the person
43.4 having control of the payment of such wages. As used in the preceding sentence, the term
43.5 "employer" includes any corporation, individual, estate, trust, or organization which is
43.6 exempt from taxation under section 290.05 and further includes, but is not limited to, officers
43.7 of corporations who have control, either individually or jointly with another or others, of
43.8 the payment of the wages.

43.9 (5) **Number of withholding exemptions claimed.** For purposes of this section, the term
43.10 "number of withholding exemptions claimed" means the number of withholding exemptions
43.11 claimed in a withholding exemption certificate in effect under subdivision 5, except that if
43.12 no such certificate is in effect, the number of withholding exemptions claimed shall be
43.13 considered to be zero.

43.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
43.15 31, 2018.

43.16 Sec. 60. **[290.993] SPECIAL LIMITED ADJUSTMENT.**

43.17 (a) For an individual income taxpayer subject to tax under section 290.06, subdivision
43.18 2c, or a partnership that elects to file a composite return under section 289A.08, subdivision
43.19 7, for taxable years beginning after December 31, 2017, and before January 1, 2019, the
43.20 following special rules apply:

43.21 (1) sections 63(c)(7) and 151(d)(5) of the Internal Revenue Code do not apply;

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

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

43.30 (b) The adjustment in paragraph (a), clause (3), does not apply to any changes due to
43.31 sections 13101, 13201, 13202, 13203, 13204, 13205, 13207, 13303, 13313, 13502, 13503,
43.32 13801, 14102, 14103, 14201, 14202, 14211 through 14215, and 14501 of Public Law
43.33 115-97; and section 40411 of Public Law 115-123.

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

44.3 Sec. 61. Minnesota Statutes 2018, section 290A.03, subdivision 12, is amended to read:

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

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

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

44.22 (d) Any amount paid by a claimant residing in property assessed pursuant to section
44.23 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from
44.24 gross rent for purposes of this chapter. However, property taxes imputed to the homestead
44.25 of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead
44.26 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the
44.27 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that
44.28 ownership is not in the name of the claimant.

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

45.1 Sec. 62. Minnesota Statutes 2018, section 290A.03, subdivision 15, is amended to read:

45.2 Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue
45.3 Code of 1986, as amended through ~~December 16, 2016~~ December 31, 2018.

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

45.7 Sec. 63. Minnesota Statutes 2018, section 290A.04, subdivision 4, is amended to read:

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

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

45.18 (c) In adjusting the dollar amounts of the income thresholds and the maximum refunds
45.19 under subdivision 2a for inflation, the percentage increase shall be determined from the
45.20 year ending on June 30, 2013, to the year ending on June 30 of the year preceding that in
45.21 which the refund is payable.

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

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

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

46.1 Sec. 64. Minnesota Statutes 2018, section 291.005, subdivision 1, is amended to read:

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

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

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

46.11 (3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986,
46.12 as amended through ~~December 16, 2016~~ December 31, 2018.

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

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

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

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

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

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

46.31 (ii) tangible personal property, the state or country in which it was normally kept or
46.32 located at the time of the decedent's death or for a gift of tangible personal property within

47.1 three years of death, the state or country in which it was normally kept or located when the
47.2 gift was executed;

47.3 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue
47.4 Code, owned by a nonresident decedent and that is normally kept or located in this state
47.5 because it is on loan to an organization, qualifying as exempt from taxation under section
47.6 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is
47.7 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

47.11 For a nonresident decedent with an ownership interest in a pass-through entity with
47.12 assets that include real or tangible personal property, situs of the real or tangible personal
47.13 property, including qualified works of art, is determined as if the pass-through entity does
47.14 not exist and the real or tangible personal property is personally owned by the decedent. If
47.15 the pass-through entity is owned by a person or persons in addition to the decedent, ownership
47.16 of the property is attributed to the decedent in proportion to the decedent's capital ownership
47.17 share of the pass-through entity.

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

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

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

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

47.25 (iv) a trust to the extent the property is ~~includible~~ includable in the decedent's federal
47.26 gross estate; but excludes

47.27 (v) an entity whose ownership interest securities are traded on an exchange regulated
47.28 by the Securities and Exchange Commission as a national securities exchange under section
47.29 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

47.30 **EFFECTIVE DATE.** This section is effective the day following final enactment except
47.31 the changes incorporated by federal changes are effective retroactively at the same time the
47.32 changes became effective for federal purposes.

48.1 Sec. 65. Minnesota Statutes 2018, section 297A.68, subdivision 25, is amended to read:

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

48.6 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,
48.7 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended
48.8 through December 16, 2016;

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

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

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

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

48.14 (6) the total amount of gross receipts from the sale of trade or business property made
48.15 during the calendar month of the sale and the preceding 11 calendar months does not exceed
48.16 \$1,000.

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

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

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

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

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

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

49.3 Sec. 66. Minnesota Statutes 2018, section 297B.03, is amended to read:

49.4 **297B.03 EXEMPTIONS.**

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

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

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

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

49.18 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota
49.19 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,
49.20 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,
49.21 as amended through December 16, 2016;

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

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

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

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

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

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

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

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

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

50.19 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide
50.20 transit service is exempt if the transit provider is either (i) receiving financial assistance or
50.21 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,
50.22 473.388, or 473.405;

50.23 (13) purchase or use of a motor vehicle by a qualified business, as defined in section
50.24 469.310, located in a job opportunity building zone, if the motor vehicle is principally
50.25 garaged in the job opportunity building zone and is primarily used as part of or in direct
50.26 support of the person's operations carried on in the job opportunity building zone. The
50.27 exemption under this clause applies to sales, if the purchase was made and delivery received
50.28 during the duration of the job opportunity building zone. The exemption under this clause
50.29 also applies to any local sales and use tax;

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

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

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

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

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

51.8 Sec. 67. Minnesota Statutes 2018, section 462D.06, subdivision 1, is amended to read:

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

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

51.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
51.17 31, 2018.

51.18 Sec. 68. Minnesota Statutes 2018, section 462D.06, subdivision 2, is amended to read:

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

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

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

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

51.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
51.30 31, 2018.

52.1 Sec. 69. Minnesota Statutes 2018, section 469.316, subdivision 1, is amended to read:

52.2 Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business
 52.3 in a job opportunity building zone, and an individual, estate, or trust making a qualifying
 52.4 investment in a qualified business operating in a job opportunity building zone qualifies for
 52.5 the exemptions from taxes imposed under chapter 290, as provided in this section. The
 52.6 exemptions provided under this section apply only to the extent that the income otherwise
 52.7 would be taxable under chapter 290. Subtractions under this section from federal adjusted
 52.8 gross income, federal taxable income, alternative minimum taxable income, or any other
 52.9 base subject to tax are limited to the amount that otherwise would be included in the tax
 52.10 base absent the exemption under this section. This section applies only to taxable years
 52.11 beginning during the duration of the job opportunity building zone.

52.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 52.13 31, 2018.

52.14 Sec. 70. **REPEALER.**

52.15 Minnesota Statutes 2018, sections 290.0131, subdivisions 7 and 11; 290.0133,
 52.16 subdivisions 13 and 14; and 290.10, subdivision 2, are repealed.

52.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 52.18 31, 2018.

52.19 ARTICLE 2

52.20 INDIVIDUAL INCOME TAX

52.21 Section 1. Minnesota Statutes 2018, section 116J.8737, subdivision 1, is amended to read:

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

52.24 (b) "Qualified small business" means a business that has been certified by the
 52.25 commissioner under subdivision 2.

52.26 (c) "Qualified investor" means an investor who has been certified by the commissioner
 52.27 under subdivision 3.

52.28 (d) "Qualified fund" means a pooled angel investment network fund that has been certified
 52.29 by the commissioner under subdivision 4.

52.30 (e) "Qualified investment" means a cash investment in a qualified small business of a
 52.31 minimum of:

53.1 (1) \$10,000 in a calendar year by a qualified investor; ~~or~~

53.2 (2) \$7,500 in a calendar year by a qualified investor in qualified greater Minnesota
 53.3 businesses or minority- or women-owned businesses in Minnesota; or

53.4 ~~(2)~~ (3) \$30,000 in a calendar year by a qualified fund.

53.5 A qualified investment must be made in exchange for common stock, a partnership or
 53.6 membership interest, preferred stock, debt with mandatory conversion to equity, or an
 53.7 equivalent ownership interest as determined by the commissioner.

53.8 (f) "Family" means a family member within the meaning of the Internal Revenue Code,
 53.9 section 267(c)(4).

53.10 (g) "Pass-through entity" means a corporation that for the applicable taxable year is
 53.11 treated as an S corporation or a general partnership, limited partnership, limited liability
 53.12 partnership, trust, or limited liability company and which for the applicable taxable year is
 53.13 not taxed as a corporation under chapter 290.

53.14 (h) "Intern" means a student of an accredited institution of higher education, or a former
 53.15 student who has graduated in the past six months from an accredited institution of higher
 53.16 education, who is employed by a qualified small business in a nonpermanent position for
 53.17 a duration of nine months or less that provides training and experience in the primary
 53.18 business activity of the business.

53.19 (i) "Liquidation event" means a conversion of qualified investment for cash, cash and
 53.20 other consideration, or any other form of equity or debt interest.

53.21 (j) "Qualified greater Minnesota business" means a qualified small business that is also
 53.22 certified by the commissioner as a qualified greater Minnesota business under subdivision
 53.23 2, paragraph (h).

53.24 (k) "Minority group member" means a United States citizen who is Asian, Pacific
 53.25 Islander, Black, Hispanic, or Native American.

53.26 (l) "Minority-owned business" means a business for which one or more minority group
 53.27 members:

53.28 (1) own at least 50 percent of the business, or, in the case of a publicly owned business,
 53.29 own at least 51 percent of the stock; and

53.30 (2) manage the business and control the daily business operations.

53.31 (m) "Women" means persons of the female gender.

54.1 (n) "Women-owned business" means a business for which one or more women:

54.2 (1) own at least 50 percent of the business, or, in the case of a publicly owned business,
54.3 own at least 51 percent of the stock; and

54.4 (2) manage the business and control the daily business operations.

54.5 (o) "Officer" means a person elected or appointed by the board of directors to manage
54.6 the daily operations of the qualified small business.

54.7 (p) "Principal" means a person having authority to act on behalf of the qualified small
54.8 business.

54.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
54.10 31, 2018.

54.11 Sec. 2. Minnesota Statutes 2018, section 116J.8737, subdivision 2, is amended to read:

54.12 Subd. 2. **Certification of qualified small businesses.** (a) Businesses may apply to the
54.13 commissioner for certification as a qualified small business or qualified greater Minnesota
54.14 small business for a calendar year. The application must be in the form and be made under
54.15 the procedures specified by the commissioner, accompanied by an application fee of \$150.
54.16 Application fees are deposited in the small business investment tax credit administration
54.17 account in the special revenue fund. ~~The application for certification for 2010 must be made~~
54.18 ~~available on the department's website by August 1, 2010.~~ Applications for subsequent years'
54.19 certification must be made available on the department's website by November 1 of the
54.20 preceding year.

54.21 (b) Within 30 days of receiving an application for certification under this subdivision,
54.22 the commissioner must either certify the business as satisfying the conditions required of a
54.23 qualified small business or qualified greater Minnesota small business, request additional
54.24 information from the business, or reject the application for certification. If the commissioner
54.25 requests additional information from the business, the commissioner must either certify the
54.26 business or reject the application within 30 days of receiving the additional information. If
54.27 the commissioner neither certifies the business nor rejects the application within 30 days
54.28 of receiving the original application or within 30 days of receiving the additional information
54.29 requested, whichever is later, then the application is deemed rejected, and the commissioner
54.30 must refund the \$150 application fee. A business that applies for certification and is rejected
54.31 may reapply.

54.32 (c) To receive certification as a qualified small business, a business must satisfy all of
54.33 the following conditions:

- 55.1 (1) the business has its headquarters in Minnesota;
- 55.2 (2) at least: (i) 51 percent of the business's employees are employed in Minnesota; (ii)
- 55.3 51 percent of the business's total payroll is paid or incurred in the state; and (iii) 51 percent
- 55.4 of the total value of all contractual agreements to which the business is a party in connection
- 55.5 with its primary business activity is for services performed under contract in Minnesota,
- 55.6 unless the business obtains a waiver under paragraph (i);
- 55.7 (3) the business is engaged in, or is committed to engage in, innovation in Minnesota in
- 55.8 one of the following as its primary business activity:
- 55.9 (i) using proprietary technology to add value to a product, process, or service in a qualified
- 55.10 high-technology field;
- 55.11 (ii) researching or developing a proprietary product, process, or service in a qualified
- 55.12 high-technology field;
- 55.13 (iii) researching or developing a proprietary product, process, or service in the fields of
- 55.14 agriculture, tourism, forestry, mining, manufacturing, or transportation; or
- 55.15 (iv) researching, developing, or producing a new proprietary technology for use in the
- 55.16 fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;
- 55.17 (4) other than the activities specifically listed in clause (3), the business is not engaged
- 55.18 in real estate development, insurance, banking, lending, lobbying, political consulting,
- 55.19 information technology consulting, wholesale or retail trade, leisure, hospitality,
- 55.20 transportation, construction, ethanol production from corn, or professional services provided
- 55.21 by attorneys, accountants, business consultants, physicians, or health care consultants;
- 55.22 (5) the business has fewer than 25 employees;
- 55.23 (6) the business must either:
- 55.24 (i) pay its employees annual wages of at least 175 percent of the federal poverty guideline
- 55.25 for the year for a family of four and must pay its interns annual wages of at least 175 percent
- 55.26 of the federal minimum wage used for federally covered employers, except that this
- 55.27 requirement must be reduced proportionately for employees and interns who work less than
- 55.28 full-time, and does not apply to an executive, officer, or member of the board of the business,
- 55.29 or to any employee who owns, controls, or holds power to vote more than 20 percent of the
- 55.30 outstanding securities of the business; or
- 55.31 (ii) if the business is a qualified greater Minnesota business or minority- or women-owned
- 55.32 qualified small business, pay at least 51 percent of its employees annual wages of at least

56.1 175 percent of the federal poverty guideline for the year for a family of four and must pay
56.2 its interns annual wages of at least 175 percent of the federal minimum wage used for
56.3 federally covered employers, except that this requirement must be reduced proportionately
56.4 for employees and interns who work less than full-time, and does not apply to an executive,
56.5 officer, or member of the board of the business, or to any employee who owns, controls, or
56.6 holds power to vote more than 20 percent of the outstanding securities of the business;

56.7 (7) the business has (i) not been in operation for more than ten years, or (ii) not been in
56.8 operation for more than 20 years if the business is engaged in the research, development,
56.9 or production of medical devices or pharmaceuticals for which United States Food and Drug
56.10 Administration approval is required for use in the treatment or diagnosis of a disease or
56.11 condition;

56.12 (8) the business has not previously received private equity investments of more than
56.13 \$4,000,000;

56.14 (9) the business is not an entity disqualified under section 80A.50, paragraph (b), clause
56.15 (3); and

56.16 (10) the business has not issued securities that are traded on a public exchange.

56.17 (d) In applying the limit under paragraph (c), clause (5), the employees in all members
56.18 of the unitary business, as defined in section 290.17, subdivision 4, must be included.

56.19 (e) In order for a qualified investment in a business to be eligible for tax credits:

56.20 (1) the business must have applied for and received certification for the calendar year
56.21 in which the investment was made prior to the date on which the qualified investment was
56.22 made;

56.23 (2) the business must not have issued securities that are traded on a public exchange;

56.24 (3) the business must not issue securities that are traded on a public exchange within
56.25 180 days after the date on which the qualified investment was made; and

56.26 (4) the business must not have a liquidation event within 180 days after the date on
56.27 which the qualified investment was made.

56.28 (f) The commissioner must maintain a list of qualified small businesses and qualified
56.29 greater Minnesota businesses certified under this subdivision for the calendar year and make
56.30 the list accessible to the public on the department's website.

56.31 (g) For purposes of this subdivision, the following terms have the meanings given:

57.1 (1) "qualified high-technology field" includes aerospace, agricultural processing,
57.2 renewable energy, energy efficiency and conservation, environmental engineering, food
57.3 technology, cellulosic ethanol, information technology, materials science technology,
57.4 nanotechnology, telecommunications, biotechnology, medical device products,
57.5 pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar fields;

57.6 (2) "proprietary technology" means the technical innovations that are unique and legally
57.7 owned or licensed by a business and includes, without limitation, those innovations that are
57.8 patented, patent pending, a subject of trade secrets, or copyrighted; and

57.9 (3) "greater Minnesota" means the area of Minnesota located outside of the metropolitan
57.10 area as defined in section 473.121, subdivision 2.

57.11 (h) To receive certification as a qualified greater Minnesota business, a business must
57.12 satisfy all of the requirements of paragraph (c) and must satisfy the following conditions:

57.13 (1) the business has its headquarters in greater Minnesota; and

57.14 (2) at least: (i) 51 percent of the business's employees are employed in greater Minnesota;
57.15 (ii) 51 percent of the business's total payroll is paid or incurred in greater Minnesota; and
57.16 (iii) 51 percent of the total value of all contractual agreements to which the business is a
57.17 party in connection with its primary business activity is for services performed under contract
57.18 in greater Minnesota, unless the business obtains a waiver under paragraph (i).

57.19 (i) The commissioner must exempt a business from the requirement under paragraph
57.20 (c), clause (2), item (iii), if the business certifies to the commissioner that the services
57.21 required under a contract in connection with the primary business activity cannot be
57.22 performed in Minnesota if the business otherwise qualifies as a qualified small business, or
57.23 in greater Minnesota if the business otherwise qualifies as a qualified greater Minnesota
57.24 business. The business must submit the certification required under this paragraph every
57.25 six months from the month the exemption was granted. The exemption allowed under this
57.26 paragraph must be submitted in a form and manner prescribed by the commissioner.

57.27 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
57.28 31, 2018.

57.29 Sec. 3. Minnesota Statutes 2018, section 116J.8737, subdivision 3, is amended to read:

57.30 Subd. 3. **Certification of qualified investors.** (a) Investors may apply to the
57.31 commissioner for certification as a qualified investor for a taxable year. The application
57.32 must be in the form and be made under the procedures specified by the commissioner,
57.33 accompanied by an application fee of \$350. Application fees are deposited in the small

58.1 business investment tax credit administration account in the special revenue fund. ~~The~~
58.2 ~~application for certification for 2010 must be made available on the department's website~~
58.3 ~~by August 1, 2010.~~ Applications for subsequent years' certification must be made available
58.4 on the department's website by November 1 of the preceding year.

58.5 (b) Within 30 days of receiving an application for certification under this subdivision,
58.6 the commissioner must either certify the investor as satisfying the conditions required of a
58.7 qualified investor, request additional information from the investor, or reject the application
58.8 for certification. If the commissioner requests additional information from the investor, the
58.9 commissioner must either certify the investor or reject the application within 30 days of
58.10 receiving the additional information. If the commissioner neither certifies the investor nor
58.11 rejects the application within 30 days of receiving the original application or within 30 days
58.12 of receiving the additional information requested, whichever is later, then the application
58.13 is deemed rejected, and the commissioner must refund the \$350 application fee. An investor
58.14 who applies for certification and is rejected may reapply.

58.15 (c) To receive certification, an investor must (1) be a natural person; and (2) certify to
58.16 the commissioner that the investor will only invest in a transaction that is exempt under
58.17 section 80A.46, clause (13) or (14), in a security exempt under section 80A.461, or in a
58.18 security registered under section 80A.50, paragraph (b).

58.19 (d) In order for a qualified investment in a qualified small business to be eligible for tax
58.20 credits, a qualified investor who makes the investment must have applied for and received
58.21 certification for the calendar year prior to making the qualified investment, except in the
58.22 case of an investor who is not an accredited investor, within the meaning of Regulation D
58.23 of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section
58.24 230.501, paragraph (a), application for certification may be made within 30 days after
58.25 making the qualified investment.

58.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
58.27 31, 2018.

58.28 Sec. 4. Minnesota Statutes 2018, section 116J.8737, subdivision 4, is amended to read:

58.29 Subd. 4. **Certification of qualified funds.** (a) A pass-through entity may apply to the
58.30 commissioner for certification as a qualified fund for a calendar year. The application must
58.31 be in the form and be made under the procedures specified by the commissioner, accompanied
58.32 by an application fee of \$1,000. Application fees are deposited in the small business
58.33 investment tax credit administration account in the special revenue fund. ~~The application~~
58.34 ~~for certification for 2010 of qualified funds must be made available on the department's~~

59.1 ~~website by August 1, 2010.~~ Applications for subsequent years' certification must be made
59.2 available by November 1 of the preceding year.

59.3 (b) Within 30 days of receiving an application for certification under this subdivision,
59.4 the commissioner must either certify the fund as satisfying the conditions required of a
59.5 qualified fund, request additional information from the fund, or reject the application for
59.6 certification. If the commissioner requests additional information from the fund, the
59.7 commissioner must either certify the fund or reject the application within 30 days of receiving
59.8 the additional information. If the commissioner neither certifies the fund nor rejects the
59.9 application within 30 days of receiving the original application or within 30 days of receiving
59.10 the additional information requested, whichever is later, then the application is deemed
59.11 rejected, and the commissioner must refund the \$1,000 application fee. A fund that applies
59.12 for certification and is rejected may reapply.

59.13 (c) To receive certification, a fund must:

59.14 (1) invest or intend to invest in qualified small businesses;

59.15 (2) be organized as a pass-through entity; and

59.16 (3) have at least three separate investors, of whom at least three whose investment is
59.17 made in the certified business and who seek a tax credit allocation satisfy the conditions in
59.18 subdivision 3, paragraph (c).

59.19 (d) Investments in the fund may consist of equity investments or notes that pay interest
59.20 or other fixed amounts, or any combination of both.

59.21 (e) In order for a qualified investment in a qualified small business to be eligible for tax
59.22 credits, a qualified fund that makes the investment must have applied for and received
59.23 certification for the calendar year prior to making the qualified investment.

59.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
59.25 31, 2018.

59.26 Sec. 5. Minnesota Statutes 2018, section 116J.8737, subdivision 5, is amended to read:

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

59.29 Investments made by a pass-through entity qualify for a credit only if the entity is a qualified
59.30 fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$10,000,000 in credits
59.31 to qualified investors or qualified funds for taxable years beginning after December 31,
59.32 ~~2013, and before January 1, 2017, and must not allocate more than \$10,000,000 in credits~~

60.1 ~~to qualified investors or qualified funds for taxable years beginning after December 31,~~
60.2 ~~2016, and before January 1, 2018; and (2) for taxable years beginning after December 31,~~
60.3 ~~2014, and before January 1, 2018, and before January 1, 2021.~~ For each taxable year, 50
60.4 percent must be allocated to credits for qualifying investments in qualified greater Minnesota
60.5 businesses and minority- or women-owned qualified small businesses in Minnesota. Any
60.6 portion of a taxable year's credits that is reserved for qualifying investments in greater
60.7 Minnesota businesses and minority- or women-owned qualified small businesses in
60.8 Minnesota that is not allocated by September 30 of the taxable year is available for allocation
60.9 to other credit applications beginning on October 1. Any portion of a taxable year's credits
60.10 that is not allocated by the commissioner does not cancel and may be carried forward to
60.11 subsequent taxable years until all credits have been allocated.

60.12 (b) The commissioner may not allocate more than a total maximum amount in credits
60.13 for a taxable year to a qualified investor for the investor's cumulative qualified investments
60.14 as an individual qualified investor and as an investor in a qualified fund; for married couples
60.15 filing joint returns the maximum is \$250,000, and for all other filers the maximum is
60.16 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits
60.17 over all taxable years for qualified investments in any one qualified small business.

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

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

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

60.25 A member of the family of an individual disqualified by this paragraph is not eligible for a
60.26 credit under this section. For a married couple filing a joint return, the limitations in this
60.27 paragraph apply collectively to the investor and spouse. For purposes of determining the
60.28 ownership interest of an investor under this paragraph, the rules under section 267(c) and
60.29 267(e) of the Internal Revenue Code apply.

60.30 (d) Applications for tax credits for 2010 must be made available on the department's
60.31 website by September 1, 2010, and the department must begin accepting applications by
60.32 September 1, 2010. Applications for subsequent years must be made available by November
60.33 1 of the preceding year.

61.1 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.
61.2 Tax credits must be allocated to qualified investors or qualified funds in the order that the
61.3 tax credit request applications are filed with the department. The commissioner must approve
61.4 or reject tax credit request applications within 15 days of receiving the application. The
61.5 investment specified in the application must be made within 60 days of the allocation of
61.6 the credits. If the investment is not made within 60 days, the credit allocation is canceled
61.7 and available for reallocation. A qualified investor or qualified fund that fails to invest as
61.8 specified in the application, within 60 days of allocation of the credits, must notify the
61.9 commissioner of the failure to invest within five business days of the expiration of the
61.10 60-day investment period.

61.11 (f) All tax credit request applications filed with the department on the same day must
61.12 be treated as having been filed contemporaneously. If two or more qualified investors or
61.13 qualified funds file tax credit request applications on the same day, and the aggregate amount
61.14 of credit allocation claims exceeds the aggregate limit of credits under this section or the
61.15 lesser amount of credits that remain unallocated on that day, then the credits must be allocated
61.16 among the qualified investors or qualified funds who filed on that day on a pro rata basis
61.17 with respect to the amounts claimed. The pro rata allocation for any one qualified investor
61.18 or qualified fund is the product obtained by multiplying a fraction, the numerator of which
61.19 is the amount of the credit allocation claim filed on behalf of a qualified investor and the
61.20 denominator of which is the total of all credit allocation claims filed on behalf of all
61.21 applicants on that day, by the amount of credits that remain unallocated on that day for the
61.22 taxable year.

61.23 (g) A qualified investor or qualified fund, or a qualified small business acting on their
61.24 behalf, must notify the commissioner when an investment for which credits were allocated
61.25 has been made, and the taxable year in which the investment was made. A qualified fund
61.26 must also provide the commissioner with a statement indicating the amount invested by
61.27 each investor in the qualified fund based on each investor's share of the assets of the qualified
61.28 fund at the time of the qualified investment. After receiving notification that the investment
61.29 was made, the commissioner must issue credit certificates for the taxable year in which the
61.30 investment was made to the qualified investor or, for an investment made by a qualified
61.31 fund, to each qualified investor who is an investor in the fund. The certificate must state
61.32 that the credit is subject to revocation if the qualified investor or qualified fund does not
61.33 hold the investment in the qualified small business for at least three years, consisting of the
61.34 calendar year in which the investment was made and the two following years. The three-year
61.35 holding period does not apply if:

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

62.3 (2) 80 percent or more of the assets of the qualified small business is sold before the end
62.4 of the three-year period;

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

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

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

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

62.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
62.12 31, 2018.

62.13 Sec. 6. Minnesota Statutes 2018, section 116J.8737, subdivision 6, is amended to read:

62.14 Subd. 6. **Annual reports.** (a) By February 1 of each year each qualified small business
62.15 that received an investment that qualified for a credit, and each qualified investor and
62.16 qualified fund that made an investment that qualified for a credit, must submit an annual
62.17 report to the commissioner and pay a filing fee of \$100 as required under this subdivision.
62.18 Each qualified investor and qualified fund must submit reports for three years following
62.19 each year in which it made an investment that qualified for a credit, and each qualified small
62.20 business must submit reports for five years following the year in which it received an
62.21 investment qualifying for a credit. Reports must be made in the form required by the
62.22 commissioner. All filing fees collected are deposited in the small business investment tax
62.23 credit administration account in the special revenue fund.

62.24 (b) A report from a qualified small business must certify that the business satisfies the
62.25 following requirements:

62.26 (1) the business has its headquarters in Minnesota;

62.27 (2) at least 51 percent of the business's employees are employed in Minnesota, and 51
62.28 percent of the business's total payroll is paid or incurred in the state;

62.29 (3) that the business is engaged in, or is committed to engage in, innovation in Minnesota
62.30 as defined under subdivision 2; and

63.1 (4) that the business meets the payroll requirements in subdivision 2, paragraph (c),
63.2 clause (6).

63.3 (c) Reports from qualified investors must certify that the investor remains invested in
63.4 the qualified small business as required by subdivision 5, paragraph (g).

63.5 (d) Reports from qualified funds must certify that the fund remains invested in the
63.6 qualified small business as required by subdivision 5, paragraph (g).

63.7 (e) A qualified small business that ceases all operations and becomes insolvent must file
63.8 a final annual report in the form required by the commissioner documenting its insolvency.
63.9 In following years the business is exempt from the annual reporting requirement, the report
63.10 filing fee, and the fine for failure to file a report.

63.11 (f) A qualified small business, qualified investor, or qualified fund that fails to file an
63.12 annual report by February 1 as required under this subdivision is subject to a ~~\$500~~ \$100
63.13 fine.

63.14 (g) A qualified investor or qualified fund that fails to file an annual report by April 1
63.15 may, at the commissioner's discretion, have any credit allocated and certified to the investor
63.16 or fund revoked and such credit must be repaid by the investor.

63.17 (h) A qualified business that fails to file an annual report by April 1 may, at the
63.18 commissioner's discretion, be subject to the credit repayment provisions in subdivision 7,
63.19 paragraph (b).

63.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
63.21 31, 2018.

63.22 Sec. 7. Minnesota Statutes 2018, section 116J.8737, subdivision 12, is amended to read:

63.23 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,
63.24 ~~2017~~ 2020, except that reporting requirements under subdivision 6 and revocation of credits
63.25 under subdivision 7 remain in effect through ~~2019~~ 2022 for qualified investors and qualified
63.26 funds, and through ~~2021~~ 2024 for qualified small businesses, reporting requirements under
63.27 subdivision 9 remain in effect through ~~2022~~ 2020, and the appropriation in subdivision 11
63.28 remains in effect through ~~2021~~ 2024.

63.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
63.30 31, 2018.

64.1 Sec. 8. Minnesota Statutes 2018, section 290.0132, subdivision 26, is amended to read:

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

64.5 (b) For married taxpayers filing a joint return and surviving spouses, the maximum
64.6 subtraction equals ~~\$4,500~~ \$6,000. The maximum subtraction is reduced by 20 percent of
64.7 provisional income over ~~\$77,000~~ \$74,000. In no case is the subtraction less than zero.

64.8 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~
64.9 \$4,500. The maximum subtraction is reduced by 20 percent of provisional income over
64.10 ~~\$60,200~~ \$58,700. In no case is the subtraction less than zero.

64.11 (d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~
64.12 \$3,000. The maximum subtraction is reduced by 20 percent of provisional income over
64.13 ~~\$38,500~~ \$37,000. In no case is the subtraction less than zero.

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

64.18 (f) The commissioner shall adjust the maximum subtraction and threshold amounts in
64.19 paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section
64.20 1(f) of the Internal Revenue Code, as amended through December 16, 2016, except that in
64.21 section 1(f)(3)(B) of the Internal Revenue Code the word "~~2016~~ 2018" shall be substituted
64.22 for the word "1992." For ~~2018~~ 2020, the commissioner shall then determine the percentage
64.23 change from the 12 months ending on August 31, ~~2016~~ 2018, to the 12 months ending on
64.24 August 31, ~~2017~~ 2019, and in each subsequent year, from the 12 months ending on August
64.25 31, ~~2016~~ 2018, to the 12 months ending on August 31 of the year preceding the taxable
64.26 year. The determination of the commissioner pursuant to this subdivision must not be
64.27 considered a rule and is not subject to the Administrative Procedure Act contained in chapter
64.28 14, including section 14.386. The maximum subtraction and threshold amounts as adjusted
64.29 must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded
64.30 up to the nearest \$10 amount.

64.31 **EFFECTIVE DATE.** (a) The amendments to paragraphs (b), (c), (d), and (f), except
64.32 for the amendment adding the words "as amended through December 31, 2016," are effective
64.33 for taxable years beginning after December 31, 2018.

65.1 (b) The amendments to paragraphs (a) and (e), and the amendment to paragraph (f)
 65.2 adding the words "as amended through December 31, 2016," are effective retroactively for
 65.3 taxable years beginning after December 31, 2017.

65.4 Sec. 9. Minnesota Statutes 2018, section 290.0671, subdivision 1, is amended to read:

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

65.9 (1) a taxpayer with no qualifying children who has attained the age of 21, but not attained
 65.10 age 65 before the close of the taxable year and is otherwise eligible for a credit under section
 65.11 32 of the Internal Revenue Code may also receive a credit; and

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

65.15 (b) For individuals with no qualifying children, the credit equals 2.10 percent of the first
 65.16 ~~\$6,180~~ \$6,640 of earned income. The credit is reduced by 2.01 percent of earned income
 65.17 or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,730, but in no case
 65.18 is the credit less than zero.

65.19 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first
 65.20 ~~\$11,120~~ \$11,950 of earned income. The credit is reduced by 6.02 percent of earned income
 65.21 or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,770, but in no case
 65.22 is the credit less than zero.

65.23 (d) For individuals with two ~~or more~~ qualifying children, the credit equals 11 percent
 65.24 of the first ~~\$18,240~~ \$14,600 of earned income. The credit is reduced by 10.82 percent of
 65.25 earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$27,000,
 65.26 but in no case is the credit less than zero.

65.27 (e) For individuals with three or more qualifying children, the credit equals 12.38 percent
 65.28 of the first \$19,600 of earned income. The credit is reduced by 10.82 percent of earned
 65.29 income or adjusted gross income, whichever is greater, in excess of \$27,000, but in no case
 65.30 is the credit less than zero.

65.31 (f) For taxpayers eligible for a credit under this section, an additional credit is allowed
 65.32 as follows:

66.1 (1) \$200 for a married filing joint return or a surviving spouse; and

66.2 (2) \$100 for all other taxpayers.

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

66.5 ~~(f)~~ (h) For a person who was a resident for the entire tax year and has earned income
66.6 not subject to tax under this chapter, including income excluded under section 290.0132,
66.7 subdivision 10, the credit must be allocated based on the ratio of federal adjusted gross
66.8 income reduced by the earned income not subject to tax under this chapter over federal
66.9 adjusted gross income. For purposes of this paragraph, the following clauses are not
66.10 considered "earned income not subject to tax under this chapter":

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

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

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

66.15 ~~(g)~~ (i) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,730 in
66.16 paragraph (b), the ~~\$21,190~~ \$22,700 in paragraph (c), ~~and the \$25,130~~ \$27,000 in paragraph
66.17 (d), ~~and the \$27,000 in paragraph (e)~~, after being adjusted for inflation under subdivision
66.18 7, are each increased by ~~\$5,000~~ \$5,840 for married taxpayers filing joint returns. ~~For tax~~
66.19 ~~years beginning after December 31, 2013, the commissioner shall annually adjust the \$5,000~~
66.20 ~~by the percentage determined pursuant to the provisions of section 1(f) of the Internal~~
66.21 ~~Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for~~
66.22 ~~the word "1992."~~ For 2014, the commissioner shall then determine the percent change from
66.23 ~~the 12 months ending on August 31, 2008, to the 12 months ending on August 31, 2013,~~
66.24 ~~and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12~~
66.25 ~~months ending on August 31 of the year preceding the taxable year. The earned income~~
66.26 ~~thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends~~
66.27 ~~in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner~~
66.28 ~~under this subdivision is not a rule under the Administrative Procedure Act.~~

66.29 ~~(h)~~ (j) The commissioner shall construct tables showing the amount of the credit at
66.30 various income levels and make them available to taxpayers. The tables shall follow the
66.31 schedule contained in this subdivision, except that the commissioner may graduate the
66.32 transition between income brackets.

67.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
67.2 31, 2018.

67.3 Sec. 10. Minnesota Statutes 2018, section 290.0671, subdivision 7, is amended to read:

67.4 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit
67.5 and the income thresholds at which the maximum credit begins to be reduced in subdivision
67.6 1, and the additional threshold amount for married taxpayers filing joint returns, must be
67.7 adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant
67.8 to the provisions of section 1(f) of the Internal Revenue Code, as amended through December
67.9 16, 2016, except that in section 1(f)(3)(B) the word "~~2013~~" "2018" shall be substituted for
67.10 the word "1992." For ~~2015~~ 2020, the commissioner shall then determine the percent change
67.11 from the 12 months ending on August 31, ~~2013~~ 2018, to the 12 months ending on August
67.12 31, ~~2014~~ 2019, and in each subsequent year, from the 12 months ending on August 31, ~~2013~~
67.13 2018, to the 12 months ending on August 31 of the year preceding the taxable year. The
67.14 earned income thresholds as adjusted for inflation must be rounded to the nearest \$10
67.15 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The
67.16 determination of the commissioner under this subdivision is not a rule under the
67.17 Administrative Procedure Act.

67.18 **EFFECTIVE DATE.** The amendment adding the words "as amended through December
67.19 16, 2016," is effective retroactively for taxable years beginning after December 31, 2017.
67.20 The remaining amendments are effective for taxable years beginning after December 31,
67.21 2018.

67.22 Sec. 11. Minnesota Statutes 2018, section 290.0684, subdivision 2, is amended to read:

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

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

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

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

68.1 (1) for married couples with adjusted gross income in excess of \$75,000, but not more
 68.2 than ~~\$100,000~~ \$135,000, the maximum credit is reduced by one percent of adjusted gross
 68.3 income in excess of \$75,000 until the maximum credit amount equals \$250; and

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

68.6 ~~(3)~~ (2) for married couples with adjusted gross income in excess of \$135,000, the
 68.7 maximum credit is \$250, reduced by one percent of adjusted gross income in excess of
 68.8 \$135,000.

68.9 (e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum
 68.10 credit must be adjusted for inflation. The commissioner shall adjust the income thresholds
 68.11 by the percentage determined under the provisions of section 1(f) of the Internal Revenue
 68.12 Code, except that in section 1(f)(3)(B) the word "2016" is substituted for the word "1992."
 68.13 For 2018, the commissioner shall then determine the percent change from the 12 months
 68.14 ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in each
 68.15 subsequent year, from the 12 months ending on August 31, 2016, to the 12 months ending
 68.16 on August 31 of the year preceding the taxable year. The income thresholds as adjusted for
 68.17 inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount
 68.18 is rounded up to the nearest \$10 amount. The determination of the commissioner under this
 68.19 subdivision is not subject to chapter 14, including section 14.386.

68.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 68.21 31, 2019.

68.22 **Sec. 12. APPLICATION OF SMALL BUSINESS INVESTMENT TAX CREDIT**
 68.23 **FOR TAXABLE YEAR 2019.**

68.24 Applications for (1) certification as a qualified small business, qualified investor, or
 68.25 qualified fund under Minnesota Statutes, section 116J.8737, subdivisions 2, 3, and 4, and
 68.26 (2) the credit under Minnesota Statutes, section 116J.8737, subdivision 5, for taxable year
 68.27 2019 must be made available on the Department of Employment and Economic
 68.28 Development's website by September 1, 2019. The provisions of Minnesota Statutes, section
 68.29 116J.8737, generally apply to the taxable year 2019 extension of the credit in sections 1 to
 68.30 7.

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

69.1

ARTICLE 3

69.2

SALES AND USE TAX

69.3 Section 1. Minnesota Statutes 2018, section 289A.11, is amended by adding a subdivision
69.4 to read:

69.5 Subd. 4. **Marketplace provider information report.** (a) A marketplace provider required
69.6 to collect and remit sales and use taxes under section 297A.66 shall file an information
69.7 report for each calendar quarter containing the information regarding the sales it facilitates
69.8 for each retailer as required by this section. The report is due on the 30th day following the
69.9 last day of the most recently completed calendar quarter. The commissioner shall prescribe
69.10 the content, format, and manner of the information report pursuant to section 270C.03. The
69.11 report must include each retailer's:

69.12 (1) name, address, and federal employer identification number (FEIN);

69.13 (2) total gross receipts for the period;

69.14 (3) total taxable sales for the period;

69.15 (4) total state sales tax collected and remitted for the period; and

69.16 (5) itemized total of each local sales tax collected and remitted for the period.

69.17 (b) No payment of tax is required to be remitted with the quarterly information report.

69.18 A marketplace provider that fails to file this information report is subject to the penalty
69.19 imposed under section 289A.60, subdivision 29.

69.20 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
69.21 30, 2019.

69.22 Sec. 2. Minnesota Statutes 2018, section 289A.60, subdivision 29, is amended to read:

69.23 Subd. 29. **Penalty for failure to file report ~~liquor sales~~.** In the case of a failure to file
69.24 an informational report required by section 289A.11, subdivision 4, or 297A.8155, with the
69.25 commissioner on or before the ~~date~~ dates prescribed, the person failing to file the report
69.26 shall pay a penalty of \$500 for each failure. If a failure to file a report is intentional, the
69.27 penalty shall be \$1,000 for each failure.

69.28 **EFFECTIVE DATE.** This section is effective for reports first due for sales and purchases
69.29 made after June 30, 2019.

70.1 Sec. 3. Minnesota Statutes 2018, section 297A.66, is amended to read:

70.2 **297A.66 JURISDICTION TO REQUIRE COLLECTION AND REMITTANCE**
 70.3 **OF TAX BY RETAILER.**

70.4 Subdivision 1. **Definitions.** (a) To the extent allowed by the United States Constitution
 70.5 and the laws of the United States, the terms "retailer maintaining a place of business in this
 70.6 state," and "marketplace provider maintaining a place of business in this state," or a similar
 70.7 ~~term, means~~ terms mean a retailer or marketplace provider:

70.8 (1) having or maintaining within this state, directly or by a subsidiary or an affiliate, an
 70.9 office, place of distribution, sales, storage, or sample room or place, warehouse, or other
 70.10 place of business, including the employment of a resident of this state who works from a
 70.11 home office in this state; or

70.12 (2) having a representative, including, but not limited to, an affiliate, agent, salesperson,
 70.13 canvasser, ~~marketplace provider~~, solicitor, or other third party operating in this state under
 70.14 the authority of the retailer or marketplace provider, or its subsidiary, for any purpose,
 70.15 including the repairing, selling, delivering, installing, facilitating sales, processing sales, or
 70.16 soliciting of orders for the retailer's or a retailer's goods or services, or the leasing of tangible
 70.17 personal property located in this state, whether the place of business or agent, representative,
 70.18 affiliate, salesperson, canvasser, or solicitor is located in the state permanently or temporarily,
 70.19 or whether or not the retailer or marketplace provider, subsidiary, or affiliate is authorized
 70.20 to do business in this state. ~~A retailer is represented by a marketplace provider in this state~~
 70.21 ~~if the retailer makes sales in this state facilitated by a marketplace provider that maintains~~
 70.22 ~~a place of business in this state.~~

70.23 ~~(b) "Destination of a sale" means the location to which the retailer makes delivery of~~
 70.24 ~~the property sold, or causes the property to be delivered, to the purchaser of the property,~~
 70.25 ~~or to the agent or designee of the purchaser. The delivery may be made by any means,~~
 70.26 ~~including the United States Postal Service or a for-hire carrier.~~

70.27 ~~(e)~~ (b) To the extent allowed by the United States Constitution and the laws of the United
 70.28 States, the terms "retailer not maintaining a place of business in this state," and "marketplace
 70.29 provider not maintaining a place of business in this state," or similar terms mean a retailer
 70.30 or marketplace provider making or facilitating retail sales from outside this state to a
 70.31 destination within this state and not maintaining a place of business in this state as provided
 70.32 in paragraph (a) that engages in the regular or systematic soliciting of sales from potential
 70.33 customers in this state by:

71.1 (1) distribution, by mail or otherwise, of catalogs, periodicals, advertising flyers, or other
71.2 written solicitations of business to customers in this state;

71.3 (2) advertisements on billboards or other outdoor advertising in this state;

71.4 (3) advertisements in newspapers published in this state;

71.5 (4) advertisements in trade journals or other periodicals the circulation of which is
71.6 primarily within this state;

71.7 (5) advertisements in a Minnesota edition of a national or regional publication or a
71.8 limited regional edition in which this state is included as part of a broader regional or national
71.9 publication that are not placed in other geographically defined editions of the same issue
71.10 of the same publication;

71.11 (6) advertisements in regional or national publications in an edition that is not by its
71.12 contents geographically targeted to Minnesota but is sold over the counter in Minnesota or
71.13 by subscription to Minnesota residents;

71.14 (7) advertisements broadcast on a radio or television station located in Minnesota; or

71.15 (8) any other solicitation by telephone, computer database, cable, optic, microwave, or
71.16 any other communication system, including but not limited to a website accessible from
71.17 within Minnesota.

71.18 The location of independent vendors that provide products or services to a retailer or
71.19 marketplace provider in connection with a retailer or marketplace provider's solicitation of
71.20 customers within this state, including such products and services as creation of copy, printing,
71.21 distribution, and recording is not considered in determining whether the retailer or
71.22 marketplace provider is required to collect tax. Paragraph (b) must be construed without
71.23 regard to the state from which distribution of the materials originated or in which they were
71.24 prepared.

71.25 (c) "Regular or systematic soliciting of sales from potential customers in this state"
71.26 means the retailer not maintaining a place of business in this state or marketplace provider
71.27 not maintaining a place of business in this state is engaged in any of the solicitations listed
71.28 in paragraph (b), and:

71.29 (1) makes or facilitates 100 or more retail sales from outside this state to destinations in
71.30 this state during the prior 12-month period; or

71.31 (2) makes or facilitates retail sales totaling more than \$100,000 from outside this state
71.32 to destinations in this state during the prior 12-month period.

72.1 (d) "Marketplace provider" means any person who facilitates a retail sale by a retailer
72.2 by:

72.3 (1) listing or advertising for sale by the retailer in any forum, tangible personal property,
72.4 services, or digital goods that are subject to tax under this chapter; and

72.5 (2) either directly or indirectly through agreements or arrangements with third parties
72.6 collecting payment from the customer and transmitting that payment to the retailer regardless
72.7 of whether the marketplace provider receives compensation or other consideration in
72.8 exchange for its services.

72.9 ~~(d) "Total taxable retail sales" means the gross receipts from the sale of all tangible~~
72.10 ~~goods, services, and digital goods subject to sales and use tax under this chapter.~~

72.11 (e) "Destination of a sale" means the location to which the retailer makes delivery of
72.12 the property sold, or causes the property to be delivered, to the purchaser of the property,
72.13 or to the agent or designee of the purchaser. The delivery may be made by any means,
72.14 including the United States Postal Service or a for-hire carrier.

72.15 Subd. 2. ~~Retailer maintaining place of business in this state~~ Collection and remittance
72.16 requirements for retailers and marketplace providers. (a) Except as provided in paragraph
72.17 ~~(b)~~ (d), a retailer maintaining a place of business in this state and a retailer not maintaining
72.18 a place of business in this state who makes retail sales in Minnesota or to a destination in
72.19 Minnesota shall collect sales and use taxes and remit them to the commissioner under section
72.20 297A.77 for all retail sales other than those facilitated by a marketplace provider maintaining
72.21 a place of business in this state or a marketplace provider not maintaining a place of business
72.22 in this state that is required to collect and remit sales and use taxes under paragraph (b).

72.23 ~~(b) A retailer with total taxable retail sales to customers in this state of less than \$10,000~~
72.24 ~~in the 12-month period ending on the last day of the most recently completed calendar~~
72.25 ~~quarter is not required to collect and remit sales tax if it is determined to be a retailer~~
72.26 ~~maintaining a place of business in the state solely because it made sales through one or more~~
72.27 ~~marketplace providers. The provisions of this paragraph do not apply to a retailer that is or~~
72.28 ~~was registered to collect sales and use tax in this state. Except as provided in paragraph (d),~~
72.29 a marketplace provider maintaining a place of business in this state and a marketplace
72.30 provider not maintaining a place of business in this state who facilitates retail sales in
72.31 Minnesota or to a destination in Minnesota shall collect sales and use taxes and remit them
72.32 to the commissioner under section 297A.77 unless:

73.1 (1) the retailer provides a copy of the retailer's registration to collect sales and use taxes
 73.2 in this state to the marketplace provider before the marketplace provider facilitates a sale
 73.3 on behalf of the retailer; or

73.4 (2) upon inquiry by the marketplace provider or its agent, the commissioner discloses
 73.5 that the retailer is registered to collect sales and use taxes in this state.

73.6 (c) Nothing in paragraph (b) shall be construed to interfere with the ability of a
 73.7 marketplace provider and a retailer to enter into an agreement regarding fulfillment of the
 73.8 requirements of this chapter.

73.9 (d) A retailer not maintaining a place of business in this state and a marketplace provider
 73.10 not maintaining a place of business in this state shall:

73.11 (1) begin collecting and remitting sales and use taxes to the commissioner on the first
 73.12 day of a calendar month occurring no later than 60 days after the retailer or marketplace
 73.13 provider engages in regular or systematic soliciting of sales from potential customers in this
 73.14 state; and

73.15 (2) continue to collect and remit sales and use taxes to the commissioner until at least
 73.16 the last day of the 12th calendar month following the calendar month in which the retailer
 73.17 or marketplace provider began collecting and remitting sales and use taxes under clause
 73.18 (1).

73.19 (e) A retailer not maintaining a place of business in this state and a marketplace provider
 73.20 not maintaining a place of business in this state may cease collecting and remitting sales
 73.21 and use taxes to the commissioner after the period in paragraph (d), clause (2), if the retailer
 73.22 or marketplace provider no longer engages in regular or systematic soliciting of sales from
 73.23 potential customers in this state.

73.24 (f) A retailer or marketplace provider may cease collecting and remitting sales and use
 73.25 taxes under paragraph (e) only after notifying the commissioner that the retailer or
 73.26 marketplace provider is no longer engaged in the regular or systematic soliciting of sales
 73.27 from potential customers in this state. The commissioner shall prescribe the content, format,
 73.28 and manner of the notification pursuant to section 270C.30. If a retailer or marketplace
 73.29 provider subsequently engages in regular or systematic soliciting of sales from potential
 73.30 customers in this state, the retailer shall again comply with the requirements of paragraph
 73.31 (d).

73.32 Subd. 3. ~~Retailer not maintaining place of business in this state~~ Marketplace provider
 73.33 liability. (a) To the extent allowed by the United States Constitution and in accordance with

74.1 ~~the terms and conditions of federal remote seller law, a retailer making retail sales from~~
74.2 ~~outside this state to a destination within this state and not maintaining a place of business~~
74.3 ~~in this state shall collect sales and use taxes and remit them to the commissioner under~~
74.4 ~~section 297A.77.~~

74.5 ~~(b) To the extent allowed by the United States Constitution and the laws of the United~~
74.6 ~~States, a retailer making retail sales from outside this state to a destination within this state~~
74.7 ~~and not maintaining a place of business in this state shall collect sales and use taxes and~~
74.8 ~~remit them to the commissioner under section 297A.77, if the retailer engages in the regular~~
74.9 ~~or systematic soliciting of sales from potential customers in this state by:~~

74.10 ~~(1) distribution, by mail or otherwise, of catalogs, periodicals, advertising flyers, or other~~
74.11 ~~written solicitations of business to customers in this state;~~

74.12 ~~(2) display of advertisements on billboards or other outdoor advertising in this state;~~

74.13 ~~(3) advertisements in newspapers published in this state;~~

74.14 ~~(4) advertisements in trade journals or other periodicals the circulation of which is~~
74.15 ~~primarily within this state;~~

74.16 ~~(5) advertisements in a Minnesota edition of a national or regional publication or a~~
74.17 ~~limited regional edition in which this state is included as part of a broader regional or national~~
74.18 ~~publication which are not placed in other geographically defined editions of the same issue~~
74.19 ~~of the same publication;~~

74.20 ~~(6) advertisements in regional or national publications in an edition which is not by its~~
74.21 ~~contents geographically targeted to Minnesota but which is sold over the counter in Minnesota~~
74.22 ~~or by subscription to Minnesota residents;~~

74.23 ~~(7) advertisements broadcast on a radio or television station located in Minnesota; or~~

74.24 ~~(8) any other solicitation by telegraphy, telephone, computer database, cable, optic,~~
74.25 ~~microwave, or other communication system.~~

74.26 ~~This paragraph must be construed without regard to the state from which distribution~~
74.27 ~~of the materials originated or in which they were prepared.~~

74.28 ~~(c) The location within or without this state of independent vendors that provide products~~
74.29 ~~or services to the retailer in connection with its solicitation of customers within this state,~~
74.30 ~~including such products and services as creation of copy, printing, distribution, and recording,~~
74.31 ~~is not considered in determining whether the retailer is required to collect tax.~~

75.1 ~~(d) A retailer not maintaining a place of business in this state is presumed, subject to~~
 75.2 ~~rebuttal, to be engaged in regular solicitation within this state if it engages in any of the~~
 75.3 ~~activities in paragraph (b) and:~~

75.4 ~~(1) makes 100 or more retail sales from outside this state to destinations in this state~~
 75.5 ~~during a period of 12 consecutive months; or~~

75.6 ~~(2) makes ten or more retail sales totaling more than \$100,000 from outside this state~~
 75.7 ~~to destinations in this state during a period of 12 consecutive months.~~

75.8 (a) A marketplace provider is subject to audit on the retail sales it facilitates if it is
 75.9 required to collect sales and use taxes and remit them to the commissioner under subdivision
 75.10 2, paragraphs (b) and (c).

75.11 (b) A marketplace provider is not liable for failing to file, collect, and remit sales and
 75.12 use taxes to the commissioner if the marketplace provider demonstrates that the error was
 75.13 due to incorrect or insufficient information given to the marketplace provider by the retailer.
 75.14 This paragraph does not apply if the marketplace provider and the marketplace retailer are
 75.15 related as defined in subdivision 4, paragraph (b).

75.16 Subd. 4. **Affiliated entities.** (a) An entity is an "affiliate" of the retailer for purposes of
 75.17 subdivision 1, paragraph (a), if the entity:

75.18 (1) uses its facilities or employees in this state to advertise, promote, or facilitate the
 75.19 establishment or maintenance of a market for sales of items by the retailer to purchasers in
 75.20 this state or for the provision of services to the retailer's purchasers in this state, such as
 75.21 accepting returns of purchases for the retailer, providing assistance in resolving customer
 75.22 complaints of the retailer, or providing other services;

75.23 (2) has the same or a similar business name to the retailer and sells, from a location or
 75.24 locations in this state, tangible personal property, digital goods, or services, taxable under
 75.25 this chapter, that are similar to that sold by the retailer;

75.26 (3) maintains an office, distribution facility, salesroom, warehouse, storage place, or
 75.27 other similar place of business in this state to facilitate the delivery of tangible personal
 75.28 property, digital goods, or services sold by the retailer to its customers in this state;

75.29 (4) maintains a place of business in this state and uses trademarks, service marks, or
 75.30 trade names in this state that are the same or substantially similar to those used by the retailer,
 75.31 and that use is done with the express or implied consent of the holder of the marks or names;

76.1 (5) delivers, installs, or assembles tangible personal property in this state, or performs
76.2 maintenance or repair services on tangible personal property in this state, for tangible
76.3 personal property sold by the retailer;

76.4 (6) facilitates the delivery of tangible personal property to customers of the retailer by
76.5 allowing the customers to pick up tangible personal property sold by the retailer at a place
76.6 of business the entity maintains in this state; or

76.7 (7) shares management, business systems, business practices, or employees with the
76.8 retailer, or engages in intercompany transactions with the retailer related to the activities
76.9 that establish or maintain the market in this state of the retailer.

76.10 (b) Two entities are related parties under this section if one of the entities meets at least
76.11 one of the following tests with respect to the other entity:

76.12 (1) one or both entities is a corporation, and one entity and any party related to that entity
76.13 in a manner that would require an attribution of stock from the corporation to the party or
76.14 from the party to the corporation under the attribution rules of section 318 of the Internal
76.15 Revenue Code owns directly, indirectly, beneficially, or constructively at least 50 percent
76.16 of the value of the corporation's outstanding stock;

76.17 (2) one or both entities is a partnership, estate, or trust and any partner or beneficiary,
76.18 and the partnership, estate, or trust and its partners or beneficiaries own directly, indirectly,
76.19 beneficially, or constructively, in the aggregate, at least 50 percent of the profits, capital,
76.20 stock, or value of the other entity or both entities;

76.21 (3) an individual stockholder and the members of the stockholder's family (as defined
76.22 in section 318 of the Internal Revenue Code) owns directly, indirectly, beneficially, or
76.23 constructively, in the aggregate, at least 50 percent of the value of both entities' outstanding
76.24 stock;

76.25 (4) the entities are related within the meaning of subsections (b) and (c) of section 267
76.26 or 707(b)(1) of the Internal Revenue Code; or

76.27 (5) the entities have one or more ownership relationships and the relationships were
76.28 designed with a principal purpose of avoiding the application of this section.

76.29 (c) An entity is an affiliate under the provisions of this subdivision if the requirements
76.30 of paragraphs (a) and (b) are met during any part of the 12-month period ending on the first
76.31 day of the month before the month in which the sale was made.

77.1 Subd. 4a. **Solicitor.** (a) "Solicitor," for purposes of subdivision 1, paragraph (a), means
 77.2 a person, whether an independent contractor or other representative, who directly or indirectly
 77.3 solicits business for the retailer.

77.4 (b) A retailer is presumed to have a solicitor in this state if it enters into an agreement
 77.5 with a resident under which the resident, for a commission or other substantially similar
 77.6 consideration, directly or indirectly refers potential customers, whether by a link on an
 77.7 Internet website, or otherwise, to the seller. This paragraph only applies if the total gross
 77.8 receipts are at least \$10,000 in the 12-month period ending on the last day of the most recent
 77.9 calendar quarter before the calendar quarter in which the sale is made. For purposes of this
 77.10 paragraph, gross receipts means receipts from sales to customers located in the state who
 77.11 were referred to the retailer by all residents with this type of agreement with the retailer.

77.12 (c) The presumption under paragraph (b) may be rebutted by proof that the resident with
 77.13 whom the seller has an agreement did not engage in any solicitation in the state on behalf
 77.14 of the retailer that would satisfy the nexus requirement of the United States Constitution
 77.15 during the 12-month period in question. Nothing in this section shall be construed to narrow
 77.16 the scope of the terms affiliate, agent, salesperson, canvasser, or other representative for
 77.17 purposes of subdivision 1, paragraph (a).

77.18 (d) For purposes of this subdivision, "resident" includes an individual who is a resident
 77.19 of this state, as defined in section 290.01, or a business that owns tangible personal property
 77.20 located in this state or has one or more employees providing services for the business in
 77.21 this state.

77.22 (e) This subdivision does not apply to chapter 290 and does not expand or contract the
 77.23 jurisdiction to tax a trade or business under chapter 290.

77.24 ~~Subd. 4b. **Collection and remittance requirements for marketplace providers and**~~
 77.25 ~~**marketplace retailers.** (a) A marketplace provider shall collect sales and use taxes and~~
 77.26 ~~remit them to the commissioner under section 297A.77 for all facilitated sales for a retailer,~~
 77.27 ~~and is subject to audit on the retail sales it facilitates unless either:~~

77.28 ~~(1) the retailer provides a copy of the retailer's registration to collect sales and use tax~~
 77.29 ~~in this state to the marketplace provider before the marketplace provider facilitates a sale;~~
 77.30 ~~or~~

77.31 ~~(2) upon inquiry by the marketplace provider or its agent, the commissioner discloses~~
 77.32 ~~that the retailer is registered to collect sales and use taxes in this state.~~

78.1 ~~(b) Nothing in this subdivision shall be construed to interfere with the ability of a~~
 78.2 ~~marketplace provider and a retailer to enter into an agreement regarding fulfillment of the~~
 78.3 ~~requirements of this chapter.~~

78.4 ~~(c) A marketplace provider is not liable under this subdivision for failure to file and~~
 78.5 ~~collect and remit sales and use taxes if the marketplace provider demonstrates that the error~~
 78.6 ~~was due to incorrect or insufficient information given to the marketplace provider by the~~
 78.7 ~~retailer. This paragraph does not apply if the marketplace provider and the marketplace~~
 78.8 ~~retailer are related as defined in subdivision 4, paragraph (b).~~

78.9 Subd. 5. **Withdrawal from streamlined sales and use tax agreement.** If the state has
 78.10 withdrawn its membership or been expelled from the streamlined sales and use tax agreement,
 78.11 it shall not use a seller's registration with the central registration system and the collection
 78.12 of sales and use taxes in the state as a factor in determining whether the seller has nexus
 78.13 with that state for any tax at any time.

78.14 Subd. 6. **Lodging services.** An accommodations intermediary shall collect sales tax and
 78.15 remit it to the commissioner under section 297A.77 for services provided in connection
 78.16 with or for lodging located in this state.

78.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 78.18 September 30, 2019.

78.19 Sec. 4. Minnesota Statutes 2018, section 297A.68, subdivision 42, is amended to read:

78.20 Subd. 42. **Qualified data centers.** (a) Purchases of enterprise information technology
 78.21 equipment and computer software are exempt from tax as follows:

78.22 (1) purchases of enterprise information technology equipment and computer software,
 78.23 and replacements or upgrades to the equipment, for use in a qualified data center, or a
 78.24 qualified refurbished data center, are exempt;

78.25 (2) purchases of prewritten computer software, and replacements or upgrades to the
 78.26 software, for use by or in a qualified data center or a qualified refurbished data center are
 78.27 exempt as follows:

78.28 (i) for purchases prior to July 1, 2019, software that is loaded at the data center and either
 78.29 operates, maintains, or monitors the enterprise information technology equipment exempt
 78.30 under clause (1), or manages, manipulates, analyzes, collects, stores, processes, distributes,
 78.31 or allows access to large amounts of data, or any other similar functions related to the data,
 78.32 at the qualified data center or qualified refurbished data center, is exempt. This exemption
 78.33 does not apply to software that is distributed to users outside of the facility;

79.1 (ii) for purchases after June 30, 2019, all software that is loaded at the data center is
79.2 exempt, including software that is distributed to users outside of the facility, but the refund
79.3 provided in paragraph (c) is limited to 50 percent of the tax paid on the software; and

79.4 (iii) purchases of software exempt under this clause include licenses to use the software
79.5 and maintenance agreements for the software, except that computer software maintenance
79.6 agreements are exempt for purchases made after June 30, 2013-; and

79.7 (3) the tax on purchases exempt under this paragraph must be imposed and collected as
79.8 if the rate under section 297A.62, subdivision 1, applied, and then refunded after June 30,
79.9 2013, in the manner provided under clause (2), item (ii), and in section 297A.75. This
79.10 ~~exemption includes enterprise information technology equipment and computer software~~
79.11 ~~purchased to replace or upgrade enterprise information technology equipment and computer~~
79.12 ~~software in a qualified data center, or a qualified refurbished data center.~~

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

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

79.16 (1) that is comprised of one or more buildings that consist in the aggregate of at least
79.17 25,000 square feet, and that are located on a single parcel or on contiguous parcels, where
79.18 the total cost of construction or refurbishment, investment in enterprise information
79.19 technology equipment, and computer software is at least \$30,000,000 within a 48-month
79.20 period. The 48-month period begins no sooner than July 1, 2012, except that costs for
79.21 computer software maintenance agreements purchased before July 1, 2013, are not included
79.22 in determining if the \$30,000,000 threshold has been met;

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

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

79.28 (ii) building improvements; and

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

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

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

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

80.5 In determining whether the facility has the required square footage, the square footage
 80.6 of the following spaces shall be included if the spaces support the operation of enterprise
 80.7 information technology equipment: office space, meeting space, and mechanical and other
 80.8 support facilities. For purposes of meeting investment and square footage criteria in this
 80.9 subdivision paragraph, "computer software" ~~includes, but is not limited to, software utilized~~
 80.10 ~~or loaded at a qualified data center or qualified refurbished data center, including~~
 80.11 ~~maintenance, licensing,~~ means both software that is exempt under paragraph (a), clause (2),
 80.12 and software customization.

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

80.19 (e) For purposes of this subdivision, "enterprise information technology equipment"
 80.20 means computers and equipment supporting computing, networking, or data storage,
 80.21 including servers and routers. It includes, but is not limited to: cooling systems, cooling
 80.22 towers, and other temperature control infrastructure; power infrastructure for transformation,
 80.23 distribution, or management of electricity used for the maintenance and operation of a
 80.24 qualified data center or qualified refurbished data center, including but not limited to exterior
 80.25 dedicated business-owned substations, backup power generation systems, battery systems,
 80.26 and related infrastructure; and racking systems, cabling, and trays, which are necessary for
 80.27 the maintenance and operation of the qualified data center or qualified refurbished data
 80.28 center.

80.29 (f) A qualified data center or qualified refurbished data center may claim the following:

80.30 (1) the exemptions in this subdivision provided under paragraphs (a), clause (1), and
 80.31 (b), for purchases made either within 20 years of the date of its first purchase qualifying for
 80.32 the exemption exemptions under paragraph (a), or by June 30, 2042, whichever is earlier;

80.33 (2) where the first purchase qualifying for the exemptions under paragraph (a) was made
 80.34 between July 1, 2012, and June 30, 2014, the exemption provided under paragraph (a),

81.1 clause (2), item (i), for those purchases of software made within a period starting on the
81.2 date of the first purchase qualifying for the exemption under paragraph (a) and ending with
81.3 the last purchase made prior to July 1, 2019;

81.4 (3) where the first purchase qualifying for the exemptions under paragraph (a) was made
81.5 after June 30, 2019, the exemption provided under paragraph (a), clause (2), item (ii), for
81.6 purchases of software made within five years of the date of its first purchase qualifying for
81.7 the exemption under paragraph (a), or by June 30, 2042, whichever is earlier;

81.8 (4) where the first purchase qualifying for the exemptions under paragraph (a) was made
81.9 between July 1, 2014, and June 30, 2019, the exemption provided under paragraph (a),
81.10 clause (2), item (i), for purchases of software made prior to July 1, 2019, and the exemption
81.11 provided under paragraph (a), clause (2), item (ii), for purchases of software made after
81.12 June 30, 2019, for purchases made within five years of the first purchase qualifying for the
81.13 exemptions under paragraph (a); and

81.14 (5) notwithstanding clauses (2) to (4), and paragraph (a), clause (2), a qualified data
81.15 center or qualified refurbished data center may claim the exemption for purchases of software
81.16 under paragraph (a), clause (2), during only one exemption period, as described in either
81.17 clause (2), (3), or (4), per data center location. If the commissioner of employment and
81.18 economic development subsequently certifies the data center as newly meeting the
81.19 requirements under paragraph (c) or (d) at the same data center location, a data center that
81.20 previously qualified for the exemption on purchases of software under paragraph (a), clause
81.21 (2), as either a qualified data center or a qualified refurbished data center for the relevant
81.22 period described in clause (2), (3), or (4), is not eligible for the exemption on purchases of
81.23 software under the subsequent certification.

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

81.26 (h) This subdivision is effective for sales and purchases made before July 1, 2042, as
81.27 limited by paragraph (f).

81.28 (i) The commissioner of employment and economic development must certify to the
81.29 commissioner of revenue, in a format approved by the commissioner of revenue, when a
81.30 qualified data center has met the requirements under paragraph (c) or a qualified refurbished
81.31 data center has met the requirements under paragraph (d). The certification must provide
81.32 the following information regarding each qualified data center or qualified refurbished data
81.33 center:

81.34 (1) the total square footage amount;

82.1 (2) the total amount of construction or refurbishment costs and the total amount of
82.2 qualifying investments in enterprise information technology equipment and computer
82.3 software; and

82.4 (3) the beginning and ending of the applicable period under either paragraph (c) or (d)
82.5 in which the qualifying expenditures and purchases under clause (2) were made, but in no
82.6 case shall the period begin before July 1, 2012;

82.7 (j) Any refund for sales tax paid on qualifying purchases under this subdivision must
82.8 not be issued unless the commissioner of revenue has received the certification required
82.9 under paragraph (i) either from the commissioner of employment and economic development
82.10 or the qualified data center or qualified refurbished data center claiming the refund; and

82.11 (k) The commissioner of employment and economic development must annually notify
82.12 the commissioner of revenue of the qualified data centers that are projected to meet the
82.13 requirements under paragraph (c) and the qualified refurbished data centers that are projected
82.14 to meet the requirements under paragraph (d) in each of the next four years. The notification
82.15 must provide the information required under paragraph (i), clauses (1) to (3), for each
82.16 qualified data center or qualified refurbished data center.

82.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
82.18 30, 2019; except that paragraph (a), clause (2), item (i), and those portions of paragraph (f)
82.19 relating to the exemption provided under paragraph (a), clause (2), item (i), are effective
82.20 retroactively to the first purchase qualifying for the exemptions under paragraph (a) made
82.21 after June 30, 2012, for sales and purchases of software made prior to July 1, 2019.

82.22 Sec. 5. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to
82.23 read:

82.24 **Subd. 51. Construction materials purchased by contractors; exemption for certain**
82.25 **entities.** (a) Building, construction, or reconstruction materials, supplies, and equipment
82.26 purchased by a contractor, subcontractor, or builder and used or consumed in or incorporated
82.27 into buildings or facilities used principally by the following entities are exempt:

82.28 (1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c);

82.29 (2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d);

82.30 (3) hospitals and nursing homes owned and operated by political subdivisions of the
82.31 state, as described under section 297A.70, subdivision 2, paragraph (a), clause (3);

83.1 (4) county law libraries under chapter 134A and public libraries, regional public library
 83.2 systems, and multicounty, multitype library systems, as defined in section 134.001;

83.3 (5) nonprofit groups, as defined under section 297A.70, subdivision 4;

83.4 (6) hospitals, outpatient surgical centers, and critical access dental providers, as defined
 83.5 under section 297A.70, subdivision 7; and

83.6 (7) nursing homes and boarding care homes, as defined under section 297A.70,
 83.7 subdivision 18.

83.8 (b) Materials and supplies used or consumed in, and equipment incorporated into, the
 83.9 construction, reconstruction, repair, maintenance, or improvement of public infrastructure
 83.10 of any kind including but not limited to roads, bridges, culverts, drinking water facilities,
 83.11 and wastewater facilities, purchased by a contractor, subcontractor, or builder as part of a
 83.12 contract with the following entities are exempt:

83.13 (1) school districts, as defined under section 297A.70, subdivision 2, paragraph (c); or

83.14 (2) local governments, as defined under section 297A.70, subdivision 2, paragraph (d).

83.15 (c) The tax on purchases exempt under this subdivision must be imposed and collected
 83.16 as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner
 83.17 provided in section 297A.75.

83.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
 83.19 30, 2019.

83.20 Sec. 6. Minnesota Statutes 2018, section 297A.75, subdivision 1, is amended to read:

83.21 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
 83.22 exempt items must be imposed and collected as if the sale were taxable and the rate under
 83.23 section 297A.62, subdivision 1, applied. The exempt items include:

83.24 (1) building materials for an agricultural processing facility exempt under section
 83.25 297A.71, subdivision 13;

83.26 (2) building materials for mineral production facilities exempt under section 297A.71,
 83.27 subdivision 14;

83.28 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

83.29 (4) building materials used in a residence for disabled veterans exempt under section
 83.30 297A.71, subdivision 11;

83.31 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

84.1 (6) materials and supplies for qualified low-income housing under section 297A.71,
84.2 subdivision 23;

84.3 (7) materials, supplies, and equipment for municipal electric utility facilities under
84.4 section 297A.71, subdivision 35;

84.5 (8) equipment and materials used for the generation, transmission, and distribution of
84.6 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
84.7 37;

84.8 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
84.9 (a), clause (10);

84.10 (10) materials, supplies, and equipment for construction or improvement of projects and
84.11 facilities under section 297A.71, subdivision 40;

84.12 (11) materials, supplies, and equipment for construction, improvement, or expansion
84.13 of:

84.14 (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,
84.15 section 297A.71, subdivision 42;

84.16 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
84.17 45;

84.18 (iii) a research and development facility exempt under Minnesota Statutes 2014, section
84.19 297A.71, subdivision 46; and

84.20 (iv) an industrial measurement manufacturing and controls facility exempt under
84.21 Minnesota Statutes 2014, section 297A.71, subdivision 47;

84.22 (12) enterprise information technology equipment and computer software for use in a
84.23 qualified data center exempt under section 297A.68, subdivision 42;

84.24 (13) materials, supplies, and equipment for qualifying capital projects under section
84.25 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

84.26 (14) items purchased for use in providing critical access dental services exempt under
84.27 section 297A.70, subdivision 7, paragraph (c);

84.28 (15) items and services purchased under a business subsidy agreement for use or
84.29 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
84.30 44;

85.1 (16) building materials, equipment, and supplies for constructing or replacing real
85.2 property exempt under section 297A.71, subdivision 49; ~~and~~

85.3 (17) building materials, equipment, and supplies for constructing or replacing real
85.4 property exempt under section 297A.71, subdivision 50, paragraph (b); and

85.5 (18) building construction or reconstruction materials, supplies, and equipment exempt
85.6 under section 297A.71, subdivision 51.

85.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
85.8 30, 2019.

85.9 Sec. 7. Minnesota Statutes 2018, section 297A.75, subdivision 2, is amended to read:

85.10 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the
85.11 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items,
85.12 except as otherwise provided in this chapter, must be paid to the applicant. Only the following
85.13 persons may apply for the refund:

85.14 (1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

85.15 (2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

85.16 (3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits
85.17 provided in United States Code, title 38, chapter 21;

85.18 (4) for subdivision 1, clause (5), the applicant must be the owner of the homestead
85.19 property;

85.20 (5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

85.21 (6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a
85.22 joint venture of municipal electric utilities;

85.23 (7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying
85.24 business;

85.25 (8) for subdivision 1, clauses (9), (10), and (13), the applicant must be the governmental
85.26 entity that owns or contracts for the project or facility;

85.27 (9) for subdivision 1, clause (16), the applicant must be the owner or developer of the
85.28 building or project; ~~and~~

85.29 (10) for subdivision 1, clause (17), the applicant must be the owner or developer of the
85.30 building or project; and

86.1 (11) for subdivision 1, clause (18), the applicant must be the entity:

86.2 (i) listed in section 297A.71, subdivision 51, paragraph (a), that principally uses the
86.3 building or facility; or

86.4 (ii) listed in section 297A.71, subdivision 51, paragraph (b), that contracts with a
86.5 contractor, subcontractor, or builder for the public infrastructure project.

86.6 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
86.7 30, 2019.

86.8 Sec. 8. Minnesota Statutes 2018, section 297A.75, subdivision 3, is amended to read:

86.9 Subd. 3. **Application.** (a) The application must include sufficient information to permit
86.10 the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor,
86.11 or builder, under subdivision 1, clauses (3) to (13) or (15) to ~~(17)~~ (18), the contractor,
86.12 subcontractor, or builder must furnish to the refund applicant a statement including the cost
86.13 of the exempt items and the taxes paid on the items unless otherwise specifically provided
86.14 by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under
86.15 this section.

86.16 (b) An applicant may not file more than two applications per calendar year for refunds
86.17 for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

86.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
86.19 30, 2019.

86.20 Sec. 9. Minnesota Statutes 2018, section 297A.83, subdivision 1, is amended to read:

86.21 Subdivision 1. **Persons applying.** (a) A ~~retailer~~ person required to collect and remit
86.22 sales taxes under section 297A.66 shall file with the commissioner an application for a
86.23 permit.

86.24 (b) A retailer making retail sales from outside this state to a destination within this state
86.25 who is not required to obtain a permit under paragraph (a) may nevertheless voluntarily file
86.26 an application for a permit.

86.27 (c) The commissioner may require any person or class of persons obligated to file a use
86.28 tax return under section 289A.11, subdivision 3, to file an application for a permit.

86.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
86.30 30, 2019.

87.1

ARTICLE 4

87.2

PROPERTY TAXES

87.3 Section 1. Minnesota Statutes 2018, section 272.115, subdivision 1, is amended to read:

87.4 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7,
87.5 whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by
87.6 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
87.7 grantee or the legal agent of either shall file a certificate of value with the county auditor
87.8 in the county in which the property is located when the deed or other document is presented
87.9 for recording. Contract for deeds are subject to recording under section 507.235, subdivision
87.10 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration
87.11 thereof, paid or to be paid, including the amount of any lien or liens assumed. The items
87.12 and value of personal property transferred with the real property must be listed and deducted
87.13 from the sale price. The certificate of value shall include the classification to which the
87.14 property belongs for the purpose of determining the fair market value of the property, and
87.15 shall include any proposed change in use of the property known to the person filing the
87.16 certificate that could change the classification of the property. The certificate shall include
87.17 financing terms and conditions of the sale which are necessary to determine the actual,
87.18 present value of the sale price for purposes of the sales ratio study. If the property is being
87.19 acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code
87.20 of 1986, as amended through December 31, 2006, that must be indicated on the certificate.
87.21 The commissioner of revenue shall promulgate administrative rules specifying the financing
87.22 terms and conditions which must be included on the certificate. The certificate of value
87.23 must include the Social Security number or the federal employer identification number of
87.24 the grantors and grantees. However, a married person who is not an owner of record and
87.25 who is signing a conveyance instrument along with the person's spouse solely to release
87.26 and convey their marital interest, if any, in the real property being conveyed is not a grantor
87.27 for the purpose of the preceding sentence. A statement in the deed that is substantially in
87.28 the following form is sufficient to allow the county auditor to accept a certificate for filing
87.29 without the Social Security number of the named spouse: "(Name) claims no ownership
87.30 interest in the real property being conveyed and is executing this instrument solely to release
87.31 and convey a marital interest, if any, in that real property." The identification numbers of
87.32 the grantors and grantees are private data on individuals or nonpublic data as defined in
87.33 section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or
87.34 nonpublic data may be disclosed to the commissioner of revenue for purposes of tax
87.35 administration. The information required to be shown on the certificate of value is limited

88.1 to the information required as of the date of the acknowledgment on the deed or other
88.2 document to be recorded.

88.3 **EFFECTIVE DATE.** This section is effective for certificates of value filed after
88.4 December 31, 2019.

88.5 Sec. 2. Minnesota Statutes 2018, section 273.124, subdivision 13, is amended to read:

88.6 Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements
88.7 under subdivision 1 must file a homestead application with the county assessor to initially
88.8 obtain homestead classification.

88.9 (b) The commissioner shall prescribe the content, format, and manner of the homestead
88.10 application required to be filed under this chapter pursuant to section 270C.30. The
88.11 application must clearly inform the taxpayer that this application must be signed by all
88.12 owners who occupy the property or by the qualifying relative and returned to the county
88.13 assessor in order for the property to receive homestead treatment.

88.14 (c) Every property owner applying for homestead classification must furnish to the
88.15 county assessor the Social Security number or individual tax identification number of each
88.16 occupant who is listed as an owner of the property on the deed of record, the name and
88.17 address of each owner who does not occupy the property, and the name and Social Security
88.18 number or individual tax identification number of each owner's spouse. The application
88.19 must be signed by each owner who occupies the property and by each owner's spouse who
88.20 occupies the property, or, in the case of property that qualifies as a homestead under
88.21 subdivision 1, paragraph (c), by the qualifying relative.

88.22 If a property owner occupies a homestead, the property owner's spouse may not claim
88.23 another property as a homestead unless the property owner and the property owner's spouse
88.24 file with the assessor an affidavit or other proof required by the assessor stating that the
88.25 property qualifies as a homestead under subdivision 1, paragraph (e).

88.26 Owners or spouses occupying residences owned by their spouses and previously occupied
88.27 with the other spouse, either of whom fail to include the other spouse's name and Social
88.28 Security number or individual tax identification number on the homestead application or
88.29 provide the affidavits or other proof requested, will be deemed to have elected to receive
88.30 only partial homestead treatment of their residence. The remainder of the residence will be
88.31 classified as nonhomestead residential. When an owner or spouse's name and Social Security
88.32 number or individual tax identification number appear on homestead applications for two

89.1 separate residences and only one application is signed, the owner or spouse will be deemed
89.2 to have elected to homestead the residence for which the application was signed.

89.3 (d) If residential real estate is occupied and used for purposes of a homestead by a relative
89.4 of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for
89.5 the property to receive homestead status, a homestead application must be filed with the
89.6 assessor. The Social Security number or individual tax identification number of each relative
89.7 occupying the property and the name and Social Security number or individual tax
89.8 identification number of the spouse of a relative occupying the property shall be required
89.9 on the homestead application filed under this subdivision. If a different relative of the owner
89.10 subsequently occupies the property, the owner of the property must notify the assessor
89.11 within 30 days of the change in occupancy. The Social Security number or individual tax
89.12 identification number of a relative occupying the property or the spouse of a relative
89.13 occupying the property is private data on individuals as defined by section 13.02, subdivision
89.14 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding
89.15 under the Revenue Recapture Act to recover personal property taxes owing, to the county
89.16 treasurer.

89.17 (e) The homestead application shall also notify the property owners that if the property
89.18 is granted homestead status for any assessment year, that same property shall remain
89.19 classified as homestead until the property is sold or transferred to another person, or the
89.20 owners, the spouse of the owner, or the relatives no longer use the property as their
89.21 homestead. Upon the sale or transfer of the homestead property, a certificate of value must
89.22 be timely filed with the county auditor as provided under section 272.115. Failure to notify
89.23 the assessor within 30 days that the property has been sold, transferred, or that the owner,
89.24 the spouse of the owner, or the relative is no longer occupying the property as a homestead,
89.25 shall result in the penalty provided under this subdivision and the property will lose its
89.26 current homestead status.

89.27 (f) If a homestead application has not been filed with the county by December 15, the
89.28 assessor shall classify the property as nonhomestead for the current assessment year for
89.29 taxes payable in the following year, provided that the owner may be entitled to receive the
89.30 homestead classification by proper application under section 375.192.

89.31 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in
89.32 2019 and thereafter.

90.1 Sec. 3. Minnesota Statutes 2018, section 273.124, subdivision 13c, is amended to read:

90.2 Subd. 13c. **Property lists.** In addition to lists of homestead properties, the commissioner
 90.3 may ask the counties to furnish lists of all properties and the record owners. The Social
 90.4 Security numbers, individual tax identification numbers, and federal identification numbers
 90.5 that are maintained by a county or city assessor for property tax administration purposes,
 90.6 and that may appear on the lists retain their classification as private or nonpublic data; but
 90.7 may be viewed, accessed, and used by the county auditor or treasurer of the same county
 90.8 for the limited purpose of assisting the commissioner in the preparation of microdata samples
 90.9 under section 270C.12. The commissioner shall use the information provided on the lists
 90.10 as appropriate under the law, including for the detection of improper claims by owners, or
 90.11 relatives of owners, under chapter 290A.

90.12 **EFFECTIVE DATE.** This section is effective for homestead data provided to the
 90.13 commissioner of revenue in 2020 and thereafter.

90.14 Sec. 4. Minnesota Statutes 2018, section 273.124, subdivision 13d, is amended to read:

90.15 Subd. 13d. **Homestead data.** On or before April 30 each year beginning in 2007, each
 90.16 county must provide the commissioner with the following data for each parcel of homestead
 90.17 property by electronic means as defined in section 289A.02, subdivision 8:

90.18 (1) the property identification number assigned to the parcel for purposes of taxes payable
 90.19 in the current year;

90.20 (2) the name and Social Security number or individual tax identification number of each
 90.21 occupant of homestead property who is the property owner or qualifying relative of a property
 90.22 owner, and the spouse of the property owner who occupies homestead property or spouse
 90.23 of a qualifying relative of a property owner who occupies homestead property;

90.24 (3) the classification of the property under section 273.13 for taxes payable in the current
 90.25 year and in the prior year;

90.26 (4) an indication of whether the property was classified as a homestead for taxes payable
 90.27 in the current year because of occupancy by a relative of the owner or by a spouse of a
 90.28 relative;

90.29 (5) the property taxes payable as defined in section 290A.03, subdivision 13, for the
 90.30 current year and the prior year;

90.31 (6) the market value of improvements to the property first assessed for tax purposes for
 90.32 taxes payable in the current year;

91.1 (7) the assessor's estimated market value assigned to the property for taxes payable in
91.2 the current year and the prior year;

91.3 (8) the taxable market value assigned to the property for taxes payable in the current
91.4 year and the prior year;

91.5 (9) whether there are delinquent property taxes owing on the homestead;

91.6 (10) the unique taxing district in which the property is located; and

91.7 (11) such other information as the commissioner decides is necessary.

91.8 The commissioner shall use the information provided on the lists as appropriate under
91.9 the law, including for the detection of improper claims by owners, or relatives of owners,
91.10 under chapter 290A.

91.11 **EFFECTIVE DATE.** This section is effective for homestead data provided to the
91.12 commissioner of revenue in 2020 and thereafter.

91.13 Sec. 5. Minnesota Statutes 2018, section 273.124, subdivision 14, is amended to read:

91.14 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten
91.15 acres that is the homestead of its owner must be classified as class 2a under section 273.13,
91.16 subdivision 23, paragraph (a), if:

91.17 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
91.18 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
91.19 Service, or (iii) land administered by the Department of Natural Resources on which in lieu
91.20 taxes are paid under sections 477A.11 to 477A.14;

91.21 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20
91.22 acres;

91.23 (3) the noncontiguous land is located not farther than four townships or cities, or a
91.24 combination of townships or cities from the homestead; and

91.25 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to
91.26 at least 50 percent of the market value of the house, garage, and one acre of land.

91.27 Homesteads initially classified as class 2a under the provisions of this paragraph shall
91.28 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
91.29 properties, as long as the homestead remains under the same ownership, the owner owns a
91.30 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use

92.1 value qualifies under clause (4). Homestead classification under this paragraph is limited
92.2 to property that qualified under this paragraph for the 1998 assessment.

92.3 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same
92.4 extent as other agricultural homestead property, if all of the following criteria are met:

92.5 (1) the agricultural property consists of at least 40 acres including undivided government
92.6 lots and correctional 40's;

92.7 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner
92.8 or of the owner's spouse, is actively farming the agricultural property, either on the person's
92.9 own behalf as an individual or on behalf of a partnership operating a family farm, family
92.10 farm corporation, joint family farm venture, or limited liability company of which the person
92.11 is a partner, shareholder, or member;

92.12 (3) both the owner of the agricultural property and the person who is actively farming
92.13 the agricultural property under clause (2), are Minnesota residents;

92.14 (4) neither the owner nor the spouse of the owner claims another agricultural homestead
92.15 in Minnesota; and

92.16 (5) neither the owner nor the person actively farming the agricultural property lives
92.17 farther than four townships or cities, or a combination of four townships or cities, from the
92.18 agricultural property, except that if the owner or the owner's spouse is required to live in
92.19 employer-provided housing, the owner or owner's spouse, whichever is actively farming
92.20 the agricultural property, may live more than four townships or cities, or combination of
92.21 four townships or cities from the agricultural property.

92.22 The relationship under this paragraph may be either by blood or marriage.

92.23 (ii) Agricultural property held by a trustee under a trust is eligible for agricultural
92.24 homestead classification under this paragraph if the qualifications in clause (i) are met,
92.25 except that "owner" means the grantor of the trust.

92.26 (iii) Property containing the residence of an owner who owns qualified property under
92.27 clause (i) shall be classified as part of the owner's agricultural homestead, if that property
92.28 is also used for noncommercial storage or drying of agricultural crops.

92.29 (iv) As used in this paragraph, "agricultural property" means class 2a property and any
92.30 class 2b property that is contiguous to and under the same ownership as the class 2a property.

92.31 (c) Noncontiguous land shall be included as part of a homestead under section 273.13,
92.32 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached

93.1 land is located in the same township or city, or not farther than four townships or cities or
93.2 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must
93.3 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,
93.4 and, if the homestead is located in another county, the taxpayer must also notify the assessor
93.5 of the other county.

93.6 (d) Agricultural land used for purposes of a homestead and actively farmed by a person
93.7 holding a vested remainder interest in it must be classified as a homestead under section
93.8 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other
93.9 dwellings on the land used for purposes of a homestead by persons holding vested remainder
93.10 interests who are actively engaged in farming the property, and up to one acre of the land
93.11 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,
93.12 must also be assessed class 2a.

93.13 (e) Agricultural land and buildings that were class 2a homestead property under section
93.14 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as
93.15 agricultural homesteads for subsequent assessments if:

93.16 (1) the property owner abandoned the homestead dwelling located on the agricultural
93.17 homestead as a result of the April 1997 floods;

93.18 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or
93.19 Wilkin;

93.20 (3) the agricultural land and buildings remain under the same ownership for the current
93.21 assessment year as existed for the 1997 assessment year and continue to be used for
93.22 agricultural purposes;

93.23 (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles
93.24 of one of the parcels of agricultural land that is owned by the taxpayer; and

93.25 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,
93.26 and the owner furnishes the assessor any information deemed necessary by the assessor in
93.27 verifying the change in dwelling. Further notifications to the assessor are not required if the
93.28 property continues to meet all the requirements in this paragraph and any dwellings on the
93.29 agricultural land remain uninhabited.

93.30 (f) Agricultural land and buildings that were class 2a homestead property under section
93.31 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified
93.32 agricultural homesteads for subsequent assessments if:

94.1 (1) the property owner abandoned the homestead dwelling located on the agricultural
94.2 homestead as a result of damage caused by a March 29, 1998, tornado;

94.3 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,
94.4 Nicollet, Nobles, or Rice;

94.5 (3) the agricultural land and buildings remain under the same ownership for the current
94.6 assessment year as existed for the 1998 assessment year;

94.7 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
94.8 one of the parcels of agricultural land that is owned by the taxpayer; and

94.9 (5) the owner notifies the county assessor that the relocation was due to a March 29,
94.10 1998, tornado, and the owner furnishes the assessor any information deemed necessary by
94.11 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the
94.12 owner must notify the assessor by December 1, 1998. Further notifications to the assessor
94.13 are not required if the property continues to meet all the requirements in this paragraph and
94.14 any dwellings on the agricultural land remain uninhabited.

94.15 (g) Agricultural property of a family farm corporation, joint family farm venture, family
94.16 farm limited liability company, or partnership operating a family farm as described under
94.17 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead
94.18 property, if all of the following criteria are met:

94.19 (1) the property consists of at least 40 acres including undivided government lots and
94.20 correctional 40's;

94.21 (2) a shareholder, member, or partner of that entity is actively farming the agricultural
94.22 property;

94.23 (3) that shareholder, member, or partner who is actively farming the agricultural property
94.24 is a Minnesota resident;

94.25 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,
94.26 member, or partner claims another agricultural homestead in Minnesota; and

94.27 (5) that shareholder, member, or partner does not live farther than four townships or
94.28 cities, or a combination of four townships or cities, from the agricultural property.

94.29 Homestead treatment applies under this paragraph for property leased to a family farm
94.30 corporation, joint farm venture, limited liability company, or partnership operating a family
94.31 farm if legal title to the property is in the name of an individual who is a member, shareholder,
94.32 or partner in the entity.

95.1 (h) To be eligible for the special agricultural homestead under this subdivision, an initial
95.2 full application must be submitted to the county assessor where the property is located.
95.3 Owners and the persons who are actively farming the property shall be required to complete
95.4 only a one-page abbreviated version of the application in each subsequent year provided
95.5 that none of the following items have changed since the initial application:

95.6 (1) the day-to-day operation, administration, and financial risks remain the same;

95.7 (2) the owners and the persons actively farming the property continue to live within the
95.8 four townships or city criteria and are Minnesota residents;

95.9 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

95.10 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

95.11 (5) the property's acreage is unchanged; and

95.12 (6) none of the property's acres have been enrolled in a federal or state farm program
95.13 since the initial application.

95.14 The owners and any persons who are actively farming the property must include the
95.15 appropriate Social Security numbers or individual tax identification numbers, and sign and
95.16 date the application. If any of the specified information has changed since the full application
95.17 was filed, the owner must notify the assessor, and must complete a new application to
95.18 determine if the property continues to qualify for the special agricultural homestead. The
95.19 commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

95.20 (i) Agricultural land and buildings that were class 2a homestead property under section
95.21 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified
95.22 agricultural homesteads for subsequent assessments if:

95.23 (1) the property owner abandoned the homestead dwelling located on the agricultural
95.24 homestead as a result of damage caused by the August 2007 floods;

95.25 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,
95.26 Wabasha, or Winona;

95.27 (3) the agricultural land and buildings remain under the same ownership for the current
95.28 assessment year as existed for the 2007 assessment year;

95.29 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
95.30 one of the parcels of agricultural land that is owned by the taxpayer; and

95.31 (5) the owner notifies the county assessor that the relocation was due to the August 2007
95.32 floods, and the owner furnishes the assessor any information deemed necessary by the

96.1 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the
 96.2 owner must notify the assessor by December 1, 2008. Further notifications to the assessor
 96.3 are not required if the property continues to meet all the requirements in this paragraph and
 96.4 any dwellings on the agricultural land remain uninhabited.

96.5 (j) Agricultural land and buildings that were class 2a homestead property under section
 96.6 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as
 96.7 agricultural homesteads for subsequent assessments if:

96.8 (1) the property owner abandoned the homestead dwelling located on the agricultural
 96.9 homestead as a result of the March 2009 floods;

96.10 (2) the property is located in the county of Marshall;

96.11 (3) the agricultural land and buildings remain under the same ownership for the current
 96.12 assessment year as existed for the 2008 assessment year and continue to be used for
 96.13 agricultural purposes;

96.14 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles
 96.15 of one of the parcels of agricultural land that is owned by the taxpayer; and

96.16 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,
 96.17 and the owner furnishes the assessor any information deemed necessary by the assessor in
 96.18 verifying the change in dwelling. Further notifications to the assessor are not required if the
 96.19 property continues to meet all the requirements in this paragraph and any dwellings on the
 96.20 agricultural land remain uninhabited.

96.21 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in
 96.22 2019 and thereafter.

96.23 Sec. 6. Minnesota Statutes 2018, section 273.1245, subdivision 1, is amended to read:

96.24 Subdivision 1. **Private or nonpublic data.** The following data are private or nonpublic
 96.25 data as defined in section 13.02, subdivisions 9 and 12, when they are submitted to a county
 96.26 or local assessor under section 273.124, 273.13, or another section, to support a claim for
 96.27 the property tax homestead classification under section 273.13, or other property tax
 96.28 classification or benefit:

96.29 (1) Social Security numbers;

96.30 (2) individual tax identification numbers;

96.31 ~~(2)~~ (3) copies of state or federal income tax returns; and

97.1 ~~(3)~~ (4) state or federal income tax return information, including the federal income tax
97.2 schedule F.

97.3 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in
97.4 2019 and thereafter.

97.5 Sec. 7. Minnesota Statutes 2018, section 273.13, subdivision 35, is amended to read:

97.6 Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's
97.7 net tax capacity under this section, property classified as class 1a or 1b under subdivision
97.8 22, and the portion of property classified as class 2a under subdivision 23 consisting of the
97.9 house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion
97.10 as determined under paragraph (b).

97.11 (b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market
97.12 value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400
97.13 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or
97.14 more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest
97.15 whole dollar, and may not be less than zero.

97.16 (c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior
97.17 to determining the amount of the valuation exclusion under this subdivision.

97.18 (d) In the case of a property that is classified as part homestead and part nonhomestead,
97.19 (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion
97.20 of a property is classified as nonhomestead solely because not all the owners occupy the
97.21 property, not all the owners have qualifying relatives occupying the property, or solely
97.22 because not all the spouses of owners occupy the property, the exclusion amount shall be
97.23 initially computed as if that nonhomestead portion were also in the homestead class and
97.24 then prorated to the owner-occupant's percentage of ~~ownership~~ homestead. For the purpose
97.25 of this section, when an owner-occupant's spouse does not occupy the property, the
97.26 percentage of ~~ownership~~ homestead for the owner-occupant spouse is one-half of the couple's
97.27 ownership percentage.

97.28 **EFFECTIVE DATE.** This section is effective for taxes payable in 2020 and thereafter.

97.29 Sec. 8. Minnesota Statutes 2018, section 273.1315, subdivision 2, is amended to read:

97.30 Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property owner
97.31 seeking classification and assessment of the owner's homestead as class 1b property pursuant
97.32 to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file with the

98.1 county assessor a class 1b homestead declaration, on a form prescribed by the commissioner
98.2 of revenue. The declaration must contain the following information:

98.3 (1) the information necessary to verify that, on or before June 30 of the filing year, the
98.4 property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision
98.5 22, paragraph (b), for class 1b classification; and

98.6 (2) any additional information prescribed by the commissioner.

98.7 (b) The declaration must be filed on or before October 1 to be effective for property
98.8 taxes payable during the succeeding calendar year. The Social Security numbers, individual
98.9 tax identification numbers, and income and medical information received from the property
98.10 owner pursuant to this subdivision are private data on individuals as defined in section
98.11 13.02. If approved by the assessor, the declaration remains in effect until the property no
98.12 longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the
98.13 assessor within 30 days that the property no longer qualifies under that paragraph because
98.14 of a sale, change in occupancy, or change in the status or condition of an occupant shall
98.15 result in the penalty provided in section 273.124, subdivision 13b, computed on the basis
98.16 of the class 1b benefits for the property, and the property shall lose its current class 1b
98.17 classification.

98.18 **EFFECTIVE DATE.** This section is effective for applications for homestead filed in
98.19 2019 and thereafter.

98.20 Sec. 9. Minnesota Statutes 2018, section 273.1384, subdivision 2, is amended to read:

98.21 Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural
98.22 homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural
98.23 credit. The credit is computed using the property's agricultural credit market value, defined
98.24 for this purpose as the property's market value excluding the market value of the house,
98.25 garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of
98.26 the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the
98.27 property's agricultural credit market value in excess of \$115,000, subject to a maximum
98.28 credit of \$490 for a full agricultural homestead. In the case of property that is classified as
98.29 part homestead and part nonhomestead solely because not all the owners occupy or farm
98.30 the property, not all the owners have qualifying relatives occupying or farming the property,
98.31 or solely because not all the spouses of owners occupy the property, the credit is computed
98.32 on the amount of agricultural credit market value corresponding to the percentage of
98.33 homestead. ~~the percentage of homestead is equal to 100 divided by the number of owners~~

99.1 ~~of the property, or, in the case of a trust, the number of grantors of the trust that owns the~~
 99.2 ~~property, and the maximum credit equals \$490 multiplied by the percentage of homestead.~~

99.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2020 and thereafter.

99.4 Sec. 10. **[273.1388] RIPARIAN BUFFER CREDIT.**

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

99.7 (b) "Alternative riparian water quality practice" or "alternative practice" means a water
 99.8 quality practice or combination of structural, vegetative, and management practices, based
 99.9 on the Natural Resources Conservation Service Field Office Technical Guide, common
 99.10 alternative practices adopted and published by the board, other practices approved by the
 99.11 board, or practices based on local conditions approved by the local soil and water
 99.12 conservation district that are consistent with the Field Office Technical Guide, that provide
 99.13 water quality protection comparable to the buffer protection for the water body that the
 99.14 property abuts. Included in these practices are retention ponds and alternative measures that
 99.15 prevent overland flow to the water resource.

99.16 (c) "Board" means the Board of Water and Soil Resources.

99.17 (d) "Riparian buffer" or "buffer" means a buffer required under section 103F.48,
 99.18 subdivision 3.

99.19 Subd. 2. **Eligibility requirements.** Land may be eligible for the riparian buffer credit
 99.20 if all of the following conditions are met, as determined by the county auditor:

99.21 (1) the land is classified as 2a under section 273.13, subdivision 23;

99.22 (2) a buffer or alternative riparian water quality practice is required to be maintained on
 99.23 the property according to section 103F.48;

99.24 (3) there are no delinquent property taxes on the land;

99.25 (4) the land has not been compensated for damages under chapter 103E for purposes of
 99.26 installing a buffer; and

99.27 (5) the soil and water conservation district has not found the landowner noncompliant
 99.28 with the requirements of section 103F.48.

99.29 Subd. 3. **Application.** In order to initially qualify for a credit under this section, an owner
 99.30 of agricultural land must file an application with the county auditor on or before December
 99.31 31, 2019, on a form prescribed by the commissioner of revenue. The application must

100.1 specifically identify the land meeting the requirements of this section. Once an application
100.2 has been made for land to receive a credit under this section, no further applications for the
100.3 land to receive the credit are required, provided that the owner must notify the auditor if
100.4 there has been any change in the status of the land relative to the eligibility requirements
100.5 under subdivision 2 or if there is a change to the ownership of the land.

100.6 Subd. 4. **Coordination with administrative entities.** (a) By February 1, 2020, the
100.7 county auditor must notify the local soil and water conservation district of the parcels within
100.8 the district's jurisdiction for which an application for the credit under this section has been
100.9 received. By March 1, 2020, the soil and water conservation district must verify compliance
100.10 with section 103F.48 on the parcels which the credit is being claimed and certify the
100.11 information to the county auditor.

100.12 (b) By March 1, 2020, and March 1 of each year thereafter, the soil and water
100.13 conservation district must notify the county auditor of any noncompliant parcels under
100.14 section 103F.48, subdivision 7.

100.15 Subd. 5. **Amount of credit.** Land meeting the requirements of this section is eligible
100.16 for a credit at the rate of \$50 per acre.

100.17 Subd. 6. **Credit reimbursements.** The county auditor shall determine the tax reductions
100.18 allowed under this section within the county for each taxes payable year and shall certify
100.19 that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted
100.20 by the county auditors under section 275.29. Any prior year adjustments shall also be
100.21 certified on the abstracts of tax lists. The commissioner of revenue shall review the
100.22 certifications for accuracy, and may make such changes as are deemed necessary or return
100.23 the certification to the county auditor for correction. The credit under this section must be
100.24 used to proportionately reduce the net tax capacity-based property tax payable to each local
100.25 taxing jurisdiction as provided in section 273.1393.

100.26 Subd. 7. **Payment.** (a) The commissioner of revenue shall reimburse each local taxing
100.27 jurisdiction, other than school districts, for the tax reductions granted under this section, in
100.28 two equal installments on October 31 and December 26 of the taxes payable year for which
100.29 the reductions are granted, including in each payment the prior year adjustments certified
100.30 on the abstracts for that taxes payable year. The reimbursements related to tax increments
100.31 shall be issued in one installment each year on December 26.

100.32 (b) The commissioner of revenue shall certify the total of the tax reductions granted
100.33 under this section for each taxes payable year within each school district to the commissioner

101.1 of education, and the commissioner of education shall pay the reimbursement amounts to
 101.2 each school district as provided in section 273.1392.

101.3 Subd. 8. **Appropriation.** An amount sufficient to make the payments required by this
 101.4 section to taxing jurisdictions other than school districts is annually appropriated from the
 101.5 general fund to the commissioner of revenue. An amount sufficient to make the payments
 101.6 required by this section for school districts is annually appropriated from the general fund
 101.7 to the commissioner of education.

101.8 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

101.9 Sec. 11. Minnesota Statutes 2018, section 273.1392, is amended to read:

101.10 **273.1392 PAYMENT; SCHOOL DISTRICTS.**

101.11 The amounts of bovine tuberculosis credit reimbursements under section 273.113;
 101.12 conservation tax credits under section 273.119; disaster or emergency reimbursement under
 101.13 sections 273.1231 to 273.1235; agricultural credits under sections 273.1384 and₂ 273.1387,
 101.14 and 273.1388; aids and credits under section 273.1398; enterprise zone property credit
 101.15 payments under section 469.171; and metropolitan agricultural preserve reduction under
 101.16 section 473H.10 for school districts, shall be certified to the Department of Education by
 101.17 the Department of Revenue. The amounts so certified shall be paid according to section
 101.18 127A.45, subdivisions 9, 10, and 13.

101.19 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

101.20 Sec. 12. Minnesota Statutes 2018, section 273.1393, is amended to read:

101.21 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

101.22 Notwithstanding any other provisions to the contrary, "net" property taxes are determined
 101.23 by subtracting the credits in the order listed from the gross tax:

101.24 (1) disaster credit as provided in sections 273.1231 to 273.1235;

101.25 (2) powerline credit as provided in section 273.42;

101.26 (3) agricultural preserves credit as provided in section 473H.10;

101.27 (4) enterprise zone credit as provided in section 469.171;

101.28 (5) disparity reduction credit;

101.29 (6) conservation tax credit as provided in section 273.119;

101.30 (7) the school bond credit as provided in section 273.1387;

102.1 (8) riparian buffer credit under section 273.1388;

102.2 (9) agricultural credit as provided in section 273.1384;

102.3 ~~(9)~~ (10) taconite homestead credit as provided in section 273.135;

102.4 ~~(10)~~ (11) supplemental homestead credit as provided in section 273.1391; and

102.5 ~~(11)~~ (12) the bovine tuberculosis zone credit, as provided in section 273.113.

102.6 The combination of all property tax credits must not exceed the gross tax amount.

102.7 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

102.8 Sec. 13. Minnesota Statutes 2018, section 275.065, subdivision 3, is amended to read:

102.9 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and
102.10 the county treasurer shall deliver after November 10 and on or before November 24 each
102.11 year, by first class mail to each taxpayer at the address listed on the county's current year's
102.12 assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer,
102.13 the treasurer may send the notice in electronic form or by electronic mail instead of on paper
102.14 or by ordinary mail.

102.15 (b) The commissioner of revenue shall prescribe the form of the notice.

102.16 (c) The notice must inform taxpayers that it contains the amount of property taxes each
102.17 taxing authority proposes to collect for taxes payable the following year. In the case of a
102.18 town, or in the case of the state general tax, the final tax amount will be its proposed tax.
102.19 The notice must clearly state for each city that has a population over 500, county, school
102.20 district, regional library authority established under section 134.201, and metropolitan taxing
102.21 districts as defined in paragraph (i), the time and place of a meeting for each taxing authority
102.22 in which the budget and levy will be discussed and public input allowed, prior to the final
102.23 budget and levy determination. The taxing authorities must provide the county auditor with
102.24 the information to be included in the notice on or before the time it certifies its proposed
102.25 levy under subdivision 1. The public must be allowed to speak at that meeting, which must
102.26 occur after November 24 and must not be held before 6:00 p.m. It must provide a telephone
102.27 number for the taxing authority that taxpayers may call if they have questions related to the
102.28 notice and an address where comments will be received by mail, except that no notice
102.29 required under this section shall be interpreted as requiring the printing of a personal
102.30 telephone number or address as the contact information for a taxing authority. If a taxing
102.31 authority does not maintain public offices where telephone calls can be received by the

103.1 authority, the authority may inform the county of the lack of a public telephone number and
103.2 the county shall not list a telephone number for that taxing authority.

103.3 (d) The notice must state for each parcel:

103.4 (1) the market value of the property as determined under section 273.11, and used for
103.5 computing property taxes payable in the following year and for taxes payable in the current
103.6 year as each appears in the records of the county assessor on November 1 of the current
103.7 year; and, in the case of residential property, whether the property is classified as homestead
103.8 or nonhomestead. The notice must clearly inform taxpayers of the years to which the market
103.9 values apply and that the values are final values;

103.10 (2) the items listed below, shown separately by county, city or town, and state general
103.11 tax, agricultural homestead credit under section 273.1384, school building bond agricultural
103.12 credit under section 273.1387, riparian buffer credit under section 273.1388, voter approved
103.13 school levy, other local school levy, and the sum of the special taxing districts, and as a
103.14 total of all taxing authorities:

103.15 (i) the actual tax for taxes payable in the current year; and

103.16 (ii) the proposed tax amount.

103.17 If the county levy under clause (2) includes an amount for a lake improvement district
103.18 as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose
103.19 must be separately stated from the remaining county levy amount.

103.20 In the case of a town or the state general tax, the final tax shall also be its proposed tax
103.21 unless the town changes its levy at a special town meeting under section 365.52. If a school
103.22 district has certified under section 126C.17, subdivision 9, that a referendum will be held
103.23 in the school district at the November general election, the county auditor must note next
103.24 to the school district's proposed amount that a referendum is pending and that, if approved
103.25 by the voters, the tax amount may be higher than shown on the notice. In the case of the
103.26 city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately
103.27 from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for
103.28 the St. Paul Library Agency must be listed separately from the remaining amount of the
103.29 city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be
103.30 listed separately from the remaining amount of the county's levy. In the case of a parcel
103.31 where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F
103.32 applies, the proposed tax levy on the captured value or the proposed tax levy on the tax
103.33 capacity subject to the areawide tax must each be stated separately and not included in the
103.34 sum of the special taxing districts; and

104.1 (3) the increase or decrease between the total taxes payable in the current year and the
104.2 total proposed taxes, expressed as a percentage.

104.3 For purposes of this section, the amount of the tax on homesteads qualifying under the
104.4 senior citizens' property tax deferral program under chapter 290B is the total amount of
104.5 property tax before subtraction of the deferred property tax amount.

104.6 (e) The notice must clearly state that the proposed or final taxes do not include the
104.7 following:

104.8 (1) special assessments;

104.9 (2) levies approved by the voters after the date the proposed taxes are certified, including
104.10 bond referenda and school district levy referenda;

104.11 (3) a levy limit increase approved by the voters by the first Tuesday after the first Monday
104.12 in November of the levy year as provided under section 275.73;

104.13 (4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring
104.14 after the date the proposed taxes are certified;

104.15 (5) amounts necessary to pay tort judgments against the taxing authority that become
104.16 final after the date the proposed taxes are certified; and

104.17 (6) the contamination tax imposed on properties which received market value reductions
104.18 for contamination.

104.19 (f) Except as provided in subdivision 7, failure of the county auditor to prepare or the
104.20 county treasurer to deliver the notice as required in this section does not invalidate the
104.21 proposed or final tax levy or the taxes payable pursuant to the tax levy.

104.22 (g) If the notice the taxpayer receives under this section lists the property as
104.23 nonhomestead, and satisfactory documentation is provided to the county assessor by the
104.24 applicable deadline, and the property qualifies for the homestead classification in that
104.25 assessment year, the assessor shall reclassify the property to homestead for taxes payable
104.26 in the following year.

104.27 (h) In the case of class 4 residential property used as a residence for lease or rental
104.28 periods of 30 days or more, the taxpayer must either:

104.29 (1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter,
104.30 or lessee; or

104.31 (2) post a copy of the notice in a conspicuous place on the premises of the property.

105.1 The notice must be mailed or posted by the taxpayer by November 27 or within three
105.2 days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer
105.3 of the address of the taxpayer, agent, caretaker, or manager of the premises to which the
105.4 notice must be mailed in order to fulfill the requirements of this paragraph.

105.5 (i) For purposes of this subdivision and subdivision 6, "metropolitan special taxing
105.6 districts" means the following taxing districts in the seven-county metropolitan area that
105.7 levy a property tax for any of the specified purposes listed below:

105.8 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446,
105.9 473.521, 473.547, or 473.834;

105.10 (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

105.11 (3) Metropolitan Mosquito Control Commission under section 473.711.

105.12 For purposes of this section, any levies made by the regional rail authorities in the county
105.13 of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A
105.14 shall be included with the appropriate county's levy.

105.15 (j) The governing body of a county, city, or school district may, with the consent of the
105.16 county board, include supplemental information with the statement of proposed property
105.17 taxes about the impact of state aid increases or decreases on property tax increases or
105.18 decreases and on the level of services provided in the affected jurisdiction. This supplemental
105.19 information may include information for the following year, the current year, and for as
105.20 many consecutive preceding years as deemed appropriate by the governing body of the
105.21 county, city, or school district. It may include only information regarding:

105.22 (1) the impact of inflation as measured by the implicit price deflator for state and local
105.23 government purchases;

105.24 (2) population growth and decline;

105.25 (3) state or federal government action; and

105.26 (4) other financial factors that affect the level of property taxation and local services
105.27 that the governing body of the county, city, or school district may deem appropriate to
105.28 include.

105.29 The information may be presented using tables, written narrative, and graphic
105.30 representations and may contain instruction toward further sources of information or
105.31 opportunity for comment.

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

106.1 Sec. 14. Minnesota Statutes 2018, section 276.04, subdivision 2, is amended to read:

106.2 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of
106.3 the tax statements. The commissioner of revenue shall prescribe the form of the property
106.4 tax statement and its contents. The tax statement must not state or imply that property tax
106.5 credits are paid by the state of Minnesota. The statement must contain a tabulated statement
106.6 of the dollar amount due to each taxing authority and the amount of the state tax from the
106.7 parcel of real property for which a particular tax statement is prepared. The dollar amounts
106.8 attributable to the county, the state tax, the voter approved school tax, the other local school
106.9 tax, the township or municipality, and the total of the metropolitan special taxing districts
106.10 as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The
106.11 amounts due all other special taxing districts, if any, may be aggregated except that any
106.12 levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin,
106.13 Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly
106.14 under the appropriate county's levy. If the county levy under this paragraph includes an
106.15 amount for a lake improvement district as defined under sections 103B.501 to 103B.581,
106.16 the amount attributable for that purpose must be separately stated from the remaining county
106.17 levy amount. In the case of Ramsey County, if the county levy under this paragraph includes
106.18 an amount for public library service under section 134.07, the amount attributable for that
106.19 purpose may be separated from the remaining county levy amount. The amount of the tax
106.20 on homesteads qualifying under the senior citizens' property tax deferral program under
106.21 chapter 290B is the total amount of property tax before subtraction of the deferred property
106.22 tax amount. The amount of the tax on contamination value imposed under sections 270.91
106.23 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar
106.24 amount of any special assessments, may be rounded to the nearest even whole dollar. For
106.25 purposes of this section whole odd-numbered dollars may be adjusted to the next higher
106.26 even-numbered dollar. The amount of market value excluded under section 273.11,
106.27 subdivision 16, if any, must also be listed on the tax statement.

106.28 (b) The property tax statements for manufactured homes and sectional structures taxed
106.29 as personal property shall contain the same information that is required on the tax statements
106.30 for real property.

106.31 (c) Real and personal property tax statements must contain the following information
106.32 in the order given in this paragraph. The information must contain the current year tax
106.33 information in the right column with the corresponding information for the previous year
106.34 in a column on the left:

106.35 (1) the property's estimated market value under section 273.11, subdivision 1;

107.1 (2) the property's homestead market value exclusion under section 273.13, subdivision
107.2 35;

107.3 (3) the property's taxable market value under section 272.03, subdivision 15;

107.4 (4) the property's gross tax, before credits;

107.5 (5) for agricultural properties, the credits under sections 273.1384 ~~and~~ 273.1387, and
107.6 273.1388;

107.7 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
107.8 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit
107.9 received under section 273.135 must be separately stated and identified as "taconite tax
107.10 relief"; and

107.11 (7) the net tax payable in the manner required in paragraph (a).

107.12 (d) If the county uses envelopes for mailing property tax statements and if the county
107.13 agrees, a taxing district may include a notice with the property tax statement notifying
107.14 taxpayers when the taxing district will begin its budget deliberations for the current year,
107.15 and encouraging taxpayers to attend the hearings. If the county allows notices to be included
107.16 in the envelope containing the property tax statement, and if more than one taxing district
107.17 relative to a given property decides to include a notice with the tax statement, the county
107.18 treasurer or auditor must coordinate the process and may combine the information on a
107.19 single announcement.

107.20 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

107.21 Sec. 15. Minnesota Statutes 2018, section 287.21, subdivision 1, is amended to read:

107.22 Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument
107.23 by which any real property in this state is granted, assigned, transferred, or otherwise
107.24 conveyed. The tax applies against the net consideration. For purposes of the tax, the
107.25 conversion of a corporation to a limited liability company, a limited liability company to a
107.26 corporation, a partnership to a limited partnership, a limited partnership to another limited
107.27 partnership or other entity, or a similar conversion of one entity to another does not grant,
107.28 assign, transfer, or convey real property.

107.29 (b) The tax is determined in the following manner: (1) when transfers are made by
107.30 instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is
107.31 \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value
107.32 of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less,

108.1 the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or
108.2 encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net
108.3 consideration.

108.4 (c) If, within six months from the date of a designated transfer, an ownership interest in
108.5 the grantee entity is transferred by an initial owner to any person or entity with the result
108.6 that the designated transfer would not have been a designated transfer if made to the grantee
108.7 entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration
108.8 for the designated transfer. If the subsequent transfer of ownership interests was reasonably
108.9 expected at the time of the designated transfer, the applicable penalty under section 287.31,
108.10 subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30
108.11 days of the subsequent transfer that caused the tax to be imposed under this paragraph.
108.12 Involuntary transfers of ownership shall not be considered transfers of ownership under this
108.13 paragraph. The commissioner may adopt rules defining the types of transfers to be considered
108.14 involuntary.

108.15 (d) The tax is due at the time a taxable deed or instrument is presented for recording,
108.16 except as provided in paragraph (c). The commissioner may require the tax to be documented
108.17 in a manner prescribed by the commissioner, and may require that the documentation be
108.18 attached to and recorded as part of the deed or instrument. The county recorder or registrar
108.19 of titles shall accept the attachment for recording as part of the deed or instrument and may
108.20 not require, as a condition of recording a deed or instrument, evidence that a transfer is a
108.21 designated transfer in addition to that required by the commissioner. Such an attachment
108.22 shall not, however, provide actual or constructive notice of the information contained therein
108.23 for purposes of determining any interest in the real property. The commissioner shall
108.24 prescribe the manner in which the tax due under paragraph (c) is to be paid and may require
108.25 grantees of designated transfers to file with the commissioner subsequent statements verifying
108.26 that the tax provided under paragraph (c) does not apply.

108.27 **EFFECTIVE DATE.** This section is effective for deeds recorded after December 31,
108.28 2019.

108.29 Sec. 16. Minnesota Statutes 2018, section 290B.03, subdivision 1, is amended to read:

108.30 Subdivision 1. **Program qualifications.** The qualifications for the senior citizens'
108.31 property tax deferral program are as follows:

108.32 (1) the property must be owned and occupied as a homestead by a person 65 years of
108.33 age or older. In the case of a married couple, at least one of the spouses must be at least 65
108.34 years old at the time the first property tax deferral is granted, regardless of whether the

109.1 property is titled in the name of one spouse or both spouses, or titled in another way that
109.2 permits the property to have homestead status, and the other spouse must be at least 62 years
109.3 of age;

109.4 (2) the total household income of the qualifying homeowners, as defined in section
109.5 290A.03, subdivision 5, for the calendar year preceding the year of the initial application
109.6 may not exceed \$60,000;

109.7 (3) the homestead must have been owned and occupied as the homestead of at least one
109.8 of the qualifying homeowners for at least ~~15~~ five years prior to the year the initial application
109.9 is filed;

109.10 (4) there are no state or federal tax liens or judgment liens on the homesteaded property;

109.11 (5) there are no mortgages or other liens on the property that secure future advances,
109.12 except for those subject to credit limits that result in compliance with clause (6); and

109.13 (6) the total unpaid balances of debts secured by mortgages and other liens on the
109.14 property, including unpaid and delinquent special assessments and interest and any delinquent
109.15 property taxes, penalties, and interest, but not including property taxes payable during the
109.16 year or debts secured by a residential PACE lien, as defined in section 216C.435, subdivision
109.17 10d, does not exceed 75 percent of the assessor's estimated market value for the year.

109.18 **EFFECTIVE DATE.** This section is effective for applications for deferral of taxes
109.19 payable in 2020 and thereafter.

109.20 Sec. 17. Minnesota Statutes 2018, section 290B.04, subdivision 1, is amended to read:

109.21 Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications
109.22 under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes.
109.23 Applications are due on or before ~~July~~ November 1 for deferral of any of the following
109.24 year's property taxes. A taxpayer may apply in the year in which the taxpayer becomes 65
109.25 years old, provided that no deferral of property taxes will be made until the calendar year
109.26 after the taxpayer becomes 65 years old. The application, which shall be prescribed by the
109.27 commissioner of revenue, shall include the following items and any other information which
109.28 the commissioner deems necessary:

109.29 (1) the name, address, and Social Security number of the owner or owners;

109.30 (2) a copy of the property tax statement for the current payable year for the homesteaded
109.31 property;

109.32 (3) the initial year of ownership and occupancy as a homestead;

110.1 (4) the owner's household income for the previous calendar year; and

110.2 (5) information on any mortgage loans or other amounts secured by mortgages or other
110.3 liens against the property, for which purpose the commissioner may require the applicant
110.4 to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing
110.5 on the mortgage loan provided by the mortgage holder. The commissioner may require the
110.6 appropriate documents in connection with obtaining and confirming information on unpaid
110.7 amounts secured by other liens.

110.8 The application must state that program participation is voluntary. The application must
110.9 also state that the deferred amount depends directly on the applicant's household income,
110.10 and that program participation includes authorization for the annual deferred amount, the
110.11 cumulative deferral and interest that appear on each year's notice prepared by the county
110.12 under subdivision 6, is public data.

110.13 The application must state that program participants may claim the property tax refund
110.14 based on the full amount of property taxes eligible for the refund, including any deferred
110.15 amounts. The application must also state that property tax refunds will be used to offset any
110.16 deferral and interest under this program, and that any other amounts subject to revenue
110.17 recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and
110.18 interest under this program.

110.19 (b) As part of the initial application process, the commissioner may require the applicant
110.20 to obtain at the applicant's own cost and submit:

110.21 (1) if the property is registered property under chapter 508 or 508A, a copy of the original
110.22 certificate of title in the possession of the county registrar of titles (sometimes referred to
110.23 as "condition of register"); or

110.24 (2) if the property is abstract property, a report prepared by a licensed abstracter showing
110.25 the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien
110.26 notices which were recorded on or after the date of that last deed with respect to the property
110.27 or to the applicant.

110.28 The certificate or report under clauses (1) and (2) need not include references to any
110.29 documents filed or recorded more than 40 years prior to the date of the certification or report.
110.30 The certification or report must be as of a date not more than 30 days prior to submission
110.31 of the application.

110.32 The commissioner may also require the county recorder or county registrar of the county
110.33 where the property is located to provide copies of recorded documents related to the applicant

111.1 or the property, for which the recorder or registrar shall not charge a fee. The commissioner
 111.2 may use any information available to determine or verify eligibility under this section. The
 111.3 household income from the application is private data on individuals as defined in section
 111.4 13.02, subdivision 12.

111.5 **EFFECTIVE DATE.** This section is effective for applications for deferral of taxes
 111.6 payable in 2020 and thereafter.

111.7 Sec. 18. **ADMINISTRATIVE APPROPRIATION.**

111.8 \$2,045,000 in fiscal year 2020 is appropriated from the general fund to the Board of
 111.9 Water and Soil Resources for payments to soil and water conservation districts and for
 111.10 agreements with coordinating administrative entities. This appropriation is for the purposes
 111.11 of implementing the riparian buffer credit under Minnesota Statutes, section 273.1388.

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

111.13

ARTICLE 5

111.14

LOCAL GOVERNMENT AIDS

111.15 Section 1. Minnesota Statutes 2018, section 477A.03, subdivision 2a, is amended to read:

111.16 Subd. 2a. **Cities.** ~~For aids payable in 2016 and 2017, the total aid paid under section~~
 111.17 ~~477A.013, subdivision 9, is \$519,398,012. For aids payable in 2018 and thereafter 2019,~~
 111.18 ~~the total aid paid under section 477A.013, subdivision 9, is \$534,398,012. For aids payable~~
 111.19 ~~in 2020 and thereafter, the total aid paid under section 477A.013, subdivision 9, is~~
 111.20 ~~\$564,990,952.~~

111.21 **EFFECTIVE DATE.** This section is effective for aids payable in 2020 and thereafter.

111.22 Sec. 2. Minnesota Statutes 2018, section 477A.03, subdivision 2b, is amended to read:

111.23 Subd. 2b. **Counties.** (a) For aids payable in ~~2018 through 2024~~ 2019, the total aid payable
 111.24 under section 477A.0124, subdivision 3, is \$103,795,000, of which \$3,000,000 shall be
 111.25 allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable
 111.26 in 2020 through 2024, the total aid payable under section 477A.0124, subdivision 3, is
 111.27 \$118,972,778, of which \$3,000,000 shall be allocated as required under Laws 2014, chapter
 111.28 150, article 4, section 6. For aids payable in 2025 and thereafter, the total aid payable under
 111.29 section 477A.0124, subdivision 3, is ~~\$100,795,000~~ \$115,972,778. Each calendar year,
 111.30 \$500,000 of this appropriation shall be retained by the commissioner of revenue to make
 111.31 reimbursements to the commissioner of management and budget for payments made under

112.1 section 611.27. The reimbursements shall be to defray the additional costs associated with
 112.2 court-ordered counsel under section 611.27. Any retained amounts not used for
 112.3 reimbursement in a year shall be included in the next distribution of county need aid that
 112.4 is certified to the county auditors for the purpose of property tax reduction for the next taxes
 112.5 payable year.

112.6 (b) For aids payable in ~~2018 and thereafter~~ 2019, the total aid under section 477A.0124,
 112.7 subdivision 4, is \$130,873,444. For aids payable in 2020 and thereafter, the total aid under
 112.8 section 477A.0124, subdivision 4, is \$146,051,222. The commissioner of revenue shall
 112.9 transfer to the commissioner of management and budget \$207,000 annually for the cost of
 112.10 preparation of local impact notes as required by section 3.987, and other local government
 112.11 activities. The commissioner of revenue shall transfer to the commissioner of education
 112.12 \$7,000 annually for the cost of preparation of local impact notes for school districts as
 112.13 required by section 3.987. The commissioner of revenue shall deduct the amounts transferred
 112.14 under this paragraph from the appropriation under this paragraph. The amounts transferred
 112.15 are appropriated to the commissioner of management and budget and the commissioner of
 112.16 education respectively.

112.17 **EFFECTIVE DATE.** This section is effective for aids payable in 2020 and thereafter.

112.18 ARTICLE 6

112.19 REVENUE STABILITY

112.20 Section 1. Minnesota Statutes 2018, section 275.025, subdivision 1, is amended to read:

112.21 Subdivision 1. **Levy amount.** The state general levy is levied against
 112.22 commercial-industrial property and seasonal residential recreational property, as defined
 112.23 in this section. The state general levy base amount for commercial-industrial property is
 112.24 \$784,590,000 for taxes payable in ~~2018 and thereafter~~ 2019. The state general levy base
 112.25 amount for seasonal-recreational property is \$44,190,000 for taxes payable in ~~2018 and~~
 112.26 ~~thereafter~~ 2019. For taxes payable in subsequent years, the levy base amount for
 112.27 commercial-industrial property and seasonal-recreational property is increased each year
 112.28 by multiplying the levy base amount for the prior year by the sum of one plus the rate of
 112.29 increase, if any, in the implicit price deflator for government consumption expenditures and
 112.30 gross investment for state and local governments prepared by the Bureau of Economic
 112.31 Analysts of the United States Department of Commerce for the 12-month period ending
 112.32 March 31 of the year prior to the year the taxes are payable. The tax under this section is
 112.33 not treated as a local tax rate under section 469.177 and is not the levy of a governmental
 112.34 unit under chapters 276A and 473F.

113.1 The commissioner shall increase or decrease the preliminary or final rate for a year as
113.2 necessary to account for errors and tax base changes that affected a preliminary or final rate
113.3 for either of the two preceding years. Adjustments are allowed to the extent that the necessary
113.4 information is available to the commissioner at the time the rates for a year must be certified,
113.5 and for the following reasons:

113.6 (1) an erroneous report of taxable value by a local official;

113.7 (2) an erroneous calculation by the commissioner; and

113.8 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
113.9 residential recreational property reported on the abstracts of tax lists submitted under section
113.10 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89
113.11 for the same year.

113.12 The commissioner may, but need not, make adjustments if the total difference in the tax
113.13 levied for the year would be less than \$100,000.

113.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2020 and thereafter.

113.15 Sec. 2. Minnesota Statutes 2018, section 289A.10, subdivision 1, is amended to read:

113.16 Subdivision 1. **Return required.** (a) In the case of a decedent who has an interest in
113.17 property with a situs in Minnesota, the personal representative must submit a Minnesota
113.18 estate tax return to the commissioner, on a form prescribed by the commissioner, if:

113.19 (1) a federal estate tax return is required to be filed; or

113.20 (2) the sum of the federal gross estate and federal adjusted taxable gifts, as defined in
113.21 section 2001(b) of the Internal Revenue Code, made within three years of the date of the
113.22 decedent's death exceeds ~~\$1,200,000 for estates of decedents dying in 2014; \$1,400,000 for~~
113.23 ~~estates of decedents dying in 2015; \$1,600,000 for estates of decedents dying in 2016;~~
113.24 ~~\$2,100,000 for estates of decedents dying in 2017; \$2,400,000 for estates of decedents dying~~
113.25 ~~in 2018; \$2,700,000 and \$2,800,000 for estates of decedents dying in 2019; and \$3,000,000~~
113.26 ~~for estates of decedents dying in 2020 and thereafter.~~

113.27 (b) The return must contain a computation of the Minnesota estate tax due. The return
113.28 must be signed by the personal representative.

113.29 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
113.30 dying in 2019 and thereafter.

114.1 Sec. 3. Minnesota Statutes 2018, section 291.016, subdivision 3, is amended to read:

114.2 Subd. 3. **Subtraction.** ~~(a) For estates of decedents dying after December 31, 2016,~~ A
114.3 subtraction is allowed in computing the Minnesota taxable estate, equal to the sum of:

114.4 (1) the exclusion amount for the year of death under paragraph (b); and

114.5 (2) the lesser of:

114.6 (i) the value of qualified small business property under section 291.03, subdivision 9,
114.7 and the value of qualified farm property under section 291.03, subdivision 10; or

114.8 (ii) \$5,000,000 minus the exclusion amount for the year of death under paragraph (b).

114.9 (b) The following exclusion amounts apply for the year of death:

114.10 ~~(1) \$2,100,000 for decedents dying in 2017;~~

114.11 ~~(2) (1) \$2,400,000 for estates of decedents dying in 2018; and~~

114.12 ~~(3) \$2,700,000 for decedents dying in 2019; and~~

114.13 ~~(4) \$3,000,000 for decedents dying in 2020~~ (2) \$2,800,000 for estates of decedents dying
114.14 in 2019 and thereafter.

114.15 ~~(e)~~ (b) The subtraction under this subdivision must not reduce the Minnesota taxable
114.16 estate to less than zero.

114.17 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
114.18 dying in 2019 and thereafter.

114.19 Sec. 4. Minnesota Statutes 2018, section 297F.01, subdivision 13a, is amended to read:

114.20 Subd. 13a. **Premium cigar.** "Premium cigar" means any cigar that is hand-constructed
114.21 and hand-rolled, has a wrapper that is made entirely from whole tobacco leaf, has a filler
114.22 and binder that is made entirely of tobacco, except for adhesives or other materials used to
114.23 maintain size, texture, or flavor, and has a wholesale price of no less than \$2.

114.24 **EFFECTIVE DATE.** This section is effective July 1, 2019.

114.25 Sec. 5. Minnesota Statutes 2018, section 297F.05, is amended by adding a subdivision to
114.26 read:

114.27 Subd. 1b. **Annual indexing.** (a) Each year the commissioner shall adjust the tax rates
114.28 under subdivision 1, including any adjustment made in prior years under this subdivision,
114.29 by multiplying the mill rates for the current calendar year by an adjustment factor and

115.1 rounding the result to the nearest mill. The adjustment factor equals the in-lieu sales tax
115.2 rate that applies to the following calendar year divided by the in-lieu sales tax rate for the
115.3 current calendar year. For purposes of this subdivision, "in-lieu sales tax rate" means the
115.4 tax rate established under section 297F.25, subdivision 1. For purposes of the calculations
115.5 under this subdivision to be made in any year in which an increase in the federal or state
115.6 excise tax on cigarettes is implemented, the commissioner shall exclude from the calculated
115.7 average price for the current year an amount equal to any increase in the state or federal
115.8 excise tax rate.

115.9 (b) The commissioner shall publish the resulting rate by November 1 and the rate applies
115.10 to sales made on or after January 1 of the following year.

115.11 (c) The determination of the commissioner under this subdivision is not a rule and is
115.12 not subject to the Administrative Procedure Act in chapter 14, including section 14.386.

115.13 **EFFECTIVE DATE.** This section is effective the day following final enactment and
115.14 applies beginning with rates calculated for calendar year 2020.

115.15 Sec. 6. Minnesota Statutes 2018, section 297F.05, subdivision 3a, is amended to read:

115.16 Subd. 3a. **Rates; premium cigars.** (a) A tax is imposed upon all premium cigars in this
115.17 state and upon any person engaged in business as a tobacco product distributor, at the lesser
115.18 of:

115.19 (1) the rate of 95 percent of the wholesale sales price of the premium cigars; or

115.20 (2) ~~\$0.50~~ \$3.50 per premium cigar.

115.21 (b) The tax imposed under paragraph (a) is imposed at the time the tobacco products
115.22 distributor:

115.23 (1) brings, or causes to be brought, into this state from outside the state premium cigars
115.24 for sale;

115.25 (2) makes, manufactures, or fabricates premium cigars in this state for sale in this state;
115.26 or

115.27 (3) ships or transports premium cigars to retailers in this state, to be sold by those retailers.

115.28 **EFFECTIVE DATE.** This section is effective for cigars brought into the state or
115.29 manufactured in the state after June 30, 2019.

116.1 Sec. 7. Minnesota Statutes 2018, section 297F.05, subdivision 4a, is amended to read:

116.2 Subd. 4a. **Use tax; premium cigars.** A tax is imposed upon the use or storage by
116.3 consumers of all premium cigars in this state, and upon such consumers, at the lesser of:

116.4 (1) the rate of 95 percent of the cost to the consumer of the premium cigars; or

116.5 (2) ~~\$0.50~~ \$3.50 per premium cigar.

116.6 **EFFECTIVE DATE.** This section is effective for cigars for which the consumer has
116.7 acquired title to, or possession of, after June 30, 2019.

116.8 Sec. 8. **ADMINISTRATIVE APPROPRIATION.**

116.9 \$4,217,000 in fiscal year 2020 and \$2,853,000 in fiscal year 2021 are appropriated from
116.10 the general fund to the commissioner of revenue for administering this act. The funding
116.11 base for this appropriation in fiscal year 2022 and each fiscal year thereafter is \$1,450,000.

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

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.

(e) Paragraph (a) does not apply to any amount paid or incurred as taxes due.