

SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 3533

(SENATE AUTHORS: CHAMBERLAIN, Gazelka, Eichorn, Benson and Hall)

DATE	D-PG	OFFICIAL STATUS
02/24/2020	4886	Introduction and first reading Referred to Taxes See SF3843, Art. 2, Sec. 1, 8, 12-15

1.1 A bill for an act

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

1.3 special taxes, and property taxes; modifying individual income tax brackets, the

1.4 K-12 education expense credit, and section 179 expensing provisions; providing

1.5 for a full subtraction of taxable Social Security income and ongoing funding for

1.6 the small business investment tax credit; modifying certain lawful gambling tax

1.7 and other provisions; modifying referendum equalization levy; appropriating

1.8 money; amending Minnesota Statutes 2018, sections 273.13, subdivision 25;

1.9 290.0674, subdivision 2; 297E.02, subdivision 6; 297E.021, subdivisions 2, 3, 4,

1.10 by adding a subdivision; 349.15, subdivision 1; 349.151, subdivision 4; Minnesota

1.11 Statutes 2019 Supplement, sections 116J.8737, subdivision 5; 126C.17, subdivision

1.12 6; 290.0132, subdivision 26; 290.06, subdivision 2c; repealing Minnesota Statutes

1.13 2018, sections 290.0131, subdivision 10; 290.0133, subdivision 12; 290.0674,

1.14 subdivision 2a; 290.0692, subdivision 6; Minnesota Statutes 2019 Supplement,

1.15 section 116J.8737, subdivision 12.

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

1.17 style="text-align:center">**ARTICLE 1**

1.18 style="text-align:center">**PROPERTY TAXES AND AIDS AND CREDITS**

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

1.20 to read:

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

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

1.23 equalization levy.

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

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

1.26 referendum market value per resident pupil unit to ~~\$567,000~~ \$650,000, or (3) the ratio of

1.27 the district's referendum market value per adjusted pupil unit to \$650,000.

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

2.5 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2021 and later.

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

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

2.14 (b) Class 4b includes:

2.15 (1) residential real estate containing less than four units that does not qualify as class
 2.16 4bb, other than seasonal residential recreational property;

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

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

2.20 (4) unimproved property that is classified residential as determined under subdivision
 2.21 33.

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

2.23 (c) Class 4bb includes:

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

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

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

2.30 Class 4bb property has the same classification rates as class 1a property under subdivision
 2.31 22.

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

3.4 (d) Class 4c property includes:

3.5 (1) except as provided in subdivision 22, paragraph (c), real and personal property
3.6 devoted to commercial temporary and seasonal residential occupancy for recreation purposes,
3.7 for not more than 250 days in the year preceding the year of assessment. For purposes of
3.8 this clause, property is devoted to a commercial purpose on a specific day if any portion of
3.9 the property is used for residential occupancy, and a fee is charged for residential occupancy.
3.10 Class 4c property under this clause must contain three or more rental units. A "rental unit"
3.11 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site
3.12 equipped with water and electrical hookups for recreational vehicles. A camping pad offered
3.13 for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c
3.14 under this clause regardless of the term of the rental agreement, as long as the use of the
3.15 camping pad does not exceed 250 days. In order for a property to be classified under this
3.16 clause, either (i) the business located on the property must provide recreational activities,
3.17 at least 40 percent of the annual gross lodging receipts related to the property must be from
3.18 business conducted during 90 consecutive days, and either (A) at least 60 percent of all paid
3.19 bookings by lodging guests during the year must be for periods of at least two consecutive
3.20 nights; or (B) at least 20 percent of the annual gross receipts must be from charges for
3.21 providing recreational activities, or (ii) the business must contain 20 or fewer rental units,
3.22 and must be located in a township or a city with a population of 2,500 or less located outside
3.23 the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion
3.24 of a state trail administered by the Department of Natural Resources. For purposes of item
3.25 (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c
3.26 property also includes commercial use real property used exclusively for recreational
3.27 purposes in conjunction with other class 4c property classified under this clause and devoted
3.28 to temporary and seasonal residential occupancy for recreational purposes, up to a total of
3.29 two acres, provided the property is not devoted to commercial recreational use for more
3.30 than 250 days in the year preceding the year of assessment and is located within two miles
3.31 of the class 4c property with which it is used. In order for a property to qualify for
3.32 classification under this clause, the owner must submit a declaration to the assessor
3.33 designating the cabins or units occupied for 250 days or less in the year preceding the year
3.34 of assessment by January 15 of the assessment year. Those cabins or units and a proportionate
3.35 share of the land on which they are located must be designated class 4c under this clause

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

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

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

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

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

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

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

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

4.30 For purposes of this clause:

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

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

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

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

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

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

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

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

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

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

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

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

6.7 If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be
6.8 filed by the new owner with the assessor of the county where the property is located within
6.9 60 days of the sale;

6.10 (8) a privately owned noncommercial aircraft storage hangar not exempt under section
6.11 272.01, subdivision 2, and the land on which it is located, provided that:

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

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

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

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

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

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

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

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

6.29 (10) real property up to a maximum of three acres and operated as a restaurant as defined
6.30 under section 157.15, subdivision 12, provided it: (i) is located on a lake as defined under
6.31 section 103G.005, subdivision 15, paragraph (a), clause (3); and (ii) is either devoted to
6.32 commercial purposes for not more than 250 consecutive days, or receives at least 60 percent

7.1 of its annual gross receipts from business conducted during four consecutive months. Gross
7.2 receipts from the sale of alcoholic beverages must be included in determining the property's
7.3 qualification under item (ii). The property's primary business must be as a restaurant and
7.4 not as a bar. Gross receipts from gift shop sales located on the premises must be excluded.
7.5 Owners of real property desiring 4c classification under this clause must submit an annual
7.6 declaration to the assessor by February 1 of the current assessment year, based on the
7.7 property's relevant information for the preceding assessment year;

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

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

7.20 Class 4c property has a classification rate of 1.5 percent of market value, except that (i)
7.21 each parcel of noncommercial seasonal residential recreational property under clause (12)
7.22 has the same classification rates as class 4bb property, (ii) manufactured home parks assessed
7.23 under clause (5), item (i), have the same classification rate as class 4b property, the market
7.24 value of manufactured home parks assessed under clause (5), item (ii), have a classification
7.25 rate of 0.75 percent if more than 50 percent of the lots in the park are occupied by
7.26 shareholders in the cooperative corporation or association and a classification rate of one
7.27 percent if 50 percent or less of the lots are so occupied, and class I manufactured home
7.28 parks as defined in section 327C.01, subdivision 13, have a classification rate of 1.0 percent,
7.29 (iii) commercial-use seasonal residential recreational property and marina recreational land
7.30 as described in clause (11), has a classification rate of one percent for the first \$500,000 of
7.31 market value, and 1.25 percent for the remaining market value, (iv) the market value of
7.32 property described in clause (4) has a classification rate of one percent, (v) the market value
7.33 of property described in clauses (2), (6), and (10) has a classification rate of 1.25 percent,
7.34 (vi) that portion of the market value of property in clause (9) qualifying for class 4c property
7.35 has a classification rate of 1.25 percent, and (vii) property qualifying for classification under

8.1 clause (3) that is owned or operated by a congressionally chartered veterans organization
8.2 has a classification rate of one percent. The commissioner of veterans affairs must provide
8.3 a list of congressionally chartered veterans organizations to the commissioner of revenue
8.4 by June 30, 2017, and by January 1, 2018, and each year thereafter.

8.5 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
8.6 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of
8.7 the units in the building qualify as low-income rental housing units as certified under section
8.8 273.128, subdivision 3, only the proportion of qualifying units to the total number of units
8.9 in the building qualify for class 4d. The remaining portion of the building shall be classified
8.10 by the assessor based upon its use. Class 4d also includes the same proportion of land as
8.11 the qualifying low-income rental housing units are to the total units in the building. For all
8.12 properties qualifying as class 4d, the market value determined by the assessor must be based
8.13 on the normal approach to value using normal unrestricted rents. Class 4d property has a
8.14 classification rate of 0.25 percent.

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

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

8.28 Sec. 3. **APPROPRIATION.**

8.29 \$20,500,000 in fiscal year 2021 is appropriated from the general fund to the commissioner
8.30 of education for additional general education aid.

9.1 **ARTICLE 2**

9.2 **INCOME AND MISCELLANEOUS TAXES**

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

9.5 Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a credit
9.6 equal to 25 percent of the qualified investment in a qualified small business. Investments
9.7 made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The
9.8 commissioner must not allocate more than \$10,000,000 in credits to qualified investors or
9.9 qualified funds for the taxable years listed in paragraph (i). For each taxable year, 50 percent
9.10 must be allocated to credits for qualifying investments in qualified greater Minnesota
9.11 businesses and minority-owned, women-owned, or veteran-owned qualified small businesses
9.12 in Minnesota. Any portion of a taxable year's credits that is reserved for qualifying
9.13 investments in greater Minnesota businesses and minority-owned, women-owned, or
9.14 veteran-owned qualified small businesses in Minnesota that is not allocated by September
9.15 30 of the taxable year is available for allocation to other credit applications beginning on
9.16 October 1. Any portion of a taxable year's credits that is not allocated by the commissioner
9.17 does not cancel and may be carried forward to subsequent taxable years until all credits
9.18 have been allocated.

9.19 (b) The commissioner may not allocate more than a total maximum amount in credits
9.20 for a taxable year to a qualified investor for the investor's cumulative qualified investments
9.21 as an individual qualified investor and as an investor in a qualified fund; for married couples
9.22 filing joint returns the maximum is \$250,000, and for all other filers the maximum is
9.23 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits
9.24 over all taxable years for qualified investments in any one qualified small business.

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

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

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

9.32 A member of the family of an individual disqualified by this paragraph is not eligible for a
9.33 credit under this section. For a married couple filing a joint return, the limitations in this
9.34 paragraph apply collectively to the investor and spouse. For purposes of determining the

10.1 ownership interest of an investor under this paragraph, the rules under section 267(c) and
10.2 267(e) of the Internal Revenue Code apply.

10.3 (d) Applications for tax credits for 2010 must be made available on the department's
10.4 website by September 1, 2010, and the department must begin accepting applications by
10.5 September 1, 2010. Applications for subsequent years must be made available by November
10.6 1 of the preceding year.

10.7 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.
10.8 Tax credits must be allocated to qualified investors or qualified funds in the order that the
10.9 tax credit request applications are filed with the department. The commissioner must approve
10.10 or reject tax credit request applications within 15 days of receiving the application. The
10.11 investment specified in the application must be made within 60 days of the allocation of
10.12 the credits. If the investment is not made within 60 days, the credit allocation is canceled
10.13 and available for reallocation. A qualified investor or qualified fund that fails to invest as
10.14 specified in the application, within 60 days of allocation of the credits, must notify the
10.15 commissioner of the failure to invest within five business days of the expiration of the
10.16 60-day investment period.

10.17 (f) All tax credit request applications filed with the department on the same day must
10.18 be treated as having been filed contemporaneously. If two or more qualified investors or
10.19 qualified funds file tax credit request applications on the same day, and the aggregate amount
10.20 of credit allocation claims exceeds the aggregate limit of credits under this section or the
10.21 lesser amount of credits that remain unallocated on that day, then the credits must be allocated
10.22 among the qualified investors or qualified funds who filed on that day on a pro rata basis
10.23 with respect to the amounts claimed. The pro rata allocation for any one qualified investor
10.24 or qualified fund is the product obtained by multiplying a fraction, the numerator of which
10.25 is the amount of the credit allocation claim filed on behalf of a qualified investor and the
10.26 denominator of which is the total of all credit allocation claims filed on behalf of all
10.27 applicants on that day, by the amount of credits that remain unallocated on that day for the
10.28 taxable year.

10.29 (g) A qualified investor or qualified fund, or a qualified small business acting on their
10.30 behalf, must notify the commissioner when an investment for which credits were allocated
10.31 has been made, and the taxable year in which the investment was made. A qualified fund
10.32 must also provide the commissioner with a statement indicating the amount invested by
10.33 each investor in the qualified fund based on each investor's share of the assets of the qualified
10.34 fund at the time of the qualified investment. After receiving notification that the investment
10.35 was made, the commissioner must issue credit certificates for the taxable year in which the

11.1 investment was made to the qualified investor or, for an investment made by a qualified
 11.2 fund, to each qualified investor who is an investor in the fund. The certificate must state
 11.3 that the credit is subject to revocation if the qualified investor or qualified fund does not
 11.4 hold the investment in the qualified small business for at least three years, consisting of the
 11.5 calendar year in which the investment was made and the two following years. The three-year
 11.6 holding period does not apply if:

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

11.9 (2) 80 percent or more of the assets of the qualified small business is sold before the end
 11.10 of the three-year period;

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

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

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

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

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

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

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

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

11.22 Sec. 2. Minnesota Statutes 2019 Supplement, section 290.0132, subdivision 26, is amended
 11.23 to read:

11.24 Subd. 26. **Social Security benefits.** ~~(a) A portion of~~ The amount of taxable Social
 11.25 Security benefits received by a taxpayer in the taxable year is allowed as a subtraction. ~~The~~
 11.26 ~~subtraction equals the lesser of taxable Social Security benefits or a maximum subtraction~~
 11.27 ~~subject to the limits under paragraphs (b), (c), and (d).~~

11.28 ~~(b) For married taxpayers filing a joint return and surviving spouses, the maximum~~
 11.29 ~~subtraction equals \$5,150. The maximum subtraction is reduced by 20 percent of provisional~~
 11.30 ~~income over \$78,180. In no case is the subtraction less than zero.~~

12.1 ~~(c) For single or head-of-household taxpayers, the maximum subtraction equals \$4,020.~~
 12.2 ~~The maximum subtraction is reduced by 20 percent of provisional income over \$61,080.~~
 12.3 ~~In no case is the subtraction less than zero.~~

12.4 ~~(d) For married taxpayers filing separate returns, the maximum subtraction equals~~
 12.5 ~~one-half the maximum subtraction for joint returns under paragraph (b). The maximum~~
 12.6 ~~subtraction is reduced by 20 percent of provisional income over one-half the threshold~~
 12.7 ~~amount specified in paragraph (b). In no case is the subtraction less than zero.~~

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

12.12 ~~(f) The commissioner shall adjust the maximum subtraction and threshold amounts in~~
 12.13 ~~paragraphs (b) to (d) as provided in section 270C.22. The statutory year is taxable year~~
 12.14 ~~2019. The maximum subtraction and threshold amounts as adjusted must be rounded to the~~
 12.15 ~~nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10~~
 12.16 ~~amount.~~

12.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 12.18 31, 2019.

12.19 Sec. 3. Minnesota Statutes 2019 Supplement, section 290.06, subdivision 2c, is amended
 12.20 to read:

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

- 12.25 (1) On the first \$38,770, ~~5.35~~ 4.9 percent;
- 12.26 (2) On all over \$38,770, but not over \$154,020, 6.8 percent;
- 12.27 (3) On all over \$154,020, but not over \$269,010, 7.85 percent;
- 12.28 (4) On all over \$269,010, 9.85 percent.

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

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

13.3 (1) On the first \$26,520, ~~5.35~~ 4.9 percent;

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

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

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

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

13.10 (1) On the first \$32,650, ~~5.35~~ 4.9 percent;

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

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

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

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

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

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

13.27 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and
13.28 17, and 290.0137, paragraph (a); and reduced by

13.29 (ii) the Minnesota assignable portion of the subtraction for United States government
13.30 interest under section 290.0132, subdivision 2, the subtractions under sections 290.0132,

14.1 subdivisions 9, 10, 14, 15, 17, 18, and 27, and 290.0137, paragraph (c), after applying the
14.2 allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

14.3 (2) the denominator is the individual's federal adjusted gross income as defined in section
14.4 62 of the Internal Revenue Code, increased by:

14.5 (i) the additions required under sections 290.0131, subdivisions 2, 6, 8 to 10, 16, and
14.6 17, and 290.0137, paragraph (a); and reduced by

14.7 (ii) the subtractions under sections 290.0132, subdivisions 2, 9, 10, 14, 15, 17, 18, and
14.8 27, and 290.0137, paragraph (c).

14.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
14.10 31, 2019.

14.11 Sec. 4. Minnesota Statutes 2018, section 290.0674, subdivision 2, is amended to read:

14.12 Subd. 2. **Limitations.** (a) For claimants with adjusted gross income not greater than
14.13 ~~\$33,500~~ the income eligibility guideline, the maximum credit allowed for a family is \$1,000
14.14 multiplied by the number of qualifying children in kindergarten through grade 12 in the
14.15 family. The maximum credit for families with one qualifying child in kindergarten through
14.16 grade 12 is reduced by \$1 for each \$4 of ~~household~~ adjusted gross income over ~~\$33,500~~
14.17 the income eligibility guideline, and the maximum credit for families with two or more
14.18 qualifying children in kindergarten through grade 12 is reduced by \$2 for each \$4 of
14.19 ~~household~~ adjusted gross income over ~~\$33,500~~ the income eligibility guideline, but in no
14.20 case is the credit less than zero.

14.21 (b) For purposes of this subdivision, "income eligibility guideline" means the greater of
14.22 \$33,500 or the amounts determined under United States Code, title 42, section 1758(b)(1),
14.23 for reduced-price lunch as of July 1 of the taxable year. For purposes of determining the
14.24 income eligibility guideline, the taxpayer's household size equals the sum of:

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

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

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

14.30 ~~(e)~~ (d) For a nonresident or part-year resident, the credit determined under subdivision
14.31 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage
14.32 calculated in section 290.06, subdivision 2c, paragraph (e).

15.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 15.2 31, 2019.

15.3 Sec. 5. Minnesota Statutes 2018, section 297E.02, subdivision 6, is amended to read:

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

15.12	If the combined net receipts	The tax is:
15.13	for the fiscal year are:	
15.14	Not over \$87,500	nine <u>eight</u> percent
15.15	Over \$87,500, but not over	\$7,875 <u>\$7,000</u> plus 18 <u>16</u> percent of
15.16	\$122,500	the amount over \$87,500, but not over
15.17		\$122,500
15.18	Over \$122,500, but not	\$14,175 <u>\$12,600</u> plus 27 <u>24</u> percent
15.19	over \$157,500	of the amount over \$122,500, but not
15.20		over \$157,500
15.21	Over \$157,500	\$23,625 <u>\$21,000</u> plus 36 <u>32</u> percent
15.22		of the amount over \$157,500

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

15.31	If the combined net receipts	The tax is:
15.32	for the fiscal year are:	
15.33	Not over \$87,500	8.5 percent
15.34	Over \$87,500, but not over	\$7,438 plus 17 percent of the amount
15.35	\$122,500	over \$87,500, but not over \$122,500

16.1	Over \$122,500, but not	\$13,388 plus 25.5 percent of the
16.2	over \$157,500	amount over \$122,500, but not over
16.3		\$157,500
16.4	Over \$157,500	\$22,313 plus 34 percent of the amount
16.5		over \$157,500

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

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

16.11 Sec. 6. Minnesota Statutes 2018, section 297E.021, subdivision 2, is amended to read:

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

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

16.22 Sec. 7. Minnesota Statutes 2018, section 297E.021, subdivision 3, is amended to read:

16.23 Subd. 3. **Available revenues.** For purposes of this section, "available revenues" equals
 16.24 the amount determined under subdivision 2, ~~plus up to \$20,000,000 each fiscal year from~~
 16.25 ~~the taxes imposed under section 290.06, subdivision 1:~~

16.26 (1) reduced by the following amounts paid for the fiscal year under:

16.27 (i) the appropriation to principal and interest on appropriation bonds under section
 16.28 16A.965, subdivision 8;

16.29 (ii) the appropriation from the general fund to make operating expense payments under
 16.30 section 473J.13, subdivision 2, paragraph (b);

16.31 (iii) the appropriation for contributions to the capital reserve fund under section 473J.13,
 16.32 subdivision 4, paragraph (c);

17.1 (iv) the appropriations under Laws 2012, chapter 299, article 4, for administration and
 17.2 any successor appropriation;

17.3 (v) the reduction in revenues resulting from the sales tax exemptions under section
 17.4 297A.71, subdivision 43;

17.5 (vi) reimbursements authorized by section 473J.15, subdivision 2, paragraph (d);

17.6 (vii) the compulsive gambling appropriations under section 297E.02, subdivision 3,
 17.7 paragraph (c), and any successor appropriation; and

17.8 (viii) the appropriation for the city of St. Paul under section 16A.726, paragraph (c); and

17.9 (2) increased by the revenue deposited in the general fund under section 297A.994,
 17.10 subdivision 4, clauses (1) to (3), for the fiscal year.

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

17.12 Sec. 8. Minnesota Statutes 2018, section 297E.021, is amended by adding a subdivision
 17.13 to read:

17.14 **Subd. 3a. Revenue dedication.** If the commissioner of management and budget
 17.15 determines that the available revenues determined under subdivision 2 are insufficient, the
 17.16 commissioner may add up to \$20,000,000 each fiscal year from the taxes imposed under
 17.17 section 290.06, subdivision 1, to the available revenues under subdivision 3. The
 17.18 commissioner must notify the chairs and ranking minority members of the house of
 17.19 representatives Ways and Means Committee and the senate Finance Committee at least 15
 17.20 days prior to increasing the available revenue under subdivision 3. Any increase made under
 17.21 this subdivision must continue in subsequent fiscal years.

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

17.23 Sec. 9. Minnesota Statutes 2018, section 297E.021, subdivision 4, is amended to read:

17.24 **Subd. 4. Appropriation; general reserve account.** To the extent the commissioner
 17.25 determines that revenues are available under ~~subdivision~~ subdivisions 3 and 3a for the fiscal
 17.26 year, those amounts are appropriated from the general fund for deposit in a general reserve
 17.27 account established by order of the commissioner of management and budget. Amounts in
 17.28 this reserve are appropriated as necessary for application against any shortfall in the amounts
 17.29 deposited to the general fund under section 297A.994 or, after consultation with the
 17.30 Legislative Commission on Planning and Fiscal Policy, amounts in this reserve are
 17.31 appropriated to the commissioner of management and budget for other uses related to the

18.1 stadium authorized under section 473J.03, subdivision 8, that the commissioner deems
 18.2 financially prudent including but not limited to reimbursements for capital and operating
 18.3 costs relating to the stadium, refundings, and prepayment of debt. In no event, shall available
 18.4 revenues be pledged, nor shall the appropriations of available revenues made by this section
 18.5 constitute a pledge of available revenues as security for the prepayment of principal and
 18.6 interest on the appropriation bonds under section 16A.965.

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

18.8 Sec. 10. Minnesota Statutes 2018, section 349.15, subdivision 1, is amended to read:

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

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

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

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

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

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

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

18.29 (c) An organization that fails to expend a minimum of ~~30~~ 40 percent annually of gross
 18.30 profits on lawful purposes, or ~~20~~ 25 percent annually for organizations that conduct lawful
 18.31 gambling in a location where the primary business is bingo, is automatically on probation
 18.32 effective July 1 for a period of one year. The organization must increase its rating to the

19.1 required minimum or be subject to sanctions by the board. If an organization fails to meet
19.2 the minimum after a one-year probation, the board may suspend the organization's license
19.3 or impose a civil penalty as follows:

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

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

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

19.14 Sec. 11. Minnesota Statutes 2018, section 349.151, subdivision 4, is amended to read:

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

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

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

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

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

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

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

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

19.29 (8) to report annually to the governor and legislature on its activities and on recommended
19.30 changes in the laws governing gambling, including an annual report that provides: a tabulation
19.31 of the number of compliance reviews completed; the percentage of organizations reviewed;

20.1 an average of the number of months between reviews; the number, location, and organization
20.2 of site inspections; and the number of allegations awaiting investigation by the board;

20.3 (9) to report annually to the governor and legislature a financial summary for each
20.4 licensed organization identifying the gross receipts, prizes paid, allowable expenses, lawful
20.5 purpose expenditures including charitable contributions and all taxes and fees as per section
20.6 349.12, subdivision 25, paragraph (a), clauses (8) and (18), and the percentage of annual
20.7 gross profit used for lawful purposes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21.17 Sec. 12. **REPEALER.**

21.18 (a) Minnesota Statutes 2018, sections 290.0131, subdivision 10; 290.0133, subdivision
21.19 12; and 290.0674, subdivision 2a, are repealed.

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

21.21 (c) Minnesota Statutes 2018, section 290.0692, subdivision 6, is repealed.

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

116J.8737 SMALL BUSINESS INVESTMENT TAX CREDIT.

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

290.0131 INDIVIDUALS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subd. 10. **Section 179 expensing.** 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

290.0133 CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.

Subd. 12. **Section 179 expensing.** 80 percent of the amount by which the deduction allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code, as amended through December 31, 2003, is an addition.

290.0674 MINNESOTA EDUCATION CREDIT.

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

- (1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and
 - (2) the sum of the following amounts to the extent not included in clause (1):
 - (i) all nontaxable income;
 - (ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;
 - (iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;
 - (iv) cash public assistance and relief;
 - (v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;
 - (vii) workers' compensation;
 - (viii) nontaxable strike benefits;
 - (ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;
 - (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;
 - (xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;
 - (xii) nontaxable scholarship or fellowship grants;
 - (xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;
 - (xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;
 - (xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code;
- and

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

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

(b) "Income" does not include:

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

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

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

(4) relief granted under chapter 290A;

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

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

290.0692 SMALL BUSINESS INVESTMENT CREDIT.

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