

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

S.F. No. 5234

(SENATE AUTHORS: REST)

DATE
04/02/2024

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

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

1.3 franchise taxes, gross receipts taxes, and local government aids; clarifying the

1.4 definition of certain attachments and appurtenances; proposing advanced payments

1.5 of the child tax credit; clarifying the credit for research calculation for the gross

1.6 receipts tax; modifying the effective date of a reduction in the limitation on the

1.7 deductibility of net operating losses; modifying Tribal Nation aid payment dates;

1.8 appropriating money; amending Minnesota Statutes 2022, sections 272.02,

1.9 subdivision 19; 273.38; 273.41; 289A.08, subdivision 1; 295.53, subdivision 4a;

1.10 Minnesota Statutes 2023 Supplement, sections 290.0661, subdivision 7, by adding

1.11 a subdivision; 477A.40, subdivisions 4, 5; Laws 2023, chapter 64, article 1, section

1.12 44.

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

1.14 Section 1. Minnesota Statutes 2022, section 272.02, subdivision 19, is amended to read:

1.15 Subd. 19. **Property used to distribute electricity to farmers.** Electric power distribution

1.16 ~~lines and their attachments and appurtenances~~ systems, not including substations, or

1.17 transmission or generation equipment, that are used primarily for supplying electricity to

1.18 farmers at retail, are exempt.

1.19 **EFFECTIVE DATE.** This section is effective for assessment year 2024 and thereafter.

1.20 Sec. 2. Minnesota Statutes 2022, section 273.38, is amended to read:

1.21 **273.38 PERCENTAGE OF ASSESSMENTS; EXCEPTIONS.**

1.22 The distribution ~~lines and the attachments and appurtenances thereto~~ systems, not

1.23 including substations, or transmission or generation equipment of cooperative associations

1.24 organized under the provisions of Laws 1923, chapter 326, and laws amendatory thereof

1.25 and supplemental thereto, and engaged in the electrical heat, light and power business, upon

2.1 a mutual, nonprofit and cooperative plan, shall be assessed and taxed as provided in sections
2.2 273.40 and 273.41.

2.3 **EFFECTIVE DATE.** This section is effective for assessment year 2024 and thereafter.

2.4 Sec. 3. Minnesota Statutes 2022, section 273.41, is amended to read:

2.5 **273.41 AMOUNT OF TAX; DISTRIBUTION.**

2.6 There is hereby imposed upon each such cooperative association on December 31 of
2.7 each year a tax of \$10 for each 100 members, or fraction thereof, of such association. The
2.8 tax, when paid, shall be in lieu of all personal property taxes, state, county, or local, upon
2.9 ~~distribution lines and the attachments and appurtenances thereto of such associations~~ that
2.10 part of the association's distribution system, not including substations, or transmission or
2.11 generation equipment, located in rural areas. The tax shall be payable on or before March
2.12 1 of the next succeeding year, to the commissioner of revenue. If the tax, or any portion
2.13 thereof, is not paid within the time herein specified for the payment thereof, there shall be
2.14 added thereto a specific penalty equal to ten percent of the amount so remaining unpaid.
2.15 Such penalty shall be collected as part of said tax, and the amount of said tax not timely
2.16 paid, together with said penalty, shall bear interest at the rate specified in section 270C.40
2.17 from the time such tax should have been paid until paid. The commissioner shall deposit
2.18 the amount so received in the general fund of the state treasury.

2.19 **EFFECTIVE DATE.** This section is effective for assessment year 2024 and thereafter.

2.20 Sec. 4. Minnesota Statutes 2022, section 289A.08, subdivision 1, is amended to read:

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

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

2.28 (2) an individual who is a Minnesota resident is not required to file a Minnesota income
2.29 tax return if the individual's gross income derived from Minnesota sources as determined
2.30 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions
2.31 12 and 15, is less than the filing requirements for a single individual who is a full-year
2.32 resident of Minnesota.

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

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

3.9 (d) The commissioner of revenue must annually determine the gross income levels at
3.10 which individuals are required to file a return for each taxable year based on the amounts
3.11 allowed as a deduction under section 290.0123.

3.12 (e) Notwithstanding paragraph (a), an individual must file a Minnesota income tax return
3.13 for each taxable year that the taxpayer has made an election to receive advance payments
3.14 of the child tax credit under section 290.0661, subdivision 8.

3.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.16 31, 2024.

3.17 Sec. 5. Minnesota Statutes 2023 Supplement, section 290.0661, subdivision 7, is amended
3.18 to read:

3.19 Subd. 7. **Inflation adjustment.** (a) For taxable years beginning after December 31,
3.20 2025, the commissioner of revenue must annually adjust for inflation the credit amount in
3.21 subdivision 3 as provided in section 270C.22. The adjusted amounts must be rounded to
3.22 the nearest \$60. The statutory year is taxable year 2025.

3.23 (b) For taxable years beginning after December 31, 2023, the commissioner of revenue
3.24 must annually adjust for inflation the phaseout thresholds in subdivision 4, as provided in
3.25 section 270C.22. The statutory year is taxable year 2023.

3.26 (c) For taxable years beginning after December 31, 2025, and before January 1, 2029,
3.27 the commissioner of revenue must annually adjust for inflation the limitations for adjusted
3.28 gross income in subdivision 9, paragraph (a), clause (2), as provided in section 270C.22.
3.29 The statutory year is taxable year 2025.

3.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
3.31 31, 2025.

4.1 Sec. 6. Minnesota Statutes 2023 Supplement, section 290.0661, is amended by adding a
4.2 subdivision to read:

4.3 Subd. 9. **Minimum credit.** (a) For taxable years beginning after December 31, 2024,
4.4 and before January 1, 2029, an eligible taxpayer is allowed the greater of the credit allowed
4.5 under subdivision 2 or the minimum credit described in this subdivision. A taxpayer is
4.6 eligible for the minimum credit under this subdivision if the taxpayer:

4.7 (1) received the credit under subdivision 2 in the preceding taxable year; and

4.8 (2) has adjusted gross income in the current taxable year equal to or less than:

4.9 (i) \$60,100 for married taxpayers filing a joint return with one qualifying child; or

4.10 (ii) \$49,570 for all other filers with one qualifying child.

4.11 (b) The adjusted gross income limitations in paragraph (a), clause (2), are increased by
4.12 \$9,000 for each additional qualifying child.

4.13 (c) The credit allowed under this subdivision is equal to 50 percent of the credit received
4.14 under subdivision 2 in the prior taxable year, unless paragraph (d) applies.

4.15 (d) If a taxpayer is claiming fewer qualifying children in the current taxable year than
4.16 in the prior taxable year, the minimum credit allowed under this subdivision is equal to 50
4.17 percent of credit received under this section in the prior taxable year multiplied by a fraction
4.18 in which:

4.19 (1) the numerator is the number of qualifying children in the current taxable year; and

4.20 (2) the denominator is the number of qualifying children in the prior taxable year.

4.21 (e) The commissioner must certify the total change in individual income tax liability
4.22 from the credit allowed under this subdivision compared to the credit calculated under
4.23 subdivision 2 to the commissioner of management and budget by June 30 of each year.

4.24 (f) A minimum child tax credit account is created in the special revenue fund. Money
4.25 in the account is appropriated to the commissioner of management and budget for transfers
4.26 to the general fund required in paragraph (h).

4.27 (g) \$45,000,000 in fiscal year 2025 is transferred from the general fund to the minimum
4.28 child tax credit account established in paragraph (f). This transfer is for fiscal year 2025
4.29 only.

4.30 (h) The commissioner of management and budget must annually transfer an amount
4.31 sufficient to cover the amount certified in paragraph (e) from the minimum child tax credit

5.1 account to the general fund beginning in fiscal year 2026. Any amount remaining in the
5.2 minimum child tax credit account on July 1, 2029, cancels to the general fund.

5.3 (i) This subdivision expires January 1, 2029, for taxable years beginning after December
5.4 31, 2028.

5.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
5.6 31, 2024.

5.7 Sec. 7. Minnesota Statutes 2022, section 295.53, subdivision 4a, is amended to read:

5.8 Subd. 4a. **Credit for research.** (a) In addition to the exemptions allowed under
5.9 subdivision 1, a hospital or health care provider may claim an annual credit against the total
5.10 amount of tax, if any, the hospital or health care provider owes for that calendar year under
5.11 sections 295.50 to 295.57. The credit shall equal ~~2.5~~ 0.5 percent of revenues for patient
5.12 services used to fund expenditures for qualifying research conducted by an allowable research
5.13 program. The amount of the credit shall not exceed the tax liability of the hospital or health
5.14 care provider under sections 295.50 to 295.57.

5.15 (b) For purposes of this subdivision, the following requirements apply:

5.16 (1) expenditures must be for program costs of qualifying research conducted by an
5.17 allowable research program;

5.18 (2) an allowable research program must be a formal program of medical and health care
5.19 research conducted by an entity which is exempt under section 501(c)(3) of the Internal
5.20 Revenue Code as defined in section 289A.02, subdivision 7, or is owned and operated under
5.21 authority of a governmental unit;

5.22 (3) qualifying research must:

5.23 (A) be approved in writing by the governing body of the hospital or health care provider
5.24 which is taking the deduction under this subdivision;

5.25 (B) have as its purpose the development of new knowledge in basic or applied science
5.26 relating to the diagnosis and treatment of conditions affecting the human body;

5.27 (C) be subject to review by individuals with expertise in the subject matter of the proposed
5.28 study but who have no financial interest in the proposed study and are not involved in the
5.29 conduct of the proposed study; and

5.30 (D) be subject to review and supervision by an institutional review board operating in
5.31 conformity with federal regulations if the research involves human subjects or an institutional
5.32 animal care and use committee operating in conformity with federal regulations if the

6.1 research involves animal subjects. Research expenses are not exempt if the study is a routine
6.2 evaluation of health care methods or products used in a particular setting conducted for the
6.3 purpose of making a management decision. Costs of clinical research activities paid directly
6.4 for the benefit of an individual patient are excluded from this exemption. Basic research in
6.5 fields including biochemistry, molecular biology, and physiology are also included if such
6.6 programs are subject to a peer review process.

6.7 (c) No credit shall be allowed under this subdivision for any revenue received by the
6.8 hospital or health care provider in the form of a grant, gift, or otherwise, whether from a
6.9 government or nongovernment source, on which the tax liability under section 295.52 is
6.10 not imposed.

6.11 (d) The taxpayer shall apply for the credit under this section on the annual return under
6.12 section 295.55, subdivision 5.

6.13 ~~(e) Beginning September 1, 2001, if the actual or estimated amount paid under this~~
6.14 ~~section for the calendar year exceeds \$2,500,000, the commissioner of management and~~
6.15 ~~budget shall determine the rate of the research credit for the following calendar year to the~~
6.16 ~~nearest one-half percent so that refunds paid under this section will most closely equal~~
6.17 ~~\$2,500,000. The commissioner of management and budget shall publish in the State Register~~
6.18 ~~by October 1 of each year the rate of the credit for the following calendar year. A~~
6.19 ~~determination under this section is not subject to the rulemaking provisions of chapter 14.~~

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

6.21 Sec. 8. Minnesota Statutes 2023 Supplement, section 477A.40, subdivision 4, is amended
6.22 to read:

6.23 Subd. 4. **Application.** An eligible Tribal Nation may choose to receive an aid distribution
6.24 under this section by submitting an application under this subdivision. An eligible Tribal
6.25 Nation which has not received a distribution in a prior aids payable year may elect to begin
6.26 participation in the program by submitting an application in the manner and form prescribed
6.27 by the commissioner of revenue by January 15 of the aids payable year. In order to receive
6.28 a distribution, an eligible Tribal Nation must certify to the commissioner of revenue the
6.29 most recent estimate of the total number of enrolled members of the eligible Tribal Nation.
6.30 The information must be annually certified by March 1 in the form prescribed by the
6.31 commissioner of revenue. The commissioner of revenue must annually calculate and certify
6.32 the amount of aid payable to each eligible Tribal Nation ~~on or before August 1~~ by June 1.

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

7.1 Sec. 9. Minnesota Statutes 2023 Supplement, section 477A.40, subdivision 5, is amended
7.2 to read:

7.3 Subd. 5. **Payments.** The commissioner of revenue must pay Tribal Nation aid annually
7.4 by ~~December 27~~ July 20 of the year the aid is certified.

7.5 **EFFECTIVE DATE.** This section is effective for aid paid in 2025 and thereafter.

7.6 Sec. 10. Laws 2023, chapter 64, article 1, section 44, the effective date, is amended to
7.7 read:

7.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
7.9 31, ~~2022~~ 2023.

7.10 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
7.11 after December 31, 2022.

7.12 Sec. 11. **2024 TRIBAL NATION AID.**

7.13 (a) Notwithstanding any law to the contrary, for calendar year 2024 the commissioner
7.14 of revenue must pay Tribal Nation aid under Minnesota Statutes, section 477A.40, by June
7.15 20, 2024.

7.16 (b) \$35,000,000 in fiscal year 2024 is appropriated from the general fund to the
7.17 commissioner of revenue to make payments required under this section.

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

7.19 Sec. 12. **APPROPRIATION.**

7.20 \$1,878,000 in fiscal year 2025 is appropriated from the general fund to the commissioner
7.21 of revenue to administer Minnesota Statutes, section 290.0661, subdivision 8. The base for
7.22 this appropriation is \$2,838,000 in fiscal year 2026 and \$1,934,000 in fiscal year 2027.

7.23 **EFFECTIVE DATE.** This section is effective July 1, 2024.