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State of Minnesota

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HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 947

- 02/09/2017 Authored by Loon, Davids, Haley, Knoblach, Fenton and others
The bill was read for the first time and referred to the Committee on Education Finance
- 02/23/2017 Adoption of Report: Placed on the General Register
Read for the Second Time
- 05/01/2017 Calendar for the Day
Read for the Third Time
Passed by the House and transmitted to the Senate
- 05/19/2017 Returned to the House as Amended by the Senate
Refused to concur and a Conference Committee was appointed
Pursuant to Joint Rule 3.02(a), the Conference Committee was discharged and the bill was laid on the table
- 02/20/2018 Bill was taken from the Table and a Conference Committee was appointed
- 05/20/2018 Read Third Time as Amended by Conference and repassed by the House
Read Third Time as Amended by Conference and repassed by the Senate

1.1 A bill for an act

1.2 relating to financing of state and local government; providing onetime compensation

1.3 and school aid; making changes to conform with certain federal tax law changes;

1.4 making policy and technical changes to individual income taxes, corporate franchise

1.5 taxes, estate taxes, sales and use taxes, property taxes, tobacco taxes, minerals

1.6 taxes, local taxes, and other miscellaneous taxes and tax-related provisions;

1.7 modifying provisions related to local government aids and credits; appropriating

1.8 money; amending Minnesota Statutes 2016, sections 103E.611, subdivision 2;

1.9 116J.8737, subdivisions 5, 12; 122A.61, subdivision 1; 138.053; 162.145,

1.10 subdivision 3; 197.603, subdivision 2; 270.41, subdivision 3; 270B.08, subdivision

1.11 2; 270C.85, subdivision 2; 270C.89, subdivision 2; 270C.91; 272.02, subdivisions

1.12 27, 81, by adding a subdivision; 273.032; 273.061, subdivision 9; 273.113,

1.13 subdivision 3; 273.119, subdivision 2; 273.1231, subdivision 3; 273.124,

1.14 subdivisions 3a, 8, 14, 21, by adding a subdivision; 273.1245, subdivision 2;

1.15 273.13, subdivision 35; 273.136, subdivision 2; 273.1384, subdivision 3; 273.18;

1.16 274.14; 274.16; 275.025, by adding subdivisions; 282.01, subdivision 6; 287.21,

1.17 subdivision 1; 289A.08, subdivisions 1, 6, 7; 289A.20, by adding a subdivision;

1.18 289A.25, subdivision 1; 289A.31, subdivision 2; 289A.37, subdivision 6; 289A.38,

1.19 subdivision 10; 289A.42; 289A.60, subdivision 24; 290.01, subdivision 29a, by

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

1.21 290.0132, subdivisions 1, 7, 20, by adding subdivisions; 290.0133, subdivision 6;

1.22 290.0134, by adding subdivisions; 290.0136; 290.032, subdivision 2; 290.05,

1.23 subdivision 3; 290.06, subdivisions 1, 2c, 2d; 290.0671, subdivision 7; 290.0672,

1.24 subdivision 2; 290.0681, subdivisions 3, 4; 290.0685, subdivision 1, by adding a

1.25 subdivision; 290.0802, subdivisions 2, 3; 290.091, subdivision 3; 290.0921,

1.26 subdivision 8; 290.0922, subdivision 1; 290.095, subdivision 4; 290.21, subdivision

1.27 4, by adding a subdivision; 290.34, by adding subdivisions; 290.92, subdivisions

1.28 1, 28; 290A.03, subdivisions 4, 12; 290A.04, subdivisions 2, 2a, 4; 290A.05;

1.29 290A.08; 290A.09; 290B.04, subdivision 1; 290B.09, subdivision 1; 291.03,

1.30 subdivisions 8, 10; 297A.61, subdivision 18; 297A.67, subdivision 12; 297A.68,

1.31 subdivisions 17, 25, 44; 297A.70, subdivisions 3, 7, 16, by adding a subdivision;

1.32 297A.71, subdivisions 22, 45, by adding subdivisions; 297A.77, by adding a

1.33 subdivision; 297A.84; 297A.85; 297B.01, subdivision 14; 297B.03; 297F.01,

1.34 subdivisions 19, 23, by adding a subdivision; 297F.17, subdivision 6; 297G.16,

1.35 subdivision 7; 298.225, subdivision 1; 298.28, subdivision 9a; 469.171, subdivision

1.36 4; 469.177, subdivision 1; 469.1812, subdivision 1, by adding subdivisions;

1.37 469.316, subdivision 1; 469.317; 469.319, subdivision 4; 471.831; 473H.08,

1.38 subdivisions 1, 4, by adding a subdivision; 474A.02, subdivision 22b; 475.521,

1.39 subdivision 1; 477A.013, subdivision 13; 477A.016; Minnesota Statutes 2017

2.1 Supplement, sections 16A.152, subdivision 2; 270A.03, subdivision 5; 270C.445,
 2.2 subdivision 6; 270C.89, subdivision 1; 272.115, subdivision 1; 273.0755; 273.13,
 2.3 subdivisions 22, 23, 34; 273.1384, subdivision 2; 273.1387, subdivision 3; 275.025,
 2.4 subdivision 1; 289A.02, subdivision 7; 289A.12, subdivision 14; 289A.31,
 2.5 subdivision 1; 289A.35; 289A.37, subdivision 2; 290.01, subdivisions 4a, 19, 31;
 2.6 290.0131, subdivision 10; 290.0132, subdivisions 21, 26; 290.0133, subdivision
 2.7 12; 290.0137; 290.05, subdivision 1; 290.067, subdivisions 1, 2b; 290.0671,
 2.8 subdivision 1; 290.0672, subdivision 1; 290.0674, subdivision 2a; 290.0681,
 2.9 subdivisions 1, 2; 290.0684, subdivision 2; 290.091, subdivision 2; 290.17,
 2.10 subdivisions 2, 4; 290.31, subdivision 1; 290A.03, subdivisions 3, 8, 13, 15;
 2.11 291.005, subdivision 1; 291.03, subdivisions 9, 11; 297A.67, subdivision 6;
 2.12 297A.70, subdivisions 4, 20; 297A.75, subdivision 1; 297B.01, subdivision 16;
 2.13 298.17; 298.227; 462D.03, subdivision 2; 462D.06, subdivisions 1, 2; 473.39,
 2.14 subdivision 6; Laws 1986, chapter 379, sections 1, subdivisions 1, 3; 2, subdivision
 2.15 1; Laws 1986, chapter 396, section 5, as amended; Laws 1986, chapter 462, section
 2.16 31, as amended; Laws 2008, chapter 366, article 5, sections 26, as amended; 33,
 2.17 as amended; Laws 2009, chapter 88, article 2, section 46, subdivisions 1, as
 2.18 amended, 2, 3, as amended, 4, 5; Laws 2011, First Special Session chapter 7, article
 2.19 4, section 10, subdivision 3; Laws 2017, First Special Session chapter 1, article 3,
 2.20 section 32; article 4, section 31; article 8, section 3; article 10, section 4; proposing
 2.21 coding for new law in Minnesota Statutes, chapters 289A; 290; 469; repealing
 2.22 Minnesota Statutes 2016, sections 275.29; 289A.38, subdivisions 7, 8, 9; 290.0131,
 2.23 subdivisions 7, 11; 290.0133, subdivisions 13, 14; 290.067, subdivision 2a;
 2.24 290.0921, subdivisions 1, 2, 3, 3a, 4, 6; 290.10, subdivision 2.

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

2.26 **ARTICLE 1**

2.27 **K-12 EDUCATION**

2.28 Section 1. Minnesota Statutes 2017 Supplement, section 16A.152, subdivision 2, is
 2.29 amended to read:

2.30 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund
 2.31 revenues and expenditures, the commissioner of management and budget determines that
 2.32 there will be a positive unrestricted budgetary general fund balance at the close of the
 2.33 biennium, the commissioner of management and budget must allocate money to the following
 2.34 accounts and purposes in priority order:

2.35 (1) the cash flow account established in subdivision 1 until that account reaches
 2.36 \$350,000,000;

2.37 (2) the budget reserve account established in subdivision 1a until that account reaches
 2.38 ~~\$1,596,522,000~~ \$1,608,364,000;

2.39 (3) the amount necessary to increase the aid payment schedule for school district aids
 2.40 and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest
 2.41 tenth of a percent without exceeding the amount available and with any remaining funds
 2.42 deposited in the budget reserve; and

3.1 (4) the amount necessary to restore all or a portion of the net aid reductions under section
3.2 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75,
3.3 subdivision 5, by the same amount; ~~and~~

3.4 ~~(5) the clean water fund established in section 114D.50 until \$22,000,000 has been~~
3.5 ~~transferred into the fund.~~

3.6 (b) The amounts necessary to meet the requirements of this section are appropriated
3.7 from the general fund within two weeks after the forecast is released or, in the case of
3.8 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations
3.9 schedules otherwise established in statute.

3.10 (c) The commissioner of management and budget shall certify the total dollar amount
3.11 of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education.
3.12 The commissioner of education shall increase the aid payment percentage and reduce the
3.13 property tax shift percentage by these amounts and apply those reductions to the current
3.14 fiscal year and thereafter.

3.15 ~~(d) Paragraph (a), clause (5), expires after the entire amount of the transfer has been~~
3.16 ~~made.~~

3.17 Sec. 2. Minnesota Statutes 2016, section 122A.61, subdivision 1, is amended to read:

3.18 Subdivision 1. **Staff development revenue.** (a) A district is required to reserve an amount
3.19 equal to at least two percent of the basic revenue under section 126C.10, subdivision 2, for:

3.20 (1) teacher development and evaluation under section 122A.40, subdivision 8, or 122A.41,
3.21 subdivision 5;

3.22 (2) principal development and evaluation under section 123B.147, subdivision 3;

3.23 (3) professional development under section 122A.60; and

3.24 (4) in-service education for programs under section 120B.22, subdivision 2.

3.25 To the extent extra funds remain, staff development revenue may be used for staff
3.26 development plans, including plans for challenging instructional activities and experiences
3.27 under section 122A.60, and for curriculum development and programs, other in-service
3.28 education, teachers' mentoring under section 122A.70 and evaluation, teachers' workshops,
3.29 teacher conferences, the cost of substitute teachers for staff development purposes, preservice
3.30 and in-service education for special education professionals and paraprofessionals, and
3.31 other related costs for staff development efforts. A district may annually waive the
3.32 requirement to reserve their basic revenue under this section if a majority vote of the licensed

4.1 teachers in the district and a majority vote of the school board agree to a resolution to waive
4.2 the requirement. A district in statutory operating debt is exempt from reserving basic revenue
4.3 according to this section. Districts may expend an additional amount of unreserved revenue
4.4 for staff development based on their needs.

4.5 (b) Notwithstanding paragraph (a), for fiscal year 2019 only, a school board may on its
4.6 own accord adopt a written resolution waiving the two percent reserve for staff development
4.7 or establishing a different percentage reserve.

4.8 **Sec. 3. ONETIME COMPENSATION AND SCHOOL AID.**

4.9 Subdivision 1. **Temporary reduction.** \$50,000,000 in fiscal year 2019 is transferred
4.10 from the budget reserve under Minnesota Statutes, section 16A.152, subdivision 1a, to the
4.11 general fund.

4.12 Subd. 2. **School trust lands; appropriation for past activities.** \$50,000,000 in fiscal
4.13 year 2019 is appropriated from the general fund to the commissioner of education for
4.14 payment to schools under subdivision 3 for past activities conducted on school trust lands
4.15 that did not maximize deposits to the permanent school trust fund as specified under
4.16 Minnesota Statutes, section 84.027, subdivision 18, paragraph (b).

4.17 Subd. 3. **Student and school safety aid.** (a) For fiscal year 2019 only, concurrent with
4.18 the September 2018 apportionment from the school endowment fund to each school district
4.19 and charter school under Minnesota Statutes, section 127A.33, the commissioner must
4.20 distribute student and school safety aid equal to \$57.73 times the adjusted average daily
4.21 membership for the previous school year.

4.22 (b) The state aid received under this section may be used for student and staff safety
4.23 activities consistent with Minnesota Statutes, section 126C.44, or for any other school-related
4.24 purpose as deemed appropriate by the board.

4.25 **Sec. 4. COMMUNITY SERVICE FUND; FUND TRANSFERS.**

4.26 (a) On June 30, 2018, and June 30, 2019, upon approval of the commissioner of education
4.27 and notwithstanding Minnesota Statutes, section 123B.79, 123B.80, or 124D.20, subdivision
4.28 10, a school district may permanently transfer any amount approved by the commissioner
4.29 from its community education reserve fund balance to its undesignated general fund.

4.30 (b) To the extent practicable, when making the fund transfer under this section, each
4.31 school district must abide by its board's fund balance policy, unless the funds are transferred
4.32 for an eligible use under Minnesota Statutes, section 124D.18.

5.1 (c) A school district requesting a fund transfer under this section must apply for the
 5.2 transfer in the form and manner specified by the commissioner.

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

5.4 **ARTICLE 2**

5.5 **FEDERAL TAX CONFORMITY**

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

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

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

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

5.23 (1) for an unmarried debtor, an income of ~~\$12,560~~ \$13,180 or less;

5.24 (2) for a debtor with one dependent, an income of ~~\$16,080~~ \$16,878 or less;

5.25 (3) for a debtor with two dependents, an income of ~~\$19,020~~ \$19,959 or less;

5.26 (4) for a debtor with three dependents, an income of ~~\$21,580~~ \$22,643 or less;

5.27 (5) for a debtor with four dependents, an income of ~~\$22,760~~ \$23,887 or less; and

5.28 (6) for a debtor with five or more dependents, an income of ~~\$23,730~~ \$24,900 or less.

5.29 For purposes of this paragraph, "debtor" means the individual whose income, together
 5.30 with the income of the individual's spouse, other than a separated spouse, brings the

6.1 individual within the income provisions of this paragraph. For purposes of this paragraph,
6.2 a spouse, other than a separated spouse, shall be considered a dependent.

6.3 (c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage
6.4 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except
6.5 that in section 1(f)(3)(B) the word "~~2014~~" "2017" shall be substituted for the word "~~1992~~."
6.6 ~~For 2016, the commissioner shall then determine the percent change from the 12 months~~
6.7 ~~ending on August 31, 2014, to the 12 months ending on August 31, 2015, and in each~~
6.8 ~~subsequent year, from the 12 months ending on August 31, 2014, to the 12 months ending~~
6.9 ~~on August 31 of the year preceding the taxable year. "2016."~~ The determination of the
6.10 commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be
6.11 subject to the Administrative Procedure Act contained in chapter 14. The income amount
6.12 as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount
6.13 is rounded up to the nearest \$10 amount.

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

6.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.17 31, 2017.

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

6.20 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
6.21 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~
6.22 ~~16, 2016~~ March 31, 2018.

6.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.24 31, 2017.

6.25 Sec. 3. Minnesota Statutes 2016, section 289A.08, subdivision 1, is amended to read:

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

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

7.1 (2) an individual who is a Minnesota resident is not required to file a Minnesota income
7.2 tax return if the individual's gross income derived from Minnesota sources as determined
7.3 under section 290.17, less the subtractions allowed under section 290.0132, subdivisions
7.4 12 and 15, is less than the filing requirements for a single individual who is a full-year
7.5 resident of Minnesota.

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

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

7.14 (d) The commissioner of revenue shall annually determine the gross income levels at
7.15 which individuals are required to file a return for each taxable year based on the amounts
7.16 that may be deducted under section 290.0803 and the personal and dependent exemptions
7.17 under section 290.0138.

7.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
7.19 31, 2017.

7.20 Sec. 4. Minnesota Statutes 2016, section 289A.08, subdivision 7, is amended to read:

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

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

7.31 (c) The partnership must submit a request to use this composite return filing method for
7.32 nonresident partners. The requesting partnership must file a composite return in the form

8.1 prescribed by the commissioner of revenue. The filing of a composite return is considered
8.2 a request to use the composite return filing method.

8.3 (d) The electing partner must not have any Minnesota source income other than the
8.4 income from the partnership and other electing partnerships. If it is determined that the
8.5 electing partner has other Minnesota source income, the inclusion of the income and tax
8.6 liability for that partner under this provision will not constitute a return to satisfy the
8.7 requirements of subdivision 1. The tax paid for the individual as part of the composite return
8.8 is allowed as a payment of the tax by the individual on the date on which the composite
8.9 return payment was made. If the electing nonresident partner has no other Minnesota source
8.10 income, filing of the composite return is a return for purposes of subdivision 1.

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

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

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

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

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

8.30 (j) For the purposes of this subdivision, "income" means the partner's share of federal
8.31 adjusted gross income from the partnership modified by the additions provided in section
8.32 290.0131, subdivisions 8 to ~~10~~ 10 and 17, and the subtractions provided in: (1) section
8.33 290.0132, subdivision 9, to the extent the amount is assignable or allocable to Minnesota
8.34 under section 290.17; and (2) section 290.0132, subdivision 14. The subtraction allowed

9.1 under section 290.0132, subdivision 9, is only allowed on the composite tax computation
9.2 to the extent the electing partner would have been allowed the subtraction.

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

9.5 Sec. 5. Minnesota Statutes 2017 Supplement, section 289A.12, subdivision 14, is amended
9.6 to read:

9.7 Subd. 14. **Reporting exempt interest and exempt-interest dividends.** (a) A regulated
9.8 investment company paying \$10 or more in exempt-interest dividends to an individual who
9.9 is a resident of Minnesota, or any person receiving \$10 or more of exempt interest or
9.10 exempt-interest dividends and paying as nominee to an individual who is a resident of
9.11 Minnesota, must make a return indicating the amount of the exempt interest or
9.12 exempt-interest dividends, the name, address, and Social Security number of the recipient,
9.13 and any other information that the commissioner specifies. The return must be provided to
9.14 the recipient by February 15 of the year following the year of the payment. The return
9.15 provided to the recipient must include a clear statement, in the form prescribed by the
9.16 commissioner, that the exempt interest or exempt-interest dividends must be included in
9.17 the computation of Minnesota taxable income. By June 1 of each year, the payer must file
9.18 a copy of the return with the commissioner.

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

9.20 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section
9.21 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest
9.22 dividends that are not required to be added to federal ~~taxable~~ adjusted gross income under
9.23 section 290.0131, subdivision 2, paragraph (b).

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

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

9.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
9.32 31, 2017.

10.1 Sec. 6. Minnesota Statutes 2016, section 289A.20, is amended by adding a subdivision to
10.2 read:

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

10.9 (b) If an acceleration of payment applies for federal income tax purposes under section
10.10 965(h)(3) of the Internal Revenue Code, the unpaid portion of the remaining installments
10.11 due under chapter 290 must be paid on the same date as the federal tax is due. Assessment
10.12 of deficiencies must be prorated as provided under section 965(h)(4) of the Internal Revenue
10.13 Code.

10.14 (c) For purposes of determining date and time limits under sections 270C.62, 270C.63,
10.15 270C.67, and 270C.68, the date on which an installment is due under paragraph (a), including
10.16 any acceleration under paragraph (b), must be treated as the assessment date, due date, or
10.17 other date from which the time limit must be determined for that payment.

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

10.19 (1) the tax liability, determined under chapter 290, for the taxable year in which the
10.20 deferred foreign income was includible in federal taxable income; over

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

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

10.25 Sec. 7. Minnesota Statutes 2017 Supplement, section 289A.35, is amended to read:

10.26 **289A.35 ASSESSMENTS ON RETURNS.**

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

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

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

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

11.11 (e) The commissioner may audit and adjust the taxpayer's computation of tax under
11.12 chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner
11.13 shall notify the estate no later than nine months after the filing date, as provided by section
11.14 289A.38, subdivision 2, whether the return is under examination or the return has been
11.15 processed as filed.

11.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
11.17 31, 2017.

11.18 Sec. 8. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
11.19 read:

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

11.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
11.23 31, 2017.

11.24 Sec. 9. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 19, is amended
11.25 to read:

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

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

12.3 (c) In the case of a regulated investment company or a fund thereof, as defined in section
12.4 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
12.5 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
12.6 except that:

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

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

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

12.16 (d) The net income of a real estate investment trust as defined and limited by section
12.17 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
12.18 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

12.22 (f) The Internal Revenue Code of 1986, as amended through ~~December 16, 2016~~ March
12.23 31, 2018, shall be in effect for taxable years beginning after December 31, 1996.

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

12.27 **EFFECTIVE DATE.** This section is effective the day following final enactment, except
12.28 the changes incorporated by federal changes are effective retroactively at the same time as
12.29 the changes were effective for federal purposes and the changes amending the new paragraph
12.30 (a) and adding paragraph (b) are effective for taxable years beginning after December 31,
12.31 2017.

13.1 Sec. 10. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
13.2 read:

13.3 Subd. 19i. **Deferred foreign income.** "Deferred foreign income" means the income of
13.4 a domestic corporation that is included in net income under section 965 of the Internal
13.5 Revenue Code, inclusive of the deduction allowed under section 965(c) of the Internal
13.6 Revenue Code.

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

13.9 Sec. 11. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
13.10 read:

13.11 Subd. 21a. **Adjusted gross income; federal adjusted gross income.** The terms "adjusted
13.12 gross income" and "federal adjusted gross income" mean adjusted gross income, as defined
13.13 in section 62 of the Internal Revenue Code, as amended through the date named in
13.14 subdivision 19, incorporating the federal effective date of changes to the Internal Revenue
13.15 Code and any elections made by the taxpayer under the Internal Revenue Code in determining
13.16 federal adjusted gross income for federal income tax purposes.

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

13.18 Sec. 12. Minnesota Statutes 2016, section 290.01, subdivision 29a, is amended to read:

13.19 Subd. 29a. **State itemized deduction.** (a) "State itemized deduction" means federal
13.20 itemized deductions, as defined in section 63(d) of the Internal Revenue Code, disregarding
13.21 any limitation under section 68 of the Internal Revenue Code, and reduced by the amount
13.22 of the addition required under section 290.0131, subdivision 13.:

13.23 (1) changes to itemized deductions made by Public Law 115-97, but including the
13.24 changes made by sections 11027, 13704, and 13705 of that public law; and

13.25 (2) the federal itemized deduction of income or sales taxes under section 164 of the
13.26 Internal Revenue Code.

13.27 (b) For an individual who is not a resident of this state for the entire taxable year, the
13.28 itemized deductions allowable under paragraph (a) are further limited as follows:

13.29 (1) the taxes paid deduction under section 164 of the Internal Revenue Code applies
13.30 only to real and personal property taxes imposed by this state or its political subdivisions;

14.1 (2) the charitable contribution deduction under section 170 of the Internal Revenue Code
 14.2 does not apply;

14.3 (3) the interest deduction under section 163 of the Internal Revenue Code is limited to:

14.4 (i) interest paid on loans secured by a mortgage or lien on a residence located in this
 14.5 state; and

14.6 (ii) interest paid or accrued on indebtedness properly allocable to property held for
 14.7 investment located in this state;

14.8 (4) allowable miscellaneous deductions are limited to expenses related to:

14.9 (i) the production of income in this state;

14.10 (ii) property located in this state; or

14.11 (iii) taxes paid to this state or its political subdivisions; and

14.12 (5) the deduction for losses under section 165 of the Internal Revenue Code is limited
 14.13 to losses attributable to property located in this state.

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

14.16 Sec. 13. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
 14.17 read:

14.18 Subd. 29b. **State standard deduction.** "State standard deduction" means the federal
 14.19 standard deduction computed under section 63(c) and (f) of the Internal Revenue Code, as
 14.20 amended through December 16, 2016, except that for purposes of adjusting the amounts
 14.21 under this subdivision, the provisions of section 1(f) of the Internal Revenue Code, as
 14.22 amended through March 31, 2018, apply.

14.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 14.24 31, 2017.

14.25 Sec. 14. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 31, is amended
 14.26 to read:

14.27 Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
 14.28 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December~~
 14.29 ~~16, 2016~~ March 31, 2018. Internal Revenue Code also includes any uncodified provision
 14.30 in federal law that relates to provisions of the Internal Revenue Code that are incorporated

15.1 into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1,
15.2 subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as
15.3 amended through March 18, 2010.

15.4 **EFFECTIVE DATE.** This section is effective the day following final enactment and
15.5 applies to the same taxable years as the changes incorporated by federal changes are effective
15.6 for federal purposes, including any provisions that are retroactive to taxable years beginning
15.7 after December 31, 2016.

15.8 Sec. 15. Minnesota Statutes 2016, section 290.0131, subdivision 1, is amended to read:

15.9 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "addition" means
15.10 an amount that must be added to federal taxable adjusted gross income, or for estates and
15.11 trusts, federal taxable income, in computing net income for the taxable year to which the
15.12 amounts relate.

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

15.14 (c) Unless specifically indicated or unless the context clearly indicates otherwise, only
15.15 amounts that were deducted or excluded in computing federal taxable adjusted gross income,
15.16 or for estates and trusts, federal taxable income, are an addition under this section.

15.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.18 31, 2017.

15.19 Sec. 16. Minnesota Statutes 2016, section 290.0131, subdivision 3, is amended to read:

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

15.26 ~~(b) The addition under paragraph (a) may not be more than the amount by which the~~
15.27 ~~state itemized deduction exceeds the amount of the standard deduction as defined in section~~
15.28 ~~63(c) of the Internal Revenue Code. For the purpose of this subdivision, income, sales and~~
15.29 ~~use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed under~~
15.30 ~~subdivision 12.~~

15.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
15.32 31, 2017.

16.1 Sec. 17. Minnesota Statutes 2017 Supplement, section 290.0131, subdivision 10, is amended
16.2 to read:

16.3 Subd. 10. **Section 179 expensing.** Effective for property placed in service in taxable
16.4 years beginning before January 1, 2018, 80 percent of the amount by which the deduction
16.5 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the
16.6 deduction allowable by section 179 of the Internal Revenue Code, as amended through
16.7 December 31, 2003, is an addition.

16.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
16.9 31, 2017.

16.10 Sec. 18. Minnesota Statutes 2016, section 290.0131, subdivision 12, is amended to read:

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

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

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

16.19 (2) 80 percent of the amount of the state itemized deductions otherwise allowable to the
16.20 taxpayer under the Internal Revenue Code for the taxable year.

16.21 (c) "Applicable amount" means ~~\$100,000~~ \$190,050, or ~~\$50,000~~ \$95,025 for a married
16.22 individual filing a separate return. Each dollar amount is increased by an amount equal to:

16.23 (1) that dollar amount, multiplied by

16.24 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue
16.25 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~
16.26 ~~1990~~" for "~~calendar year 1992~~" in subparagraph (B) of section 1(f)(3) "2017" for "2016" in
16.27 section 1(f)(3) of the Internal Revenue Code.

16.28 (d) "Itemized deductions" excludes:

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

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

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

17.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 17.5 31, 2017.

17.6 Sec. 19. Minnesota Statutes 2016, section 290.0131, subdivision 13, is amended to read:

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

17.10 (b) The disallowed personal exemption amount is equal to the ~~number of personal~~
 17.11 ~~exemptions and dependent exemption subtraction~~ allowed under section ~~151(b) and (e) of~~
 17.12 ~~the Internal Revenue Code~~ 290.0132, subdivision 20, multiplied by the ~~dollar amount for~~
 17.13 ~~personal exemptions under section 151(d)(1) and (2) of the Internal Revenue Code, as~~
 17.14 ~~adjusted for inflation by section 151(d)(4) of the Internal Revenue Code, and by the~~
 17.15 applicable percentage.

17.16 (c) For a married individual filing a separate return, "applicable percentage" means two
 17.17 percentage points for each \$1,250, or fraction of that amount, by which the taxpayer's federal
 17.18 adjusted gross income for the taxable year exceeds the threshold amount. For all other filers,
 17.19 applicable percentage means two percentage points for each \$2,500, or fraction of that
 17.20 amount, by which the taxpayer's federal adjusted gross income for the taxable year exceeds
 17.21 the threshold amount. The applicable percentage must not exceed 100 percent.

17.22 (d) "Threshold amount" means:

17.23 (1) ~~\$150,000~~ \$285,050 for a joint return or a surviving spouse;

17.24 (2) ~~\$125,000~~ \$237,550 for a head of a household;

17.25 (3) ~~\$100,000~~ \$190,050 for an individual who is not married and who is not a surviving
 17.26 spouse or head of a household; and

17.27 (4) ~~\$75,000~~ \$95,025 for a married individual filing a separate return.

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

17.29 (1) the threshold dollar amount, multiplied by

17.30 (2) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue
 17.31 Code for the calendar year in which the taxable year begins, by substituting "~~calendar year~~"

18.1 ~~1990" for "calendar year 1992" in subparagraph (B) of section 1(f)(3)~~ "2017" for "2016" in
18.2 section 1(f)(3) of the Internal Revenue Code.

18.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
18.4 31, 2017.

18.5 Sec. 20. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision
18.6 to read:

18.7 Subd. 15. **Qualified business income addition.** For a trust or estate, the amount deducted
18.8 under section 199A of the Internal Revenue Code in computing the federal taxable income
18.9 of the trust or estate is an addition.

18.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
18.11 31, 2017.

18.12 Sec. 21. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision
18.13 to read:

18.14 Subd. 16. **Foreign-derived intangible income.** The amount of foreign-derived intangible
18.15 income deducted under section 250 of the Internal Revenue Code for the taxable year is an
18.16 addition.

18.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
18.18 31, 2017.

18.19 Sec. 22. Minnesota Statutes 2016, section 290.0131, is amended by adding a subdivision
18.20 to read:

18.21 Subd. 17. **529 plan distributions for K-12 expenses.** The lesser of the following amounts
18.22 is an addition:

18.23 (1) the total distributions for the taxable year from a qualified plan under section 529 of
18.24 the Internal Revenue Code, owned by the taxpayer, that are expended for qualified higher
18.25 education expenses under section 529(c)(7) of the Internal Revenue Code (expenses for
18.26 tuition for elementary or secondary public, private, or religious school); or

18.27 (2) the total amount required to be reported to the taxpayer by any trustee of a qualified
18.28 tuition plan under section 529 of the Internal Revenue Code as earnings on Internal Revenue
18.29 Service Form 1099Q for the taxable year.

18.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
18.31 31, 2017.

19.1 Sec. 23. Minnesota Statutes 2016, section 290.0132, subdivision 1, is amended to read:

19.2 Subdivision 1. **Definition; scope.** (a) For the purposes of this section, "subtraction"
19.3 means an amount that ~~shall~~ is allowed to be subtracted from federal ~~taxable~~ adjusted gross
19.4 income, or for estates and trusts, federal taxable income, in computing net income for the
19.5 taxable year to which the amounts relate.

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

19.7 (c) Unless specifically indicated or unless the context clearly indicates otherwise, no
19.8 amount deducted, subtracted, or otherwise excluded in computing federal ~~taxable~~ adjusted
19.9 gross income, or for estates and trusts, federal taxable income, is a subtraction under this
19.10 section.

19.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
19.12 31, 2017.

19.13 Sec. 24. Minnesota Statutes 2016, section 290.0132, subdivision 7, is amended to read:

19.14 Subd. 7. **Charitable contributions for taxpayers who do not itemize.** ~~To the extent~~
19.15 ~~not deducted or not deductible under section 408(d)(8)(E) of the Internal Revenue Code in~~
19.16 ~~determining federal taxable income by~~ For an a resident individual who does not itemize
19.17 ~~deductions for federal income tax purposes under section 290.0803~~ for the taxable year, an
19.18 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
19.19 as a deduction for the taxable year under section ~~170(a) of the Internal Revenue Code~~
19.20 290.0803, subdivision 5, is a subtraction. The subtraction under this subdivision must not
19.21 include a distribution that is excluded from federal adjusted gross income and that is not
19.22 deductible under section 408(d)(8)(E) of the Internal Revenue Code.

19.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
19.24 31, 2017.

19.25 Sec. 25. Minnesota Statutes 2016, section 290.0132, subdivision 20, is amended to read:

19.26 Subd. 20. **Disallowed Personal and dependent exemption.** ~~The amount of the phaseout~~
19.27 ~~of personal exemptions under section 151(d) of the Internal Revenue Code is a subtraction.~~
19.28 The amount of personal and dependent exemptions calculated under section 290.0138 is a
19.29 subtraction.

19.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
19.31 31, 2017.

20.1 Sec. 26. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 21, is amended
20.2 to read:

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

20.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
20.9 31, 2017.

20.10 Sec. 27. Minnesota Statutes 2017 Supplement, section 290.0132, subdivision 26, is amended
20.11 to read:

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

20.15 (b) For married taxpayers filing a joint return and surviving spouses, the maximum
20.16 subtraction equals ~~\$4,500~~ \$4,590. The maximum subtraction is reduced by 20 percent of
20.17 provisional income over ~~\$77,000~~ \$78,530. In no case is the subtraction less than zero.

20.18 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$3,500~~
20.19 \$3,570. The maximum subtraction is reduced by 20 percent of provisional income over
20.20 ~~\$60,200~~ \$61,400. In no case is the subtraction less than zero.

20.21 (d) For married taxpayers filing separate returns, the maximum subtraction equals ~~\$2,250~~
20.22 one-half the maximum subtraction for joint returns under paragraph (b). The maximum
20.23 subtraction is reduced by 20 percent of provisional income over ~~\$38,500~~ one-half the
20.24 maximum subtraction for joint returns under paragraph (b). In no case is the subtraction
20.25 less than zero.

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

20.30 (f) The commissioner shall adjust the maximum subtraction and threshold amounts in
20.31 paragraphs (b) to (d) by the percentage determined pursuant to the provisions of section
20.32 1(f) of the Internal Revenue Code, except that in section 1(f)(3)~~(B)~~ of the Internal Revenue
20.33 Code the word "~~2016~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2018, the~~

21.1 ~~commissioner shall then determine the percentage change from the 12 months ending on~~
21.2 ~~August 31, 2016, to the 12 months ending on August 31, 2017, and in each subsequent year,~~
21.3 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31 of~~
21.4 ~~the year preceding the taxable year. "2016." The determination of the commissioner pursuant~~
21.5 to this subdivision must not be considered a rule and is not subject to the Administrative
21.6 Procedure Act contained in chapter 14, including section 14.386. The maximum subtraction
21.7 and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount
21.8 ends in \$5, the amount is rounded up to the nearest \$10 amount.

21.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
21.10 31, 2017.

21.11 Sec. 28. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
21.12 to read:

21.13 Subd. 27. **Moving expenses.** Expenses that qualify as a deduction under section 217(a)
21.14 through (f) of the Internal Revenue Code, disregarding paragraph (k), are a subtraction.

21.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
21.16 31, 2017.

21.17 Sec. 29. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
21.18 to read:

21.19 Subd. 28. **Global intangible low-taxed income.** The taxpayer's global intangible
21.20 low-taxed income included under section 951A of the Internal Revenue Code for the taxable
21.21 year is a subtraction.

21.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
21.23 31, 2017.

21.24 Sec. 30. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
21.25 to read:

21.26 Subd. 29. **Deferred foreign income of nonresidents.** For a nonresident individual, the
21.27 amount of deferred foreign income recognized because of section 965 of the Internal Revenue
21.28 Code is a subtraction.

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

22.1 Sec. 31. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
22.2 to read:

22.3 Subd. 30. **Standard or itemized deduction.** The amount allowed under section 290.0803
22.4 is a subtraction.

22.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
22.6 31, 2017.

22.7 Sec. 32. Minnesota Statutes 2016, section 290.0133, subdivision 6, is amended to read:

22.8 Subd. 6. **Special deductions.** (a) The amount of any special deductions under sections
22.9 241 to 247 of the Internal Revenue Code and ~~965~~ the amount of foreign derived intangible
22.10 income deducted under section 250 of the Internal Revenue Code is an addition.

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

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

22.16 Sec. 33. Minnesota Statutes 2017 Supplement, section 290.0133, subdivision 12, is amended
22.17 to read:

22.18 Subd. 12. **Section 179 expensing.** Effective for property placed in service in taxable
22.19 years beginning before January 1, 2018, 80 percent of the amount by which the deduction
22.20 allowed under the dollar limits of section 179 of the Internal Revenue Code exceeds the
22.21 deduction allowable by section 179 of the Internal Revenue Code, as amended through
22.22 December 31, 2003, is an addition.

22.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
22.24 31, 2017.

22.25 Sec. 34. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision
22.26 to read:

22.27 Subd. 17. **Global intangible low-taxed income.** The taxpayer's global intangible
22.28 low-taxed income included under section 951A of the Internal Revenue Code for the taxable
22.29 year is a subtraction.

22.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
22.31 31, 2017.

23.1 Sec. 35. Minnesota Statutes 2016, section 290.0136, is amended to read:

23.2 **290.0136 CERTAIN PREFERRED STOCK LOSSES.**

23.3 A taxpayer must compute net income by treating losses from the sale or transfer of
23.4 certain preferred stock, which the taxpayer treated as ordinary losses pursuant to Division
23.5 A, title III, section 301 of Public Law 110-343, as capital losses. The amount of net income
23.6 under section 290.01, subdivision 19; taxable net income under section 290.01, subdivision
23.7 22; taxable income under section 290.01, subdivision 29; the numerator and denominator
23.8 in section 290.06, subdivision 2c, paragraph (e); individual alternative minimum taxable
23.9 income under section 290.091, subdivision 2; ~~corporate alternative minimum taxable income~~
23.10 ~~under section 290.0921, subdivision 3~~; and net operating losses under section 290.095 must
23.11 be computed for each taxable year as if those losses had been treated by the taxpayer as
23.12 capital losses under the Internal Revenue Code, including the limitations under section 1211
23.13 of the Internal Revenue Code.

23.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
23.15 31, 2017.

23.16 Sec. 36. **[290.0138] PERSONAL AND DEPENDENT EXEMPTIONS.**

23.17 **Subdivision 1. Personal and dependent exemptions.** (a) A taxpayer is allowed (1) a
23.18 personal exemption in the amount of \$4,150, and in the case of a married couple filing a
23.19 joint return an additional personal exemption of \$4,150; plus (2) a dependent exemption of
23.20 \$4,150 multiplied by the number of dependents of the taxpayer, as defined under sections
23.21 151 and 152 of the Internal Revenue Code.

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

23.25 **Subd. 2. Cost-of-living adjustment.** For taxable years beginning after December 31,
23.26 2018, the commissioner shall annually adjust the amounts in subdivision 1 by the percentage
23.27 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code as
23.28 amended through March 31, 2018. The exemption amount as adjusted for inflation must be
23.29 rounded to the nearest \$50. If the amount is not a multiple of \$50, the commissioner shall
23.30 round down to the next lowest multiple of \$50. The determination of the commissioner
23.31 under this subdivision is not a rule under the Administrative Procedure Act.

23.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
23.33 31, 2017.

24.1 Sec. 37. Minnesota Statutes 2016, section 290.032, subdivision 2, is amended to read:

24.2 Subd. 2. **Computation.** The amount of tax imposed by subdivision 1 shall be computed
24.3 in the same way as the tax imposed under section 402(d) of the Internal Revenue Code of
24.4 1986, as amended through December 31, 1995, except that the initial separate tax shall be
24.5 an amount equal to five times the tax which would be imposed by section 290.06, subdivision
24.6 2c, if the recipient was an unmarried individual, and the taxable net income was an amount
24.7 equal to one-fifth of the excess of

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

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

24.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
24.15 31, 2017.

24.16 Sec. 38. Minnesota Statutes 2016, section 290.05, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

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

25.11 (c) The tax shall be imposed on organizations subject to federal tax under section
25.12 6033(e)(2) of the Internal Revenue Code, in an amount equal to the corporate tax rate
25.13 multiplied by the amount of lobbying expenses taxed under section 6033(e)(2) which are
25.14 attributable to lobbying the Minnesota state government.

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

25.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
25.23 31, 2017.

25.24 Sec. 39. Minnesota Statutes 2016, section 290.06, subdivision 1, is amended to read:

25.25 Subdivision 1. **Computation, corporations.** (a) The franchise tax imposed upon
25.26 corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.1
25.27 percent.

25.28 (b) Notwithstanding paragraph (a), the rate for taxable years beginning after December
25.29 31, 2017, and before January 1, 2020, is 9.65 percent.

25.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
25.31 31, 2017.

26.1 Sec. 40. Minnesota Statutes 2016, section 290.06, subdivision 2c, is amended to read:

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

26.6 (1) On the first ~~\$35,480~~ \$37,850, ~~5.35~~ 5.25 percent;

26.7 (2) On all over ~~\$35,480~~ \$37,850, but not over ~~\$140,960~~ \$150,380, ~~7.05~~ 6.85 percent;

26.8 (3) On all over ~~\$140,960~~ \$150,380, but not over ~~\$250,000~~ \$266,700, 7.85 percent;

26.9 (4) On all over ~~\$250,000~~ \$266,700, 9.85 percent.

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

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

26.15 (1) On the first ~~\$24,270~~ \$25,890, ~~5.35~~ 5.25 percent;

26.16 (2) On all over ~~\$24,270~~ \$25,890, but not over ~~\$79,730~~ \$85,060, ~~7.05~~ 6.85 percent;

26.17 (3) On all over ~~\$79,730~~ \$85,060, but not over ~~\$150,000~~ \$160,020, 7.85 percent;

26.18 (4) On all over ~~\$150,000~~ \$160,020, 9.85 percent.

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

26.22 (1) On the first ~~\$29,880~~ \$31,880, ~~5.35~~ 5.25 percent;

26.23 (2) On all over ~~\$29,880~~ \$31,880, but not over ~~\$120,070~~ \$128,090, ~~7.05~~ 6.85 percent;

26.24 (3) On all over ~~\$120,070~~ \$128,090, but not over ~~\$200,000~~ \$213,360, 7.85 percent;

26.25 (4) On all over ~~\$200,000~~ \$213,360, 9.85 percent.

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

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

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

27.7 (1) the numerator is the individual's Minnesota source federal adjusted gross income as
27.8 ~~defined in section 62 of the Internal Revenue Code~~ and increased by the additions required
27.9 under section 290.0131, subdivisions 2 ~~and~~ 6 to 4, 10, 16, and 17, and reduced by the
27.10 Minnesota assignable portion of the subtraction for United States government interest under
27.11 section 290.0132, subdivision 2, and the subtractions under section 290.0132, subdivisions
27.12 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~, after applying the allocation and assignability
27.13 provisions of section 290.081, clause (a), or 290.17; and

27.14 (2) the denominator is the individual's federal adjusted gross income ~~as defined in section~~
27.15 ~~62 of the Internal Revenue Code~~, increased by the amounts specified in section 290.0131,
27.16 subdivisions 2 ~~and~~ 6 to 4, 10, 16, and 17, and reduced by the amounts specified in section
27.17 290.0132, subdivisions 2, 9, 10, 14, 15, 17, ~~and 18, and 27 to 29~~.

27.18 (f) For taxable years beginning after December 31, 2017, and before January 1, 2020,
27.19 a rate of 5.3 percent applies instead of the 5.25 percent rate in paragraphs (a) to (c), and a
27.20 rate of 6.95 percent applies instead of the 6.85 percent rate in paragraphs (a) to (c).

27.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
27.22 31, 2017.

27.23 Sec. 41. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

27.24 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
27.25 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for
27.26 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage
27.27 determined under paragraph (b). ~~For the purpose of making the adjustment as provided in~~
27.28 ~~this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets~~
27.29 ~~as they existed for taxable years beginning after December 31, 2012, and before January 1,~~
27.30 ~~2014.~~ The rate applicable to any rate bracket must not be changed. The dollar amounts
27.31 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
27.32 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
27.33 \$5, it must be rounded up to the nearest \$10 amount.

28.1 (b) The commissioner shall adjust the rate brackets and by the percentage determined
28.2 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
28.3 1(f)(3)(B) the word "~~2012~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2014, the~~
28.4 ~~commissioner shall then determine the percent change from the 12 months ending on August~~
28.5 ~~31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~
28.6 ~~the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the~~
28.7 ~~year preceding the taxable year.~~ "2016." The determination of the commissioner pursuant
28.8 to this subdivision shall not be considered a "rule" and shall not be subject to the
28.9 Administrative Procedure Act contained in chapter 14.

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

28.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
28.13 31, 2017.

28.14 Sec. 42. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 1, is amended
28.15 to read:

28.16 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax
28.17 due from the taxpayer and a spouse, if any, under this chapter an amount equal to the
28.18 dependent care credit for which the taxpayer is eligible pursuant to the provisions of section
28.19 21 of the Internal Revenue Code except that in determining whether the child qualified as
28.20 a dependent, income received as a Minnesota family investment program grant or allowance
28.21 to or on behalf of the child must not be taken into account in determining whether the child
28.22 received more than half of the child's support from the taxpayer, and the provisions of
28.23 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

28.24 (b) If a child who has not attained the age of six years at the close of the taxable year is
28.25 cared for at a licensed family day care home operated by the child's parent, the taxpayer is
28.26 deemed to have paid employment-related expenses. If the child is 16 months old or younger
28.27 at the close of the taxable year, the amount of expenses deemed to have been paid equals
28.28 the maximum limit for one qualified individual under section 21(c) and (d) of the Internal
28.29 Revenue Code. If the child is older than 16 months of age but has not attained the age of
28.30 six years at the close of the taxable year, the amount of expenses deemed to have been paid
28.31 equals the amount the licensee would charge for the care of a child of the same age for the
28.32 same number of hours of care.

28.33 (c) If a married couple:

29.1 (1) has a child who has not attained the age of one year at the close of the taxable year;

29.2 (2) files a joint tax return for the taxable year; and

29.3 (3) does not participate in a dependent care assistance program as defined in section 129
29.4 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for
29.5 that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i)
29.6 the combined earned income of the couple or (ii) the amount of the maximum limit for one
29.7 qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed
29.8 to be the employment related expense paid for that child. The earned income limitation of
29.9 section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These
29.10 deemed amounts apply regardless of whether any employment-related expenses have been
29.11 paid.

29.12 (d) If the taxpayer is not required and does not file a federal individual income tax return
29.13 for the tax year, no credit is allowed for any amount paid to any person unless:

29.14 (1) the name, address, and taxpayer identification number of the person are included on
29.15 the return claiming the credit; or

29.16 (2) if the person is an organization described in section 501(c)(3) of the Internal Revenue
29.17 Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name
29.18 and address of the person are included on the return claiming the credit.

29.19 In the case of a failure to provide the information required under the preceding sentence,
29.20 the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence
29.21 in attempting to provide the information required.

29.22 (e) In the case of a nonresident, part-year resident, or a person who has earned income
29.23 not subject to tax under this chapter including earned income excluded pursuant to section
29.24 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue
29.25 Code must be allocated based on the ratio by which the earned income of the claimant and
29.26 the claimant's spouse from Minnesota sources bears to the total earned income of the claimant
29.27 and the claimant's spouse.

29.28 (f) For residents of Minnesota, the subtractions for military pay under section 290.0132,
29.29 subdivisions 11 and 12, are not considered "earned income not subject to tax under this
29.30 chapter."

29.31 (g) For residents of Minnesota, the exclusion of combat pay under section 112 of the
29.32 Internal Revenue Code is not considered "earned income not subject to tax under this
29.33 chapter."

30.1 (h) For taxpayers with federal adjusted gross income in excess of ~~\$50,000~~ \$50,990, the
30.2 credit is equal to the lesser of the credit otherwise calculated under this subdivision, or the
30.3 amount equal to \$600 minus five percent of federal adjusted gross income in excess of
30.4 ~~\$50,000~~ \$50,990 for taxpayers with one qualified individual, or \$1,200 minus five percent
30.5 of federal adjusted gross income in excess of ~~\$50,000~~ \$50,990 for taxpayers with two or
30.6 more qualified individuals, but in no case is the credit less than zero.

30.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
30.8 31, 2017.

30.9 Sec. 43. Minnesota Statutes 2017 Supplement, section 290.067, subdivision 2b, is amended
30.10 to read:

30.11 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of
30.12 the income threshold at which the maximum credit begins to be reduced under subdivision
30.13 1 by the percentage determined pursuant to the provisions of section 1(f) of the Internal
30.14 Revenue Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" shall be substituted
30.15 for the word "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change~~
30.16 ~~from the 12 months ending on August 31, 2016, to the 12 months ending on August 31,~~
30.17 ~~2017, and in each subsequent year, from the 12 months ending on August 31, 2016, to the~~
30.18 ~~12 months ending on August 31 of the year preceding the taxable year.~~ "2016." The
30.19 determination of the commissioner pursuant to this subdivision must not be considered a
30.20 "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The
30.21 threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount
30.22 ends in \$5, the amount is rounded up to the nearest \$10 amount.

30.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
30.24 31, 2017.

30.25 Sec. 44. Minnesota Statutes 2017 Supplement, section 290.0671, subdivision 1, is amended
30.26 to read:

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

31.1 (b) For individuals with no qualifying children, the credit equals 2.10 percent of the first
31.2 ~~\$6,180~~ \$6,480 of earned income. The credit is reduced by 2.01 percent of earned income
31.3 or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$8,530, but in no case
31.4 is the credit less than zero.

31.5 (c) For individuals with one qualifying child, the credit equals 9.35 percent of the first
31.6 ~~\$11,120~~ \$11,670 of earned income. The credit is reduced by 6.02 percent of earned income
31.7 or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$22,340, but in no case
31.8 is the credit less than zero.

31.9 (d) For individuals with two or more qualifying children, the credit equals 11 percent
31.10 of the first ~~\$18,240~~ \$19,130 of earned income. The credit is reduced by 10.82 percent of
31.11 earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$26,360,
31.12 but in no case is the credit less than zero.

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

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

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

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

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

31.25 (g) For tax years beginning after December 31, ~~2013~~ 2018, the ~~\$8,130~~ \$8,530 in paragraph
31.26 (b), the ~~\$21,190~~ \$22,340 in paragraph (c), and the ~~\$25,130~~ \$26,360 in paragraph (d), after
31.27 being adjusted for inflation under subdivision 7, are each increased by ~~\$5,000~~ \$5,700 for
31.28 married taxpayers filing joint returns. For tax years beginning after December 31, ~~2013~~
31.29 2018, the commissioner shall annually adjust the ~~\$5,000~~ \$5,700 by the percentage determined
31.30 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
31.31 1(f)(3)(B), the word "~~2008~~" "2017" shall be substituted for the word "~~1992.~~" For ~~2014~~, the
31.32 commissioner shall then determine the percent change from the 12 months ending on August
31.33 ~~31, 2008, to the 12 months ending on August 31, 2013, and in each subsequent year, from~~

32.1 ~~the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the~~
32.2 ~~year preceding the taxable year. "2016."~~ The earned income thresholds as adjusted for
32.3 inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded
32.4 up to the nearest \$10. The determination of the commissioner under this subdivision is not
32.5 a rule under the Administrative Procedure Act.

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

32.10 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
32.11 31, 2017.

32.12 Sec. 45. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

32.13 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit
32.14 and the income thresholds at which the maximum credit begins to be reduced in subdivision
32.15 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined
32.16 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
32.17 1(f)(3)(B) the word "~~2013~~" "2017" shall be substituted for the word "~~1992~~." ~~For 2015, the~~
32.18 ~~commissioner shall then determine the percent change from the 12 months ending on August~~
32.19 ~~31, 2013, to the 12 months ending on August 31, 2014, and in each subsequent year, from~~
32.20 ~~the 12 months ending on August 31, 2013, to the 12 months ending on August 31 of the~~
32.21 ~~year preceding the taxable year. "2016."~~ The earned income thresholds as adjusted for
32.22 inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount
32.23 is rounded up to the nearest \$10 amount. The determination of the commissioner under this
32.24 subdivision is not a rule under the Administrative Procedure Act.

32.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
32.26 31, 2017.

32.27 Sec. 46. Minnesota Statutes 2017 Supplement, section 290.0672, subdivision 1, is amended
32.28 to read:

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

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

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

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

33.5 (3) has been offered in compliance with the inflation protection requirements of section
33.6 62S.23.

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

33.8 (d) "Premiums deducted in determining ~~federal~~ taxable net income" means the lesser of
33.9 (1) long-term care insurance premiums that qualify as deductions under section 213 of the
33.10 Internal Revenue Code; and (2) the total amount deductible for medical ~~care~~ expenses under
33.11 section 213 of the Internal Revenue Code.

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

33.14 Sec. 47. Minnesota Statutes 2016, section 290.0672, subdivision 2, is amended to read:

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

33.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
33.25 31, 2017.

33.26 Sec. 48. Minnesota Statutes 2017 Supplement, section 290.0674, subdivision 2a, is amended
33.27 to read:

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

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

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

34.2 (i) all nontaxable income;

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

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

34.9 (iv) cash public assistance and relief;

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

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

34.17 (vii) workers' compensation;

34.18 (viii) nontaxable strike benefits;

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

34.22 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
34.23 1986, as amended through December 31, 1995;

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

34.29 (xii) nontaxable scholarship or fellowship grants;

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

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

35.3 (xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue
35.4 Code; ~~and~~

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

35.7 (xvii) alimony received to the extent not included in the recipient's income.

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

35.13 (b) "Income" does not include:

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

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

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

35.19 (4) relief granted under chapter 290A;

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

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

35.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
35.26 31, 2017.

35.27 Sec. 49. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 1, is amended
35.28 to read:

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

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

36.3 (c) "Office" means the State Historic Preservation Office of the Department of
36.4 Administration.

36.5 (d) "Project" means rehabilitation of a certified historic structure, as defined in section
36.6 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a
36.7 federal credit.

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

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

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

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

36.16 Sec. 50. Minnesota Statutes 2017 Supplement, section 290.0681, subdivision 2, is amended
36.17 to read:

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

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

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

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

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

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

37.5 Sec. 51. Minnesota Statutes 2016, section 290.0681, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

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

38.8 Sec. 52. Minnesota Statutes 2016, section 290.0681, subdivision 4, is amended to read:

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

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

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

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

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

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

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

39.1 Sec. 53. Minnesota Statutes 2017 Supplement, section 290.0684, subdivision 2, is amended
39.2 to read:

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

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

39.10 (c) For individual filers, the maximum credit is reduced by two percent of adjusted gross
39.11 income in excess of ~~\$75,000~~ \$76,490.

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

39.13 (1) for married couples with adjusted gross income in excess of ~~\$75,000~~ \$76,490, but
39.14 not more than ~~\$100,000~~ \$101,990, the maximum credit is reduced by one percent of adjusted
39.15 gross income in excess of ~~\$75,000~~ \$76,490;

39.16 (2) for married couples with adjusted gross income in excess of ~~\$100,000~~ \$101,990, but
39.17 not more than ~~\$135,000~~ \$137,680, the maximum credit is \$250; and

39.18 (3) for married couples with adjusted gross income in excess of ~~\$135,000~~ \$137,680, the
39.19 maximum credit is \$250, reduced by one percent of adjusted gross income in excess of
39.20 ~~\$135,000~~ \$137,680.

39.21 (e) The income thresholds in paragraphs (c) and (d) used to calculate the maximum
39.22 credit must be adjusted for inflation. The commissioner shall adjust the income thresholds
39.23 by the percentage determined under the provisions of section 1(f) of the Internal Revenue
39.24 Code, except that in section 1(f)(3)(B) the word "~~2016~~" "2017" is substituted for the word
39.25 "~~1992~~." ~~For 2018, the commissioner shall then determine the percent change from the 12~~
39.26 ~~months ending on August 31, 2016, to the 12 months ending on August 31, 2017, and in~~
39.27 ~~each subsequent year, from the 12 months ending on August 31, 2016, to the 12 months~~
39.28 ~~ending on August 31 of the year preceding the taxable year. "2016." The income thresholds~~
39.29 as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in
39.30 \$5, the amount is rounded up to the nearest \$10 amount. The determination of the
39.31 commissioner under this subdivision is not subject to chapter 14, including section 14.386.

39.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
39.33 31, 2017.

40.1 Sec. 54. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

40.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
40.23 31, 2017.

40.24 Sec. 55. **[290.0803] STANDARD OR ITEMIZED DEDUCTION.**

40.25 Subdivision 1. **Election.** An individual may elect to claim a state standard deduction in
40.26 lieu of state itemized deductions. In the case of a married individual filing a separate return,
40.27 if one spouse elects to claim state itemized deductions, the other spouse is not allowed a
40.28 state standard deduction.

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

41.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
41.2 31, 2017.

41.3 Sec. 56. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended
41.4 to read:

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

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

41.9 (1) the taxpayer's federal alternative minimum taxable income as defined in section
41.10 55(b)(2) of the Internal Revenue Code;

41.11 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
41.12 taxable income, but excluding:

41.13 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;
41.14 and

41.15 (ii) the medical expense deduction;

41.16 (iii) the casualty, theft, and disaster loss deduction; and

41.17 (iv) the impairment-related work expenses of a disabled person;

41.18 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
41.19 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),
41.20 to the extent not included in federal alternative minimum taxable income, the excess of the
41.21 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
41.22 taxable year over the adjusted basis of the property at the end of the taxable year (determined
41.23 without regard to the depletion deduction for the taxable year);

41.24 (4) to the extent not included in federal alternative minimum taxable income, the amount
41.25 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
41.26 Code determined without regard to subparagraph (E);

41.27 (5) to the extent not included in federal alternative minimum taxable income, the amount
41.28 of interest income as provided by section 290.0131, subdivision 2; and

41.29 (6) the amount of addition required by section 290.0131, subdivisions ~~9 to 11~~, 10, 16,
41.30 and 17;

41.31 (7) the deduction allowed under section 199A of the Internal Revenue Code;

42.1 less the sum of the amounts determined under the following:

42.2 (i) interest income as defined in section 290.0132, subdivision 2;

42.3 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
42.4 3, to the extent included in federal alternative minimum taxable income;

42.5 (iii) the amount of investment interest paid or accrued within the taxable year on
42.6 indebtedness to the extent that the amount does not exceed net investment income, as defined
42.7 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
42.8 in computing federal adjusted gross income;

42.9 (iv) amounts subtracted from federal ~~taxable~~ adjusted gross income as provided by
42.10 section 290.0132, subdivisions 7, 9 to 15, 17, 21, 24, ~~and 26 to 29, and 31; and~~

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

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

42.16 In the case of an estate or trust, alternative minimum taxable income must be computed
42.17 as provided in section 59(c) of the Internal Revenue Code, except that alternative minimum
42.18 taxable income must be increased by the amount of the addition under section 290.0131,
42.19 subdivision 15.

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

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

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

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

42.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
42.29 31, 2017.

43.1 Sec. 57. Minnesota Statutes 2016, section 290.091, subdivision 3, is amended to read:

43.2 Subd. 3. **Exemption amount.** (a) For purposes of computing the alternative minimum
 43.3 tax, the exemption amount is, ~~for taxable years beginning after December 31, 2005, \$60,000~~
 43.4 \$75,760 for married couples filing joint returns, ~~\$30,000~~ \$37,880 for married individuals
 43.5 filing separate returns, estates, and trusts, and ~~\$45,000~~ \$56,820 for unmarried individuals.

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

43.10 (c) For taxable years beginning after December 31, ~~2006~~ 2018, the exemption amount
 43.11 under paragraph (a) must be adjusted for inflation. The commissioner shall adjust the
 43.12 exemption amount by the percentage determined pursuant to the provisions of section 1(f)
 43.13 of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2005~~" "2017"
 43.14 shall be substituted for the word "~~1992~~." ~~For 2007, the commissioner shall then determine~~
 43.15 ~~the percent change from the 12 months ending on August 31, 2005, to the 12 months ending~~
 43.16 ~~on August 31, 2006, and in each subsequent year, from the 12 months ending on August~~
 43.17 ~~31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year.~~
 43.18 "2016." The exemption amount as adjusted must be rounded to the nearest \$10. If the amount
 43.19 ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the
 43.20 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

43.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 43.22 31, 2017.

43.23 Sec. 58. Minnesota Statutes 2016, section 290.0921, subdivision 8, is amended to read:

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

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

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

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

44.1 (1) "Qualified alternative minimum tax" equals the amount determined under subdivision
 44.2 1 for ~~the~~ a taxable year beginning before December 31, 2017.

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

44.4 (c) The qualified alternative minimum tax for a taxable year is an alternative minimum
 44.5 tax credit carryover to each of the taxable years succeeding the taxable year. The entire
 44.6 amount of the credit must be carried to the earliest taxable year to which the amount may
 44.7 be carried. Any unused portion of the credit must be carried to the following taxable year.
 44.8 No credit may be carried to a taxable year in which alternative minimum tax was paid.

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

44.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 44.13 31, 2017.

44.14 Sec. 59. Minnesota Statutes 2016, section 290.0922, subdivision 1, is amended to read:

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

44.19 If the sum of the corporation's Minnesota
 44.20 property, payrolls, and sales or receipts is: the tax equals:

44.21			<u>930,000</u>	
44.22	less than	\$	<u>990,000</u>	\$ 0
44.23			930,000	190
44.24	\$	<u>990,000</u> to	\$ <u>1,989,999</u>	\$ <u>200</u>
44.25			1,870,000	560
44.26	\$	<u>1,990,000</u> to	\$ <u>9,959,999</u>	\$ <u>600</u>
44.27			9,340,000	1,870
44.28	\$	<u>9,960,000</u> to	\$ <u>19,929,999</u>	\$ <u>1,990</u>
44.29			18,680,000	3,740
44.30	\$	<u>19,930,000</u> to	\$ <u>39,859,999</u>	\$ <u>3,990</u>
44.31			37,360,000	9,340
44.32	\$	<u>39,860,000</u> or more		\$ <u>9,960</u>

44.33 (b) A tax is imposed for each taxable year on a corporation required to file a return under
 44.34 section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725
 44.35 and on a partnership required to file a return under section 289A.12, subdivision 3, other
 44.36 than a partnership that derives over 80 percent of its income from farming. The tax imposed

45.1 under this paragraph is due on or before the due date of the return for the taxpayer due under
 45.2 section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for
 45.3 payment of this tax. The tax under this paragraph is equal to the following amounts:

45.4	If the sum of the S corporation's		
45.5	or partnership's Minnesota		
45.6	property, payrolls, and sales or		
45.7	receipts is:		the tax equals:
45.8		<u>930,000</u>	
45.9	less than	\$ <u>990,000</u>	\$ 0
45.10		<u>930,000</u>	<u>1,869,999</u>
45.11	\$ <u>990,000</u> to	\$ <u>1,989,999</u>	\$ <u>190</u>
45.12		<u>1,870,000</u>	<u>9,339,999</u>
45.13	\$ <u>1,990,000</u> to	\$ <u>9,959,999</u>	\$ <u>560</u>
45.14		<u>9,340,000</u>	<u>18,679,999</u>
45.15	\$ <u>9,960,000</u> to	\$ <u>19,929,999</u>	\$ <u>1,870</u>
45.16		<u>18,680,000</u>	<u>37,359,999</u>
45.17	\$ <u>19,930,000</u> to	\$ <u>39,859,999</u>	\$ <u>3,740</u>
45.18		<u>37,360,000</u>	<u>9,340</u>
45.19	\$ <u>39,860,000</u> or more		\$ <u>9,960</u>

45.20 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,
 45.21 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage
 45.22 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except
 45.23 that in section 1(f)(3)(B) the word "~~2012~~" "2017" must be substituted for the word "~~1992~~."
 45.24 ~~For 2014, the commissioner shall determine the percentage change from the 12 months~~
 45.25 ~~ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each~~
 45.26 ~~subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending~~
 45.27 ~~on August 31 of the year preceding the taxable year. "2016."~~ The determination of the
 45.28 commissioner pursuant to this subdivision is not a "rule" subject to the Administrative
 45.29 Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the
 45.30 nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000
 45.31 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount
 45.32 and for the threshold amounts that end in \$5,000, the amount is rounded up to the nearest
 45.33 \$10,000.

45.34 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 45.35 31, 2017.

46.1 Sec. 60. Minnesota Statutes 2016, section 290.095, subdivision 4, is amended to read:

46.2 Subd. 4. **Computation and modifications.** The following modifications shall be made
46.3 in computing a net operating loss in any taxable year and also in computing the taxable net
46.4 income for any taxable year before a net operating loss deduction shall be allowed:

46.5 (a) No deduction shall be allowed for or with respect to losses connected with income
46.6 producing activities if the income therefrom would not be required to be either assignable
46.7 to this state or included in computing the taxpayer's taxable net income.

46.8 (b) A net operating loss deduction shall not be allowed.

46.9 (c) The amount deductible on account of losses from sales or exchanges of capital assets
46.10 shall not exceed the amount includable on account of gains from sales or exchanges of
46.11 capital assets.

46.12 (d) Renegotiation of profits for a prior taxable year under the renegotiation laws of the
46.13 United States of America, including renegotiation of the profits with a subcontractor, shall
46.14 not enter into the computation.

46.15 (e) Federal income and excess profits taxes shall not be allowed as a deduction.

46.16 (f) The 80-percent limitation under section 172(a)(2) of the Internal Revenue Code does
46.17 not apply to the computations for corporate taxpayers under this section.

46.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
46.19 31, 2017.

46.20 Sec. 61. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 2, is amended
46.21 to read:

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

46.25 (a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section
46.26 3401(a) ~~and~~ (f), and (i) of the Internal Revenue Code is assigned to this state if, and to the
46.27 extent that, the work of the employee is performed within it; all other income from such
46.28 sources is treated as income from sources without this state.

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

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

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

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

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

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

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

47.29 Gain on the sale of a partnership interest is allocable to this state in the ratio of the
47.30 original cost of partnership tangible property in this state to the original cost of partnership
47.31 tangible property everywhere, determined at the time of the sale. If more than 50 percent
47.32 of the value of the partnership's assets consists of intangibles, gain or loss from the sale of
47.33 the partnership interest is allocated to this state in accordance with the sales factor of the

48.1 partnership for its first full tax period immediately preceding the tax period of the partnership
48.2 during which the partnership interest was sold.

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

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

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

48.15 (d) Income from winnings on a bet made by an individual while in Minnesota is assigned
48.16 to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision
48.17 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

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

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

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

48.23 Sec. 62. Minnesota Statutes 2016, section 290.21, subdivision 4, is amended to read:

48.24 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of
48.25 dividends received by a corporation during the taxable year from another corporation, in
48.26 which the recipient owns 20 percent or more of the stock, by vote and value, not including
48.27 stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate
48.28 stock with respect to which dividends are paid does not constitute the stock in trade of the
48.29 taxpayer or would not be included in the inventory of the taxpayer, or does not constitute
48.30 property held by the taxpayer primarily for sale to customers in the ordinary course of the
48.31 taxpayer's trade or business, or when the trade or business of the taxpayer does not consist
48.32 principally of the holding of the stocks and the collection of the income and gains therefrom;
48.33 and

49.1 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in
49.2 an affiliated company transferred in an overall plan of reorganization and the dividend is
49.3 eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended
49.4 through December 31, 1989;

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

49.11 (iii) the remaining 20 percent of the dividends if the dividends are received from a
49.12 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a
49.13 member of an affiliated group of corporations as defined by the Internal Revenue Code and
49.14 either: (A) the dividend is eliminated in consolidation under Treasury Regulation
49.15 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted
49.16 under an election under section 243(b) of the Internal Revenue Code.

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

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

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

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

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

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

50.7 (d) If dividends received by a corporation that does not have nexus with Minnesota under
50.8 the provisions of Public Law 86-272 are included as income on the return of an affiliated
50.9 corporation permitted or required to file a combined report under section 290.17, subdivision
50.10 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to
50.11 whether the trade or business of the corporation consists principally of the holding of stocks
50.12 and the collection of income and gains therefrom shall be made with reference to the trade
50.13 or business of the affiliated corporation having a nexus with Minnesota.

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

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

50.22 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
50.23 31, 2017.

50.24 Sec. 63. Minnesota Statutes 2016, section 290.21, is amended by adding a subdivision to
50.25 read:

50.26 **Subd. 9. Controlled foreign corporations.** The income of a domestic corporation that
50.27 is included in net income under section 965 or other provisions of subchapter N, part III,
50.28 subpart F, of the Internal Revenue Code is dividend income.

50.29 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
50.30 after December 31, 2016, with regard to income section 965 of the Internal Revenue Code
50.31 and confirms the treatment of income under subpart F of the Internal Revenue Code as
50.32 dividend income for any open taxable year.

51.1 Sec. 64. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to
51.2 read:

51.3 Subd. 5. **Insurance companies; interest expense limitation.** To be consistent with the
51.4 federal treatment of the interest expense limitation under section 163(j) of the Internal
51.5 Revenue Code for an affiliated group that includes an insurance company taxable under
51.6 chapter 297I and exempt from taxation under section 290.05, subdivision 1, clause (c), the
51.7 rules under this subdivision apply. In that case, the interest expense limitation under section
51.8 163(j) must be computed for the corporation subject to tax under this chapter using the
51.9 adjusted taxable income of the insurance companies that are part of the affiliated group and
51.10 taxed under chapter 297I. For purposes of this subdivision, "affiliated group" means the
51.11 corporations included in the federal consolidated return for the taxable year.

51.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
51.13 31, 2017.

51.14 Sec. 65. Minnesota Statutes 2016, section 290.34, is amended by adding a subdivision to
51.15 read:

51.16 Subd. 6. **Affiliated corporations filing a combined report; interest expense limitation.**
51.17 Section 163(j) of the Internal Revenue Code shall be applied to affiliated corporations
51.18 permitted or required to file a combined report under section 290.17, subdivision 4, consistent
51.19 with its application to a consolidated group of corporations for federal income tax purposes.

51.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
51.21 31, 2017.

51.22 Sec. 66. Minnesota Statutes 2016, section 290.92, subdivision 1, is amended to read:

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

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

51.31 (3) **Employee.** For purposes of this section the term "employee" means any resident
51.32 individual performing services for an employer, either within or without, or both within and

52.1 without the state of Minnesota, and every nonresident individual performing services within
52.2 the state of Minnesota, the performance of which services constitute, establish, and determine
52.3 the relationship between the parties as that of employer and employee. As used in the
52.4 preceding sentence, the term "employee" includes an officer of a corporation, and an officer,
52.5 employee, or elected official of the United States, a state, or any political subdivision thereof,
52.6 or the District of Columbia, or any agency or instrumentality of any one or more of the
52.7 foregoing.

52.8 (4) **Employer.** For purposes of this section the term "employer" means any person,
52.9 including individuals, fiduciaries, estates, trusts, partnerships, limited liability companies,
52.10 and corporations transacting business in or deriving any income from sources within the
52.11 state of Minnesota for whom an individual performs or performed any service, of whatever
52.12 nature, as the employee of such person, except that if the person for whom the individual
52.13 performs or performed the services does not have control of the payment of the wages for
52.14 such services, the term "employer," except for purposes of paragraph (1), means the person
52.15 having control of the payment of such wages. As used in the preceding sentence, the term
52.16 "employer" includes any corporation, individual, estate, trust, or organization which is
52.17 exempt from taxation under section 290.05 and further includes, but is not limited to, officers
52.18 of corporations who have control, either individually or jointly with another or others, of
52.19 the payment of the wages.

52.20 (5) **Number of withholding exemptions claimed.** For purposes of this section, the term
52.21 "number of withholding exemptions claimed" means the number of withholding exemptions
52.22 claimed in a withholding exemption certificate in effect under subdivision 5, except that if
52.23 no such certificate is in effect, the number of withholding exemptions claimed shall be
52.24 considered to be zero.

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

52.26 Sec. 67. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended
52.27 to read:

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

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

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

52.31 (i) all nontaxable income;

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

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

53.7 (iv) cash public assistance and relief;

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

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

53.15 (vii) workers' compensation;

53.16 (viii) nontaxable strike benefits;

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

53.20 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
53.21 1986, as amended through December 31, 1995;

53.22 (xi) contributions made by the claimant to an individual retirement account, including
53.23 a qualified voluntary employee contribution; simplified employee pension plan;
53.24 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
53.25 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
53.26 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for
53.27 the claimant and spouse;

53.28 (xii) to the extent not included in federal adjusted gross income, distributions received
53.29 by the claimant or spouse from a traditional or Roth style retirement account or plan;

53.30 (xiii) nontaxable scholarship or fellowship grants;

53.31 (xiv) ~~the amount of deduction allowed under section 199 of the Internal Revenue Code~~
53.32 alimony received to the extent not included in the recipient's income;

54.1 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
54.2 Code;

54.3 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue
54.4 Code; ~~and~~

54.5 (xvii) the amount deducted for certain expenses of elementary and secondary school
54.6 teachers under section 62(a)(2)(D) of the Internal Revenue Code;

54.7 (xviii) the amount excluded from federal adjusted gross income for qualified moving
54.8 expense reimbursements under section 132(a)(6) of the Internal Revenue Code, as amended
54.9 through December 16, 2016; and

54.10 (xix) the amount deducted from federal adjusted gross income for moving expenses
54.11 under section 217 of the Internal Revenue Code, as amended through December 16, 2016.

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

54.17 (b) "Income" does not include:

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

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

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

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

54.27 (5) relief granted under this chapter;

54.28 (6) child support payments received under a temporary or final decree of dissolution or
54.29 legal separation; or

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

- 55.1 (c) The sum of the following amounts may be subtracted from income:
- 55.2 (1) for the claimant's first dependent, the exemption amount multiplied by 1.4;
- 55.3 (2) for the claimant's second dependent, the exemption amount multiplied by 1.3;
- 55.4 (3) for the claimant's third dependent, the exemption amount multiplied by 1.2;
- 55.5 (4) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;
- 55.6 (5) for the claimant's fifth dependent, the exemption amount; and
- 55.7 (6) if the claimant or claimant's spouse was disabled or attained the age of 65 on or
- 55.8 before December 31 of the year for which the taxes were levied or rent paid, the exemption
- 55.9 amount.

55.10 (d) For purposes of this subdivision, ~~the~~ the:

55.11 (1) "exemption amount" means the exemption amount under section 151(d) of the Internal

55.12 Revenue Code for the taxable year for which the income is reported; "retirement base

55.13 amount" means the deductible amount for the taxable year for the claimant and spouse under

55.14 section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in

55.15 section 219(b)(5)(C) of the Internal Revenue Code, without regard to whether the claimant

55.16 or spouse claimed a deduction; and "traditional or Roth style retirement account or plan"

55.17 means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue

55.18 Code. \$4,150. For refunds payable after December 31, 2018, the commissioner shall annually

55.19 adjust the \$4,150 by the percentage determined pursuant to the provisions of section 1(f)

55.20 of the Internal Revenue Code, as amended through March 31, 2018. The exemption amount

55.21 as adjusted for inflation must be rounded to the nearest \$50. If the amount is not a multiple

55.22 of \$50, the commissioner shall round down to the next lowest multiple of \$50. The

55.23 determination of the commissioner under this subdivision is not a rule under the

55.24 Administrative Procedure Act, including section 14.386; and

55.25 (2) "retirement base amount" means the deductible amount for the taxable year for the

55.26 claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for

55.27 inflation as provided in section 219(b)(5)(C) of the Internal Revenue Code, without regard

55.28 to whether the claimant or spouse claimed a deduction, and "traditional or Roth-style

55.29 retirement account or plan" means retirement plans under sections 401, 403, 408, 408A,

55.30 and 457 of the Internal Revenue Code.

55.31 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes

55.32 payable after December 31, 2018, and rent paid after December 31, 2017.

56.1 Sec. 68. Minnesota Statutes 2016, section 290A.03, subdivision 12, is amended to read:

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

56.6 (b) The gross rent of a resident of a nursing home or intermediate care facility is ~~\$350~~
56.7 \$490 per month. The gross rent of a resident of an adult foster care home is ~~\$550~~ \$760 per
56.8 month. Beginning for rent paid in ~~2002~~ 2019, the commissioner shall annually adjust for
56.9 inflation the gross rent amounts stated in this paragraph. The adjustment must be made in
56.10 accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this
56.11 paragraph the percentage increase shall be determined from the year ending on June 30,
56.12 ~~2001~~ 2017, to the year ending on June 30 of the year in which the rent is paid. The
56.13 commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in
56.14 \$5, the commissioner shall round it up to the next \$10 amount. The determination of the
56.15 commissioner under this paragraph is not a rule under the Administrative Procedure Act.

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

56.19 (d) Any amount paid by a claimant residing in property assessed pursuant to section
56.20 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from
56.21 gross rent for purposes of this chapter. However, property taxes imputed to the homestead
56.22 of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead
56.23 treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the
56.24 term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that
56.25 ownership is not in the name of the claimant.

56.26 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after
56.27 December 31, 2017, and property taxes payable after December 31, 2018.

56.28 Sec. 69. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 15, is amended
56.29 to read:

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

56.32 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
56.33 payable after December 31, 2018, and rent paid after December 31, 2017.

57.1 Sec. 70. Minnesota Statutes 2016, section 290A.04, subdivision 2, is amended to read:

57.2 Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes
 57.3 payable are in excess of the percentage of the household income stated below shall pay an
 57.4 amount equal to the percent of income shown for the appropriate household income level
 57.5 along with the percent to be paid by the claimant of the remaining amount of property taxes
 57.6 payable. The state refund equals the amount of property taxes payable that remain, up to
 57.7 the state refund amount shown below.

57.8				Maximum
57.9			Percent Paid by	State
57.10	Household Income	Percent of Income	Claimant	Refund
57.11				2,580
57.12	\$0 to 4,619 <u>1,729</u>	1.0 percent	15 percent	\$ <u>2,760</u>
57.13	4,620 <u>1,730</u> to 3,229			2,580
57.14	<u>3,449</u>	1.1 percent	15 percent	\$ <u>2,760</u>
57.15	3,230 <u>3,450</u> to 4,889			2,580
57.16	<u>5,229</u>	1.2 percent	15 percent	\$ <u>2,760</u>
57.17	4,890 <u>5,230</u> to 6,519			2,580
57.18	<u>6,969</u>	1.3 percent	20 percent	\$ <u>2,760</u>
57.19	6,520 <u>6,970</u> to 8,129			2,580
57.20	<u>8,689</u>	1.4 percent	20 percent	\$ <u>2,760</u>
57.21	8,130 <u>8,690</u> to 11,389			2,580
57.22	<u>12,169</u>	1.5 percent	20 percent	\$ <u>2,760</u>
57.23	11,390 <u>12,170</u> to 13,009			2,580
57.24	<u>13,899</u>	1.6 percent	20 percent	\$ <u>2,760</u>
57.25	13,010 <u>13,900</u> to 14,649			2,580
57.26	<u>15,659</u>	1.7 percent	20 percent	\$ <u>2,760</u>
57.27	14,650 <u>15,660</u> to 16,269			2,580
57.28	<u>17,389</u>	1.8 percent	20 percent	\$ <u>2,760</u>
57.29	16,270 <u>17,390</u> to 17,879			2,580
57.30	<u>19,109</u>	1.9 percent	25 percent	\$ <u>2,760</u>
57.31	17,880 <u>19,110</u> to 22,779			2,580
57.32	<u>24,349</u>	2.0 percent	25 percent	\$ <u>2,760</u>
57.33	22,780 <u>24,350</u> to 24,399			2,580
57.34	<u>26,079</u>	2.0 percent	30 percent	\$ <u>2,760</u>
57.35	24,400 <u>26,080</u> to 27,659			2,580
57.36	<u>29,559</u>	2.0 percent	30 percent	\$ <u>2,760</u>
57.37	27,660 <u>29,560</u> to 39,029			2,580
57.38	<u>41,709</u>	2.0 percent	35 percent	\$ <u>2,760</u>
57.39	39,030 <u>41,710</u> to 56,919			2,090
57.40	<u>60,829</u>	2.0 percent	35 percent	\$ <u>2,230</u>
57.41	56,920 <u>60,830</u> to 65,049			1,830
57.42	<u>69,519</u>	2.0 percent	40 percent	\$ <u>1,960</u>
57.43	65,050 <u>69,520</u> to 73,189			1,510
57.44	<u>78,219</u>	2.1 percent	40 percent	\$ <u>1,610</u>

58.1	73,190 <u>78,220</u> to 81,319				1,350
58.2		<u>86,909</u>	2.2 percent	40 percent	\$ <u>1,440</u>
58.3	81,320 <u>86,910</u> to 89,449				1,180
58.4		<u>95,599</u>	2.3 percent	40 percent	\$ <u>1,260</u>
58.5	89,450 <u>95,600</u> to 94,339				1,000
58.6		<u>100,819</u>	2.4 percent	45 percent	\$ <u>1,070</u>
58.7	94,340 <u>100,820</u> to				830
58.8		<u>97,609</u> <u>104,319</u>	2.5 percent	45 percent	\$ <u>890</u>
58.9	97,610 <u>104,320</u> to				680
58.10		<u>101,559</u> <u>108,539</u>	2.5 percent	50 percent	\$ <u>730</u>
58.11	101,560 <u>108,540</u> to				500
58.12		<u>105,499</u> <u>112,749</u>	2.5 percent	50 percent	\$ <u>530</u>

58.13 The payment made to a claimant shall be the amount of the state refund calculated under
 58.14 this subdivision. No payment is allowed if the claimant's household income is ~~\$105,500~~
 58.15 \$112,750 or more.

58.16 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes
 58.17 payable after December 31, 2017.

58.18 Sec. 71. Minnesota Statutes 2016, section 290A.04, subdivision 2a, is amended to read:

58.19 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the
 58.20 percentage of the household income stated below must pay an amount equal to the percent
 58.21 of income shown for the appropriate household income level along with the percent to be
 58.22 paid by the claimant of the remaining amount of rent constituting property taxes. The state
 58.23 refund equals the amount of rent constituting property taxes that remain, up to the maximum
 58.24 state refund amount shown below.

	Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
58.25				2,000
58.26				
58.27				
58.28				2,000
58.29	\$0 to 4,909 <u>5,249</u>	1.0 percent	5 percent	\$ <u>2,140</u>
58.30	4,910 <u>5,250</u> to 6,529			2,000
58.31		<u>6,979</u>	1.0 percent	\$ <u>2,140</u>
58.32	6,530 <u>6,980</u> to 8,159			1,950
58.33		<u>8,719</u>	1.1 percent	\$ <u>2,080</u>
58.34	8,160 <u>8,720</u> to 11,439			1,900
58.35		<u>12,229</u>	1.2 percent	\$ <u>2,030</u>
58.36	11,440 <u>12,230</u> to 14,709			1,850
58.37		<u>15,719</u>	1.3 percent	\$ <u>1,980</u>
58.38	14,710 <u>15,720</u> to 16,339			1,800
58.39		<u>17,459</u>	1.4 percent	\$ <u>1,920</u>

59.1	16,340 <u>17,460</u> to 17,959				1,750
59.2		<u>19,189</u>	1.4 percent	20 percent	\$ <u>1,870</u>
59.3	17,960 <u>19,190</u> to 21,239				1,700
59.4		<u>22,699</u>	1.5 percent	20 percent	\$ <u>1,820</u>
59.5	21,240 <u>22,700</u> to 22,869				1,650
59.6		<u>24,439</u>	1.6 percent	20 percent	\$ <u>1,760</u>
59.7	22,870 <u>24,440</u> to 24,499				1,650
59.8		<u>26,179</u>	1.7 percent	25 percent	\$ <u>1,760</u>
59.9	24,500 <u>26,180</u> to 27,779				1,650
59.10		<u>29,689</u>	1.8 percent	25 percent	\$ <u>1,760</u>
59.11	27,780 <u>29,690</u> to 29,399				1,650
59.12		<u>31,419</u>	1.9 percent	30 percent	\$ <u>1,760</u>
59.13	29,400 <u>31,420</u> to 34,299				1,650
59.14		<u>36,659</u>	2.0 percent	30 percent	\$ <u>1,760</u>
59.15	34,300 <u>36,660</u> to 39,199				1,650
59.16		<u>41,889</u>	2.0 percent	35 percent	\$ <u>1,760</u>
59.17	39,200 <u>41,890</u> to 45,739				1,650
59.18		<u>48,879</u>	2.0 percent	40 percent	\$ <u>1,760</u>
59.19	45,740 <u>48,880</u> to 47,369				1,500
59.20		<u>50,629</u>	2.0 percent	45 percent	\$ <u>1,600</u>
59.21	47,370 <u>50,630</u> to 49,009				1,350
59.22		<u>52,379</u>	2.0 percent	45 percent	\$ <u>1,440</u>
59.23	49,010 <u>52,380</u> to 50,649				1,150
59.24		<u>54,129</u>	2.0 percent	45 percent	\$ <u>1,230</u>
59.25	50,650 <u>54,130</u> to 52,269				1,000
59.26		<u>55,859</u>	2.0 percent	50 percent	\$ <u>1,070</u>
59.27	52,270 <u>55,860</u> to 53,909				900
59.28		<u>57,619</u>	2.0 percent	50 percent	\$ <u>960</u>
59.29	53,910 <u>57,620</u> to 55,539				500
59.30		<u>59,359</u>	2.0 percent	50 percent	\$ <u>530</u>
59.31	55,540 <u>59,360</u> to 57,169				200
59.32		<u>61,099</u>	2.0 percent	50 percent	\$ <u>210</u>

59.33 The payment made to a claimant is the amount of the state refund calculated under this
 59.34 subdivision. No payment is allowed if the claimant's household income is ~~\$57,170~~ \$61,100
 59.35 or more.

59.36 **EFFECTIVE DATE.** This section is effective for refunds based on rent paid after
 59.37 December 31, 2016.

59.38 Sec. 72. Minnesota Statutes 2016, section 290A.04, subdivision 4, is amended to read:

59.39 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar
 59.40 year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds
 59.41 and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner

60.1 shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue
60.2 Code, except that for purposes of this subdivision the percentage increase shall be determined
60.3 as provided in this subdivision.

60.4 (b) In adjusting the dollar amounts of the income thresholds and the maximum refunds
60.5 under subdivision 2 for inflation, the percentage increase shall be determined from the year
60.6 ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that in
60.7 which the refund is payable.

60.8 (c) In adjusting the dollar amounts of the income thresholds and the maximum refunds
60.9 under subdivision 2a for inflation, the percentage increase shall be determined from the
60.10 year ending on June 30, ~~2013~~ 2018, to the year ending on June 30 of the year preceding that
60.11 in which the refund is payable.

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

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

60.21 **EFFECTIVE DATE.** This section is effective for refunds based on property taxes paid
60.22 after December 31, 2018, and rent paid after December 31, 2017.

60.23 Sec. 73. Minnesota Statutes 2017 Supplement, section 291.005, subdivision 1, is amended
60.24 to read:

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

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

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

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

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

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

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

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

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

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

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

61.25 (iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue
61.26 Code, owned by a nonresident decedent and that is normally kept or located in this state
61.27 because it is on loan to an organization, qualifying as exempt from taxation under section
61.28 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is
61.29 deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

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

62.1 For a nonresident decedent with an ownership interest in a pass-through entity with
62.2 assets that include real or tangible personal property, situs of the real or tangible personal
62.3 property, including qualified works of art, is determined as if the pass-through entity does
62.4 not exist and the real or tangible personal property is personally owned by the decedent. If
62.5 the pass-through entity is owned by a person or persons in addition to the decedent, ownership
62.6 of the property is attributed to the decedent in proportion to the decedent's capital ownership
62.7 share of the pass-through entity.

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

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

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

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

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

62.17 (v) an entity whose ownership interest securities are traded on an exchange regulated
62.18 by the Securities and Exchange Commission as a national securities exchange under section
62.19 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

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

62.22 Sec. 74. Minnesota Statutes 2016, section 297A.68, subdivision 25, is amended to read:

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

62.27 (1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336,
62.28 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code, as amended
62.29 through December 16, 2016;

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

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

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

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

63.3 (6) the total amount of gross receipts from the sale of trade or business property made
63.4 during the calendar month of the sale and the preceding 11 calendar months does not exceed
63.5 \$1,000.

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

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

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

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

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

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

63.23 Sec. 75. Minnesota Statutes 2016, section 297B.03, is amended to read:

63.24 **297B.03 EXEMPTIONS.**

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

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

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

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

64.8 (4) purchase or use of any motor vehicle previously registered in the state of Minnesota
64.9 when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336,
64.10 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code,
64.11 as amended through December 16, 2016;

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

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

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

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

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

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

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

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

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

65.7 (12) purchase of a motor vehicle for use by a transit provider exclusively to provide
65.8 transit service is exempt if the transit provider is either (i) receiving financial assistance or
65.9 reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29,
65.10 473.388, or 473.405;

65.11 (13) purchase or use of a motor vehicle by a qualified business, as defined in section
65.12 469.310, located in a job opportunity building zone, if the motor vehicle is principally
65.13 garaged in the job opportunity building zone and is primarily used as part of or in direct
65.14 support of the person's operations carried on in the job opportunity building zone. The
65.15 exemption under this clause applies to sales, if the purchase was made and delivery received
65.16 during the duration of the job opportunity building zone. The exemption under this clause
65.17 also applies to any local sales and use tax;

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

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

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

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

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

65.28 Sec. 76. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 1, is amended
65.29 to read:

65.30 Subdivision 1. **Subtraction.** (a) As provided in section 290.0132, subdivision 25, an
65.31 account holder is allowed a subtraction from ~~the federal taxable~~ adjusted gross income equal

66.1 to interest or dividends earned on the first-time home buyer savings account during the
66.2 taxable year.

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

66.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
66.7 31, 2017.

66.8 Sec. 77. Minnesota Statutes 2017 Supplement, section 462D.06, subdivision 2, is amended
66.9 to read:

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

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

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

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

66.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
66.21 31, 2017.

66.22 Sec. 78. Minnesota Statutes 2016, section 469.316, subdivision 1, is amended to read:

66.23 Subdivision 1. **Application.** An individual, estate, or trust operating a trade or business
66.24 in a job opportunity building zone, and an individual, estate, or trust making a qualifying
66.25 investment in a qualified business operating in a job opportunity building zone qualifies for
66.26 the exemptions from taxes imposed under chapter 290, as provided in this section. The
66.27 exemptions provided under this section apply only to the extent that the income otherwise
66.28 would be taxable under chapter 290. Subtractions under this section from federal adjusted
66.29 gross income, federal taxable income, alternative minimum taxable income, or any other
66.30 base subject to tax are limited to the amount that otherwise would be included in the tax
66.31 base absent the exemption under this section. This section applies only to taxable years
66.32 beginning during the duration of the job opportunity building zone.

67.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 67.2 31, 2017.

67.3 Sec. 79. Minnesota Statutes 2016, section 469.317, is amended to read:

67.4 **469.317 CORPORATE FRANCHISE TAX EXEMPTION.**

67.5 (a) A qualified business is exempt from taxation under section 290.02, ~~the alternative~~
 67.6 ~~minimum tax under section 290.0921,~~ and the minimum fee under section 290.0922, on the
 67.7 portion of its income attributable to operations within the zone. ~~This exemption is determined~~
 67.8 ~~as follows:~~

67.9 ~~(1) (b)~~ For purposes of the tax imposed under section 290.02, the exemption is determined
 67.10 by multiplying its taxable net income by its zone percentage and by its relocation payroll
 67.11 percentage and subtracting the result in determining taxable income;

67.12 ~~(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying~~
 67.13 ~~its alternative minimum taxable income by its zone percentage and by its relocation payroll~~
 67.14 ~~percentage and reducing alternative minimum taxable income by this amount; and~~

67.15 ~~(3) (c)~~ For purposes of the minimum fee under section 290.0922, the exemption is
 67.16 determined by excluding property and payroll in the zone from the computations of the fee
 67.17 or by exempting the entity under section 290.0922, subdivision 2, clause (7).

67.18 ~~(b) (d)~~ No subtraction is allowed under this section in excess of 20 percent of the sum
 67.19 of the corporation's job opportunity building zone payroll and the adjusted basis of the
 67.20 property at the time that the property is first used in the job opportunity building zone by
 67.21 the corporation.

67.22 ~~(e) (e)~~ This section applies only to taxable years beginning during the duration of the
 67.23 job opportunity building zone.

67.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 67.25 31, 2017.

67.26 Sec. 80. **ESTIMATED TAXES; EXCEPTIONS.**

67.27 No addition to tax, penalties, or interest may be made under Minnesota Statutes, section
 67.28 289A.25 or 289A.26, for any period before November 15, 2018, with respect to an
 67.29 underpayment of estimated tax, to the extent that the underpayment was created or increased
 67.30 by the inclusion of deferred foreign income in federal taxable income under section 965 of
 67.31 the Internal Revenue Code under this article.

68.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 68.2 31, 2016.

68.3 Sec. 81. **REPEALER.**

68.4 Minnesota Statutes 2016, sections 290.0131, subdivisions 7 and 11; 290.0133,
 68.5 subdivisions 13 and 14; 290.067, subdivision 2a; 290.0921, subdivisions 1, 2, 3, 3a, 4, and
 68.6 6; and 290.10, subdivision 2, are repealed.

68.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 68.8 31, 2017.

68.9 **ARTICLE 3**

68.10 **INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES**

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

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

68.14 Investments made by a pass-through entity qualify for a credit only if the entity is a qualified
 68.15 fund. The commissioner must not allocate more than ~~\$15,000,000~~ \$5,000,000 in credits to
 68.16 qualified investors or qualified funds for taxable years beginning after December 31, ~~2013~~
 68.17 2017, and before January 1, ~~2017~~, ~~and must not allocate more than \$10,000,000 in credits~~
 68.18 ~~to qualified investors or qualified funds for taxable years beginning after December 31,~~
 68.19 ~~2016, and before January 1, 2018~~ 2019; and

68.20 ~~(2) for taxable years beginning after December 31, 2014, and before January 1, 2018,~~
 68.21 50 percent must be allocated to credits for qualifying investments in qualified greater
 68.22 Minnesota businesses and minority- or women-owned qualified small businesses in
 68.23 Minnesota. Any portion of a taxable year's credits that is reserved for qualifying investments
 68.24 in greater Minnesota businesses and minority- or women-owned qualified small businesses
 68.25 in Minnesota that is not allocated by September 30 of the taxable year is available for
 68.26 allocation to other credit applications beginning on October 1. Any portion of a taxable
 68.27 year's credits that is not allocated by the commissioner does not cancel and may be carried
 68.28 forward to subsequent taxable years until all credits have been allocated.

68.29 (b) The commissioner may not allocate more than a total maximum amount in credits
 68.30 for a taxable year to a qualified investor for the investor's cumulative qualified investments
 68.31 as an individual qualified investor and as an investor in a qualified fund; for married couples
 68.32 filing joint returns the maximum is \$250,000, and for all other filers the maximum is

69.1 \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits
69.2 over all taxable years for qualified investments in any one qualified small business.

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

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

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

69.10 A member of the family of an individual disqualified by this paragraph is not eligible for a
69.11 credit under this section. For a married couple filing a joint return, the limitations in this
69.12 paragraph apply collectively to the investor and spouse. For purposes of determining the
69.13 ownership interest of an investor under this paragraph, the rules under section 267(c) and
69.14 267(e) of the Internal Revenue Code apply.

69.15 (d) Applications for tax credits for 2010 must be made available on the department's
69.16 Web site by September 1, 2010, and the department must begin accepting applications by
69.17 September 1, 2010. Applications for subsequent years must be made available by November
69.18 1 of the preceding year.

69.19 (e) Qualified investors and qualified funds must apply to the commissioner for tax credits.
69.20 Tax credits must be allocated to qualified investors or qualified funds in the order that the
69.21 tax credit request applications are filed with the department. The commissioner must approve
69.22 or reject tax credit request applications within 15 days of receiving the application. The
69.23 investment specified in the application must be made within 60 days of the allocation of
69.24 the credits. If the investment is not made within 60 days, the credit allocation is canceled
69.25 and available for reallocation. A qualified investor or qualified fund that fails to invest as
69.26 specified in the application, within 60 days of allocation of the credits, must notify the
69.27 commissioner of the failure to invest within five business days of the expiration of the
69.28 60-day investment period.

69.29 (f) All tax credit request applications filed with the department on the same day must
69.30 be treated as having been filed contemporaneously. If two or more qualified investors or
69.31 qualified funds file tax credit request applications on the same day, and the aggregate amount
69.32 of credit allocation claims exceeds the aggregate limit of credits under this section or the
69.33 lesser amount of credits that remain unallocated on that day, then the credits must be allocated
69.34 among the qualified investors or qualified funds who filed on that day on a pro rata basis

70.1 with respect to the amounts claimed. The pro rata allocation for any one qualified investor
70.2 or qualified fund is the product obtained by multiplying a fraction, the numerator of which
70.3 is the amount of the credit allocation claim filed on behalf of a qualified investor and the
70.4 denominator of which is the total of all credit allocation claims filed on behalf of all
70.5 applicants on that day, by the amount of credits that remain unallocated on that day for the
70.6 taxable year.

70.7 (g) A qualified investor or qualified fund, or a qualified small business acting on their
70.8 behalf, must notify the commissioner when an investment for which credits were allocated
70.9 has been made, and the taxable year in which the investment was made. A qualified fund
70.10 must also provide the commissioner with a statement indicating the amount invested by
70.11 each investor in the qualified fund based on each investor's share of the assets of the qualified
70.12 fund at the time of the qualified investment. After receiving notification that the investment
70.13 was made, the commissioner must issue credit certificates for the taxable year in which the
70.14 investment was made to the qualified investor or, for an investment made by a qualified
70.15 fund, to each qualified investor who is an investor in the fund. The certificate must state
70.16 that the credit is subject to revocation if the qualified investor or qualified fund does not
70.17 hold the investment in the qualified small business for at least three years, consisting of the
70.18 calendar year in which the investment was made and the two following years. The three-year
70.19 holding period does not apply if:

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

70.22 (2) 80 percent or more of the assets of the qualified small business is sold before the end
70.23 of the three-year period;

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

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

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

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

70.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
70.31 31, 2017.

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

71.2 Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31,
71.3 ~~2017~~ 2018, except that reporting requirements under subdivision 6 and revocation of credits
71.4 under subdivision 7 remain in effect through ~~2019~~ 2020 for qualified investors and qualified
71.5 funds, and through ~~2021~~ 2022 for qualified small businesses, reporting requirements under
71.6 subdivision 9 remain in effect through ~~2022~~ 2023, and the appropriation in subdivision 11
71.7 remains in effect through ~~2021~~ 2022.

71.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
71.9 31, 2017.

71.10 Sec. 3. Minnesota Statutes 2017 Supplement, section 290.01, subdivision 4a, is amended
71.11 to read:

71.12 Subd. 4a. **Financial institution.** (a) "Financial institution" means:

71.13 (1) any corporation or other business entity registered (i) under state law as a bank
71.14 holding company; (ii) under the federal Bank Holding Company Act of 1956, as amended;
71.15 or (iii) as a savings and loan holding company under the federal National Housing Act, as
71.16 amended;

71.17 (2) a national bank organized and existing as a national bank association pursuant to the
71.18 provisions of United States Code, title 12, chapter 2;

71.19 (3) a savings association or federal savings bank as defined in United States Code, title
71.20 12, section 1813(b)(1);

71.21 (4) any bank or thrift institution incorporated or organized under the laws of any state;

71.22 (5) any corporation organized under United States Code, title 12, sections 611 to 631;

71.23 (6) any agency or branch of a foreign depository as defined under United States Code,
71.24 title 12, section 3101;

71.25 (7) any corporation or other business entity that is more than 50 percent owned, directly
71.26 or indirectly, by any person or business entity described in clauses (1) to (6), other than an
71.27 insurance company taxable under chapter 297I;

71.28 (8) a corporation or other business entity that derives more than 50 percent of its total
71.29 gross income for financial accounting purposes from finance leases. For the purposes of
71.30 this clause, "gross income" means the average from the current tax year and immediately
71.31 preceding two years and excludes gross income from incidental or occasional transactions.
71.32 For purposes of this clause, "finance lease" means any lease transaction that is the functional

72.1 equivalent of an extension of credit and that transfers substantially all the benefits and risks
 72.2 incident to the ownership of property, including any direct financing lease or leverage lease
 72.3 that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting
 72.4 for leases, or any other lease that is accounted for as financing by a lessor under generally
 72.5 accepted accounting principles; or

72.6 (9) any other person or business entity, other than an insurance company ~~taxable under~~
 72.7 ~~chapter 297I~~, that derives more than 50 percent of its gross income from activities that an
 72.8 entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this
 72.9 clause, gross income does not include income from nonrecurring, extraordinary items.

72.10 (b) The commissioner is authorized to exclude any person from the application of
 72.11 paragraph (a), clause (9), if the person proves by clear and convincing evidence that the
 72.12 person's income-producing activity is not in substantial competition with any person described
 72.13 in paragraph (a), clauses (2) to (6) or (8).

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

72.16 Sec. 4. Minnesota Statutes 2016, section 290.01, is amended by adding a subdivision to
 72.17 read:

72.18 **Subd. 5c. Disqualified captive insurance company.** (a) "Captive insurance company"
 72.19 means a company that:

72.20 (1) is licensed as a captive insurance company under the laws of any state or foreign
 72.21 country; or

72.22 (2) derives less than 50 percent of its total premiums for the taxable year from sources
 72.23 outside of the unitary business, as that term is used in section 290.17.

72.24 (b) A captive insurance company is a "disqualified captive insurance company" if the
 72.25 company:

72.26 (1) pays less than 0.5 percent of its total premiums for the taxable year in tax under
 72.27 chapter 297I or a comparable tax of another state; or

72.28 (2) receives less than 50 percent of its gross receipts for the taxable year from premiums.

72.29 (c) For purposes of this subdivision, "premiums" means amounts paid for arrangements
 72.30 that constitute insurance for federal income tax purposes, but excludes return premiums,
 72.31 premiums for reinsurance assumed from other insurance companies, and any other premiums

73.1 that are or would be exempt from taxation under section 297I.05 as a result of their type or
73.2 character, if the insurance was for business in Minnesota.

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

73.5 Sec. 5. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision
73.6 to read:

73.7 Subd. 31. **Disallowed section 280E expenses; medical cannabis manufacturers.** The
73.8 amount of expenses of a medical cannabis manufacturer, as defined under section 152.22,
73.9 subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37,
73.10 and not allowed for federal income tax purposes under section 280E of the Internal Revenue
73.11 Code is a subtraction.

73.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
73.13 31, 2017.

73.14 Sec. 6. Minnesota Statutes 2016, section 290.0134, is amended by adding a subdivision
73.15 to read:

73.16 Subd. 18. **Disallowed section 280E expenses; medical cannabis manufacturers.** The
73.17 amount of expenses of a medical cannabis manufacturer, as defined under section 152.22,
73.18 subdivision 7, related to the business of medical cannabis under sections 152.21 to 152.37,
73.19 and not allowed for federal income tax purposes under section 280E of the Internal Revenue
73.20 Code is a subtraction.

73.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
73.22 31, 2017.

73.23 Sec. 7. Minnesota Statutes 2017 Supplement, section 290.05, subdivision 1, is amended
73.24 to read:

73.25 Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts,
73.26 and organizations shall be exempted from taxation under this chapter, provided that every
73.27 such person or corporation claiming exemption under this chapter, in whole or in part, must
73.28 establish to the satisfaction of the commissioner the taxable status of any income or activity:

73.29 (a) corporations, individuals, estates, and trusts engaged in the business of mining or
73.30 producing iron ore and mining, producing, or refining other ores, metals, and minerals, the
73.31 mining, production, or refining of which is subject to the occupation tax imposed by section

74.1 298.01; but if any such corporation, individual, estate, or trust engages in any other business
 74.2 or activity or has income from any property not used in such business it shall be subject to
 74.3 this tax computed on the net income from such property or such other business or activity.
 74.4 Royalty shall not be considered as income from the business of mining or producing iron
 74.5 ore within the meaning of this section;

74.6 (b) the United States of America, the state of Minnesota or any political subdivision of
 74.7 either agencies or instrumentalities, whether engaged in the discharge of governmental or
 74.8 proprietary functions; and

74.9 (c) any insurance company, ~~as defined in section 290.17, subdivision 4, paragraph (j),~~
 74.10 ~~but including any insurance company licensed and domiciled in another state that grants,~~
 74.11 ~~on a reciprocal basis, exemption from retaliatory taxes~~ other than a disqualified captive
 74.12 insurance company.

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

74.15 Sec. 8. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

74.16 Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the
 74.17 tax imposed by this chapter equal to \$2,000 for each ~~birth for which a certificate of birth~~
 74.18 ~~resulting in stillbirth has been issued under section 144.2151~~ stillbirth. The credit under this
 74.19 section is allowed only in the taxable year in which the stillbirth occurred ~~and if the child~~
 74.20 ~~would have been a dependent of the taxpayer as defined in section 152 of the Internal~~
 74.21 ~~Revenue Code.~~

74.22 (b) For a ~~nonresident or~~ part-year resident, the credit must be allocated based on the
 74.23 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

74.24 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 74.25 after December 31, 2015.

74.26 Sec. 9. Minnesota Statutes 2016, section 290.0685, is amended by adding a subdivision
 74.27 to read:

74.28 Subd. 1a. **Definitions.** (a) For purposes of this section, the following terms have the
 74.29 meanings given, unless the context clearly indicates otherwise.

74.30 (b) "Certificate of birth resulting in stillbirth" means the printed certificate of birth
 74.31 resulting in stillbirth issued under section 144.2151 or for a stillbirth occurring in another

75.1 state or country a similar certificate issued under that state's or country's law that documents
75.2 that the still birth occurred.

75.3 (c) "Eligible individual" means an individual who is:

75.4 (1)(i) a resident; or

75.5 (ii) the nonresident spouse of a resident who is a member of armed forces of the United
75.6 States or the United Nations; and

75.7 (2)(i) the individual who gave birth resulting in stillbirth and is listed as a parent on the
75.8 certificate of birth resulting in stillbirth; or

75.9 (ii) the individual who gave birth resulting in stillbirth for a birth outside of this state
75.10 for which no certificate of birth resulting in stillbirth was issued.

75.11 (d) "Stillbirth" means a birth for which a fetal death report would be required under
75.12 section 144.222, subdivision 1, if the birth occurred in this state.

75.13 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
75.14 after December 31, 2015.

75.15 Sec. 10. Minnesota Statutes 2017 Supplement, section 290.17, subdivision 4, is amended
75.16 to read:

75.17 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within
75.18 this state or partly within and partly without this state is part of a unitary business, the entire
75.19 income of the unitary business is subject to apportionment pursuant to section 290.191.
75.20 Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is
75.21 considered to be derived from any particular source and none may be allocated to a particular
75.22 place except as provided by the applicable apportionment formula. The provisions of this
75.23 subdivision do not apply to business income subject to subdivision 5, income of an insurance
75.24 company, or income of an investment company determined under section 290.36.

75.25 (b) The term "unitary business" means business activities or operations which result in
75.26 a flow of value between them. The term may be applied within a single legal entity or
75.27 between multiple entities and without regard to whether each entity is a sole proprietorship,
75.28 a corporation, a partnership or a trust.

75.29 (c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced
75.30 by centralized management or executive force, centralized purchasing, advertising,
75.31 accounting, or other controlled interaction, but the absence of these centralized activities
75.32 will not necessarily evidence a nonunitary business. Unity is also presumed when business

76.1 activities or operations are of mutual benefit, dependent upon or contributory to one another,
76.2 either individually or as a group.

76.3 (d) Where a business operation conducted in Minnesota is owned by a business entity
76.4 that carries on business activity outside the state different in kind from that conducted within
76.5 this state, and the other business is conducted entirely outside the state, it is presumed that
76.6 the two business operations are unitary in nature, interrelated, connected, and interdependent
76.7 unless it can be shown to the contrary.

76.8 (e) Unity of ownership does not exist when two or more corporations are involved unless
76.9 more than 50 percent of the voting stock of each corporation is directly or indirectly owned
76.10 by a common owner or by common owners, either corporate or noncorporate, or by one or
76.11 more of the member corporations of the group. For this purpose, the term "voting stock"
76.12 shall include membership interests of mutual insurance holding companies formed under
76.13 section 66A.40.

76.14 (f) The net income and apportionment factors under section 290.191 or 290.20 of foreign
76.15 corporations and other foreign entities, but excluding a disqualified captive insurance
76.16 company, which are part of a unitary business shall not be included in the net income or
76.17 the apportionment factors of the unitary business; except that the income and apportionment
76.18 factors of a foreign entity, other than an entity treated as a C corporation for federal income
76.19 tax purposes, that are included in the federal taxable income, as defined in section 63 of the
76.20 Internal Revenue Code as amended through the date named in section 290.01, subdivision
76.21 19, of a domestic corporation, domestic entity, or individual must be included in determining
76.22 net income and the factors to be used in the apportionment of net income pursuant to section
76.23 290.191 or 290.20. A foreign corporation or other foreign entity which is not included on
76.24 a combined report and which is required to file a return under this chapter shall file on a
76.25 separate return basis.

76.26 (g) For purposes of determining the net income of a unitary business and the factors to
76.27 be used in the apportionment of net income pursuant to section 290.191 or 290.20, there
76.28 must be included only the income and apportionment factors of domestic corporations or
76.29 other domestic entities that are determined to be part of the unitary business pursuant to this
76.30 subdivision, notwithstanding that foreign corporations or other foreign entities might be
76.31 included in the unitary business; except that the income and apportionment factors of a
76.32 foreign entity, other than an entity treated as a C corporation for federal income tax purposes,
76.33 that is included in the federal taxable income, as defined in section 63 of the Internal Revenue
76.34 Code as amended through the date named in section 290.01, subdivision 19, of a domestic
76.35 corporation, domestic entity, or individual must be included in determining net income and

77.1 the factors to be used in the apportionment of net income pursuant to section 290.191 or
77.2 290.20.

77.3 (h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary
77.4 business must file combined reports as the commissioner determines. On the reports, all
77.5 intercompany transactions between entities included pursuant to paragraph (g) must be
77.6 eliminated and the entire net income of the unitary business determined in accordance with
77.7 this subdivision is apportioned among the entities by using each entity's Minnesota factors
77.8 for apportionment purposes in the numerators of the apportionment formula and the total
77.9 factors for apportionment purposes of all entities included pursuant to paragraph (g) in the
77.10 denominators of the apportionment formula. Except as otherwise provided by paragraph
77.11 (f), all sales of the unitary business made within this state pursuant to section 290.191 or
77.12 290.20 must be included on the combined report of a corporation or other entity that is a
77.13 member of the unitary business and is subject to the jurisdiction of this state to impose tax
77.14 under this chapter.

77.15 (i) If a corporation has been divested from a unitary business and is included in a
77.16 combined report for a fractional part of the common accounting period of the combined
77.17 report:

77.18 (1) its income includable in the combined report is its income incurred for that part of
77.19 the year determined by proration or separate accounting; and

77.20 (2) its sales, property, and payroll included in the apportionment formula must be prorated
77.21 or accounted for separately.

77.22 (j) For purposes of this subdivision, "insurance company" means an insurance company,
77.23 as defined in section 290.01, subdivision 5b, that is:

77.24 ~~(1) licensed to engage in the business of insurance in Minnesota pursuant to chapter~~
77.25 ~~60A; or~~

77.26 ~~(2) domiciled and licensed to engage in the business of insurance in another state or~~
77.27 ~~country that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that~~
77.28 ~~does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance~~
77.29 ~~companies or their agents domiciled in Minnesota.~~

77.30 ~~(k) For purposes of this subdivision, "retaliatory taxes" means taxes imposed on insurance~~
77.31 ~~companies organized in another state or country that result from the fact that an insurance~~
77.32 ~~company organized in the taxing jurisdiction and doing business in the other jurisdiction is~~
77.33 ~~subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that~~

78.1 ~~imposed by the taxing jurisdiction upon an insurance company organized in the other state~~
78.2 ~~or country and doing business to the same extent in the taxing jurisdiction~~ not a disqualified
78.3 captive insurance company.

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

78.6 Sec. 11. Minnesota Statutes 2016, section 291.03, subdivision 8, is amended to read:

78.7 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the
78.8 meanings given in this subdivision.

78.9 (b) "Family member" means a family member as defined in section 2032A(e)(2) of the
78.10 Internal Revenue Code, or a trust whose present beneficiaries are all family members as
78.11 defined in section 2032A(e)(2) of the Internal Revenue Code.

78.12 (c) "Qualified heir" means a family member who acquired qualified property upon the
78.13 death of the decedent and satisfies the requirement under subdivision 9, clause ~~(7)~~ (8), or
78.14 subdivision 10, clause (5), for the property.

78.15 (d) "Qualified property" means qualified small business property under subdivision 9
78.16 and qualified farm property under subdivision 10.

78.17 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents
78.18 dying after June 30, 2011.

78.19 Sec. 12. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 9, is amended
78.20 to read:

78.21 Subd. 9. **Qualified small business property.** Property satisfying all of the following
78.22 requirements is qualified small business property:

78.23 (1) The value of the property was included in the federal adjusted taxable estate.

78.24 (2) The property consists of the assets of a trade or business or shares of stock or other
78.25 ownership interests in a corporation or other entity engaged in a trade or business. Shares
78.26 of stock in a corporation or an ownership interest in another type of entity do not qualify
78.27 under this subdivision if the shares or ownership interests are traded on a public stock
78.28 exchange at any time during the three-year period ending on the decedent's date of death.
78.29 For purposes of this subdivision, an ownership interest includes the interest the decedent is
78.30 deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of the Internal
78.31 Revenue Code.

79.1 (3) During the taxable year that ended before the decedent's death, the trade or business
79.2 must not have been a passive activity within the meaning of section 469(c) of the Internal
79.3 Revenue Code, and the decedent or the decedent's spouse must have materially participated
79.4 in the trade or business within the meaning of section 469(h) of the Internal Revenue Code,
79.5 excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided
79.6 by United States Treasury Department regulation that substitutes material participation in
79.7 prior taxable years for material participation in the taxable year that ended before the
79.8 decedent's death.

79.9 (4) The gross annual sales of the trade or business were \$10,000,000 or less for the last
79.10 taxable year that ended before the date of the death of the decedent.

79.11 (5) The property does not include:

79.12 (i) cash;

79.13 (ii) cash equivalents;

79.14 (iii) publicly traded securities; or

79.15 (iv) any assets not used in the operation of the trade or business.

79.16 (6) For property consisting of shares of stock or other ownership interests in an entity,
79.17 the value of items described in clause (5) must be excluded in the valuation of the decedent's
79.18 interest in the entity.

79.19 (7) The decedent or the decedent's spouse continuously owned the property, or an
79.20 undivided or joint interest in the property, including property the decedent or the decedent's
79.21 spouse is deemed to own under ~~sections~~ section 2036, 2037, ~~and~~ 2038, 2040, or 2044 of
79.22 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the
79.23 date of death of the decedent. In the case of a sole proprietor, if the property replaced similar
79.24 property within the three-year period, the replacement property will be treated as having
79.25 been owned for the three-year period ending on the date of death of the decedent. For the
79.26 purposes of the three-year holding period under this clause, any ownership by the decedent's
79.27 spouse, whether the spouse predeceases or survives the decedent, is attributed to the decedent.

79.28 (8) For three years following the date of death of the decedent, the trade or business is
79.29 not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,
79.30 and a family member materially participates in the operation of the trade or business within
79.31 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)
79.32 of the Internal Revenue Code and any other provision provided by United States Treasury

80.1 Department regulation that substitutes material participation in prior taxable years for
80.2 material participation in the three years following the date of death of the decedent.

80.3 (9) The estate and the qualified heir elect to treat the property as qualified small business
80.4 property and agree, in the form prescribed by the commissioner, to pay the recapture tax
80.5 under subdivision 11, if applicable.

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

80.8 Sec. 13. Minnesota Statutes 2016, section 291.03, subdivision 10, is amended to read:

80.9 Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements
80.10 is qualified farm property:

80.11 (1) The value of the property was included in the federal adjusted taxable estate.

80.12 (2) The property consists of agricultural land and is owned by a person or entity that is
80.13 either not subject to or is in compliance with section 500.24.

80.14 (3) For property taxes payable in the taxable year of the decedent's death, the property
80.15 is classified as class 2a property under section 273.13, subdivision 23, and is classified as
80.16 agricultural homestead, agricultural relative homestead, or special agricultural homestead
80.17 under section 273.124.

80.18 (4) The decedent or the decedent's spouse continuously owned the property, or an
80.19 undivided or joint interest in the property, including property the decedent or the decedent's
80.20 spouse is deemed to own under ~~sections~~ section 2036, 2037, and 2038, 2040, or 2044 of
80.21 the Internal Revenue Code, or under subdivision 1d, for the three-year period ending on the
80.22 date of death of the decedent either by ownership of the agricultural land or pursuant to
80.23 holding an interest in an entity that is not subject to or is in compliance with section 500.24.
80.24 For the purposes of the three-year holding period under this clause, any ownership by the
80.25 decedent's spouse, whether the spouse predeceases or survives the decedent, is attributed
80.26 to the decedent.

80.27 (5) The property is classified for property tax purposes as class 2a property under section
80.28 273.13, subdivision 23, for three years following the date of death of the decedent.

80.29 (6) The estate and the qualified heir elect to treat the property as qualified farm property
80.30 and agree, in a form prescribed by the commissioner, to pay the recapture tax under
80.31 subdivision 11, if applicable.

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

81.3 Sec. 14. Minnesota Statutes 2017 Supplement, section 291.03, subdivision 11, is amended
81.4 to read:

81.5 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before
81.6 the death of the qualified heir, the qualified heir disposes of any interest in the qualified
81.7 property, other than by a disposition to a family member, or a family member ceases to
81.8 satisfy the requirement under subdivision 9, clause ~~(7)~~ (8); or 10, clause (5), an additional
81.9 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir
81.10 replaces qualified small business property excluded under subdivision 9 with similar property,
81.11 then the qualified heir will not be treated as having disposed of an interest in the qualified
81.12 property.

81.13 (b) The amount of the additional tax equals the amount of the ~~exclusion~~ subtraction
81.14 claimed by the estate under section 291.016, subdivision 3, for qualified property as defined
81.15 in subdivision 8, paragraph (d), multiplied by 16 percent.

81.16 (c) The additional tax under this subdivision is due on the day which is six months after
81.17 the date of the disposition or cessation in paragraph (a).

81.18 (d) The tax under this subdivision does not apply to the acquisition of title or possession
81.19 of the qualified property by a federal, state, or local government unit, or any other entity
81.20 with the power of eminent domain for a public purpose, as defined in section 117.025,
81.21 subdivision 11, within the three-year holding period.

81.22 (e) This subdivision shall not apply as a result of any of the following:

81.23 (1) a portion of qualified farm property consisting of less than one-fifth of the acreage
81.24 of the property is reclassified as class 2b property under section 273.13, subdivision 23, and
81.25 the qualified heir has not substantially altered the reclassified property during the three-year
81.26 holding period; or

81.27 (2) a portion of qualified farm property classified as 2a property at the death of the
81.28 decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence,
81.29 garage, and immediately surrounding one acre of land is reclassified as 4bb property during
81.30 the three-year holding period, and the qualified heir has not substantially altered the property.

81.31 (f) This paragraph applies only to estates of decedents dying after June 30, 2011, and
81.32 before January 1, 2017, for which no tax liability was reported on the final estate tax return.
81.33 For purposes of estates qualifying under this paragraph, the amount of the subtraction

82.1 claimed by the estate for purposes of calculating the tax under paragraph (b) is deemed to
 82.2 be the minimum amount of the subtraction necessary to reduce the amount of estate tax to
 82.3 zero, without regard to the amount actually claimed on the final estate tax return. The
 82.4 provisions of this paragraph expire effective January 1, 2020.

82.5 **EFFECTIVE DATE.** The provisions of this section adding paragraph (f) are effective
 82.6 retroactively for estates of decedents dying after June 30, 2011, and before January 1, 2017,
 82.7 and claims for refund of recapture tax may be made under a process established by the
 82.8 commissioner for estates entitled to refunds under the section. The authority to file claims
 82.9 for refunds under these provisions expires on January 1, 2020.

82.10 **Sec. 15. APPLICATION OF ANGEL TAX CREDIT FOR TAXABLE YEAR 2018.**

82.11 Applications for (1) certification as a qualified small business, qualified investor, or
 82.12 qualified fund under Minnesota Statutes, section 116J.8737, subdivisions 2, 3, and 4, and
 82.13 (2) the credit under Minnesota Statutes, section 116J.8737, subdivision 5, for taxable year
 82.14 2018 must be made available on the Department of Employment and Economic
 82.15 Development's Web site within 30 days of the day following final enactment of this act.
 82.16 The provisions of Minnesota Statutes, section 116J.8737, generally apply to the taxable
 82.17 year 2018 extension of the credit in sections 1 and 2.

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

82.19 **ARTICLE 4**

82.20 **SALES AND USE TAXES**

82.21 **Section 1.** Minnesota Statutes 2016, section 297A.70, subdivision 7, is amended to read:

82.22 **Subd. 7. Hospitals, outpatient surgical centers, and critical access dental providers.**

82.23 (a) Sales, except for those listed in paragraph ~~(d)~~ (e), to a hospital are exempt, if the items
 82.24 purchased are used in providing hospital services. For purposes of this subdivision, "hospital"
 82.25 means a hospital organized and operated for charitable purposes within the meaning of
 82.26 section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any
 82.27 other jurisdiction, and "hospital services" are services authorized or required to be performed
 82.28 by a "hospital" under chapter 144.

82.29 (b) Sales, except for those listed in paragraph ~~(d)~~ (e), to an outpatient surgical center are
 82.30 exempt, if the items purchased are used in providing outpatient surgical services. For purposes
 82.31 of this subdivision, "outpatient surgical center" means an outpatient surgical center organized
 82.32 and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal

83.1 Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes
83.2 of this subdivision, "outpatient surgical services" means: (1) services authorized or required
83.3 to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For
83.4 purposes of this subdivision, "urgent care" means health services furnished to a person
83.5 whose medical condition is sufficiently acute to require treatment unavailable through, or
83.6 inappropriate to be provided by, a clinic or physician's office, but not so acute as to require
83.7 treatment in a hospital emergency room.

83.8 (c) Sales, except for those listed in paragraph ~~(d)~~ (e), to a critical access dental provider
83.9 are exempt, if the items purchased are used in providing critical access dental care services.
83.10 For the purposes of this subdivision, "critical access dental provider" means a dentist or
83.11 dental clinic that qualifies under section 256B.76, subdivision 4, paragraph (b), and, in the
83.12 previous calendar year, had no more than 15 percent of its patients covered by private dental
83.13 insurance.

83.14 (d) Sales, except for those listed in paragraph (e), to a qualifying medical facility are
83.15 exempt, if the items are purchased or used in providing medical services. For purposes of
83.16 this subdivision, "qualifying medical facility" means a medical facility as defined in section
83.17 469.1812, subdivision 2a, that has been granted an abatement of the state general tax under
83.18 section 469.1817.

83.19 ~~(d)~~ (e) This exemption does not apply to the following products and services:

83.20 (1) purchases made by a clinic, physician's office, or any other medical facility not
83.21 operating as a hospital, outpatient surgical center, qualifying medical facility, or critical
83.22 access dental provider, even though the clinic, office, or facility may be owned and operated
83.23 by a hospital, outpatient surgical center, qualifying medical facility, or critical access dental
83.24 provider;

83.25 (2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared
83.26 food, candy, and soft drinks;

83.27 (3) building and construction materials used in constructing buildings or facilities that
83.28 will not be used principally by the hospital, outpatient surgical center, qualifying medical
83.29 facility, or critical access dental provider;

83.30 (4) building, construction, or reconstruction materials purchased by a contractor or a
83.31 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed
83.32 maximum price covering both labor and materials for use in the construction, alteration, or
83.33 repair of a hospital, outpatient surgical center, qualifying medical facility, or critical access
83.34 dental provider; or

84.1 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

84.2 ~~(e)~~ (f) A limited liability company also qualifies for exemption under this subdivision
84.3 if (1) it consists of a sole member that would qualify for the exemption, and (2) the items
84.4 purchased qualify for the exemption.

84.5 ~~(f)~~ (g) An entity that contains both a hospital and a nonprofit unit may claim this
84.6 exemption on purchases made for both the hospital and nonprofit unit provided that:

84.7 (1) the nonprofit unit would have qualified for exemption under subdivision 4; and

84.8 (2) the items purchased would have qualified for the exemption.

84.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
84.10 30, 2018.

84.11 Sec. 2. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 20, is amended
84.12 to read:

84.13 Subd. 20. **Ice arenas and rinks.** Sales to organizations that exist primarily for the purpose
84.14 of owning or operating ice arenas or rinks that are (1) part of either the Duluth Heritage
84.15 Sports Center or the David M. Thaler Sports Center; and (2) are used for youth and high
84.16 school programs, are exempt if the organization is a private, nonprofit corporation exempt
84.17 from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

84.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
84.19 30, 2018.

84.20 Sec. 3. Minnesota Statutes 2016, section 297A.70, is amended by adding a subdivision to
84.21 read:

84.22 Subd. 21. **Nonprofit conservation clubs.** Sales to nonprofit conservation clubs are
84.23 exempt. For purposes of this subdivision, a "nonprofit conservation club" means an
84.24 organization exempt under section 501(c)(3) of the Internal Revenue Code that provides
84.25 instruction, training, and facilities for shooting handguns or rifles.

84.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
84.27 30, 2018.

85.1 Sec. 4. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to
85.2 read:

85.3 Subd. 51. **Public safety facilities.** Materials and supplies used or consumed in and
85.4 equipment incorporated into construction or remodeling of the following public safety
85.5 facilities are exempt:

85.6 (1) the construction of a new fire station, which includes firefighting and public safety
85.7 training facilities, in the city of Inver Grove Heights;

85.8 (2) the construction of a new fire station or the remodeling and expansion of an existing
85.9 fire station in the city of Virginia;

85.10 (3) the construction of a new fire station on the campus of the Minnetonka City Hall;
85.11 and

85.12 (4) the remodeling and expansion of an existing police and fire station in Minnetonka
85.13 to accommodate its use as a police station.

85.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made after the
85.15 day following final enactment and before January 1, 2021.

85.16 Sec. 5. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to
85.17 read:

85.18 Subd. 52. **Nonprofit snowmobile clubs.** Building materials and supplies purchased by
85.19 a nonprofit snowmobile club and used or consumed to construct, reconstruct, or maintain
85.20 or improve state or grant-in-aid snowmobile trails are exempt. A nonprofit snowmobile
85.21 club is eligible for the exemption under this subdivision if it received, in the current year
85.22 or in the previous three-year period, a state grant-in-aid grant administered by the Department
85.23 of Natural Resources by applying for the grant with a local unit of government sponsor.

85.24 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
85.25 30, 2018.

85.26 Sec. 6. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to
85.27 read:

85.28 Subd. 53. **Medical facility in underserved area.** Materials and supplies used or
85.29 consumed in, and equipment incorporated into, the construction or improvement of real
85.30 property that has been granted an abatement of the state general tax under section 469.1817
85.31 are exempt.

86.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
86.2 30, 2018.

86.3 Sec. 7. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to
86.4 read:

86.5 Subd. 54. **Properties destroyed by fire.** Building materials and supplies used or
86.6 consumed in, and equipment incorporated into, the construction or replacement of real
86.7 property affected by, and restaurant equipment to replace equipment destroyed in, the fire
86.8 on March 11, 2018, in the city of Mazeppa are exempt. The tax must be imposed and
86.9 collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in
86.10 the manner provided in section 297A.75. For purposes of this subdivision, "restaurant
86.11 equipment" includes durable equipment used in a restaurant for food storage, preparation,
86.12 and serving.

86.13 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
86.14 made after March 11, 2018, and before January 1, 2021.

86.15 Sec. 8. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended
86.16 to read:

86.17 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
86.18 exempt items must be imposed and collected as if the sale were taxable and the rate under
86.19 section 297A.62, subdivision 1, applied. The exempt items include:

86.20 (1) building materials for an agricultural processing facility exempt under section
86.21 297A.71, subdivision 13;

86.22 (2) building materials for mineral production facilities exempt under section 297A.71,
86.23 subdivision 14;

86.24 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

86.25 (4) building materials used in a residence for disabled veterans exempt under section
86.26 297A.71, subdivision 11;

86.27 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

86.28 (6) materials and supplies for qualified low-income housing under section 297A.71,
86.29 subdivision 23;

86.30 (7) materials, supplies, and equipment for municipal electric utility facilities under
86.31 section 297A.71, subdivision 35;

- 87.1 (8) equipment and materials used for the generation, transmission, and distribution of
87.2 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
87.3 37;
- 87.4 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
87.5 (a), clause (10);
- 87.6 (10) materials, supplies, and equipment for construction or improvement of projects and
87.7 facilities under section 297A.71, subdivision 40;
- 87.8 (11) materials, supplies, and equipment for construction, improvement, or expansion
87.9 of:
- 87.10 ~~(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,~~
87.11 ~~section 297A.71, subdivision 42;~~
- 87.12 ~~(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision~~
87.13 ~~45;~~
- 87.14 ~~(iii) a research and development facility exempt under Minnesota Statutes 2014, section~~
87.15 ~~297A.71, subdivision 46; and~~
- 87.16 ~~(iv) an industrial measurement manufacturing and controls facility exempt under~~
87.17 ~~Minnesota Statutes 2014, section 297A.71, subdivision 47;~~
- 87.18 (12) enterprise information technology equipment and computer software for use in a
87.19 qualified data center exempt under section 297A.68, subdivision 42;
- 87.20 (13) materials, supplies, and equipment for qualifying capital projects under section
87.21 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);
- 87.22 (14) items purchased for use in providing critical access dental services exempt under
87.23 section 297A.70, subdivision 7, paragraph (c);
- 87.24 (15) items and services purchased under a business subsidy agreement for use or
87.25 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
87.26 44;
- 87.27 (16) building materials, equipment, and supplies for constructing or replacing real
87.28 property exempt under section 297A.71, ~~subdivision~~ subdivisions 49 and 54; and
- 87.29 (17) building materials, equipment, and supplies for constructing or replacing real
87.30 property exempt under section 297A.71, subdivision 50, paragraph (b).

88.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
88.2 30, 2018.

88.3 Sec. 9. Minnesota Statutes 2016, section 477A.016, is amended to read:

88.4 **477A.016 NEW TAXES PROHIBITED.**

88.5 (a) No county, city, town or other taxing authority shall increase a present tax or impose
88.6 a new tax on sales or income.

88.7 (b) No county, city, town, or other taxing authority shall increase a present excise tax
88.8 or fee or impose a new excise tax or fee on either:

88.9 (1) the manufacture, distribution, wholesale, or retail sale of food, based on volume of
88.10 product sold, product sales value, or the type of product manufactured, distributed, or sold;
88.11 or

88.12 (2) any container used for transporting, protecting, or consuming food.

88.13 (c) For purposes of this section:

88.14 (1) "food" has the meaning given in section 34A.01, subdivision 4; and

88.15 (2) "container" means a bottle, cup, can, bag, or other packaging that is made from
88.16 plastic, aluminum, glass, cardboard, or other material.

88.17 (d) This section does not apply to reasonable license fees lawfully imposed by a county,
88.18 city, town, or other licensing authority in the exercise of its regulatory authority to license
88.19 a trade, profession, or business.

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

88.21 Sec. 10. Laws 2017, First Special Session chapter 1, article 3, section 32, the effective
88.22 date, is amended to read:

88.23 **EFFECTIVE DATE.** Paragraph (a) is effective retroactively for sales and purchases
88.24 made after September 30, 2016, and before January 1, ~~2019~~ 2022. Paragraph (b) is effective
88.25 for sales and purchases made after September 30, 2016, and before July 1, 2017.

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

89.1 **Sec. 11. MUNICIPALLY OWNED WATER TREATMENT FACILITY; CITY OF**
 89.2 **ELKO NEW MARKET.**

89.3 Subdivision 1. **Exemption.** Materials and supplies used or consumed in and equipment
 89.4 incorporated into a water treatment facility owned and operated by the city of Elko New
 89.5 Market are exempt from taxation under Minnesota Statutes, chapter 297A, regardless of
 89.6 whether purchased by the city or a contractor, subcontractor, or builder. All purchases for
 89.7 this facility must be made after June 1, 2014, and before June 1, 2016.

89.8 Subd. 2. **Refund.** The tax on purchases exempt under subdivision 1 must be imposed
 89.9 and collected as if the rate under Minnesota Statutes, section 297A.62, applied, and then
 89.10 refunded in the manner provided in Minnesota Statutes, section 297A.75. The applicant
 89.11 must be the city of Elko New Market. Notwithstanding Minnesota Statutes, section 289A.40,
 89.12 subdivision 5, the city of Elko New Market may apply directly to the commissioner of
 89.13 revenue for a refund of the tax paid on items exempt under subdivision 1, the application
 89.14 must be made by December 31, 2018, in the form and manner required by the commissioner,
 89.15 and provide sufficient information so the commissioner can verify the amount paid. If the
 89.16 tax was paid by a contractor, subcontractor, or builder, the contractor, subcontractor, or
 89.17 builder must furnish to the refund applicant a statement including the cost of the exempt
 89.18 items and the taxes paid on the items. Interest must be paid on the refund at the rate in
 89.19 Minnesota Statutes, section 270C.405, from 90 days after the refund claim is filed with the
 89.20 commissioner.

89.21 Subd. 3. **Appropriation.** The amount required to make the refunds under this section
 89.22 is appropriated to the commissioner of revenue.

89.23 **EFFECTIVE DATE.** This section is effective retroactively for purchases made after
 89.24 June 1, 2014, and before June 1, 2016.

89.25 **ARTICLE 5**

89.26 **PROPERTY TAXES**

89.27 Section 1. Minnesota Statutes 2016, section 138.053, is amended to read:

89.28 **138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.**

89.29 The governing body of any home rule charter or statutory city or town may annually
 89.30 appropriate from its general fund an amount not to exceed 0.02418 percent of estimated
 89.31 market value, derived from ad valorem taxes on property or other revenues, to be paid to
 89.32 the historical society of its respective city, town, or county to be used for the promotion of
 89.33 historical work and to aid in defraying the expenses of carrying on the historical work in

90.1 the county. No city or town may appropriate any funds for the benefit of any historical
90.2 society unless the society is affiliated with and approved by the Minnesota Historical Society.

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

90.4 Sec. 2. Minnesota Statutes 2016, section 197.603, subdivision 2, is amended to read:

90.5 Subd. 2. **Records; data privacy.** Pursuant to chapter 13 the county veterans service
90.6 officer is the responsible authority with respect to all records in the officer's custody. The
90.7 data on clients' applications for assistance is private data on individuals, as defined in section
90.8 13.02, subdivision 12. The county veterans service officer may disclose to the county assessor
90.9 private data necessary to determine a client's eligibility for the disabled veteran's homestead
90.10 market value exclusion under section 273.13, subdivision 34.

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

90.12 Sec. 3. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to
90.13 read:

90.14 Subd. 102. **Certain property owned by an Indian tribe.** (a) Property is exempt that:

90.15 (1) is located in a city of the first class with a population of more than 380,000 as of the
90.16 2010 federal census;

90.17 (2) was on January 1, 2016, and is for the current assessment, owned by a federally
90.18 recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota;
90.19 and

90.20 (3) is used exclusively as a pharmacy.

90.21 (b) Property that qualifies for the exemption under this subdivision is limited to parcels
90.22 and structures that do not exceed, in the aggregate, 4,000 square feet. Property acquired for
90.23 single-family housing, market-rate apartments, agriculture, or forestry does not qualify for
90.24 this exemption. For assessment year 2018 only, an exemption application under this
90.25 subdivision is due by July 1, 2018. The exemption created by this subdivision expires with
90.26 taxes payable in 2028.

90.27 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019
90.28 and thereafter.

91.1 Sec. 4. Minnesota Statutes 2016, section 273.124, subdivision 3a, is amended to read:

91.2 Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park
91.3 is owned by a corporation or association organized under chapter 308A or 308B, and each
91.4 person who owns a share or shares in the corporation or association is entitled to occupy a
91.5 lot within the park, the corporation or association may claim homestead treatment for the
91.6 park. Each lot must be designated by legal description or number, and each lot is limited to
91.7 not more than one-half acre of land.

91.8 (b) The manufactured home park shall be entitled to homestead treatment if all of the
91.9 following criteria are met:

91.10 (1) the occupant or the cooperative corporation or association is paying the ad valorem
91.11 property taxes and any special assessments levied against the land and structure either
91.12 directly, or indirectly through dues to the corporation or association; and

91.13 (2) the corporation or association organized under chapter 308A or 308B is wholly
91.14 owned by persons having a right to occupy a lot owned by the corporation or association.

91.15 (c) A charitable corporation, organized under the laws of Minnesota with no outstanding
91.16 stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status,
91.17 qualifies for homestead treatment with respect to a manufactured home park if its members
91.18 hold residential participation warrants entitling them to occupy a lot in the manufactured
91.19 home park.

91.20 (d) "Homestead treatment" under this subdivision means the classification rate provided
91.21 for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause
91.22 (5), item (ii)-, and the homestead market value exclusion under section 273.13, subdivision
91.23 35, does not apply ~~and the property taxes assessed against the park shall not be included in~~
91.24 ~~the determination of taxes payable for rent paid under section 290A.03.~~

91.25 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable
91.26 in 2019.

91.27 Sec. 5. Minnesota Statutes 2016, section 273.124, subdivision 8, is amended to read:

91.28 Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm**
91.29 **venture, limited liability company, or partnership.** (a) Each family farm corporation;
91.30 each joint family farm venture; and each limited liability company or partnership which
91.31 operates a family farm; is entitled to class 1b under section 273.13, subdivision 22, paragraph
91.32 (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner
91.33 thereof who is residing on the land, and actively engaged in farming of the land owned by

92.1 the family farm corporation, joint family farm venture, limited liability company, or
92.2 partnership. Homestead treatment applies even if:

92.3 (1) legal title to the property is in the name of the family farm corporation, joint family
92.4 farm venture, limited liability company, or partnership, and not in the name of the person
92.5 residing on it; or

92.6 (2) the family farm is operated by a business entity other than the business entity that
92.7 owns the land, provided that both business entities have the same owners.

92.8 "Family farm corporation," "family farm," and "partnership operating a family farm"
92.9 have the meanings given in section 500.24, except that the number of allowable shareholders,
92.10 members, or partners under this subdivision shall not exceed 12. "Limited liability company"
92.11 has the meaning contained in sections 322B.03, subdivision 28, or 322C.0102, subdivision
92.12 12, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means
92.13 a cooperative agreement among two or more farm enterprises authorized to operate a family
92.14 farm under section 500.24.

92.15 "Business entity" means a corporation, joint venture, partnership, or limited liability
92.16 company within the meaning of this paragraph.

92.17 (b) In addition to property specified in paragraph (a), any other residences owned by
92.18 family farm corporations, joint family farm ventures, limited liability companies, or
92.19 partnerships described in paragraph (a) which are located on agricultural land and occupied
92.20 as homesteads by its shareholders, members, or partners who are actively engaged in farming
92.21 on behalf of that corporation, joint farm venture, limited liability company, or partnership
92.22 must also be assessed as class 2a property or as class 1b property under section 273.13.

92.23 (c) Agricultural property that is owned by a member, partner, or shareholder of a family
92.24 farm corporation or joint family farm venture, limited liability company operating a family
92.25 farm, or by a partnership operating a family farm and leased to the family farm corporation,
92.26 limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is
92.27 eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually
92.28 residing on the property, and is actually engaged in farming the land on behalf of that
92.29 corporation, joint farm venture, limited liability company, or partnership. This paragraph
92.30 applies without regard to any legal possession rights of the family farm corporation, joint
92.31 family farm venture, limited liability company, or partnership under the lease.

92.32 (d) Nonhomestead agricultural property that is owned by a family farm corporation,
92.33 joint farm venture, limited liability company, or partnership; and located not farther than
92.34 four townships or cities, or combination thereof, from agricultural land that is owned, and

93.1 used for the purposes of a homestead by an individual who is a shareholder, member, or
93.2 partner of the corporation, venture, company, or partnership; is entitled to receive the first
93.3 tier homestead classification rate on any remaining market value in the first homestead class
93.4 tier that is in excess of the market value of the shareholder's, member's, or partner's class 2
93.5 agricultural homestead property, if the owner, or someone acting on the owner's behalf
93.6 notifies the county assessor by July 1 that the property may be eligible under this paragraph
93.7 for the current assessment year, for taxes payable in the following year. As used in this
93.8 paragraph, "agricultural property" means property classified as 2a under section 273.13,
93.9 along with any contiguous property classified as 2b under section 273.13, if the contiguous
93.10 2a and 2b properties are under the same ownership.

93.11 **EFFECTIVE DATE.** This section is effective for assessments beginning in 2018.

93.12 Sec. 6. Minnesota Statutes 2016, section 273.124, subdivision 14, is amended to read:

93.13 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten
93.14 acres that is the homestead of its owner must be classified as class 2a under section 273.13,
93.15 subdivision 23, paragraph (a), if:

93.16 (1) the parcel on which the house is located is contiguous on at least two sides to (i)
93.17 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife
93.18 Service, or (iii) land administered by the Department of Natural Resources on which in lieu
93.19 taxes are paid under sections 477A.11 to 477A.14;

93.20 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20
93.21 acres;

93.22 (3) the noncontiguous land is located not farther than four townships or cities, or a
93.23 combination of townships or cities from the homestead; and

93.24 (4) the agricultural use value of the noncontiguous land and farm buildings is equal to
93.25 at least 50 percent of the market value of the house, garage, and one acre of land.

93.26 Homesteads initially classified as class 2a under the provisions of this paragraph shall
93.27 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining
93.28 properties, as long as the homestead remains under the same ownership, the owner owns a
93.29 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use
93.30 value qualifies under clause (4). Homestead classification under this paragraph is limited
93.31 to property that qualified under this paragraph for the 1998 assessment.

93.32 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same
93.33 extent as other agricultural homestead property, if all of the following criteria are met:

94.1 (1) the agricultural property consists of at least 40 acres including undivided government
94.2 lots and correctional 40's;

94.3 (2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner
94.4 or of the owner's spouse, is actively farming the agricultural property, either on the person's
94.5 own behalf as an individual or on behalf of a partnership operating a family farm, family
94.6 farm corporation, joint family farm venture, or limited liability company of which the person
94.7 is a partner, shareholder, or member;

94.8 (3) both the owner of the agricultural property and the person who is actively farming
94.9 the agricultural property under clause (2), are Minnesota residents;

94.10 (4) neither the owner nor the spouse of the owner claims another agricultural homestead
94.11 in Minnesota; and

94.12 (5) neither the owner nor the person actively farming the agricultural property lives
94.13 farther than four townships or cities, or a combination of four townships or cities, from the
94.14 agricultural property, except that if the owner or the owner's spouse is required to live in
94.15 employer-provided housing, the owner or owner's spouse, whichever is actively farming
94.16 the agricultural property, may live more than four townships or cities, or combination of
94.17 four townships or cities from the agricultural property.

94.18 The relationship under this paragraph may be either by blood or marriage.

94.19 ~~(ii) Agricultural property held by a trustee under a trust is eligible for agricultural~~
94.20 ~~homestead classification under this paragraph if the qualifications in clause (i) are met,~~
94.21 ~~except that "owner" means the grantor of the trust.~~

94.22 ~~(iii)~~ Property containing the residence of an owner who owns qualified property under
94.23 clause (i) shall be classified as part of the owner's agricultural homestead, if that property
94.24 is also used for noncommercial storage or drying of agricultural crops.

94.25 ~~(iv)~~ (iii) As used in this paragraph, "agricultural property" means class 2a property and
94.26 any class 2b property that is contiguous to and under the same ownership as the class 2a
94.27 property.

94.28 (c) Noncontiguous land shall be included as part of a homestead under section 273.13,
94.29 subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached
94.30 land is located in the same township or city, or not farther than four townships or cities or
94.31 combination thereof from the homestead. Any taxpayer of these noncontiguous lands must
94.32 notify the county assessor that the noncontiguous land is part of the taxpayer's homestead,

95.1 and, if the homestead is located in another county, the taxpayer must also notify the assessor
95.2 of the other county.

95.3 (d) Agricultural land used for purposes of a homestead and actively farmed by a person
95.4 holding a vested remainder interest in it must be classified as a homestead under section
95.5 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other
95.6 dwellings on the land used for purposes of a homestead by persons holding vested remainder
95.7 interests who are actively engaged in farming the property, and up to one acre of the land
95.8 surrounding each homestead and reasonably necessary for the use of the dwelling as a home,
95.9 must also be assessed class 2a.

95.10 (e) Agricultural land and buildings that were class 2a homestead property under section
95.11 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as
95.12 agricultural homesteads for subsequent assessments if:

95.13 (1) the property owner abandoned the homestead dwelling located on the agricultural
95.14 homestead as a result of the April 1997 floods;

95.15 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or
95.16 Wilkin;

95.17 (3) the agricultural land and buildings remain under the same ownership for the current
95.18 assessment year as existed for the 1997 assessment year and continue to be used for
95.19 agricultural purposes;

95.20 (4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles
95.21 of one of the parcels of agricultural land that is owned by the taxpayer; and

95.22 (5) the owner notifies the county assessor that the relocation was due to the 1997 floods,
95.23 and the owner furnishes the assessor any information deemed necessary by the assessor in
95.24 verifying the change in dwelling. Further notifications to the assessor are not required if the
95.25 property continues to meet all the requirements in this paragraph and any dwellings on the
95.26 agricultural land remain uninhabited.

95.27 (f) Agricultural land and buildings that were class 2a homestead property under section
95.28 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified
95.29 agricultural homesteads for subsequent assessments if:

95.30 (1) the property owner abandoned the homestead dwelling located on the agricultural
95.31 homestead as a result of damage caused by a March 29, 1998, tornado;

95.32 (2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur,
95.33 Nicollet, Nobles, or Rice;

96.1 (3) the agricultural land and buildings remain under the same ownership for the current
96.2 assessment year as existed for the 1998 assessment year;

96.3 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
96.4 one of the parcels of agricultural land that is owned by the taxpayer; and

96.5 (5) the owner notifies the county assessor that the relocation was due to a March 29,
96.6 1998, tornado, and the owner furnishes the assessor any information deemed necessary by
96.7 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the
96.8 owner must notify the assessor by December 1, 1998. Further notifications to the assessor
96.9 are not required if the property continues to meet all the requirements in this paragraph and
96.10 any dwellings on the agricultural land remain uninhabited.

96.11 (g) Agricultural property of a family farm corporation, joint family farm venture, family
96.12 farm limited liability company, or partnership operating a family farm as described under
96.13 subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead
96.14 property, if all of the following criteria are met:

96.15 (1) the property consists of at least 40 acres including undivided government lots and
96.16 correctional 40's;

96.17 (2) a shareholder, member, or partner of that entity is actively farming the agricultural
96.18 property;

96.19 (3) that shareholder, member, or partner who is actively farming the agricultural property
96.20 is a Minnesota resident;

96.21 (4) neither that shareholder, member, or partner, nor the spouse of that shareholder,
96.22 member, or partner claims another agricultural homestead in Minnesota; and

96.23 (5) that shareholder, member, or partner does not live farther than four townships or
96.24 cities, or a combination of four townships or cities, from the agricultural property.

96.25 Homestead treatment applies under this paragraph even if:

96.26 (i) the shareholder, member, or partner of that entity is actively farming the agricultural
96.27 property on the shareholder's, member's, or partner's own behalf; or

96.28 (ii) the family farm is operated by a business entity other than the business entity that
96.29 owns the land, provided that both business entities have the same owners. For purposes of
96.30 this paragraph, "business entity" means a corporation, joint venture, partnership, or limited
96.31 liability company within the meaning of subdivision 8, paragraph (a).

97.1 Homestead treatment applies under this paragraph for property leased to a family farm
97.2 corporation, joint farm venture, limited liability company, or partnership operating a family
97.3 farm if legal title to the property is in the name of an individual who is a member, shareholder,
97.4 or partner in the entity.

97.5 (h) To be eligible for the special agricultural homestead under this subdivision, an initial
97.6 full application must be submitted to the county assessor where the property is located.
97.7 Owners and the persons who are actively farming the property shall be required to complete
97.8 only a one-page abbreviated version of the application in each subsequent year provided
97.9 that none of the following items have changed since the initial application:

97.10 (1) the day-to-day operation, administration, and financial risks remain the same;

97.11 (2) the owners and the persons actively farming the property continue to live within the
97.12 four townships or city criteria and are Minnesota residents;

97.13 (3) the same operator of the agricultural property is listed with the Farm Service Agency;

97.14 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

97.15 (5) the property's acreage is unchanged; and

97.16 (6) none of the property's acres have been enrolled in a federal or state farm program
97.17 since the initial application.

97.18 The owners and any persons who are actively farming the property must include the
97.19 appropriate Social Security numbers, and sign and date the application. If any of the specified
97.20 information has changed since the full application was filed, the owner must notify the
97.21 assessor, and must complete a new application to determine if the property continues to
97.22 qualify for the special agricultural homestead. The commissioner of revenue shall prepare
97.23 a standard reapplication form for use by the assessors.

97.24 (i) Agricultural land and buildings that were class 2a homestead property under section
97.25 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified
97.26 agricultural homesteads for subsequent assessments if:

97.27 (1) the property owner abandoned the homestead dwelling located on the agricultural
97.28 homestead as a result of damage caused by the August 2007 floods;

97.29 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele,
97.30 Wabasha, or Winona;

97.31 (3) the agricultural land and buildings remain under the same ownership for the current
97.32 assessment year as existed for the 2007 assessment year;

98.1 (4) the dwelling occupied by the owner is located in this state and is within 50 miles of
 98.2 one of the parcels of agricultural land that is owned by the taxpayer; and

98.3 (5) the owner notifies the county assessor that the relocation was due to the August 2007
 98.4 floods, and the owner furnishes the assessor any information deemed necessary by the
 98.5 assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the
 98.6 owner must notify the assessor by December 1, 2008. Further notifications to the assessor
 98.7 are not required if the property continues to meet all the requirements in this paragraph and
 98.8 any dwellings on the agricultural land remain uninhabited.

98.9 (j) Agricultural land and buildings that were class 2a homestead property under section
 98.10 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as
 98.11 agricultural homesteads for subsequent assessments if:

98.12 (1) the property owner abandoned the homestead dwelling located on the agricultural
 98.13 homestead as a result of the March 2009 floods;

98.14 (2) the property is located in the county of Marshall;

98.15 (3) the agricultural land and buildings remain under the same ownership for the current
 98.16 assessment year as existed for the 2008 assessment year and continue to be used for
 98.17 agricultural purposes;

98.18 (4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles
 98.19 of one of the parcels of agricultural land that is owned by the taxpayer; and

98.20 (5) the owner notifies the county assessor that the relocation was due to the 2009 floods,
 98.21 and the owner furnishes the assessor any information deemed necessary by the assessor in
 98.22 verifying the change in dwelling. Further notifications to the assessor are not required if the
 98.23 property continues to meet all the requirements in this paragraph and any dwellings on the
 98.24 agricultural land remain uninhabited.

98.25 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in
 98.26 2019.

98.27 Sec. 7. Minnesota Statutes 2016, section 273.124, subdivision 21, is amended to read:

98.28 Subd. 21. **Trust property; homestead.** Real or personal property, including agricultural
 98.29 property, held by a trustee under a trust is eligible for classification as homestead property
 98.30 if the property satisfies the requirements of paragraph (a), (b), (c), ~~(d)~~, or (e).

98.31 (a) The grantor or surviving spouse of the grantor of the trust occupies and uses the
 98.32 property as a homestead.

99.1 (b) A relative or surviving relative of the grantor who meets the requirements of
99.2 subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph
99.3 (d), in the case of agricultural property, occupies and uses the property as a homestead.

99.4 (c) A family farm corporation, joint farm venture, limited liability company, or partnership
99.5 operating a family farm in which the grantor or the grantor's surviving spouse is a
99.6 shareholder, member, or partner rents the property; and, either (1) a shareholder, member,
99.7 or partner of the corporation, joint farm venture, limited liability company, or partnership
99.8 occupies and uses the property as a homestead; or (2) the property is at least 40 acres,
99.9 including undivided government lots and correctional 40's, and a shareholder, member, or
99.10 partner of the tenant-entity is actively farming the property on behalf of the corporation,
99.11 joint farm venture, limited liability company, or partnership.

99.12 (d) A person who has received homestead classification for property taxes payable in
99.13 2000 on the basis of an unqualified legal right under the terms of the trust agreement to
99.14 occupy the property as that person's homestead and who continues to use the property as a
99.15 homestead; or, a person who received the homestead classification for taxes payable in 2005
99.16 under paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or
99.17 thereafter but who continues to qualify under paragraph (c) as it existed for taxes payable
99.18 in 2005.

99.19 (e) The qualifications under subdivision 14, paragraph (b), clause (i), are met. For
99.20 purposes of this paragraph, "owner" means the grantor of the trust or the surviving spouse
99.21 of the grantor.

99.22 (f) For purposes of this subdivision, the following terms have the meanings given them:

99.23 (1) "agricultural property" means the house, garage, other farm buildings and structures,
99.24 and agricultural land;

99.25 (2) "agricultural land" has the meaning given in section 273.13, subdivision 23, except
99.26 that the phrases "owned by same person" or "under the same ownership" as used in that
99.27 subdivision mean and include contiguous tax parcels owned by:

99.28 (i) an individual and a trust of which the individual, the individual's spouse, or the
99.29 individual's deceased spouse is the grantor; or

99.30 (ii) different trusts of which the grantors of each trust are any combination of an
99.31 individual, the individual's spouse, or the individual's deceased spouse; and

100.1 ~~For purposes of this subdivision, (3) "grantor" is defined as~~ means the person creating
100.2 or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written
100.3 instrument or through the exercise of a power of appointment.

100.4 (g) Noncontiguous agricultural land is included as part of a homestead under this
100.5 subdivision, only if the homestead is classified as class 2a, as defined in section 273.13,
100.6 subdivision 23, and the detached land is located in the same township or city, or not farther
100.7 than four townships or cities or combination thereof from the homestead. Any taxpayer of
100.8 these noncontiguous agricultural lands must notify the county assessor by December 15 for
100.9 taxes payable in the following year that the noncontiguous agricultural land is part of the
100.10 taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must
100.11 also notify the assessor of the other county.

100.12 **EFFECTIVE DATE.** This section is effective beginning for property taxes payable in
100.13 2019.

100.14 Sec. 8. Minnesota Statutes 2016, section 273.124, is amended by adding a subdivision to
100.15 read:

100.16 Subd. 23. **Fractional homesteads.** In the case of property that is classified as part
100.17 homestead and part nonhomestead solely because not all the owners occupy or farm the
100.18 property, not all the owners have qualifying relatives occupying or farming the property,
100.19 or not all the spouses of owners occupy the property, the portions of property classified as
100.20 part homestead and part nonhomestead must correspond to the ownership percentages that
100.21 each owner has in the property, as determined by the land records in the county recorder's
100.22 office or registrar of titles. If the ownership percentages of each owner cannot be determined
100.23 by reference to the land records, the portions of property classified as part homestead and
100.24 part nonhomestead must correspond to the ownership percentages each owner would have
100.25 if they each owned an equal share of the property.

100.26 **EFFECTIVE DATE.** This section is effective for assessments beginning in 2018.

100.27 Sec. 9. Minnesota Statutes 2016, section 273.1245, subdivision 2, is amended to read:

100.28 Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to
100.29 the commissioner of revenue as provided by law. The assessor shall also disclose all or
100.30 portions of the data described in subdivision 1 to:

100.31 (1) the county treasurer solely for the purpose of proceeding under the Revenue Recapture
100.32 Act to recover personal property taxes owing; and

101.1 (2) the county veterans service officer for the purpose of determining a person's eligibility
101.2 for the disabled veteran's homestead market value exclusion under section 273.13, subdivision
101.3 34.

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

101.5 Sec. 10. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended
101.6 to read:

101.7 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and
101.8 (c), real estate which is residential and used for homestead purposes is class 1a. In the case
101.9 of a duplex or triplex in which one of the units is used for homestead purposes, the entire
101.10 property is deemed to be used for homestead purposes. The market value of class 1a property
101.11 must be determined based upon the value of the house, garage, and land.

101.12 The first \$500,000 of market value of class 1a property has a net classification rate of
101.13 one percent of its market value; and the market value of class 1a property that exceeds
101.14 \$500,000 has a classification rate of 1.25 percent of its market value.

101.15 (b) Class 1b property includes homestead real estate or homestead manufactured homes
101.16 used for the purposes of a homestead by:

101.17 (1) any person who is blind as defined in section 256D.35, or the blind person and the
101.18 blind person's spouse;

101.19 (2) any person who is permanently and totally disabled or by the disabled person and
101.20 the disabled person's spouse; or

101.21 (3) the surviving spouse of a permanently and totally disabled veteran homesteading a
101.22 property classified under this paragraph for taxes payable in 2008.

101.23 Property is classified and assessed under clause (2) only if the government agency or
101.24 income-providing source certifies, upon the request of the homestead occupant, that the
101.25 homestead occupant satisfies the disability requirements of this paragraph, and that the
101.26 property is not eligible for the valuation exclusion under subdivision 34.

101.27 Property is classified and assessed under paragraph (b) only if the commissioner of
101.28 revenue or the county assessor certifies that the homestead occupant satisfies the requirements
101.29 of this paragraph.

101.30 Permanently and totally disabled for the purpose of this subdivision means a condition
101.31 which is permanent in nature and totally incapacitates the person from working at an
101.32 occupation which brings the person an income. The first \$50,000 market value of class 1b

102.1 property has a net classification rate of .45 percent of its market value. The remaining market
102.2 value of class 1b property is classified as class 1a or class 2a property, whichever is
102.3 appropriate.

102.4 (c) Class 1c property is commercial use real and personal property that abuts public
102.5 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
102.6 the Department of Natural Resources, and is devoted to temporary and seasonal residential
102.7 occupancy for recreational purposes but not devoted to commercial purposes for more than
102.8 250 days in the year preceding the year of assessment, and that includes a portion used as
102.9 a homestead by the owner, which includes a dwelling occupied as a homestead by a
102.10 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
102.11 resort, or a member of a limited liability company that owns the resort ~~even if,~~ whether the
102.12 title to the homestead is held by the corporation, partnership, or limited liability company,
102.13 or by a shareholder of a corporation that owns the resort, a partner in a partnership that owns
102.14 the resort, or a member of a limited liability company that owns the resort. For purposes of
102.15 this paragraph, property is devoted to a commercial purpose on a specific day if any portion
102.16 of the property, excluding the portion used exclusively as a homestead, is used for residential
102.17 occupancy and a fee is charged for residential occupancy. Class 1c property must contain
102.18 three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse,
102.19 sleeping room, or individual camping site equipped with water and electrical hookups for
102.20 recreational vehicles. Class 1c property must provide recreational activities such as the
102.21 rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski
102.22 equipment; provide marina services, launch services, or guide services; or sell bait and
102.23 fishing tackle. Any unit in which the right to use the property is transferred to an individual
102.24 or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c
102.25 even though it may remain available for rent. A camping pad offered for rent by a property
102.26 that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental
102.27 agreement, as long as the use of the camping pad does not exceed 250 days. If the same
102.28 owner owns two separate parcels that are located in the same township, and one of those
102.29 properties is classified as a class 1c property and the other would be eligible to be classified
102.30 as a class 1c property if it was used as the homestead of the owner, both properties will be
102.31 assessed as a single class 1c property; for purposes of this sentence, properties are deemed
102.32 to be owned by the same owner if each of them is owned by a limited liability company,
102.33 and both limited liability companies have the same membership. The portion of the property
102.34 used as a homestead is class 1a property under paragraph (a). The remainder of the property
102.35 is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of
102.36 market value is tier II, and any remaining market value is tier III. The classification rates

103.1 for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners
103.2 of real and personal property devoted to temporary and seasonal residential occupancy for
103.3 recreation purposes in which all or a portion of the property was devoted to commercial
103.4 purposes for not more than 250 days in the year preceding the year of assessment desiring
103.5 classification as class 1c, must, by January 15 of the assessment year, submit a declaration
103.6 to the assessor designating: (1) the cabins or units occupied for 250 days or less in the year
103.7 preceding the year of assessment ~~by January 15 of the assessment year~~; and (2) the portion
103.8 of the resort used as a homestead and the owner of the homestead under the title. Those
103.9 cabins or units and a proportionate share of the land on which they are located must be
103.10 designated as class 1c as otherwise provided. The remainder of the cabins or units and a
103.11 proportionate share of the land on which they are located must be designated as class 3a
103.12 commercial. The owner of property desiring designation as class 1c property must provide
103.13 guest registers or other records demonstrating that the units for which class 1c designation
103.14 is sought were not occupied for more than 250 days in the year preceding the assessment
103.15 if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop,
103.16 (4) conference center or meeting room, and (5) other nonresidential facility operated on a
103.17 commercial basis not directly related to temporary and seasonal residential occupancy for
103.18 recreation purposes does not qualify for class 1c.

103.19 (d) Class 1d property includes structures that meet all of the following criteria:

103.20 (1) the structure is located on property that is classified as agricultural property under
103.21 section 273.13, subdivision 23;

103.22 (2) the structure is occupied exclusively by seasonal farm workers during the time when
103.23 they work on that farm, and the occupants are not charged rent for the privilege of occupying
103.24 the property, provided that use of the structure for storage of farm equipment and produce
103.25 does not disqualify the property from classification under this paragraph;

103.26 (3) the structure meets all applicable health and safety requirements for the appropriate
103.27 season; and

103.28 (4) the structure is not salable as residential property because it does not comply with
103.29 local ordinances relating to location in relation to streets or roads.

103.30 The market value of class 1d property has the same classification rates as class 1a property
103.31 under paragraph (a).

103.32 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

104.1 Sec. 11. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 23, is amended
104.2 to read:

104.3 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land
104.4 that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class
104.5 2a land under the same ownership. The market value of the house and garage and immediately
104.6 surrounding one acre of land has the same classification rates as class 1a or 1b property
104.7 under subdivision 22. The value of the remaining land including improvements up to the
104.8 first tier valuation limit of agricultural homestead property has a classification rate of 0.5
104.9 percent of market value. The remaining property over the first tier has a classification rate
104.10 of one percent of market value. For purposes of this subdivision, the "first tier valuation
104.11 limit of agricultural homestead property" and "first tier" means the limit certified under
104.12 section 273.11, subdivision 23.

104.13 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that
104.14 are agricultural land and buildings. Class 2a property has a classification rate of one percent
104.15 of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a
104.16 property must also include any property that would otherwise be classified as 2b, but is
104.17 interspersed with class 2a property, including but not limited to sloughs, wooded wind
104.18 shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement,
104.19 and other similar land that is impractical for the assessor to value separately from the rest
104.20 of the property or that is unlikely to be able to be sold separately from the rest of the property.

104.21 An assessor may classify the part of a parcel described in this subdivision that is used
104.22 for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

104.23 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that
104.24 are unplatted real estate, rural in character and not used for agricultural purposes, including
104.25 land used for growing trees for timber, lumber, and wood and wood products, that is not
104.26 improved with a structure. The presence of a minor, ancillary nonresidential structure as
104.27 defined by the commissioner of revenue does not disqualify the property from classification
104.28 under this paragraph. Any parcel of 20 acres or more improved with a structure that is not
104.29 a minor, ancillary nonresidential structure must be split-classified, and ten acres must be
104.30 assigned to the split parcel containing the structure. Class 2b property has a classification
104.31 rate of one percent of market value unless it is part of an agricultural homestead under
104.32 paragraph (a), or qualifies as class 2c under paragraph (d).

104.33 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920
104.34 acres statewide per taxpayer that is being managed under a forest management plan that

105.1 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource
105.2 management incentive program. It has a classification rate of .65 percent, provided that the
105.3 owner of the property must apply to the assessor in order for the property to initially qualify
105.4 for the reduced rate and provide the information required by the assessor to verify that the
105.5 property qualifies for the reduced rate. If the assessor receives the application and information
105.6 before May 1 in an assessment year, the property qualifies beginning with that assessment
105.7 year. If the assessor receives the application and information after April 30 in an assessment
105.8 year, the property may not qualify until the next assessment year. The commissioner of
105.9 natural resources must concur that the land is qualified. The commissioner of natural
105.10 resources shall annually provide county assessors verification information on a timely basis.
105.11 The presence of a minor, ancillary nonresidential structure as defined by the commissioner
105.12 of revenue does not disqualify the property from classification under this paragraph.

105.13 (e) Agricultural land as used in this section means:

105.14 (1) contiguous acreage of ten acres or more, used during the preceding year for
105.15 agricultural purposes; or

105.16 (2) contiguous acreage used during the preceding year for an intensive livestock or
105.17 poultry confinement operation, provided that land used only for pasturing or grazing does
105.18 not qualify under this clause.

105.19 "Agricultural purposes" as used in this section means the raising, cultivation, drying, or
105.20 storage of agricultural products for sale, or the storage of machinery or equipment used in
105.21 support of agricultural production by the same farm entity. For a property to be classified
105.22 as agricultural based only on the drying or storage of agricultural products, the products
105.23 being dried or stored must have been produced by the same farm entity as the entity operating
105.24 the drying or storage facility. "Agricultural purposes" also includes (i) enrollment in a local
105.25 conservation program or the Reinvest in Minnesota program under sections 103F.501 to
105.26 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198
105.27 or a similar state or federal conservation program if the property was classified as agricultural
105.28 ~~(i)~~ (A) under this subdivision for taxes payable in 2003 because of its enrollment in a
105.29 qualifying program and the land remains enrolled or ~~(ii)~~ (B) in the year prior to its enrollment,
105.30 or (ii) use of land, not to exceed the greater of three acres or ten percent of the total land
105.31 area, to provide environmental benefits such as buffer strips, old growth forest restoration
105.32 or retention, or retention ponds to prevent soil erosion. For the purposes of item (ii), "total
105.33 land area" means contiguous parcels under common ownership. For purposes of this section,
105.34 a "local conservation program" means a program administered by a town, statutory or home
105.35 rule charter city, or county, including a watershed district, water management organization,

106.1 or soil and water conservation district, in which landowners voluntarily enroll land and
106.2 receive incentive payments equal to at least \$50 per acre in exchange for use or other
106.3 restrictions placed on the land. In order for property to qualify under the local conservation
106.4 program provision, a taxpayer must apply to the assessor by February 1 of the assessment
106.5 year and must submit the information required by the assessor, including but not limited to
106.6 a copy of the program requirements, the specific agreement between the land owner and
106.7 the local agency, if applicable, and a map of the conservation area. Agricultural classification
106.8 shall not be based upon the market value of any residential structures on the parcel or
106.9 contiguous parcels under the same ownership.

106.10 "Agricultural purposes" also includes land consisting of a holding pond designed to
106.11 prevent runoff onto a divided four-lane expressway that is located at least 150 feet above
106.12 the expressway, as certified by the local soil and water conservation district in accordance
106.13 with USDA Field Office Technical Guide conservation practice standards, provided that
106.14 the land is located outside the metropolitan area as defined in section 473.121, and was
106.15 classified as agricultural in assessment year 2017.

106.16 "Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous
106.17 portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion
106.18 of, a set of contiguous tax parcels under that section that are owned by the same person.

106.19 (f) Agricultural land under this section also includes:

106.20 (1) contiguous acreage that is less than ten acres in size and exclusively used in the
106.21 preceding year for raising or cultivating agricultural products; or

106.22 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if the
106.23 contiguous acreage exclusive of the house, garage, and surrounding one acre of land was
106.24 used in the preceding year for one or more of the following three uses:

106.25 (i) for an intensive grain drying or storage operation, or for intensive machinery or
106.26 equipment storage activities used to support agricultural activities on other parcels of property
106.27 operated by the same farming entity;

106.28 (ii) as a nursery, provided that only those acres used intensively to produce nursery stock
106.29 are considered agricultural land; or

106.30 (iii) for intensive market farming; for purposes of this paragraph, "market farming"
106.31 means the cultivation of one or more fruits or vegetables or production of animal or other
106.32 agricultural products for sale to local markets by the farmer or an organization with which
106.33 the farmer is affiliated.

107.1 "Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as
107.2 described in section 272.193, or all of a set of contiguous tax parcels under that section that
107.3 are owned by the same person.

107.4 (g) Land shall be classified as agricultural even if all or a portion of the agricultural use
107.5 of that property is the leasing to, or use by another person for agricultural purposes.

107.6 Classification under this subdivision is not determinative for qualifying under section
107.7 273.111.

107.8 (h) The property classification under this section supersedes, for property tax purposes
107.9 only, any locally administered agricultural policies or land use restrictions that define
107.10 minimum or maximum farm acreage.

107.11 (i) The term "agricultural products" as used in this subdivision includes production for
107.12 sale of:

107.13 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing
107.14 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees,
107.15 and apiary products by the owner;

107.16 (2) aquacultural products for sale and consumption, as defined under section 17.47, if
107.17 the aquaculture occurs on land zoned for agricultural use;

107.18 (3) the commercial boarding of horses, which may include related horse training and
107.19 riding instruction, if the boarding is done on property that is also used for raising pasture
107.20 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

107.21 (4) property which is owned and operated by nonprofit organizations used for equestrian
107.22 activities, excluding racing;

107.23 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under section
107.24 97A.105, provided that the annual licensing report to the Department of Natural Resources,
107.25 which must be submitted annually by March 30 to the assessor, indicates that at least 500
107.26 birds were raised or used for breeding stock on the property during the preceding year and
107.27 that the owner provides a copy of the owner's most recent schedule F; or (ii) for use on a
107.28 shooting preserve licensed under section 97A.115;

107.29 (6) insects primarily bred to be used as food for animals;

107.30 (7) trees, grown for sale as a crop, including short rotation woody crops, and not sold
107.31 for timber, lumber, wood, or wood products; and

108.1 (8) maple syrup taken from trees grown by a person licensed by the Minnesota
108.2 Department of Agriculture under chapter 28A as a food processor.

108.3 (j) If a parcel used for agricultural purposes is also used for commercial or industrial
108.4 purposes, including but not limited to:

108.5 (1) wholesale and retail sales;

108.6 (2) processing of raw agricultural products or other goods;

108.7 (3) warehousing or storage of processed goods; and

108.8 (4) office facilities for the support of the activities enumerated in clauses (1), (2), and
108.9 (3),

108.10 the assessor shall classify the part of the parcel used for agricultural purposes as class 1b,
108.11 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use.

108.12 The grading, sorting, and packaging of raw agricultural products for first sale is considered
108.13 an agricultural purpose. A greenhouse or other building where horticultural or nursery
108.14 products are grown that is also used for the conduct of retail sales must be classified as
108.15 agricultural if it is primarily used for the growing of horticultural or nursery products from
108.16 seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products.
108.17 Use of a greenhouse or building only for the display of already grown horticultural or nursery
108.18 products does not qualify as an agricultural purpose.

108.19 (k) The assessor shall determine and list separately on the records the market value of
108.20 the homestead dwelling and the one acre of land on which that dwelling is located. If any
108.21 farm buildings or structures are located on this homesteaded acre of land, their market value
108.22 shall not be included in this separate determination.

108.23 (l) Class 2d airport landing area consists of a landing area or public access area of a
108.24 privately owned public use airport. It has a classification rate of one percent of market value.
108.25 To qualify for classification under this paragraph, a privately owned public use airport must
108.26 be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing
108.27 area" means that part of a privately owned public use airport properly cleared, regularly
108.28 maintained, and made available to the public for use by aircraft and includes runways,
108.29 taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing
108.30 area also includes land underlying both the primary surface and the approach surfaces that
108.31 comply with all of the following:

109.1 (i) the land is properly cleared and regularly maintained for the primary purposes of the
109.2 landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities
109.3 for servicing, repair, or maintenance of aircraft is not included as a landing area;

109.4 (ii) the land is part of the airport property; and

109.5 (iii) the land is not used for commercial or residential purposes.

109.6 The land contained in a landing area under this paragraph must be described and certified
109.7 by the commissioner of transportation. The certification is effective until it is modified, or
109.8 until the airport or landing area no longer meets the requirements of this paragraph. For
109.9 purposes of this paragraph, "public access area" means property used as an aircraft parking
109.10 ramp, apron, or storage hangar, or an arrival and departure building in connection with the
109.11 airport.

109.12 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively
109.13 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not
109.14 located in a county that has elected to opt-out of the aggregate preservation program as
109.15 provided in section 273.1115, subdivision 6. It has a classification rate of one percent of
109.16 market value. To qualify for classification under this paragraph, the property must be at
109.17 least ten contiguous acres in size and the owner of the property must record with the county
109.18 recorder of the county in which the property is located an affidavit containing:

109.19 (1) a legal description of the property;

109.20 (2) a disclosure that the property contains a commercial aggregate deposit that is not
109.21 actively being mined but is present on the entire parcel enrolled;

109.22 (3) documentation that the conditional use under the county or local zoning ordinance
109.23 of this property is for mining; and

109.24 (4) documentation that a permit has been issued by the local unit of government or the
109.25 mining activity is allowed under local ordinance. The disclosure must include a statement
109.26 from a registered professional geologist, engineer, or soil scientist delineating the deposit
109.27 and certifying that it is a commercial aggregate deposit.

109.28 For purposes of this section and section 273.1115, "commercial aggregate deposit"
109.29 means a deposit that will yield crushed stone or sand and gravel that is suitable for use as
109.30 a construction aggregate; and "actively mined" means the removal of top soil and overburden
109.31 in preparation for excavation or excavation of a commercial deposit.

109.32 (n) When any portion of the property under this subdivision or subdivision 22 begins to
109.33 be actively mined, the owner must file a supplemental affidavit within 60 days from the

110.1 day any aggregate is removed stating the number of acres of the property that is actively
110.2 being mined. The acres actively being mined must be (1) valued and classified under
110.3 subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate
110.4 resource preservation property tax program under section 273.1115, if the land was enrolled
110.5 in that program. Copies of the original affidavit and all supplemental affidavits must be
110.6 filed with the county assessor, the local zoning administrator, and the Department of Natural
110.7 Resources, Division of Land and Minerals. A supplemental affidavit must be filed each
110.8 time a subsequent portion of the property is actively mined, provided that the minimum
110.9 acreage change is five acres, even if the actual mining activity constitutes less than five
110.10 acres.

110.11 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not
110.12 rules and are exempt from the rulemaking provisions of chapter 14, and the provisions in
110.13 section 14.386 concerning exempt rules do not apply.

110.14 **EFFECTIVE DATE.** This section is effective for assessment year 2019 and thereafter.

110.15 Sec. 12. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended
110.16 to read:

110.17 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of
110.18 the market value of property owned by a veteran and serving as the veteran's homestead
110.19 under this section is excluded in determining the property's taxable market value if the
110.20 veteran has a service-connected disability of 70 percent or more as certified by the United
110.21 States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the
110.22 veteran must have been honorably discharged from the United States armed forces, as
110.23 indicated by United States Government Form DD214 or other official military discharge
110.24 papers.

110.25 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,
110.26 except as provided in clause (2); and

110.27 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is
110.28 excluded.

110.29 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause
110.30 (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds
110.31 the legal or beneficial title to the homestead and permanently resides there, the exclusion
110.32 shall carry over to the benefit of the veteran's spouse for the current taxes payable year and
110.33 for eight additional taxes payable years or until such time as the spouse remarries, or sells,

111.1 transfers, or otherwise disposes of the property, whichever comes first, except as otherwise
111.2 provided in paragraph (n). Qualification under this paragraph requires an application under
111.3 paragraph (h), and a spouse must notify the assessor if there is a change in the spouse's
111.4 marital status, ownership of the property, or use of the property as a permanent residence.

111.5 (d) If the spouse of a member of any branch or unit of the United States armed forces
111.6 who dies due to a service-connected cause while serving honorably in active service, as
111.7 indicated on United States Government Form DD1300 or DD2064, holds the legal or
111.8 beneficial title to a homestead and permanently resides there, the spouse is entitled to the
111.9 benefit described in paragraph (b), clause (2), for eight tax payable years, or until such
111.10 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,
111.11 whichever comes first, except as otherwise provided in paragraph (n).

111.12 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property
111.13 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary
111.14 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify
111.15 for under paragraph (b).

111.16 (f) In the case of an agricultural homestead, only the portion of the property consisting
111.17 of the house and garage and immediately surrounding one acre of land qualifies for the
111.18 valuation exclusion under this subdivision.

111.19 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible
111.20 for the market value exclusion under subdivision 35, or classification under subdivision 22,
111.21 paragraph (b).

111.22 (h) To qualify for a valuation exclusion under this subdivision a property owner must
111.23 apply to the assessor by ~~July 1~~ December 15 of the first assessment year for which the
111.24 exclusion is sought. For an application received after ~~July 1~~ December 15, the exclusion
111.25 shall become effective for the following assessment year. Except as provided in paragraph
111.26 (c), the owner of a property that has been accepted for a valuation exclusion must notify
111.27 the assessor if there is a change in ownership of the property or in the use of the property
111.28 as a homestead. When a property qualifying for a market value exclusion under this
111.29 subdivision is sold or transferred, the exclusion must be removed for the current assessment
111.30 year, provided that the new owner may file a claim for an exclusion if eligible.

111.31 (i) A first-time application by a qualifying spouse for the market value exclusion under
111.32 paragraph (d) must be made any time within two years of the death of the service member.

111.33 (j) For purposes of this subdivision:

- 112.1 (1) "active service" has the meaning given in section 190.05;
- 112.2 (2) "own" means that the person's name is present as an owner on the property deed;
- 112.3 (3) "primary family caregiver" means a person who is approved by the secretary of the
112.4 United States Department of Veterans Affairs for assistance as the primary provider of
112.5 personal care services for an eligible veteran under the Program of Comprehensive Assistance
112.6 for Family Caregivers, codified as United States Code, title 38, section 1720G; and
- 112.7 (4) "veteran" has the meaning given the term in section 197.447.
- 112.8 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion
112.9 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit
112.10 under paragraph (b), clause (2), for eight tax payable years or until the spouse remarries
112.11 or sells, transfers, or otherwise disposes of the property, except as otherwise provided in
112.12 paragraph (n), if:
- 112.13 (1) the spouse files a first-time application within two years of the death of the service
112.14 member or by June 1, 2019, whichever is later;
- 112.15 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the
112.16 homestead and permanently resides there;
- 112.17 (3) the veteran met the honorable discharge requirements of paragraph (a); and
- 112.18 (4) the United States Department of Veterans Affairs certifies that:
- 112.19 (i) the veteran met the total (100 percent) and permanent disability requirement under
112.20 paragraph (b), clause (2); or
- 112.21 (ii) the spouse has been awarded dependency and indemnity compensation.
- 112.22 (l) The purpose of this provision of law providing a level of homestead property tax
112.23 relief for gravely disabled veterans, their primary family caregivers, and their surviving
112.24 spouses is to help ease the burdens of war for those among our state's citizens who bear
112.25 those burdens most heavily.
- 112.26 (m) By July 1, the county veterans service officer must certify the disability rating and
112.27 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.
- 112.28 (n) A spouse who received the benefit in paragraph (c), (d), or (k) but no longer holds
112.29 the legal or beneficial title to the property may continue to receive the exclusion for a
112.30 property other than the property for which the exclusion was initially granted until the spouse
112.31 remarries or sells, transfers, or otherwise disposes of the property, provided that:

113.1 (1) the spouse applies under paragraph (h) for the continuation of the exclusion allowed
113.2 under this paragraph;

113.3 (2) the spouse holds the legal or beneficial title to the property for which the continuation
113.4 of the exclusion is sought under this paragraph, and permanently resides there;

113.5 (3) the estimated market value of the property for which the exclusion is sought under
113.6 this paragraph is less than or equal to the estimated market value of the property that first
113.7 received the exclusion, based on the value of each property on the date of the sale of the
113.8 property that first received the exclusion; and

113.9 (4) the spouse has not previously received the benefit under this paragraph for a property
113.10 other than the property for which the exclusion is sought.

113.11 The exclusion for a spouse under this paragraph and paragraph (c), (d), or (k) may not
113.12 exceed a total of eight taxes payable years.

113.13 **EFFECTIVE DATE.** This section is effective beginning with assessments in 2018, for
113.14 taxes payable in 2019.

113.15 Sec. 13. Minnesota Statutes 2016, section 273.13, subdivision 35, is amended to read:

113.16 Subd. 35. **Homestead market value exclusion.** (a) Prior to determining a property's
113.17 net tax capacity under this section, property classified as class 1a or 1b under subdivision
113.18 22, and the portion of property classified as class 2a under subdivision 23 consisting of the
113.19 house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion
113.20 as determined under paragraph (b).

113.21 (b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market
113.22 value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400
113.23 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or
113.24 more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest
113.25 whole dollar, and may not be less than zero.

113.26 (c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior
113.27 to determining the amount of the valuation exclusion under this subdivision.

113.28 (d) In the case of a property that is classified as part homestead and part nonhomestead,
113.29 (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion
113.30 of a property is classified as nonhomestead solely because not all the owners occupy the
113.31 property, not all the owners have qualifying relatives occupying the property, or solely
113.32 because not all the spouses of owners occupy the property, the exclusion amount shall be

114.1 initially computed as if that nonhomestead portion were also in the homestead class and
114.2 then prorated to the owner-occupant's percentage of ownership, as determined by section
114.3 273.124, subdivision 23. For the purpose of this section, when an owner-occupant's spouse
114.4 does not occupy the property, the percentage of ownership for the owner-occupant spouse
114.5 is one-half of the couple's ownership percentage.

114.6 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

114.7 Sec. 14. Minnesota Statutes 2017 Supplement, section 273.1384, subdivision 2, is amended
114.8 to read:

114.9 Subd. 2. **Agricultural homestead market value credit.** Property classified as agricultural
114.10 homestead under section 273.13, subdivision 23, paragraph (a), is eligible for an agricultural
114.11 credit. The credit is computed using the property's agricultural credit market value, defined
114.12 for this purpose as the property's market value excluding the market value of the house,
114.13 garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of
114.14 the first \$115,000 of the property's agricultural credit market value plus 0.1 percent of the
114.15 property's agricultural credit market value in excess of \$115,000, subject to a maximum
114.16 credit of \$490 for a full agricultural homestead. In the case of property that is classified as
114.17 part homestead and part nonhomestead solely because not all the owners occupy or farm
114.18 the property, not all the owners have qualifying relatives occupying or farming the property,
114.19 or solely because not all the spouses of owners occupy the property, the credit is computed
114.20 on the amount of agricultural credit market value corresponding to the owner-occupant's
114.21 percentage of homestead. the percentage of homestead is equal to 100 divided by the number
114.22 of owners of the property, or, in the case of a trust, the number of grantors of the trust that
114.23 owns the property. ownership, as determined by section 273.124, subdivision 23, and the
114.24 maximum credit equals \$490 multiplied by the percentage of ownership.

114.25 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

114.26 Sec. 15. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision
114.27 to read:

114.28 Subd. 6. **Natural gas pipeline.** (a) The county must abate the state general levy on
114.29 personal property that is part of an intrastate natural gas transportation or distribution pipeline
114.30 system if:

114.31 (1) construction of the pipeline system commenced after January 1, 2018; and

114.32 (2) the pipeline system provides service to an area:

115.1 (i) outside the seven-county metropolitan area, as defined in section 473.121, subdivision
115.2 3; and

115.3 (ii) in which the majority of households or businesses lacked access to natural gas
115.4 distribution systems as of January 1, 2018.

115.5 (b) In the first year that a taxpayer seeks an abatement under this subdivision, the taxpayer
115.6 must file an application with the commissioner of revenue by March 1 of the assessment
115.7 year on a form prescribed by the commissioner.

115.8 (c) The commissioner of revenue must notify any affected county in the first year that
115.9 a pipeline system becomes eligible for an abatement under this subdivision.

115.10 (d) The abatement under this subdivision applies for a period not to exceed 12 years,
115.11 provided that once a property no longer qualifies, it may not subsequently qualify for an
115.12 abatement under this subdivision.

115.13 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2020.

115.14 Sec. 16. Minnesota Statutes 2016, section 275.025, is amended by adding a subdivision
115.15 to read:

115.16 Subd. 7. **Medical facility in underserved area.** The state general levy for any property
115.17 qualifying under section 469.1817 is abated. The net tax capacity of the property must be
115.18 included in the definition of commercial-industrial tax capacity for the purposes of
115.19 determining the state general levy tax rate under subdivision 4.

115.20 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

115.21 Sec. 17. Minnesota Statutes 2016, section 282.01, subdivision 6, is amended to read:

115.22 Subd. 6. **Duties of commissioner after sale.** (a) When any sale has been made by the
115.23 county auditor under sections 282.01 to 282.13, the auditor shall immediately certify to the
115.24 commissioner of revenue such information relating to such sale, on such forms as the
115.25 commissioner of revenue may prescribe as will enable the commissioner of revenue to
115.26 prepare an appropriate deed if the sale is for cash, or keep necessary records if the sale is
115.27 on terms; and not later than October 31 of each year the county auditor shall submit to the
115.28 commissioner of revenue a statement of all instances wherein any payment of principal,
115.29 interest, or current taxes on lands held under certificate, due or to be paid during the preceding
115.30 calendar years, are still outstanding at the time such certificate is made. When such statement
115.31 shows that a purchaser or the purchaser's assignee is in default, the commissioner of revenue
115.32 may instruct the county board of the county in which the land is located to cancel said

116.1 certificate of sale in the manner provided by subdivision 5, provided that upon
116.2 recommendation of the county board, and where the circumstances are such that the
116.3 commissioner of revenue after investigation is satisfied that the purchaser has made every
116.4 effort reasonable to make payment of both the annual installment and said taxes, and that
116.5 there has been no willful neglect on the part of the purchaser in meeting these obligations,
116.6 then the commissioner of revenue may extend the time for the payment for such period as
116.7 the commissioner may deem warranted, not to exceed one year. On payment in full of the
116.8 purchase price, appropriate conveyance in fee, in such form as may be prescribed by the
116.9 attorney general, shall be issued by the commissioner of revenue, which conveyance must
116.10 be recorded by the county and shall have the force and effect of a patent from the state
116.11 subject to easements and restrictions of record at the date of the tax judgment sale, including,
116.12 but without limitation, permits for telephone and electric power lines either by underground
116.13 cable or conduit or otherwise, sewer and water lines, highways, railroads, and pipe lines for
116.14 gas, liquids, or solids in suspension.

116.15 (b) The commissioner of revenue shall issue an appropriate conveyance in fee when
116.16 approval from the county auditor is given based upon written confirmation from a licensed
116.17 closing agent, title insurer, or title insurance agent as specified in section 82.641. For purposes
116.18 of this paragraph, "written confirmation" means a written commitment or approval that the
116.19 funding for the conveyance is held in an escrow account available for disbursement upon
116.20 delivery of a conveyance. The conveyance issued by the commissioner of revenue shall not
116.21 be effective as a conveyance until it is recorded. The conveyance shall be issued to the
116.22 county auditor where the land is located. Upon receipt of the conveyance, the county auditor
116.23 shall hold the conveyance until the conveyance is requested from a licensed closing agent,
116.24 title insurer, or title insurance agent to settle and close on the conveyance. If a request for
116.25 the conveyance is not made within 30 days of the date the conveyance is issued by the
116.26 commissioner of revenue, the county auditor shall return the conveyance to the commissioner.
116.27 If the conveyance is delivered to the licensed closing agent, title insurer, or title insurance
116.28 agent and the closing does not occur within ten days of the request, the licensed closing
116.29 agent, title insurer, or title insurance agent shall immediately return the conveyance to the
116.30 county auditor and, upon receipt, the county auditor shall return the conveyance to the
116.31 commissioner of revenue. The commissioner of revenue shall cancel and destroy all
116.32 conveyances returned by the county auditor pursuant to this subdivision. The licensed closing
116.33 agent, title insurer, or title insurance agent must promptly record the conveyance after the
116.34 closing and must deliver an attested or certified copy to the county auditor and to the grantee
116.35 or grantees named on the conveyance.

117.1 **EFFECTIVE DATE.** This section is effective for conveyances issued by the
117.2 commissioner of revenue after December 31, 2018.

117.3 Sec. 18. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 13, is amended
117.4 to read:

117.5 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
117.6 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
117.7 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
117.8 and any other state paid property tax credits in any calendar year, and after any refund
117.9 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the
117.10 year that the property tax is payable. In the case of a claimant who makes ground lease
117.11 payments, "property taxes payable" includes the amount of the payments directly attributable
117.12 to the property taxes assessed against the parcel on which the house is located. Regardless
117.13 of the limitations in section 280A(c)(5) of the Internal Revenue Code, "property taxes
117.14 payable" must be apportioned or reduced for the use of a portion of the claimant's homestead
117.15 for a business purpose if the claimant deducts any business depreciation expenses for the
117.16 use of a portion of the homestead or deducts expenses under section 280A of the Internal
117.17 Revenue Code for a business operated in the claimant's homestead. For homesteads which
117.18 are manufactured homes as defined in section 273.125, subdivision 8, ~~and for homesteads~~
117.19 ~~which are~~ including manufactured homes located in a manufactured home community owned
117.20 by a cooperative organized under chapter 308A or 308B, and park trailers taxed as
117.21 manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall
117.22 also include 17 percent of the gross rent paid in the preceding year for the site on which the
117.23 homestead is located. When a homestead is owned by two or more persons as joint tenants
117.24 or tenants in common, such tenants shall determine between them which tenant may claim
117.25 the property taxes payable on the homestead. If they are unable to agree, the matter shall
117.26 be referred to the commissioner of revenue whose decision shall be final. Property taxes
117.27 are considered payable in the year prescribed by law for payment of the taxes.

117.28 In the case of a claim relating to "property taxes payable," the claimant must have owned
117.29 and occupied the homestead on January 2 of the year in which the tax is payable and (i) the
117.30 property must have been classified as homestead property pursuant to section 273.124, on
117.31 or before December 15 of the assessment year to which the "property taxes payable" relate;
117.32 or (ii) the claimant must provide documentation from the local assessor that application for
117.33 homestead classification has been made on or before December 15 of the year in which the
117.34 "property taxes payable" were payable and that the assessor has approved the application.

118.1 **EFFECTIVE DATE.** This section is effective beginning with claims for taxes payable
118.2 in 2019.

118.3 Sec. 19. Minnesota Statutes 2016, section 290B.04, subdivision 1, is amended to read:

118.4 Subdivision 1. **Initial application.** (a) A taxpayer meeting the program qualifications
118.5 under section 290B.03 may apply to the commissioner of revenue for the deferral of taxes.
118.6 Applications are due on or before ~~July~~ November 1 for deferral of any of the following
118.7 year's property taxes. A taxpayer may request an early notification of approval or denial at
118.8 any time. The commissioner must notify a taxpayer in writing of the reasons for an
118.9 application denial and that the application may be amended and resubmitted by the due date
118.10 specified in this subdivision. A taxpayer may apply in the year in which the taxpayer becomes
118.11 65 years old, provided that no deferral of property taxes will be made until the calendar
118.12 year after the taxpayer becomes 65 years old. The application, which shall be prescribed
118.13 by the commissioner of revenue, shall include the following items and any other information
118.14 which the commissioner deems necessary:

118.15 (1) the name, address, and Social Security number of the owner or owners;

118.16 (2) a copy of the property tax statement for the current payable year for the homesteaded
118.17 property;

118.18 (3) the initial year of ownership and occupancy as a homestead;

118.19 (4) the owner's household income for the previous calendar year; and

118.20 (5) information on any mortgage loans or other amounts secured by mortgages or other
118.21 liens against the property, for which purpose the commissioner may require the applicant
118.22 to provide a copy of the mortgage note, the mortgage, or a statement of the balance owing
118.23 on the mortgage loan provided by the mortgage holder. The commissioner may require the
118.24 appropriate documents in connection with obtaining and confirming information on unpaid
118.25 amounts secured by other liens.

118.26 The application must state that program participation is voluntary. The application must
118.27 also state that the deferred amount depends directly on the applicant's household income,
118.28 and that program participation includes authorization for the annual deferred amount, the
118.29 cumulative deferral and interest that appear on each year's notice prepared by the county
118.30 under subdivision 6, is public data.

118.31 The application must state that program participants may claim the property tax refund
118.32 based on the full amount of property taxes eligible for the refund, including any deferred
118.33 amounts. The application must also state that property tax refunds will be used to offset any

119.1 deferral and interest under this program, and that any other amounts subject to revenue
119.2 recapture under section 270A.03, subdivision 7, will also be used to offset any deferral and
119.3 interest under this program.

119.4 (b) As part of the initial application process, the commissioner may require the applicant
119.5 to obtain at the applicant's own cost and submit:

119.6 (1) if the property is registered property under chapter 508 or 508A, a copy of the original
119.7 certificate of title in the possession of the county registrar of titles (sometimes referred to
119.8 as "condition of register"); or

119.9 (2) if the property is abstract property, a report prepared by a licensed abstracter showing
119.10 the last deed and any unsatisfied mortgages, liens, judgments, and state and federal tax lien
119.11 notices which were recorded on or after the date of that last deed with respect to the property
119.12 or to the applicant.

119.13 The certificate or report under clauses (1) and (2) need not include references to any
119.14 documents filed or recorded more than 40 years prior to the date of the certification or report.
119.15 The certification or report must be as of a date not more than 30 days prior to submission
119.16 of the application.

119.17 The commissioner may also require the county recorder or county registrar of the county
119.18 where the property is located to provide copies of recorded documents related to the applicant
119.19 or the property, for which the recorder or registrar shall not charge a fee. The commissioner
119.20 may use any information available to determine or verify eligibility under this section. The
119.21 household income from the application is private data on individuals as defined in section
119.22 13.02, subdivision 12.

119.23 **EFFECTIVE DATE.** This section is effective for applications for deferral of taxes
119.24 payable in 2019 and thereafter.

119.25 Sec. 20. Minnesota Statutes 2016, section 469.171, subdivision 4, is amended to read:

119.26 Subd. 4. **Restriction.** The tax reductions provided by this section shall not apply to (1)
119.27 a facility the primary purpose of which is one of the following: ~~retail food and beverage~~
119.28 ~~services, automobile sales or service, or the provision of recreation or entertainment, or a~~
119.29 private or commercial golf course, country club, massage parlor, tennis club, skating facility
119.30 including roller skating, skateboard, and ice skating, racquet sports facility, including any
119.31 handball or racquetball court, hot tub facility, suntan facility, or racetrack; (2) property of
119.32 a public utility; (3) property used in the operation of a financial institution; (4) property
119.33 owned by a fraternal or veterans' organization; or (5) ~~property of a business operating under~~

120.1 ~~a franchise agreement that requires the business to be located in the state; except that tax~~
120.2 ~~reductions may be provided to a retail food or beverage facility or an automobile sales or~~
120.3 ~~service facility, or a business~~ a retail food or beverage facility operating under a franchise
120.4 agreement that requires the business to be located in this state ~~except for such a franchised~~
120.5 ~~retail food or beverage facility.~~

120.6 **EFFECTIVE DATE.** This section is effective the day following final enactment and
120.7 confirms the legislative intent of the amendment made by Laws 2012, chapter 294, article
120.8 2, section 25.

120.9 Sec. 21. Minnesota Statutes 2016, section 469.1812, subdivision 1, is amended to read:

120.10 Subdivision 1. **Scope.** For purposes of sections 469.1812 to ~~469.1815~~ 469.1817, the
120.11 following terms have the meanings given.

120.12 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

120.13 Sec. 22. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision
120.14 to read:

120.15 Subd. 2a. **Medical facility.** "Medical facility" means:

120.16 (1) an office, clinic, building, or portion of a building, the primary use of which is the
120.17 provision of primary or specialty health care services to patients on an outpatient basis, by
120.18 one or more state-licensed or registered health care providers;

120.19 (2) a birth center licensed under section 144.615;

120.20 (3) a hospital licensed under sections 144.50 to 144.56;

120.21 (4) an urgent care clinic which provides treatment for medical conditions that are not
120.22 life-threatening or potentially permanently disabling and do not require critical or emergency
120.23 interventions; or

120.24 (5) an outpatient surgical center licensed under section 144.55.

120.25 **EFFECTIVE DATE.** This section is effective the day following final enactment for
120.26 taxes payable beginning in 2019 and for sales and purchases made after June 30, 2018.

120.27 Sec. 23. Minnesota Statutes 2016, section 469.1812, is amended by adding a subdivision
120.28 to read:

120.29 Subd. 2b. **Medically underserved county.** "Medically underserved county" means a
120.30 county, any portion of which is designated by the federal secretary of health and human

121.1 services as a medically underserved area or medically underserved population, as defined
 121.2 under Code of Federal Regulations, title 42, section 51C.102. By December 15 of each year,
 121.3 the commissioner of health must certify to the commissioner of revenue the counties that
 121.4 are medically underserved. By December 31 of each year, the commissioner of revenue
 121.5 must certify the list of medically underserved counties to county assessors, for assessments
 121.6 in the following year.

121.7 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2018
 121.8 for taxes payable in 2019. For assessment year 2018, the certification required to be made
 121.9 by the commissioner of health must be made by June 1, 2018, and the certification required
 121.10 to be made by the commissioner of revenue must be made by June 15, 2018.

121.11 Sec. 24. **[469.1817] MEDICAL FACILITY TAX ABATEMENT.**

121.12 Subdivision 1. **Qualification.** The state general tax under section 275.025 must be abated
 121.13 by the county for any property or portion thereof containing a medical facility that has been
 121.14 granted an abatement under section 469.1813, provided that:

121.15 (1) the facility is located in a medically underserved county at the time the abatement
 121.16 resolution is adopted;

121.17 (2) the facility is not located in a metropolitan county as defined under section 473.121,
 121.18 subdivision 4;

121.19 (3) the resolution of one or more governing bodies granting the abatement specifies that
 121.20 the facility addresses an underserved need for medical services in the area; and

121.21 (4) both the county and the city or town are abating all taxes on the property containing
 121.22 the facility for at least 15 years under section 469.1813, subdivision 2.

121.23 Subd. 2. **Application.** A taxpayer seeking an abatement under this section must file an
 121.24 application with the county assessor by March 1 of the first assessment year for which the
 121.25 abatement is sought, on a form prescribed by the commissioner of revenue.

121.26 Subd. 3. **Duration.** The state general tax is abated for 15 years.

121.27 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

121.28 Sec. 25. Minnesota Statutes 2016, section 473H.08, subdivision 1, is amended to read:

121.29 Subdivision 1. **Till expiration started.** Agricultural preserves shall continue until ~~either~~
 121.30 the landowner ~~or~~ the authority, or a state agency or governmental unit initiates expiration
 121.31 as provided in this section.

122.1 **EFFECTIVE DATE.** This section is effective the day following final enactment and
122.2 applies to any agricultural preserve where the previously required eight-year termination
122.3 period under Minnesota Statutes, section 473H.08, has not yet expired.

122.4 Sec. 26. Minnesota Statutes 2016, section 473H.08, is amended by adding a subdivision
122.5 to read:

122.6 Subd. 3a. **Expiration for park and trail purposes.** (a) An agricultural preserve expires
122.7 immediately when a state agency or other governmental unit purchases the property or
122.8 obtains an easement over the property for the purpose of creating or expanding a public
122.9 trail or public park. This subdivision applies only to the portion of the agricultural preserve
122.10 acquired for trail or park purposes, and any portion of the property not acquired for trail or
122.11 park purposes shall remain an agricultural preserve, regardless if the remaining total acreage
122.12 is less than 40 acres.

122.13 (b) The acquiring state agency or governmental unit shall give notice of the expiration
122.14 under paragraph (a) to the authority. The notice must specify the portion of the property
122.15 being removed from the agricultural preserve and the date on which that portion expires.

122.16 **EFFECTIVE DATE.** This section is effective the day following final enactment and
122.17 applies to any agricultural preserve where the previously required eight-year termination
122.18 period under Minnesota Statutes, section 473H.08, has not yet expired.

122.19 Sec. 27. Minnesota Statutes 2016, section 473H.08, subdivision 4, is amended to read:

122.20 Subd. 4. **Notice to others.** Upon receipt of the notice provided in subdivision 2 or 3a,
122.21 or upon notice served by the authority as provided in subdivision 3, the authority shall
122.22 forward the original notice to the county recorder for recording, or to the registrar of titles
122.23 if the land is registered, and shall notify the county auditor, county assessor, the Metropolitan
122.24 Council, and the county soil and water conservation district of the date of expiration.
122.25 Designation as an agricultural preserve and all benefits and limitations accruing through
122.26 sections 473H.02 to 473H.17 for the preserve shall cease on the date of expiration. The
122.27 restrictive covenant contained in the application shall terminate on the date of expiration.

122.28 **EFFECTIVE DATE.** This section is effective the day following final enactment and
122.29 applies to any agricultural preserve where the previously required eight-year termination
122.30 period under Minnesota Statutes, section 473H.08, has not yet expired.

123.1 Sec. 28. Minnesota Statutes 2016, section 477A.013, subdivision 13, is amended to read:

123.2 Subd. 13. **Certified aid adjustments.** ~~(a) A city that received an aid base increase under~~
123.3 ~~Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its~~
123.4 ~~total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in~~
123.5 ~~2014 through 2018.~~

123.6 ~~(b)~~ (a) A city that received an aid base increase under Minnesota Statutes 2012, section
123.7 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased
123.8 by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

123.9 ~~(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section~~
123.10 ~~477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased~~
123.11 ~~by an amount equal to \$1,000,000 for aids payable in 2014 only.~~

123.12 (b) For aids payable in 2019 only, a city shall have its total aid under subdivision 9
123.13 increased by an amount equal to its aid decrease between aids payable in 2016 and 2017 if:

123.14 (1) the city's aid decreased by more than \$50,000 between aids payable in 2016 and
123.15 2017 under this section; and

123.16 (2) the city's unmet need amount calculated for aids payable in 2017 exceeded its aids
123.17 payable in 2016.

123.18 (c) The city of Lilydale shall have its total aid under subdivision 9 increased by \$150,000
123.19 for aids payable in 2019 only.

123.20 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2019.

123.21 Sec. 29. Laws 2008, chapter 366, article 5, section 33, the effective date, as amended by
123.22 Laws 2013, chapter 143, article 4, section 35, is amended to read:

123.23 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009,
123.24 and is repealed effective for taxes levied in ~~2018~~ 2023, payable in ~~2019~~ 2024, and thereafter.

123.25 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2019.

123.26 Sec. 30. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws
123.27 2013, chapter 143, article 4, section 36, is amended to read:

123.28 Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution
123.29 of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance
123.30 Special Taxing District for the purpose of providing fire or ambulance services, or both,
123.31 throughout the district. In this section, "municipality" means home rule charter and statutory

124.1 cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and
124.2 ambulance services of the municipalities that receive fire or ambulance services, or both,
124.3 from the district. Upon application, any other municipality may join the district with the
124.4 agreement of the municipalities that comprise the district at the time of its application to
124.5 join.

124.6 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
124.7 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
124.8 subdivision 3.

124.9 Sec. 31. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

124.10 Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board
124.11 is governed by a board made up initially of one or more elected officials of the governing
124.12 body of each participating municipality in the proportions set out in the establishing
124.13 resolution, subject to change as provided in the district's charter, if any, or in the district's
124.14 bylaws. Each municipality's representatives serve at the pleasure of that municipality's
124.15 governing body.

124.16 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
124.17 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
124.18 subdivision 3.

124.19 Sec. 32. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws
124.20 2013, chapter 143, article 4, section 37, is amended to read:

124.21 Subd. 3. **Tax.** The district board may impose a property tax on taxable property as
124.22 provided in this subdivision to pay the costs of providing fire or ambulance services, or
124.23 both, throughout the district. The board shall annually determine the total amount of the
124.24 levy that is attributable to the cost of providing fire services and the cost of providing
124.25 ambulance services within the primary service area. For those municipalities that only
124.26 receive ambulance services, the costs for the provision of ambulance services shall be levied
124.27 against taxable property within those municipalities at a rate necessary not to exceed 0.019
124.28 percent of the estimated market value. For those municipalities that receive both fire and
124.29 ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent
124.30 of estimated market value.

124.31 When a member municipality opts to receive fire service from the district or an additional
124.32 municipality becomes a member of the district, the cost of providing fire services to that
124.33 community shall be determined by the board and added to the maximum levy amount.

125.1 Each county auditor of a county that contains a municipality subject to the tax under
125.2 this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District.
125.3 The district may also impose other fees or charges as allowed by law for the provision of
125.4 fire and ambulance services.

125.5 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
125.6 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
125.7 subdivision 3.

125.8 Sec. 33. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

125.9 Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for
125.10 in Minnesota Statutes, chapter 475, and the district shall be considered a municipality by
125.11 Minnesota Statutes, chapter 475, when necessary to accomplish its duties., as defined in
125.12 Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision 1, paragraph
125.13 (c), and may issue certificates of indebtedness or capital notes in the manner provided for
125.14 a city under Minnesota Statutes, section 412.301, when necessary to accomplish its duties.
125.15 Any tax levied to pay debt of the district shall be levied in the amounts required and in
125.16 accordance with Minnesota Statutes, section 475.61. The debt service for debt, the proceeds
125.17 of which financed capital costs for ambulance service, shall be levied against taxable property
125.18 within those municipalities in the primary service area. The debt service for debt, the proceeds
125.19 of which financed capital costs for fire service, shall be levied against taxable property
125.20 within those municipalities receiving fire services.

125.21 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
125.22 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
125.23 subdivision 3.

125.24 Sec. 34. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

125.25 Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district
125.26 may be given only in the month of January, with a minimum of twelve months notice of
125.27 intent to withdraw. Withdrawal becomes effective for taxes levied pursuant to subdivision
125.28 3 in the year when the notice is given. A property tax levied by the district on taxable
125.29 property located in a withdrawing municipality to make debt service payments for obligations
125.30 issued by the district pursuant to subdivision 4 shall remain in effect until the obligations
125.31 outstanding on the date of withdrawal are satisfied, including any property tax levied in
125.32 connection with a refunding of such obligations. The district and its members may develop
125.33 and agree upon other continuing obligations after withdrawal of a municipality.

126.1 **EFFECTIVE DATE.** This section is effective upon compliance by the Cloquet Area
126.2 Fire and Ambulance Special Taxing District Board with Minnesota Statutes, section 645.021,
126.3 subdivision 3.

126.4 Sec. 35. Laws 2017, First Special Session chapter 1, article 10, section 4, the effective
126.5 date, is amended to read:

126.6 **EFFECTIVE DATE; APPLICATION.** This section is effective for applications and
126.7 certifications made in 2018 and thereafter, except the repeal of the exclusion of land under
126.8 item (iii) is effective retroactively for payments due under Minnesota Statutes, section
126.9 290C.08, beginning for payments due to be made in 2014. In order to qualify for retroactive
126.10 payments, the following requirements must be met: (1) the owner of land exceeding 60,000
126.11 acres that is subject to a single conservation easement funded under Minnesota Statutes,
126.12 section 97A.056 or a comparable permanent easement conveyed to a governmental or
126.13 nonprofit entity, must submit an application to the commissioner of revenue, in a form and
126.14 manner and at a time acceptable to the commissioner, establishing that the affected property
126.15 and its use met the requirement of Minnesota Statutes, chapter 290C, as amended by this
126.16 section; (2) the owner and each county in which the land is located must certify to the
126.17 commissioner that no petitions challenging the market value of the property are pending
126.18 under Minnesota Statutes, chapter 278; and (3) the requirements of clauses (1) and (2) must
126.19 be satisfied by October 1, 2017. No interest accrues on payment under this section for
126.20 periods before November 1, 2017.

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

126.22 Sec. 36. **SPECIAL REFUND PROVISION; DISABLED VETERANS HOMESTEAD**
126.23 **EXCLUSION.**

126.24 A veteran who was first notified by the United States Department of Veterans Affairs
126.25 after July 1, 2017, but before November 1, 2017, as having a total (100 percent) and
126.26 permanent disability effective prior to July 1, 2016, but who did not apply to the assessor
126.27 by July 1, 2016, for a benefit in Minnesota Statutes, section 273.13, subdivision 34, paragraph
126.28 (b), for assessment year 2016, and who did not apply to the assessor by July 1, 2017, for
126.29 the benefit in Minnesota Statutes, section 273.13, subdivision 34, paragraph (b), for
126.30 assessment year 2017, may apply to the county assessor for a refund of taxes paid in 2017
126.31 and 2018 if the veteran otherwise would have qualified for the exclusion in those years. To
126.32 qualify for a refund, a property owner must apply to the assessor by November 1, 2018, and
126.33 must have paid all tax due in 2017 and 2018. After verifying that the applicant qualified for

127.1 an exclusion in 2016 and 2017, the county assessor must notify the county auditor, and the
127.2 auditor must recalculate the taxes on the property for taxes payable in 2017 and 2018 based
127.3 on the exclusion. The county treasurer must then issue a refund of tax paid in 2017 and
127.4 2018 equal to the difference between the taxes as initially calculated for each taxes payable
127.5 year and the taxes based on the value remaining after the exclusion.

127.6 **EFFECTIVE DATE.** This section is effective for refund applications received in 2018,
127.7 for refunds of tax paid in 2017 and 2018.

127.8 **Sec. 37. SCHOOL PROPERTY TAX REFORM.**

127.9 (a) A school property tax working group is established as provided in this section. The
127.10 goals of the working group are to develop one or more legislative proposals for reform of
127.11 Minnesota's property tax system that would:

127.12 (1) evaluate the farmland tax burden from the costs of school capital investments;

127.13 (2) simplify the tax system used for school district levies;

127.14 (3) coordinate interactions with the state general levy; and

127.15 (4) accomplish the objectives of this paragraph with optimal levels of state aid and local
127.16 property tax.

127.17 (b) The 16-member working group shall consist of the following members:

127.18 (1) two state representatives, both appointed by the chair of the house of representatives
127.19 Taxes Committee, one from the majority party and one from the largest minority party;

127.20 (2) two state representatives, both appointed by the chair of the house of representatives
127.21 Education Finance Committee, one from the majority party and one from the largest minority
127.22 party;

127.23 (3) four senators appointed by the Subcommittee on Committees of the Senate Rules
127.24 and Administration Committee, two from the majority party and two from the largest
127.25 minority party;

127.26 (4) one person appointed by the Minnesota School Boards Association;

127.27 (5) one person appointed by the Minnesota Rural Education Association;

127.28 (6) one person appointed by the Association of Metropolitan School Districts;

127.29 (7) one person appointed by Schools for Equity in Education;

127.30 (8) one person appointed by the Minnesota Farm Bureau;

- 128.1 (9) one person appointed by the Minnesota Farmers Union;
128.2 (10) one person appointed by the Minnesota Chamber of Commerce; and
128.3 (11) one person appointed by Minnesota Lakes and Rivers Advocates.
- 128.4 (c) The commissioner of revenue and the commissioner of education, or their designees,
128.5 shall serve as ex-officio members of the working group.
- 128.6 (d) All appointments must be made before July 1, 2018. The majority party appointee
128.7 of the house of representatives Taxes Committee chair shall chair the initial meeting, and
128.8 the working group shall elect a chair at that initial meeting. The working group will meet
128.9 at the call of the chair. Members of the working group shall serve without compensation.
128.10 The commissioner of revenue must provide administrative support to the working group.
128.11 Minnesota Statutes, chapter 13D, does not apply to meetings of the working group. Meetings
128.12 of the working group must be open to the public and the working group must provide notice
128.13 of a meeting to potentially interested persons at least five days before the meeting. A meeting
128.14 of the working group occurs when a quorum is present.
- 128.15 (e) The working group shall make its advisory recommendations to the chairs of the
128.16 house of representatives and senate Taxes and Education Finance Committees on or before
128.17 January 1, 2019, at which time the working group shall be finished and this section expires.

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

128.19 **ARTICLE 6**

128.20 **PUBLIC FINANCE**

128.21 Section 1. Minnesota Statutes 2016, section 103E.611, subdivision 2, is amended to read:

128.22 Subd. 2. **Interest.** (a) Interest is an additional drainage lien on all property until paid.
128.23 The interest rate on the drainage lien principal from the date the drainage lien statement is
128.24 recorded must be set by the board but may not exceed the rate determined by the state court
128.25 administrator for judgments under section 549.09, or six percent, whichever is greater.

128.26 (b) Before the tax lists for the year are given to the county treasurer, the auditor shall
128.27 compute the interest on the unpaid balance of the drainage lien at the rate set by the board.
128.28 The amount of interest must be computed on the entire unpaid principal from the date the
128.29 drainage lien was recorded to August 15 of the next calendar year, and afterwards from
128.30 August 15 to August 15 of each year.

128.31 (c) Interest is due and payable after November 1 of each year the drainage lien principal
128.32 or interest is due and unpaid.

129.1 Sec. 2. Minnesota Statutes 2016, section 471.831, is amended to read:

129.2 **471.831 MUNICIPALITY MAY FILE BANKRUPTCY PETITION.**

129.3 Subdivision 1. **Any relief under bankruptcy code.** A municipality, as defined in
129.4 subdivision 2, may file a petition and seek any relief available to it under United States
129.5 Code, title 11, as amended ~~through December 31, 1996.~~

129.6 Subd. 2. **Municipality defined.** In this section, "municipality" means a municipality as
129.7 defined in United States Code, title 11, section 101, as amended ~~through December 31,~~
129.8 ~~1996,~~ but limited to a county, statutory or home rule charter city, or town; or a housing and
129.9 redevelopment authority, economic development authority, or rural development financing
129.10 authority established under chapter 469, a home rule charter, or special law.

129.11 Sec. 3. Minnesota Statutes 2017 Supplement, section 473.39, subdivision 6, is amended
129.12 to read:

129.13 Subd. 6. **Limitation; light rail transit.** The council is prohibited from expending any
129.14 proceeds from certificates of indebtedness, bonds, or other obligations under ~~this section~~
129.15 subdivision 1u for project development, land acquisition, or construction to (1) establish a
129.16 light rail transit line; or (2) expand a light rail transit line, including by extending a line or
129.17 adding additional stops.

129.18 Sec. 4. Minnesota Statutes 2016, section 474A.02, subdivision 22b, is amended to read:

129.19 Subd. 22b. **Public facilities project.** "Public facilities project" means any publicly owned
129.20 facility, or a facility owned by a nonprofit organization that is used for district heating or
129.21 cooling, whether publicly or privately owned, that is eligible to be financed with the proceeds
129.22 of public facilities bonds as defined under section 474A.02, subdivision 23a.

129.23 Sec. 5. Minnesota Statutes 2016, section 475.521, subdivision 1, is amended to read:

129.24 Subdivision 1. **Definitions.** For purposes of this section, the following terms have the
129.25 meanings given.

129.26 (a) "Bonds" mean an obligation defined under section 475.51.

129.27 (b) "Capital improvement" means acquisition or betterment of public lands, buildings
129.28 or other improvements for the purpose of a city hall, town hall, library, public safety facility,
129.29 and public works facility. An improvement must have an expected useful life of five years
129.30 or more to qualify. Capital improvement does not include light rail transit or any activity
129.31 related to it, or a park, road, bridge, administrative building other than a city or town hall,

130.1 or land for any of those facilities. For purposes of this section, "capital improvement"
130.2 includes expenditures for purposes described in this paragraph that have been incurred by
130.3 a municipality before approval of a capital improvement plan, if such expenditures are
130.4 included in a capital improvement plan approved on or before the date of the public hearing
130.5 under subdivision 2 regarding issuance of bonds for such expenditures.

130.6 (c) "Municipality" means a home rule charter or statutory city or a town ~~described in~~
130.7 ~~section 368.01, subdivision 1 or 1a.~~

130.8 ARTICLE 7

130.9 MISCELLANEOUS

130.10 Section 1. Minnesota Statutes 2017 Supplement, section 298.17, is amended to read:

130.11 **298.17 OCCUPATION TAXES TO BE APPORTIONED; REFUND.**

130.12 (a) All occupation taxes paid by persons, copartnerships, companies, joint stock
130.13 companies, corporations, and associations, however or for whatever purpose organized,
130.14 engaged in the business of mining or producing iron ore or other ores, when collected shall
130.15 be apportioned and distributed in accordance with the Constitution of the state of Minnesota,
130.16 article X, section 3, in the manner following: 90 percent shall be deposited in the state
130.17 treasury and credited to the general fund of which four-ninths shall be used for the support
130.18 of elementary and secondary schools; and ten percent of the proceeds of the tax imposed
130.19 by this section shall be deposited in the state treasury and credited to the general fund for
130.20 the general support of the university.

130.21 (b) Of the money apportioned to the general fund by this section, the following allocations
130.22 must be made:

130.23 (1) there is annually appropriated and credited to the mining environmental and regulatory
130.24 account in the special revenue fund an amount equal to that which would have been generated
130.25 by a 2-1/2 cent tax imposed by section 298.24 on each taxable ton produced in the preceding
130.26 calendar year. Money in the mining environmental and regulatory account is appropriated
130.27 annually to the commissioner of natural resources to fund agency staff to work on
130.28 environmental issues and provide regulatory services for ferrous and nonferrous mining
130.29 operations in this state. Payment to the mining environmental and regulatory account shall
130.30 be made by July 1 annually. The commissioner of natural resources shall execute an
130.31 interagency agreement with the Pollution Control Agency to assist with the provision of
130.32 environmental regulatory services such as monitoring and permitting required for ferrous
130.33 and nonferrous mining operations;

131.1 (2) there is annually appropriated and credited to the Iron Range resources and
131.2 rehabilitation account in the special revenue fund an amount equal to that which would have
131.3 been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced
131.4 in the preceding calendar year, to be expended for the purposes of section 298.22. The
131.5 money appropriated shall be used (i) to provide environmental development grants to local
131.6 governments located within any county in region 3 as defined in governor's executive order
131.7 number 60, issued on June 12, 1970, that does not contain a municipality qualifying pursuant
131.8 to section 273.134, paragraph (b), or (ii) to provide economic development loans or grants
131.9 to businesses located within any such county, provided that the county board or an advisory
131.10 group appointed by the county board to provide recommendations on economic development
131.11 shall make recommendations to the commissioner of Iron Range resources and rehabilitation
131.12 regarding the loans. Of the money allocated to Koochiching County, one-third must be paid
131.13 to the Koochiching County Economic Development Commission. Payment to the Iron
131.14 Range resources and rehabilitation account shall be made by May 15 annually; and

131.15 (3) there is annually appropriated and credited to the Iron Range resources and
131.16 rehabilitation account in the special revenue fund for transfer to the Iron Range school
131.17 consolidation and cooperatively operated school account under section 298.28, subdivision
131.18 7a, an amount equal to that which would have been generated by a six cent tax imposed by
131.19 section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the
131.20 Iron Range resources and rehabilitation account shall be made by May 15 annually.

131.21 ~~(c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to~~
131.22 ~~provide environmental development grants to local governments located within any county~~
131.23 ~~in region 3 as defined in governor's executive order number 60, issued on June 12, 1970,~~
131.24 ~~which does not contain a municipality qualifying pursuant to section 273.134, paragraph~~
131.25 ~~(b), or (ii) to provide economic development loans or grants to businesses located within~~
131.26 ~~any such county, provided that the county board or an advisory group appointed by the~~
131.27 ~~county board to provide recommendations on economic development shall make~~
131.28 ~~recommendations to the commissioner of Iron Range resources and rehabilitation regarding~~
131.29 ~~the loans. Payment to the Iron Range resources and rehabilitation account shall be made by~~
131.30 ~~May 15 annually. After the allocations are made under paragraph (b), any amount remaining~~
131.31 in the general fund, of the money apportioned to the general fund under this section in the
131.32 current year, shall be refunded by the commissioner of revenue as provided. By May 15
131.33 annually, the commissioner shall issue a refund to each producer equal to the amount of tax
131.34 paid by that producer in the current year under section 298.01, as compared to the total
131.35 amount of tax paid in the current year under section 298.01 by all producers, provided that

132.1 a producer shall not be eligible for a refund under this section in an amount greater than the
132.2 amount of tax paid by that producer in the current year. The total amount of refunds issued
132.3 under this paragraph in any year shall not exceed \$5,000,000.

132.4 ~~(d) Of the money allocated to Koochiching County, one-third must be paid to the~~
132.5 ~~Koochiching County Economic Development Commission.~~

132.6 **EFFECTIVE DATE.** This section is effective beginning with distributions made in
132.7 2020 and thereafter.

132.8 Sec. 2. Minnesota Statutes 2016, section 298.225, subdivision 1, is amended to read:

132.9 Subdivision 1. **Guaranteed distribution.** (a) Except as provided under paragraph (c),
132.10 the distribution of the taconite production tax as provided in section 298.28, subdivisions
132.11 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

132.12 (1) the amount distributed pursuant to this section and section 298.28, with respect to
132.13 1983 production if the production for the year prior to the distribution year is no less than
132.14 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount
132.15 of the distributions shall be reduced proportionately at the rate of two percent for each
132.16 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000
132.17 tons; or

132.18 (2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs
132.19 (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed pursuant to this
132.20 section and section 298.28, with respect to 1983 production;

132.21 (ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b)
132.22 and (d), 75 percent of the amount distributed pursuant to this section and section 298.28,
132.23 with respect to 1983 production provided that the aid guarantee for distributions under
132.24 section 298.28, subdivision 5, paragraph (b), shall be reduced by five cents per taxable ton
132.25 for production years 2014 and thereafter.

132.26 (b) The distribution of the taconite production tax as provided in section 298.28,
132.27 subdivision 2, shall equal the following amount:

132.28 (1) if the production for the year prior to the distribution year is at least 42,000,000
132.29 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
132.30 to 1999 production; or

132.31 (2) if the production for the year prior to the distribution year is less than 42,000,000
132.32 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect

133.1 to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000
133.2 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

133.3 (c) The distribution of the taconite production tax under section 298.28, subdivision 3,
133.4 paragraph (a), guaranteed under this section is equal to the amount distributed under section
133.5 298.28, with respect to 1983 production.

133.6 **EFFECTIVE DATE.** This section is effective for distributions in 2020 and thereafter.

133.7 Sec. 3. Minnesota Statutes 2017 Supplement, section 298.227, is amended to read:

133.8 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

133.9 An amount equal to that distributed pursuant to each taconite producer's taxable
133.10 production and qualifying sales under section 298.28, subdivision 9a, shall be held by the
133.11 commissioner of Iron Range resources and rehabilitation in a separate taconite economic
133.12 development fund for each taconite and direct reduced ore producer. Money from the fund
133.13 for each producer shall be released by the commissioner after review by a joint committee
133.14 consisting of an equal number of representatives of the salaried employees and the
133.15 nonsalaried production and maintenance employees of that producer. The District 11 director
133.16 of the United States Steelworkers of America, on advice of each local employee president,
133.17 shall select the employee members. In nonorganized operations, the employee committee
133.18 shall be elected by the nonsalaried production and maintenance employees. The review
133.19 must be completed no later than six months after the producer presents a proposal for
133.20 expenditure of the funds to the committee. The funds held pursuant to this section may be
133.21 released only for workforce development ~~and associated public facility improvement,~~
133.22 ~~concurrent reclamation, or for acquisition of plant and stationary mining equipment and~~
133.23 ~~facilities for the producer or for research and development in Minnesota on new mining, or~~
133.24 ~~taconite, iron, or steel production technology, but only if the producer provides a matching~~
133.25 ~~expenditure equal to the amount of the distribution to be used for the same purpose beginning~~
133.26 ~~with distributions in 2014. Effective for proposals for expenditures of money from the fund~~
133.27 ~~beginning May 26, 2007, the commissioner may not release the funds before the next~~
133.28 ~~scheduled meeting of the board.~~ If a proposed expenditure is not approved by the
133.29 commissioner, after consultation with the advisory board, the funds must be deposited in
133.30 the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a taconite
133.31 production facility is sold after operations at the facility had ceased, any money remaining
133.32 in the fund for the former producer may be released to the purchaser of the facility on the
133.33 terms otherwise applicable to the former producer under this section. If a producer fails to
133.34 provide matching funds for a proposed expenditure within six months after the commissioner

134.1 approves release of the funds, the funds ~~are available for release to another producer in~~
134.2 ~~proportion to the distribution provided and under the conditions of this section~~ may be
134.3 released by the commissioner for deposit in the taconite area environmental protection fund
134.4 created in section 298.223. Any portion of the fund which is not released by the commissioner
134.5 within one year of its deposit in the fund shall be ~~divided between~~ distributed to the taconite
134.6 environmental protection fund created in section 298.223 and the Douglas J. Johnson
134.7 economic protection trust fund created in section 298.292 for placement in their respective
134.8 special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite
134.9 environmental protection fund and one-third to the Douglas J. Johnson economic protection
134.10 trust fund.

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

134.12 Sec. 4. Minnesota Statutes 2016, section 298.28, subdivision 9a, is amended to read:

134.13 Subd. 9a. **Taconite economic development fund.** (a) 25.1 cents per ton for distributions
134.14 in 2002 and thereafter must be paid to the taconite economic development fund. No
134.15 distribution shall be made under this paragraph in 2004 or any subsequent year in which
134.16 total industry production falls below 30 million tons. Distribution shall only be made to a
134.17 Minnesota taconite pellet producer's fund under section 298.227 if the producer timely pays
134.18 its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the
134.19 due dates provided by an administrative agreement with the commissioner.

134.20 (b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold
134.21 in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed
134.22 pellets shall be paid to the taconite economic development fund. The amount paid shall not
134.23 exceed \$700,000 annually for all ~~companies~~ Minnesota taconite pellet producers. If the
134.24 initial amount to be paid to the fund exceeds this amount, each ~~company's~~ Minnesota taconite
134.25 pellet producer's payment shall be prorated so the total does not exceed \$700,000.

134.26 **EFFECTIVE DATE.** This section is effective retroactively from December 31, 2016.

134.27 Sec. 5. Laws 1986, chapter 379, section 1, subdivision 1, is amended to read:

134.28 Subdivision 1. **Liquor and food tax authorized.** (a) Notwithstanding Minnesota Statutes,
134.29 section 477A.016, or any ordinance, city charter, or other provision of law, the city of St.
134.30 Cloud may, by ordinance, impose a sales tax supplemental to the general sales tax imposed
134.31 in Minnesota Statutes, chapter 297A, the proceeds of which shall be used in accordance
134.32 with subdivision 2. The tax imposed by the city may be not more than one percent on the
134.33 gross receipts from all retail on-sales of intoxicating liquor and fermented malt beverages

135.1 sold at licensed on-sale liquor establishments located within its geographic boundaries, or
135.2 not more than one percent on the gross receipts from the retail sale of food and beverages
135.3 not subject to the liquor tax by a restaurant or place of refreshment located within its
135.4 geographic boundaries, or both. For purposes of this act, the city shall define the terms
135.5 "restaurant" and "place of refreshment" by resolution. The governing body of the city may
135.6 adopt an ordinance establishing a convention center taxing district. The ordinance shall
135.7 describe with particularity the area within the city to be included in the district. If the city
135.8 establishes a convention center taxing district, the sales taxes authorized under this
135.9 subdivision may be imposed only upon the sales occurring at on-sale liquor establishments,
135.10 restaurants, or other places of refreshment located within the district.

135.11 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any
135.12 ordinance, city charter, or other provision of law, the city of St. Cloud may, if approved by
135.13 the voters at a general election, increase by ordinance the tax allowed under paragraph (a)
135.14 by up to one-half of one percent. The election must be held before the governing body of
135.15 the city considers the ordinance. The proceeds of the increased tax must be used for
135.16 remodeling, improvements, and expansion of the Municipal Athletic Center, including
135.17 making payments on any associated bonds.

135.18 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
135.19 city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section
135.20 645.021, subdivisions 2 and 3.

135.21 Sec. 6. Laws 1986, chapter 379, section 1, subdivision 3, is amended to read:

135.22 Subd. 3. **Expiration of taxing authority.** (a) The authority granted by subdivision 1,
135.23 paragraph (a), to the city to impose a liquor and food tax shall expire when the principal
135.24 and interest on any bonds or other obligations issued to finance construction of a convention
135.25 center facility or related facilities have been paid or at an earlier time as the city shall, by
135.26 ordinance, determine.

135.27 (b) The authority granted by subdivision 1, paragraph (b), to increase the tax authorized
135.28 under subdivision 1, paragraph (a), shall expire at the earlier of:

135.29 (1) 25 years; or

135.30 (2) when principal and interest on any bonds or other obligations issued to finance the
135.31 remodeling, improvements, and expansion of the Municipal Athletic Center have been paid.

135.32 (c) The authority granted by subdivision 1, paragraph (b), may also terminate by city
135.33 ordinance.

136.1 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
136.2 city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section
136.3 645.021, subdivisions 2 and 3.

136.4 Sec. 7. Laws 1986, chapter 379, section 2, subdivision 1, is amended to read:

136.5 Subdivision 1. **Additional tax authorized.** (a) Notwithstanding Minnesota Statutes,
136.6 section 477A.016, or any ordinance, city charter, or other provision of law, the city of St.
136.7 Cloud may, by ordinance, impose a tax at a rate not to exceed two percent in addition to
136.8 the tax authorized under Laws 1979, chapter 197, on the gross receipts from the furnishing
136.9 for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort other
136.10 than the renting or leasing of it for a continuous period of 30 days or more.

136.11 (b) Notwithstanding Minnesota Statutes, section 477A.016, the city of St. Cloud may,
136.12 if approved by the voters at a general election, increase by ordinance the tax allowed under
136.13 paragraph (a) by up to one percent. The election must be held before the governing body
136.14 of the city considers the ordinance. The proceeds of the increased tax must be used
136.15 exclusively for the marketing and promotion of the Municipal Athletic Center.

136.16 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
136.17 city of St. Cloud and its chief clerical officer comply with Minnesota Statutes, section
136.18 645.021, subdivisions 2 and 3.

136.19 Sec. 8. Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session
136.20 chapter 5, article 12, section 87, and Laws 2012, chapter 299, article 3, section 3, is amended
136.21 to read:

136.22 **Sec. 5. LIQUOR, LODGING, AND RESTAURANT TAXES.**

136.23 The city may, by resolution, levy in addition to taxes authorized by other law:

136.24 (1) a sales tax of not more than three percent on the gross receipts on retail on-sales of
136.25 intoxicating liquor and fermented malt beverages when sold at licensed on-sale liquor
136.26 establishments located within the downtown taxing area, provided that this tax may not be
136.27 imposed if sales of intoxicating liquor and fermented malt beverages are exempt from
136.28 taxation under chapter 297A;

136.29 (2) a sales tax of not more than three percent on the gross receipts from the furnishing
136.30 for consideration of lodging for a period of less than 30 days at a hotel, motel, rooming
136.31 house, tourist court, or trailer camp located within the city by a hotel or motel which has
136.32 more than 50 rooms available for lodging; the tax imposed under this clause shall be at a

137.1 rate that, when added to the sum of the rate of the sales tax imposed under Minnesota
137.2 Statutes, chapter 297A, the rate of the sales tax imposed under section 4, and the rate of any
137.3 other taxes on lodging in the city of Minneapolis, equals ~~13~~ 13.875 percent; and

137.4 (3) a sales tax of not more than three percent on the gross receipts on all sales of food
137.5 primarily for consumption on or off the premises by restaurants and places of refreshment
137.6 as defined by resolution of the city that occur within the downtown taxing area.

137.7 The taxes authorized by this section must not be terminated before January 1, 2047. The
137.8 taxes shall be imposed and may be adjusted periodically by the city council such that the
137.9 rates imposed produce revenue sufficient, together with the tax imposed under section 4,
137.10 to finance the purposes described in Minnesota Statutes, section 297A.994, and section 4,
137.11 subdivisions 3 and 4. These taxes shall be applied, first, as provided in Minnesota Statutes,
137.12 section 297A.994, subdivision 3, clauses (1) to (3), and then, solely to pay, secure, maintain,
137.13 and fund the payment of any principal of, premium on, and interest on any bonds or any
137.14 other purposes in section 4, subdivision 3 or 4. The commissioner of revenue may enter
137.15 into appropriate agreements with the city to provide for the collection of these taxes by the
137.16 state on behalf of the city. These taxes shall be subject to the same interest, penalties, and
137.17 enforcement provisions as the taxes imposed under Minnesota Statutes, chapter 297A.

137.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
137.19 September 30, 2018.

137.20 Sec. 9. Laws 1986, chapter 462, section 31, as amended by Laws 1991, chapter 291, article
137.21 8, section 24, and Laws 2011, chapter 112, article 4, section 6, is amended to read:

137.22 Sec. 31. **AUTHORITY FOR TAXATION.**

137.23 Notwithstanding Minnesota Statutes, section 477A.016, or any other law, and
137.24 supplemental to the tax imposed by Laws 1982, chapter 523, article 25, section 1, the city
137.25 of St. Paul may impose, by ordinance, a tax, at a rate not greater than ~~three~~ four percent, on
137.26 the gross receipts from the furnishing for consideration of lodging and related services at a
137.27 hotel, rooming house, tourist court, motel, or resort, other than the renting or leasing of
137.28 space for a continuous period of 30 days or more. The tax does not apply to the furnishing
137.29 of lodging and related services by a business having less than 50 lodging rooms. The tax
137.30 shall be collected by and its proceeds paid to the city. Ninety-five percent of the revenues
137.31 generated by this tax shall be used to fund a convention bureau to market and promote the
137.32 city as a tourist or convention center.

138.1 **EFFECTIVE DATE.** This section is effective the first day of the calendar quarter
138.2 beginning at least 30 days after the governing body of the city of St. Paul and its chief
138.3 clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

138.4 Sec. 10. Laws 2008, chapter 366, article 5, section 26, as amended by Laws 2013, chapter
138.5 143, article 9, section 11, is amended to read:

138.6 Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

138.7 (a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that
138.8 activities must be undertaken within a five-year period from the date of certification of a
138.9 tax increment financing district, are increased to a ~~15~~ 20-year period for the Port Authority
138.10 of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central
138.11 Station.

138.12 (b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other
138.13 law to the contrary, the city of Bloomington and its port authority may extend the duration
138.14 limits of the district for a period through December 31, 2039.

138.15 (c) Effective for taxes payable in 2014, tax increment for the district must be computed
138.16 using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section
138.17 469.177, subdivision 1a.

138.18 (d) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, relating
138.19 to use of increments after the end of the time limit in Minnesota Statutes, section 469.1763,
138.20 subdivision 3, do not apply to the Port Authority of the City of Bloomington's Tax Increment
138.21 Financing District No. 1-I, Bloomington Central Station.

138.22 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
138.23 city of Bloomington and its chief clerical officer comply with Minnesota Statutes, section
138.24 645.021, subdivisions 2 and 3.

138.25 Sec. 11. Laws 2011, First Special Session chapter 7, article 4, section 10, subdivision 3,
138.26 is amended to read:

138.27 Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions
138.28 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the
138.29 following projects:

138.30 (1) \$4,500,000 for construction and completion of park improvement projects, including
138.31 St. Louis River riverfront improvements; Veteran's Park construction and improvements;
138.32 improvements to the Hilltop Park soccer complex and Braun Park baseball complex; capital

139.1 equipment and building and grounds improvements at the Pine Valley Park/Pine Valley
139.2 Hockey Arena/Cloquet Area Recreation Center; and development of pedestrian trails within
139.3 the city;

139.4 (2) \$5,800,00 for extension of utilities and the construction of all improvements associated
139.5 with the development of property adjacent to Highway 33 and Interstate Highway 35,
139.6 including payment of all debt service on bonds issued for these; and

139.7 (3) \$6,200,000 for engineering and construction of infrastructure improvements,
139.8 including, ~~but not limited to~~ roads, bridges, storm sewer, sanitary sewer, and water in areas
139.9 identified as part of the city's comprehensive land use plan.

139.10 (b) Authorized expenses include, but are not limited to, acquiring property and paying
139.11 construction expenses related to these improvements, and paying debt service on bonds or
139.12 other obligations issued to finance acquisition and construction of these improvements.

139.13 (c) Notwithstanding the revenue allocations in paragraph (a), clause (3), if the amount
139.14 spent for the improvements under paragraph (a), clause (2), are less than the \$5,800,000
139.15 allowed under that clause, the total amount spent for the purpose listed in paragraph (a),
139.16 clause (3), may be increased by the difference between \$5,800,000 and the amount actually
139.17 spent under paragraph (a), clause (2). However, the total expenditures for projects under
139.18 this subdivision may not exceed \$16,500,000, excluding any costs related to issuance of
139.19 bonds under subdivision 4.

139.20 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
139.21 city of Cloquet and its chief clerical officer comply with Minnesota Statutes, section 645.021,
139.22 subdivisions 2 and 3.

139.23 Sec. 12. Laws 2017, First Special Session chapter 1, article 4, section 31, is amended to
139.24 read:

139.25 Sec. 31. **APPROPRIATION; FIRE REMEDIATION GRANTS.**

139.26 \$1,392,258 is appropriated in fiscal year 2018 from the general fund to the commissioner
139.27 of public safety for grants to remediate the effects of fires in the city of Melrose on September
139.28 8, 2016. The commissioner must allocate the grants as follows:

139.29 (1) ~~\$1,296,458~~ \$1,381,258 to the city of Melrose; and

139.30 (2) ~~\$95,800~~ \$11,000 to Stearns County.

139.31 A grant recipient must use the money appropriated under this section for remediation
139.32 costs, including disaster recovery, infrastructure, reimbursement for emergency personnel

140.1 costs, reimbursement for equipment costs, and reimbursements for property tax abatements,
140.2 incurred by public or private entities as a result of the fires. This is a onetime appropriation
140.3 and is available until June 30, ~~2018~~ 2019.

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

140.5 Sec. 13. **CITY OF EXCELSIOR; TAXES AUTHORIZED.**

140.6 **Subdivision 1. Sales and use tax authorization.** Notwithstanding Minnesota Statutes,
140.7 section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city
140.8 charter, the city of Excelsior may impose, by ordinance, a sales and use tax of up to one-half
140.9 of one percent for the purposes specified in subdivision 2, as approved by the voters at the
140.10 November 4, 2014, election. Any additional bonding authority for the purposes specified
140.11 in subdivision 2 must be approved by the voters at a general election. Except as otherwise
140.12 provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the
140.13 imposition, administration, collection, and enforcement of the tax authorized under this
140.14 subdivision.

140.15 **Subd. 2. Use of sales and use tax revenues.** The revenues derived from the tax authorized
140.16 under subdivision 1 must be used by the city of Excelsior to pay the costs of collecting and
140.17 administering the tax and to finance the capital and administrative costs of improvements
140.18 to the commons as indicated in the November 2016 findings of the commons master planning
140.19 work group. Authorized expenses include, but are not limited to, improvements for
140.20 walkability and accessibility, enhancement of beach area and facilities, prevention and
140.21 management of shoreline erosion, redesign of the port and bandshell, improvement of
140.22 playground equipment, and securing and paying debt service on bonds issued under
140.23 subdivision 3 or other obligations issued to the improvements listed in this subdivision in
140.24 the city of Excelsior.

140.25 **Subd. 3. Bonding authority.** (a) The city of Excelsior may issue bonds under Minnesota
140.26 Statutes, chapter 475, to finance all or a portion of the costs of the projects authorized in
140.27 subdivision 2. The aggregate principal amount of bonds issued under this subdivision may
140.28 not exceed \$5,000,000, plus an amount to be applied to the payment of the costs of issuing
140.29 the bonds. The bonds may be paid from or secured by any funds available to the city of
140.30 Excelsior, including the tax authorized under subdivision 1. The issuance of bonds under
140.31 this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

140.32 (b) The bonds are not included in computing any debt limitation applicable to the city
140.33 of Excelsior, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal

141.1 and interest on the bonds is not subject to any levy limitation. A separate election to approve
141.2 the bonds under Minnesota Statutes, section 475.58, is not required.

141.3 Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the
141.4 earlier of: (1) 25 years after the tax is first imposed; or (2) when the city council determines
141.5 that \$5,000,000 has been received from the tax to pay for the cost of the projects authorized
141.6 under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the
141.7 bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining
141.8 after payment of all such costs and retirement or redemption of the bonds shall be placed
141.9 in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier
141.10 time if the city so determines by ordinance.

141.11 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
141.12 city of Excelsior and its chief clerical officer comply with Minnesota Statutes, section
141.13 645.021, subdivisions 2 and 3.

141.14 Sec. 14. **CITY OF CHAMPLIN; TAX INCREMENT FINANCING DISTRICT;**
141.15 **PROJECT REQUIREMENTS.**

141.16 Subdivision 1. **Five-year rule.** The governing body of the city of Champlin may elect
141.17 to extend the five-year rule under under Minnesota Statutes, section 469.1763, subdivision
141.18 3, to a ten-year period for the Mississippi Crossings tax increment financing district.

141.19 Subd. 2. **Revenues for decertification.** Minnesota Statutes, section 469.1763, subdivision
141.20 4, does not apply to the Mississippi Crossings tax increment financing district.

141.21 **EFFECTIVE DATE.** This section is effective the day after the city of Champlin and
141.22 its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2
141.23 and 3.

141.24 Sec. 15. **TRANSFER 2018 DISTRIBUTION ONLY.**

141.25 For the 2018 distribution, the fund established under Minnesota Statutes, section 298.28,
141.26 subdivision 7, shall receive ten cents per ton of any excess of the balance remaining after
141.27 distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6.

141.28 **EFFECTIVE DATE.** This section is effective for the 2018 distribution, and the transfer
141.29 must be made within ten days of the August 2018 payment.

142.1 Sec. 16. **APPROPRIATION.**

142.2 \$5,000 in fiscal year 2019 only is appropriated from the general fund to the commissioner
142.3 of revenue for a grant of \$2,600 to the city of Mazeppa and a grant of \$2,400 to Wabasha
142.4 County. The grants, which shall be paid by July 20, 2018, may be used for property tax
142.5 abatements and other costs incurred by public and private entities as a result of a fire in the
142.6 city of Mazeppa on March 11, 2018. This is a onetime appropriation.

142.7 **EFFECTIVE DATE.** This section is effective July 1, 2018.

142.8 Sec. 17. **APPROPRIATION.**

142.9 In addition to other amounts appropriated, \$1,977,000 in fiscal year 2018 and \$1,978,000
142.10 in fiscal year 2019 are appropriated from the general fund to the commissioner of revenue
142.11 to administer this act. These are onetime appropriations.

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

142.13 **ARTICLE 8**142.14 **DEPARTMENT OF REVENUE; PROPERTY TAX; POLICY CHANGES**

142.15 Section 1. Minnesota Statutes 2016, section 162.145, subdivision 3, is amended to read:

142.16 Subd. 3. **Administration.** (a) Subject to funds made available by law, the commissioner
142.17 shall allocate all funds as provided in subdivision 4 and shall ~~notify~~, by June 1, certify to
142.18 the commissioner of revenue the amounts to be paid.

142.19 (b) Following ~~notification~~ certification from the commissioner ~~of transportation~~, the
142.20 commissioner of revenue shall distribute the specified funds to cities in the same manner
142.21 as local government aid under chapter 477A. An appropriation to the commissioner ~~of~~
142.22 ~~transportation~~ under this section is available to the commissioner of revenue for the purposes
142.23 specified in this paragraph.

142.24 (c) Notwithstanding other law to the contrary, in order to receive distributions under
142.25 this section, a city must conform to the standards in section 477A.017, subdivision 2. A city
142.26 that receives funds under this section must make and preserve records necessary to show
142.27 that the funds are spent in compliance with subdivision 4.

142.28 **EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

143.1 Sec. 2. Minnesota Statutes 2016, section 270.41, subdivision 3, is amended to read:

143.2 Subd. 3. **Assessor sanctions; refusal to license.** (a) Following a recommendation from
143.3 the commissioner of revenue, the board may (i) refuse to grant or renew, or may suspend
143.4 or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed
143.5 assessor, or any other person employed by an assessment jurisdiction or contracting with
143.6 an assessment jurisdiction for the purpose of valuing or classifying property for property
143.7 tax purposes, for any of the following causes or acts:

143.8 (1) failure to complete required training;

143.9 (2) inefficiency or neglect of duty;

143.10 (3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota
143.11 Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3,
143.12 article 1, section 38;

143.13 (4) conviction of a crime involving moral turpitude;

143.14 (5) failure to faithfully and fully perform his or her duties through malfeasance,
143.15 misfeasance, or nonfeasance; or

143.16 (6) any other cause or act that in the board's opinion warrants a refusal to issue a license
143.17 or the imposition of a sanction provided under this subdivision.

143.18 (b) When appropriate for the level of infraction, a written warning must be given to
143.19 assessors who have no prior identified infractions. The warning must identify the infraction
143.20 and, as appropriate, detail future expectations of performance and behavior. Fines must not
143.21 exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence
143.22 thereafter, and suspensions must not exceed one year for each occurrence, depending in
143.23 each case upon the severity of the infraction and the level of negligence or intent. The
143.24 commissioner of revenue shall give notice to an applicant or licensee of the commissioner's
143.25 recommendation that the board impose sanctions or refuse to grant or renew a license. An
143.26 action by the board to impose a ~~sanction~~ fine, to suspend or revoke a license, or to refuse
143.27 to grant or renew a license is subject to review in a contested case hearing under chapter
143.28 14. A licensee must submit a request for a hearing to the board within 30 days of the notice
143.29 date of the commissioner's recommendation for sanctions or for refusal to grant or renew
143.30 a license.

143.31 **EFFECTIVE DATE.** This section is effective for sanctions or refusals to grant or renew
143.32 a license recommended by the commissioner of revenue after June 30, 2018.

144.1 Sec. 3. Minnesota Statutes 2017 Supplement, section 272.115, subdivision 1, is amended
144.2 to read:

144.3 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, 6, or 7,
144.4 whenever any real estate is sold for a consideration in excess of ~~\$1,000~~ \$3,000, whether by
144.5 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
144.6 grantee or the legal agent of either shall file a certificate of value with the county auditor
144.7 in the county in which the property is located when the deed or other document is presented
144.8 for recording. Contract for deeds are subject to recording under section 507.235, subdivision
144.9 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration
144.10 thereof, paid or to be paid, including the amount of any lien or liens assumed. The items
144.11 and value of personal property transferred with the real property must be listed and deducted
144.12 from the sale price. The certificate of value shall include the classification to which the
144.13 property belongs for the purpose of determining the fair market value of the property, and
144.14 shall include any proposed change in use of the property known to the person filing the
144.15 certificate that could change the classification of the property. The certificate shall include
144.16 financing terms and conditions of the sale which are necessary to determine the actual,
144.17 present value of the sale price for purposes of the sales ratio study. If the property is being
144.18 acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code
144.19 of 1986, as amended through December 31, 2006, that must be indicated on the certificate.
144.20 The commissioner of revenue shall promulgate administrative rules specifying the financing
144.21 terms and conditions which must be included on the certificate. The certificate of value
144.22 must include the Social Security number or the federal employer identification number of
144.23 the grantors and grantees. However, a married person who is not an owner of record and
144.24 who is signing a conveyance instrument along with the person's spouse solely to release
144.25 and convey their marital interest, if any, in the real property being conveyed is not a grantor
144.26 for the purpose of the preceding sentence. A statement in the deed that is substantially in
144.27 the following form is sufficient to allow the county auditor to accept a certificate for filing
144.28 without the Social Security number of the named spouse: "(Name) claims no ownership
144.29 interest in the real property being conveyed and is executing this instrument solely to release
144.30 and convey a marital interest, if any, in that real property." The identification numbers of
144.31 the grantors and grantees are private data on individuals or nonpublic data as defined in
144.32 section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or
144.33 nonpublic data may be disclosed to the commissioner of revenue for purposes of tax
144.34 administration. The information required to be shown on the certificate of value is limited
144.35 to the information required as of the date of the acknowledgment on the deed or other
144.36 document to be recorded.

145.1 **EFFECTIVE DATE.** This section is effective for certificates of value filed after
145.2 December 31, 2018.

145.3 Sec. 4. Minnesota Statutes 2016, section 287.21, subdivision 1, is amended to read:

145.4 Subdivision 1. **Determination of tax.** (a) A tax is imposed on each deed or instrument
145.5 by which any real property in this state is granted, assigned, transferred, or otherwise
145.6 conveyed. The tax applies against the net consideration. For purposes of the tax, the
145.7 conversion of a corporation to a limited liability company, a limited liability company to a
145.8 corporation, a partnership to a limited partnership, a limited partnership to another limited
145.9 partnership or other entity, or a similar conversion of one entity to another does not grant,
145.10 assign, transfer, or convey real property.

145.11 (b) The tax is determined in the following manner: (1) when transfers are made by
145.12 instruments pursuant to (i) consolidations or mergers, or (ii) designated transfers, the tax is
145.13 \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value
145.14 of any lien or encumbrance remaining thereon at the time of sale, is ~~\$500~~ \$3,000 or less,
145.15 the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or
145.16 encumbrance remaining at the time of sale, exceeds ~~\$500~~ \$3,000, the tax is .0033 of the net
145.17 consideration.

145.18 (c) If, within six months from the date of a designated transfer, an ownership interest in
145.19 the grantee entity is transferred by an initial owner to any person or entity with the result
145.20 that the designated transfer would not have been a designated transfer if made to the grantee
145.21 entity with its subsequent ownership, then a tax is imposed at .0033 of the net consideration
145.22 for the designated transfer. If the subsequent transfer of ownership interests was reasonably
145.23 expected at the time of the designated transfer, the applicable penalty under section 287.31,
145.24 subdivision 1, must be paid. The deed tax imposed under this paragraph is due within 30
145.25 days of the subsequent transfer that caused the tax to be imposed under this paragraph.
145.26 Involuntary transfers of ownership shall not be considered transfers of ownership under this
145.27 paragraph. The commissioner may adopt rules defining the types of transfers to be considered
145.28 involuntary.

145.29 (d) The tax is due at the time a taxable deed or instrument is presented for recording,
145.30 except as provided in paragraph (c). The commissioner may require the tax to be documented
145.31 in a manner prescribed by the commissioner, and may require that the documentation be
145.32 attached to and recorded as part of the deed or instrument. The county recorder or registrar
145.33 of titles shall accept the attachment for recording as part of the deed or instrument and may
145.34 not require, as a condition of recording a deed or instrument, evidence that a transfer is a

146.1 designated transfer in addition to that required by the commissioner. Such an attachment
146.2 shall not, however, provide actual or constructive notice of the information contained therein
146.3 for purposes of determining any interest in the real property. The commissioner shall
146.4 prescribe the manner in which the tax due under paragraph (c) is to be paid and may require
146.5 grantees of designated transfers to file with the commissioner subsequent statements verifying
146.6 that the tax provided under paragraph (c) does not apply.

146.7 **EFFECTIVE DATE.** This section is effective for deeds recorded after December 31,
146.8 2018.

146.9 **ARTICLE 9**

146.10 **DEPARTMENT OF REVENUE; MISCELLANEOUS; POLICY CHANGES**

146.11 Section 1. Minnesota Statutes 2016, section 270B.08, subdivision 2, is amended to read:

146.12 Subd. 2. **Revocation or cancellation.** When a taxpayer's sales tax permit has been
146.13 revoked or canceled under section 270C.722 or 297A.84, the commissioner may disclose
146.14 to any person data identifying the holder of the revoked or canceled permit, ~~stating~~ the basis
146.15 for the revocation or cancellation, the date of the revocation or cancellation, and ~~stating~~
146.16 ~~whether the~~ if a revoked or canceled permit has been reinstated, the date upon which the
146.17 permit was reinstated.

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

146.19 Sec. 2. Minnesota Statutes 2016, section 297A.84, is amended to read:

146.20 **297A.84 PERMITS ISSUED AND NOT ISSUED; CANCELLATION.**

146.21 **Subdivision 1. Definitions.** (a) The following definitions apply for the purposes of this
146.22 section.

146.23 (b) "Applicant" means an individual, corporation, or partnership. Applicant also includes
146.24 any officer of a corporation or member of a partnership.

146.25 (c) "Delinquent sales tax" means tax not paid by the date the tax was due and payable
146.26 under section 289A.20, subdivision 4, or an assessment not paid if the applicant has been
146.27 issued an order assessing sales and use tax under section 270C.33, subdivision 4.

146.28 **Subd. 2. Permits issued.** Except as provided in subdivision 3, the commissioner shall
146.29 must issue a permit to each applicant who has complied with section 297A.83, and with
146.30 section 297A.92 if security is required. A person is considered to have a permit if the person
146.31 has a Minnesota tax identification number issued by the commissioner that is currently

147.1 active for taxes imposed by this chapter. A permit is valid until canceled or revoked. It is
 147.2 not assignable and is valid only for the person in whose name it is granted and for the
 147.3 transaction of business at the places designated on the permit.

147.4 Subd. 3. **Permits not issued.** (a) Except as provided in paragraph (b), the commissioner
 147.5 must not issue a permit to an applicant if the applicant is liable for delinquent sales tax.

147.6 (b) The commissioner must issue a permit to an applicant if an appeal period of an order
 147.7 assessing sales tax under section 270C.33, subdivision 5, has not ended. The commissioner
 147.8 may cancel a permit issued under this paragraph in the manner provided in subdivision 4
 147.9 if the applicant owes delinquent sales tax after the appeal period has ended.

147.10 Subd. 4. **Nonconforming permits; cancellation; reissue.** (a) If the commissioner issues
 147.11 a permit that does not conform with the requirements of this section or applicable rules, the
 147.12 commissioner may cancel the permit upon notice to the permit holder. The notice must be
 147.13 served by first class and certified mail at the permit holder's last known address. The
 147.14 cancellation is effective immediately.

147.15 (b) If a permit holder shows that a canceled permit was issued in conformance with the
 147.16 requirements of this section and applicable rules, the commissioner must reissue the permit.

147.17 **EFFECTIVE DATE.** This section is effective for permit applications filed after
 147.18 December 31, 2018.

147.19 Sec. 3. Minnesota Statutes 2016, section 297A.85, is amended to read:

147.20 **297A.85 CANCELLATION OF PERMITS.**

147.21 The commissioner may cancel a permit if one of the following conditions occurs:

147.22 (1) the permit holder has not filed a sales or use tax return for at least one year;

147.23 (2) the permit holder has not reported any sales or use tax liability on the permit holder's
 147.24 returns for at least two years;

147.25 (3) the permit holder requests cancellation of the permit; ~~or~~

147.26 (4) the permit is subject to cancellation ~~pursuant to~~ under section 270C.722, subdivision
 147.27 2, paragraph (a); or

147.28 (5) the permit is subject to cancellation under section 297A.84.

147.29 **EFFECTIVE DATE.** This section is effective for permit applications filed after
 147.30 December 31, 2018.

148.1

ARTICLE 10

148.2

PARTNERSHIP TAX

148.3 Section 1. Minnesota Statutes 2017 Supplement, section 270C.445, subdivision 6, is
148.4 amended to read:

148.5 Subd. 6. **Enforcement; administrative order; penalties; cease and desist.** (a) The
148.6 commissioner may impose an administrative penalty of not more than \$1,000 per violation
148.7 of subdivision 3 or 5, or section 270C.4451, provided that a penalty may not be imposed
148.8 for any conduct for which a tax preparer penalty is imposed under section 289A.60,
148.9 subdivision 13. The commissioner may terminate a tax preparer's authority to transmit
148.10 returns electronically to the state, if the commissioner determines the tax preparer engaged
148.11 in a pattern and practice of violating this section. Imposition of a penalty under this paragraph
148.12 is subject to the contested case procedure under chapter 14. The commissioner shall collect
148.13 the penalty in the same manner as the income tax. There is no right to make a claim for
148.14 refund under section 289A.50 of the penalty imposed under this paragraph. Penalties imposed
148.15 under this paragraph are public data.

148.16 (b) In addition to the penalty under paragraph (a), if the commissioner determines that
148.17 a tax preparer has violated subdivision 3 or 5, or section 270C.4451, the commissioner may
148.18 issue an administrative order to the tax preparer requiring the tax preparer to cease and
148.19 desist from committing the violation. The administrative order may include an administrative
148.20 penalty provided in paragraph (a).

148.21 (c) If the commissioner issues an administrative order under paragraph (b), the
148.22 commissioner must send the order to the tax preparer addressed to the last known address
148.23 of the tax preparer.

148.24 (d) A cease and desist order under paragraph (b) must:

148.25 (1) describe the act, conduct, or practice committed and include a reference to the law
148.26 that the act, conduct, or practice violates; and

148.27 (2) provide notice that the tax preparer may request a hearing as provided in this
148.28 subdivision.

148.29 (e) Within 30 days after the commissioner issues an administrative order under paragraph
148.30 (b), the tax preparer may request a hearing to review the commissioner's action. The request
148.31 for hearing must be made in writing and must be served on the commissioner at the address
148.32 specified in the order. The hearing request must specifically state the reasons for seeking

149.1 review of the order. The date on which a request for hearing is served by mail is the postmark
149.2 date on the envelope in which the request for hearing is mailed.

149.3 (f) If a tax preparer does not timely request a hearing regarding an administrative order
149.4 issued under paragraph (b), the order becomes a final order of the commissioner and is not
149.5 subject to review by any court or agency.

149.6 (g) If a tax preparer timely requests a hearing regarding an administrative order issued
149.7 under paragraph (b), the hearing must be commenced within ten days after the commissioner
149.8 receives the request for a hearing.

149.9 (h) A hearing timely requested under paragraph (e) is subject to the contested case
149.10 procedure under chapter 14, as modified by this subdivision. The administrative law judge
149.11 must issue a report containing findings of fact, conclusions of law, and a recommended
149.12 order within ten days after the completion of the hearing, the receipt of late-filed exhibits,
149.13 or the submission of written arguments, whichever is later.

149.14 (i) Within five days of the date of the administrative law judge's report issued under
149.15 paragraph (h), any party aggrieved by the administrative law judge's report may submit
149.16 written exceptions and arguments to the commissioner. Within 15 days after receiving the
149.17 administrative law judge's report, the commissioner must issue an order vacating, modifying,
149.18 or making final the administrative order.

149.19 (j) The commissioner and the tax preparer requesting a hearing may by agreement
149.20 lengthen any time periods prescribed in paragraphs (g) to (i).

149.21 (k) An administrative order issued under paragraph (b) is in effect until it is modified
149.22 or vacated by the commissioner or an appellate court. The administrative hearing provided
149.23 by paragraphs (e) to (i) and any appellate judicial review as provided in chapter 14 constitute
149.24 the exclusive remedy for a tax preparer aggrieved by the order.

149.25 (l) The commissioner may impose an administrative penalty, in addition to the penalty
149.26 under paragraph (a), up to \$5,000 per violation of a cease and desist order issued under
149.27 paragraph (b). Imposition of a penalty under this paragraph is subject to the contested case
149.28 procedure under chapter 14. Within 30 days after the commissioner imposes a penalty under
149.29 this paragraph, the tax preparer assessed the penalty may request a hearing to review the
149.30 penalty order. The request for hearing must be made in writing and must be served on the
149.31 commissioner at the address specified in the order. The hearing request must specifically
149.32 state the reasons for seeking review of the order. The cease and desist order issued under
149.33 paragraph (b) is not subject to review in a proceeding to challenge the penalty order under
149.34 this paragraph. The date on which a request for hearing is served by mail is the postmark

150.1 date on the envelope in which the request for hearing is mailed. If the tax preparer does not
150.2 timely request a hearing, the penalty order becomes a final order of the commissioner and
150.3 is not subject to review by any court or agency. A penalty imposed by the commissioner
150.4 under this paragraph may be collected and enforced by the commissioner as an income tax
150.5 liability. There is no right to make a claim for refund under section 289A.50 of the penalty
150.6 imposed under this paragraph. A penalty imposed under this paragraph is public data.

150.7 (m) If a tax preparer violates a cease and desist order issued under paragraph (b), the
150.8 commissioner may terminate the tax preparer's authority to transmit returns electronically
150.9 to the state. Termination under this paragraph is public data.

150.10 (n) A cease and desist order issued under paragraph (b) is public data when it is a final
150.11 order.

150.12 (o) Notwithstanding any other law, the commissioner may impose a penalty or take other
150.13 action under this subdivision against a tax preparer, with respect to a return, within the
150.14 period to assess tax on that return as provided by ~~section~~ sections 289A.38 to 289A.384.

150.15 (p) Notwithstanding any other law, the imposition of a penalty or any other action against
150.16 a tax preparer under this subdivision, other than with respect to a return, must be taken by
150.17 the commissioner within five years of the violation of statute.

150.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
150.19 31, 2017, except that for partnerships that make an election under Code of Federal
150.20 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
150.21 to the same tax periods to which the election relates.

150.22 Sec. 2. Minnesota Statutes 2017 Supplement, section 289A.31, subdivision 1, is amended
150.23 to read:

150.24 Subdivision 1. **Individual income, fiduciary income, mining company, corporate**
150.25 **franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining
150.26 company, and corporate franchise taxes, and interest and penalties, must be paid by the
150.27 taxpayer upon whom the tax is imposed, except in the following cases:

150.28 (1) the tax due from a decedent for that part of the taxable year in which the decedent
150.29 died during which the decedent was alive and the taxes, interest, and penalty due for the
150.30 prior years must be paid by the decedent's personal representative, if any. If there is no
150.31 personal representative, the taxes, interest, and penalty must be paid by the transferees, as
150.32 defined in section 270C.58, subdivision 3, to the extent they receive property from the
150.33 decedent;

151.1 (2) the tax due from an infant or other incompetent person must be paid by the person's
151.2 guardian or other person authorized or permitted by law to act for the person;

151.3 (3) the tax due from the estate of a decedent must be paid by the estate's personal
151.4 representative;

151.5 (4) the tax due from a trust, including those within the definition of a corporation, as
151.6 defined in section 290.01, subdivision 4, must be paid by a trustee; and

151.7 (5) the tax due from a taxpayer whose business or property is in charge of a receiver,
151.8 trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge
151.9 of the business or property so far as the tax is due to the income from the business or property.

151.10 (b) Entertainment taxes are the joint and several liability of the entertainer and the
151.11 entertainment entity. The payor is liable to the state for the payment of the tax required to
151.12 be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the
151.13 entertainer for the amount of the payment.

151.14 (c) The taxes imposed under sections 289A.35, paragraph (b), 289A.383, subdivision
151.15 3, and 290.0922 on partnerships are the joint and several liability of the partnership and the
151.16 general partners.

151.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
151.18 31, 2017, except that for partnerships that make an election under Code of Federal
151.19 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
151.20 to the same tax periods to which the election relates.

151.21 Sec. 3. Minnesota Statutes 2017 Supplement, section 289A.37, subdivision 2, is amended
151.22 to read:

151.23 Subd. 2. **Erroneous refunds.** (a) Except as provided in paragraph (b), an erroneous
151.24 refund occurs when the commissioner issues a payment to a person that exceeds the amount
151.25 the person is entitled to receive under law. An erroneous refund is considered an
151.26 underpayment of tax on the date issued.

151.27 (b) To the extent that the amount paid does not exceed the amount claimed by the
151.28 taxpayer, an erroneous refund does not include the following:

151.29 (1) any amount of a refund or credit paid pursuant to a claim for refund filed by a
151.30 taxpayer, including but not limited to refunds of claims made under section 290.06,
151.31 subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068;
151.32 290.0681; or 290.0692; or chapter 290A; or

152.1 (2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a
152.2 taxpayer.

152.3 (c) The commissioner may make an assessment to recover an erroneous refund at any
152.4 time within two years from the issuance of the erroneous refund. If all or part of the erroneous
152.5 refund was induced by fraud or misrepresentation of a material fact, the assessment may
152.6 be made at any time.

152.7 (d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be
152.8 conducted under ~~section~~ sections 289A.38 to 289A.384.

152.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
152.10 31, 2017, except that for partnerships that make an election under Code of Federal
152.11 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
152.12 to the same tax periods to which the election relates.

152.13 Sec. 4. Minnesota Statutes 2016, section 289A.38, subdivision 10, is amended to read:

152.14 Subd. 10. **Incorrect determination of federal adjusted gross income.** Notwithstanding
152.15 any other provision of this chapter, if a taxpayer whose net income is determined under
152.16 section 290.01, subdivision 19, omits from income an amount that will under the Internal
152.17 Revenue Code extend the statute of limitations for the assessment of federal income taxes,
152.18 or otherwise incorrectly determines the taxpayer's federal adjusted gross income resulting
152.19 in adjustments by the Internal Revenue Service, then the period of assessment and
152.20 determination of tax will be that under the Internal Revenue Code. When a change is made
152.21 to federal income during the extended time provided under this subdivision, the provisions
152.22 under ~~subdivisions 7 to 9~~ sections 289A.381 to 289A.384 regarding additional extensions
152.23 apply.

152.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
152.25 31, 2017, except that for partnerships that make an election under Code of Federal
152.26 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
152.27 to the same tax periods to which the election relates.

152.28 Sec. 5. **[289A.381] DEFINITIONS; PARTNERSHIPS; FEDERAL ADJUSTMENTS.**

152.29 Subdivision 1. **Definitions relating to federal adjustments.** Unless otherwise specified,
152.30 the definitions in this section apply for the purposes of sections 289A.381 to 289A.385.

153.1 Subd. 2. **Administrative adjustment request.** "Administrative adjustment request"
153.2 means an administrative adjustment request filed by a partnership under section 6227 of
153.3 the Internal Revenue Code.

153.4 Subd. 3. **Audited partnership.** "Audited partnership" means a partnership subject to a
153.5 federal adjustment resulting from a partnership-level audit.

153.6 Subd. 4. **Corporate partner.** "Corporate partner" means a partner that is subject to tax
153.7 under section 290.02.

153.8 Subd. 5. **Direct partner.** "Direct partner" means a partner that holds an immediate legal
153.9 ownership interest in a partnership or pass-through entity.

153.10 Subd. 6. **Exempt partner.** "Exempt partner" means a partner that is exempt from taxes
153.11 on its net income under section 290.05, subdivision 1.

153.12 Subd. 7. **Federal adjustment.** "Federal adjustment" means any change in an amount
153.13 calculated under the Internal Revenue Code, whether to income, gross estate, a credit, an
153.14 item of preference, or any other item that is used by a taxpayer to compute a tax administered
153.15 under this chapter for the reviewed year whether that change results from action by the
153.16 Internal Revenue Service or other competent authority, including a partnership-level audit,
153.17 or the filing of an amended federal return, federal refund claim, or an administrative
153.18 adjustment request by the taxpayer.

153.19 Subd. 8. **Federal adjustments report.** "Federal adjustments report" includes a method
153.20 or form prescribed by the commissioner for use by a taxpayer to report federal adjustments,
153.21 including an amended Minnesota tax return or a uniform multistate report.

153.22 Subd. 9. **Federal partnership representative.** "Federal partnership representative"
153.23 means the person the partnership designates for the taxable year as the partnership's
153.24 representative, or the person the Internal Revenue Service has appointed to act as the
153.25 partnership representative, pursuant to section 6223(a) of the Internal Revenue Code.

153.26 Subd. 10. **Final determination date.** (a) "Final determination date" means:

153.27 (1) for a federal adjustment arising from an audit by the Internal Revenue Service or
153.28 other competent authority, the first day on which no federal adjustment arising from that
153.29 audit remains to be finally determined, whether by agreement, or, if appealed or contested,
153.30 by a final decision with respect to which all rights of appeal have been waived or exhausted;

153.31 (2) for a federal adjustment arising from the filing of an amended federal return, a federal
153.32 refund claim, or the filing by a partnership of an administrative adjustment request, the day
153.33 which the amended return, refund claim, or administrative adjustment request was filed; or

154.1 (3) for agreements required to be signed by the Internal Revenue Service and the taxpayer,
154.2 the date on which the last party signed the agreement.

154.3 Subd. 11. **Final federal adjustment.** "Final federal adjustment" means a federal
154.4 adjustment for which the final determination date for that federal adjustment has passed.

154.5 Subd. 12. **Indirect partner.** "Indirect partner" means either:

154.6 (1) a partner in a partnership or pass-through entity that itself holds an immediate legal
154.7 ownership interest in another partnership or pass-through entity; or

154.8 (2) a partner in a partnership or pass-through entity that holds an indirect interest in
154.9 another partnership or pass-through entity through another indirect partner.

154.10 Subd. 13. **Partner.** "Partner" means a person that holds an interest directly or indirectly
154.11 in a partnership or other pass-through entity.

154.12 Subd. 14. **Partnership.** The term "partnership" has the meaning provided under section
154.13 7701(a)(2) of the Internal Revenue Code.

154.14 Subd. 15. **Partnership-level audit.** "Partnership-level audit" means an examination by
154.15 the Internal Revenue Service at the partnership level pursuant to subtitle F, chapter 63,
154.16 subchapter C, of the Internal Revenue Code, which results in federal adjustments including
154.17 reallocation adjustments and adjustments to partnership-related items.

154.18 Subd. 16. **Pass-through entity.** "Pass-through entity" means an entity, other than a
154.19 partnership, that is not subject to the tax imposed under section 290.02. The term pass-through
154.20 entity includes but is not limited to S corporations, estates, and trusts other than grantor
154.21 trusts.

154.22 Subd. 17. **Reallocation adjustment.** "Reallocation adjustment" means a federal
154.23 adjustment, or final federal adjustment, that changes the shares of items of partnership
154.24 income, gain, loss, expense, or credit allocated to partners. The term positive reallocation
154.25 adjustment means reallocation adjustments that would increase state taxable income for
154.26 partners, and the term negative reallocation adjustment means reallocation adjustments that
154.27 would decrease state taxable income for partners.

154.28 Subd. 18. **Resident partner.** "Resident partner" means an individual partner or individual
154.29 indirect partner who is a resident of Minnesota under section 290.01, subdivision 7.

154.30 Subd. 19. **Reviewed year.** "Reviewed year" means the taxable year of a partnership that
154.31 is subject to a partnership-level audit from which federal adjustments arise.

155.1 Subd. 20. **Tiered partner.** "Tiered partner" means any partner that is a partnership or
155.2 pass-through entity.

155.3 Subd. 21. **Unrelated business taxable income.** "Unrelated business taxable income"
155.4 has the same meaning as defined in section 512 of the Internal Revenue Code.

155.5 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
155.6 31, 2017, except that for partnerships that make an election under Code of Federal
155.7 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
155.8 to the same tax periods to which the election relates.

155.9 Sec. 6. **[289A.382] REPORTING FEDERAL ADJUSTMENTS; GENERAL RULE.**

155.10 (a) Within 180 days of a final determination date, a taxpayer must file a federal adjustment
155.11 report with the commissioner reporting all final federal adjustments by the Internal Revenue
155.12 Service or other competent authority.

155.13 (b) Within 180 days of a final determination date, a taxpayer must file a federal adjustment
155.14 report with the commissioner reporting any federal adjustments reported by the taxpayer
155.15 to the Internal Revenue Service, including but not limited to:

155.16 (1) federal refund claims;

155.17 (2) a change reported on a timely filed amended federal income tax return; and

155.18 (3) a change reported on an amended return filed pursuant to section 6225(c) of the
155.19 Internal Revenue Code.

155.20 (c) In the case of a final federal adjustment arising from a partnership-level audit or an
155.21 administrative adjustment request filed by a partnership under section 6227 of the Internal
155.22 Revenue Code, a taxpayer must report adjustments as provided for under section 289A.383,
155.23 and not this section.

155.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
155.25 31, 2017, except that for partnerships that make an election under Code of Federal
155.26 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
155.27 to the same tax periods to which the election relates.

155.28 Sec. 7. **[289A.383] REPORTING AND PAYMENT REQUIREMENTS.**

155.29 Subdivision 1. **State partnership representative.** (a) With respect to an action required
155.30 or permitted to be taken by a partnership under this section, or in a proceeding under section
155.31 270C.35 or 271.06, the state partnership representative for the reviewed year shall have the

156.1 sole authority to act on behalf of the partnership, and its direct partners and indirect partners
156.2 shall be bound by those actions.

156.3 (b) The state partnership representative for the reviewed year is the partnership's federal
156.4 partnership representative unless the partnership, in a form and manner prescribed by the
156.5 commissioner, designates another person as its state partnership representative.

156.6 **Subd. 2. Reporting and payment requirements for partnerships and tiered partners.**

156.7 (a) Unless an audited partnership makes the election in subdivision 3, then, for all final
156.8 federal adjustments the audited partnership must comply with paragraph (b) and each direct
156.9 partner of the audited partnership, other than a tiered partner, must comply with paragraph
156.10 (c).

156.11 (b) No later than 90 days after the final determination date, the audited partnership must:

156.12 (1) file a completed federal adjustment report, including all partner-level information
156.13 required under section 289A.12, subdivision 3, with the commissioner;

156.14 (2) notify each of its direct partners of their distributive share of the adjustments;

156.15 (3) file an amended composite report for all direct partners who were included in a
156.16 composite return under section 289A.08, subdivision 7, in the reviewed year, and pay the
156.17 additional amount that would have been due had the federal adjustments been reported
156.18 properly as required; and

156.19 (4) file amended withholding reports for all direct partners who were or should have
156.20 been subject to nonresident withholding under section 290.92, subdivision 4b, in the reviewed
156.21 year, and pay the additional amount that would have been due had the federal adjustments
156.22 been reported properly as required.

156.23 (c) No later than 180 days after the final determination date, each direct partner, other
156.24 than a tiered partner, that is subject to a tax administered under this chapter, other than the
156.25 sales tax, must:

156.26 (1) file a federal adjustment report reporting their distributive share of the adjustments
156.27 reported to them under paragraph (b), clause (2); and

156.28 (2) pay any additional amount of tax due as if the final federal adjustment had been
156.29 properly reported, plus any penalty and interest due under this chapter, and less any credit
156.30 for related amounts paid or withheld and remitted on behalf of the direct partner under
156.31 paragraph (b), clauses (3) and (4).

157.1 Subd. 3. Election; partnership or tiered partners pay. (a) An audited partnership may
157.2 make an election under this subdivision to pay its assessment at the entity level. If an audited
157.3 partnership makes an election to pay its assessment at the entity level it must:

157.4 (1) no later than 90 days after the final determination date, file a completed federal
157.5 adjustment report, including the residency information for all individual partners, both direct
157.6 and indirect, and information pertaining to all other partners as prescribed by the
157.7 commissioner, and notify the commissioner that it is making the election under this
157.8 subdivision; and

157.9 (2) no later than 180 days after the final determination date, pay an amount, determined
157.10 as follows, in lieu of taxes on partners:

157.11 (i) exclude from final federal adjustments and any positive reallocation adjustments the
157.12 distributive share of these adjustments made to an exempt partner that is not unrelated
157.13 business taxable income;

157.14 (ii) exclude from final federal adjustments and any positive reallocation adjustments the
157.15 distributive share of these adjustments made to a partner that has filed a federal adjustment
157.16 report and paid the applicable tax, as required under subdivision 2, for the distributive share
157.17 of adjustments reported on a federal return under section 6225(c) of the Internal Revenue
157.18 Code;

157.19 (iii) allocate at the partner level using section 290.17, subdivision 1, all final federal
157.20 adjustments and positive reallocation adjustments attributable to resident partners, both
157.21 direct and indirect, for the reviewed year;

157.22 (iv) allocate and apportion at the partnership level using sections 290.17 to 290.20 all
157.23 remaining final federal adjustments and positive reallocation adjustments for the reviewed
157.24 year;

157.25 (v) determine the total distributive share of the allocated and apportioned final federal
157.26 adjustments and positive reallocation adjustments determined in items (iii) and (iv) that are
157.27 attributable to:

157.28 (A) resident partners;

157.29 (B) corporate partners and exempt partners; and

157.30 (C) the total distributive share amount allocated to all other partners;

157.31 (vi) for the total distributive share of net final federal adjustments plus positive
157.32 reallocation adjustments attributed to corporate partners and exempt partners under item

158.1 (v), subitem (B), multiply the total by the highest tax rate in section 290.06, subdivision 1,
158.2 for the reviewed year, and calculate interest and penalties as applicable under this chapter;

158.3 (vii) for the total distributive share of net final federal adjustments plus positive
158.4 reallocation adjustments attributable to resident partners, and all other partners under item
158.5 (v), subitems (A) and (C), multiply the total by the highest tax rate in section 290.06,
158.6 subdivision 2c, for the reviewed year, and calculate interest and penalties as applicable
158.7 under this chapter; and

158.8 (viii) add the amount determined in item (vi) to the amount determined in item (vii),
158.9 and pay all applicable taxes, penalties, and interest to the commissioner.

158.10 (b) An audited partnership may not make an election under this subdivision to report:

158.11 (1) a federal adjustment, including a positive reallocation adjustment, that results in
158.12 unitary business income to a corporate partner required to file as a member of a combined
158.13 report under section 290.17, subdivision 4; or

158.14 (2) any final federal adjustments resulting from an administrative adjustment request.

158.15 Subd. 4. **Tiered partners and indirect partners.** (a) Each tiered partner and each
158.16 indirect partner of an audited partnership that reported final federal adjustments pursuant
158.17 to subdivision 2, paragraph (b), clause (1), or this subdivision, must:

158.18 (1) within 90 days of the report comply with the filing, reporting, and payment
158.19 requirements of subdivision 2, paragraph (b); or

158.20 (2) make the election under subdivision 3 as though it were the audited partnership.

158.21 (b) Each direct partner in a partnership making a report under paragraph (a) must, within
158.22 180 days of the report, comply with the filing, reporting, and payment requirements of
158.23 subdivision 2, paragraph (c).

158.24 (c) Notwithstanding the interim time requirements in this subdivision and subdivisions
158.25 2 and 3, all reports and payments required to be made by the tiered and indirect partners
158.26 under this section are required to be made within 90 days after the time for the filing and
158.27 furnishing of statements to tiered partners and their partners as established by the Internal
158.28 Revenue Service under section 6226 of the Internal Revenue Code.

158.29 Subd. 5. **Effects of election by partnership or tiered partner and payment of amount**
158.30 **due.** (a) Unless the commissioner determines otherwise, the election under subdivision 3
158.31 is irrevocable.

159.1 (b) If an audited partnership or tiered partner properly reports and pays an amount
159.2 determined in subdivision 3, the amount must be treated as paid in lieu of taxes owed by
159.3 the partnership's direct partners on the same final federal adjustments. The direct partners
159.4 and indirect partners of the partnership who are not resident partners may not take any
159.5 deduction or credit for this amount or claim a refund of the amount in this state.

159.6 (c) Nothing in this subdivision precludes resident partners from claiming a credit against
159.7 taxes paid under section 290.06, on any amounts paid by the audited partnership or tiered
159.8 partners on the resident partner's behalf to another state or local tax jurisdiction.

159.9 Subd. 6. **Failure of partnership or tiered partner to report or pay.** Nothing in this
159.10 section prevents the commissioner from assessing partners or indirect partners for taxes
159.11 they owe in the event that, for any reason, a partnership or tiered partner fails to timely
159.12 make any report or payment required by this section.

159.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
159.14 31, 2017, except that for partnerships that make an election under Code of Federal
159.15 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
159.16 to the same tax periods to which the election relates.

159.17 Sec. 8. **[289A.384] ASSESSMENT OF TAX, INTEREST, PENALTIES, AND**
159.18 **ADDITIONAL AMOUNTS.**

159.19 Subdivision 1. **Assessment of additional tax, interest, and penalties.** The commissioner
159.20 may assess additional tax, interest, and penalties following a final federal adjustment:

159.21 (1) arising from an audit by the Internal Revenue Service, including a partnership-level
159.22 audit;

159.23 (2) reported by the taxpayer on an amended federal tax return; or

159.24 (3) as part of an administrative adjustment request on or before the dates provided in
159.25 this section.

159.26 Subd. 2. **Timely and untimely reported federal adjustments.** If a taxpayer files a
159.27 federal adjustment report, within or after the periods prescribed in section 289A.382 or
159.28 289A.383, the commissioner may assess additional Minnesota amounts related to the federal
159.29 adjustments including in-lieu-of amounts, taxes, interest, and penalties at the later of:

159.30 (1) the expiration of the period of limitations in section 289A.38; or

159.31 (2) the expiration of the one-year period following the date of the filing with the
159.32 commissioner of the federal adjustments report.

160.1 Subd. 3. **Unreported reported federal adjustments.** If the taxpayer fails to file a federal
160.2 adjustments report, the commissioner may assess additional amounts related to the federal
160.3 adjustments including in-lieu-of amounts, taxes, penalties, and interest, at the later of:

160.4 (1) the expiration of the period of limitations in section 289A.38; or

160.5 (2) the expiration of the six-year period following the final determination date.

160.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
160.7 31, 2017, except that for partnerships that make an election under Code of Federal
160.8 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
160.9 to the same tax periods to which the election relates.

160.10 Sec. 9. **[289A.385] CLAIMS FOR REFUND OR CREDITS OF STATE TAX**
160.11 **ARISING FROM FINAL FEDERAL ADJUSTMENTS MADE BY THE INTERNAL**
160.12 **REVENUE SERVICE.**

160.13 Notwithstanding the general period of limitations on claims for refund in section 289A.40,
160.14 taxpayers subject to the reporting requirements of sections 289A.382 and 289A.383 may
160.15 file claims for refund related to federal adjustments made by the Internal Revenue Service
160.16 on or before the last day for the assessment of tax under section 289A.384.

160.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
160.18 31, 2017, except that for partnerships that make an election under Code of Federal
160.19 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
160.20 to the same tax periods to which the election relates.

160.21 Sec. 10. Minnesota Statutes 2016, section 289A.42, is amended to read:

160.22 **289A.42 CONSENT TO EXTEND STATUTE.**

160.23 Subdivision 1. **Extension agreement.** If before the expiration of time prescribed in
160.24 sections 289A.38 to 289A.384 and 289A.40 for the assessment of tax or the filing of a claim
160.25 for refund, both the commissioner and the taxpayer have consented in writing to the
160.26 assessment or filing of a claim for refund after that time, the tax may be assessed or the
160.27 claim for refund filed at any time before the expiration of the agreed-upon period. The
160.28 period may be extended by later agreements in writing before the expiration of the period
160.29 previously agreed upon. The taxpayer and the commissioner may also agree to extend the
160.30 period for collection of the tax.

160.31 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time for the
160.32 assessment of federal withholding or income taxes, the period in which the commissioner

161.1 may recompute the tax is also extended, notwithstanding any period of limitations to the
 161.2 contrary, as follows:

161.3 (1) for the periods provided in section ~~289A.38, subdivisions 8 and 9~~ 289A.384,
 161.4 subdivisions 2 and 3;

161.5 (2) for six months following the expiration of the extended federal period of limitations
 161.6 when no change is made by the federal authority. ~~If no change is made by the federal~~
 161.7 ~~authority, and, but for this subdivision, the commissioner's time period to adjust the tax has~~
 161.8 ~~expired, and if the commissioner has completed a field audit of the taxpayer, no additional~~
 161.9 ~~changes resulting in additional tax due or a refund may be made. For purposes of this~~
 161.10 ~~subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

161.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 161.12 31, 2017, except that for partnerships that make an election under Code of Federal
 161.13 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 161.14 to the same tax periods to which the election relates.

161.15 Sec. 11. Minnesota Statutes 2016, section 289A.60, subdivision 24, is amended to read:

161.16 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to report to
 161.17 the commissioner a change or correction of the person's federal return in the manner and
 161.18 time prescribed in ~~section 289A.38, subdivision 7~~ sections 289A.382 and 289A.383, there
 161.19 must be added to the tax an amount equal to ten percent of the amount of any underpayment
 161.20 of Minnesota tax attributable to the federal change.

161.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 161.22 31, 2017, except that for partnerships that make an election under Code of Federal
 161.23 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 161.24 to the same tax periods to which the election relates.

161.25 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.31, subdivision 1, is amended
 161.26 to read:

161.27 Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under
 161.28 ~~section~~ sections 289A.35, paragraph (b), and 289A.383, subdivision 3, a partnership as such
 161.29 shall not be subject to the income tax imposed by this chapter, but is subject to the tax
 161.30 imposed under section 290.0922. Persons carrying on business as partners shall be liable
 161.31 for income tax only in their separate or individual capacities.

162.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
162.2 31, 2017, except that for partnerships that make an election under Code of Federal
162.3 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
162.4 to the same tax periods to which the election relates.

162.5 Sec. 13. Minnesota Statutes 2016, section 297F.17, subdivision 6, is amended to read:

162.6 Subd. 6. **Time limit for bad debt refund.** Claims for refund must be filed with the
162.7 commissioner during the one-year period beginning with the timely filing of the taxpayer's
162.8 federal income tax return containing the bad debt deduction that is being claimed. Claimants
162.9 under this subdivision are subject to the notice requirements of ~~section 289A.38, subdivision~~
162.10 7 sections 289A.382 and 289A.383.

162.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
162.12 31, 2017, except that for partnerships that make an election under Code of Federal
162.13 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
162.14 to the same tax periods to which the election relates.

162.15 Sec. 14. Minnesota Statutes 2016, section 297G.16, subdivision 7, is amended to read:

162.16 Subd. 7. **Time limit for a bad debt deduction.** Claims for refund must be filed with
162.17 the commissioner within one year of the filing of the taxpayer's income tax return containing
162.18 the bad debt deduction that is being claimed. Claimants under this subdivision are subject
162.19 to the notice requirements of ~~section 289A.38, subdivision 7~~ sections 289A.38 to 289A.384.

162.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
162.21 31, 2017, except that for partnerships that make an election under Code of Federal
162.22 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
162.23 to the same tax periods to which the election relates.

162.24 Sec. 15. Minnesota Statutes 2016, section 469.319, subdivision 4, is amended to read:

162.25 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter
162.26 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an
162.27 amended return with the commissioner of revenue and pay any taxes required to be repaid
162.28 within 30 days after becoming subject to repayment under this section. The amount required
162.29 to be repaid is determined by calculating the tax for the period or periods for which repayment
162.30 is required without regard to the exemptions and credits allowed under section 469.315.

163.1 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any
163.2 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of
163.3 revenue, within 30 days after becoming subject to repayment under this section.

163.4 (c) For the repayment of property taxes, the county auditor shall prepare a tax statement
163.5 for the business, applying the applicable tax extension rates for each payable year and
163.6 provide a copy to the business and to the taxpayer of record. The business must pay the
163.7 taxes to the county treasurer within 30 days after receipt of the tax statement. The business
163.8 or the taxpayer of record may appeal the valuation and determination of the property tax to
163.9 the Tax Court within 30 days after receipt of the tax statement.

163.10 (d) The provisions of chapters 270C and 289A relating to the commissioner's authority
163.11 to audit, assess, and collect the tax and to hear appeals are applicable to the repayment
163.12 required under paragraphs (a) and (b). The commissioner may impose civil penalties as
163.13 provided in chapter 289A, and the additional tax and penalties are subject to interest at the
163.14 rate provided in section 270C.40. The additional tax shall bear interest from 30 days after
163.15 becoming subject to repayment under this section until the date the tax is paid. Any penalty
163.16 imposed pursuant to this section shall bear interest from the date provided in section 270C.40,
163.17 subdivision 3, to the date of payment of the penalty.

163.18 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the
163.19 amount required to be repaid to the property taxes assessed against the property for payment
163.20 in the year following the year in which the auditor provided the statement under paragraph
163.21 (c).

163.22 (f) For determining the tax required to be repaid, a reduction of a state or local sales or
163.23 use tax is deemed to have been received on the date that the good or service was purchased
163.24 or first put to a taxable use. In the case of an income tax or franchise tax, including the credit
163.25 payable under section 469.318, a reduction of tax is deemed to have been received for the
163.26 two most recent tax years that have ended prior to the date that the business became subject
163.27 to repayment under this section. In the case of a property tax, a reduction of tax is deemed
163.28 to have been received for the taxes payable in the year that the business became subject to
163.29 repayment under this section and for the taxes payable in the prior year.

163.30 (g) The commissioner may assess the repayment of taxes under paragraph (d) any time
163.31 within two years after the business becomes subject to repayment under subdivision 1, or
163.32 within any period of limitations for the assessment of tax under ~~section 289A.38~~ sections
163.33 289A.38 to 289A.384, whichever period is later. The county auditor may send the statement

164.1 under paragraph (c) any time within three years after the business becomes subject to
 164.2 repayment under subdivision 1.

164.3 (h) A business is not entitled to any income tax or franchise tax benefits, including
 164.4 refundable credits, for any part of the year in which the business becomes subject to
 164.5 repayment under this section nor for any year thereafter. Property is not exempt from tax
 164.6 under section 272.02, subdivision 64, for any taxes payable in the year following the year
 164.7 in which the property became subject to repayment under this section nor for any year
 164.8 thereafter. A business is not eligible for any sales tax benefits beginning with goods or
 164.9 services purchased or first put to a taxable use on the day that the business becomes subject
 164.10 to repayment under this section.

164.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 164.12 31, 2017, except that for partnerships that make an election under Code of Federal
 164.13 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 164.14 to the same tax periods to which the election relates.

164.15 Sec. 16. **REPEALER.**

164.16 Minnesota Statutes 2016, section 289A.38, subdivisions 7, 8, and 9, are repealed.

164.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
 164.18 31, 2017, except that for partnerships that make an election under Code of Federal
 164.19 Regulations, title 26, section 301.9100-22T, this section is effective retroactively and applies
 164.20 to the same tax periods to which the election relates.

164.21 **ARTICLE 11**

164.22 **DEPARTMENT OF REVENUE; INDIVIDUAL INCOME AND CORPORATE** 164.23 **FRANCHISE TAXES; TECHNICAL CHANGES**

164.24 Section 1. Minnesota Statutes 2017 Supplement, section 290.0137, is amended to read:

164.25 **290.0137 ACCELERATED RECOGNITION OF CERTAIN INSTALLMENT** 164.26 **SALE GAINS.**

164.27 (a) In the case of a nonresident individual or a person who becomes a nonresident
 164.28 individual during the tax year, taxable net income shall include the ~~allocable~~ amount realized
 164.29 upon a sale of the assets of, or any interest in, an S corporation or partnership that operated
 164.30 in Minnesota during the year of sale, including any income or gain to be recognized in future
 164.31 years pursuant to an installment sale method of reporting under the Internal Revenue Code.

165.1 (1) For the purposes of this paragraph, an individual who becomes a nonresident of
165.2 Minnesota in any year after an installment sale is required to recognize the full amount of
165.3 any income or gain described in this paragraph on the individual's final Minnesota resident
165.4 tax return to the extent that such income has not been recognized in a prior year.

165.5 (2) For the purposes of this section, "realized" has the meaning given in section 1001(b)
165.6 of the Internal Revenue Code.

165.7 (3) For the purposes of this section, "installment sale" means any installment sale under
165.8 section 453 of the Internal Revenue Code and any other sale that is reported utilizing a
165.9 method of accounting authorized under subchapter E of the Internal Revenue Code that
165.10 allows taxpayers to delay reporting or recognizing a realized gain until a future year.

165.11 ~~(4) For the purposes of this section, "allocable amount" means the full amount to be~~
165.12 ~~apportioned to Minnesota under section 290.191 or 290.20, or the full amount to be assigned~~
165.13 ~~to Minnesota under section 290.17.~~

165.14 (b) Notwithstanding paragraph (a), nonresident taxpayers may elect to defer recognizing
165.15 unrecognized installment sale gains by making an election under this paragraph. The election
165.16 must be filed on a form to be determined or prescribed by the commissioner and must be
165.17 filed by the due date of the individual income tax return, including any extension. Electing
165.18 taxpayers must make an irrevocable agreement to:

165.19 (1) file Minnesota tax returns in all subsequent years when gains from the installment
165.20 sales are recognized and reported to the Internal Revenue Service;

165.21 (2) allocate gains to the state of Minnesota as though the gains were realized in the year
165.22 of sale under section 290.17, 290.191, or 290.20; and

165.23 (3) include all relevant federal tax documents reporting the installment sale with
165.24 subsequent Minnesota tax returns.

165.25 (c) Income or gain recognized for Minnesota purposes pursuant to paragraph (a) must
165.26 be excluded from taxable net income in any future year that the taxpayer files a Minnesota
165.27 tax return to the extent that the income or gain has already been subject to tax pursuant to
165.28 paragraph (a).

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

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

165.31 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes
165.32 imposed by this chapter upon married individuals filing joint returns and surviving spouses

166.1 as defined in section 2(a) of the Internal Revenue Code must be computed by applying to
166.2 their taxable net income the following schedule of rates:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

167.7 (i) the additions required under ~~section~~ sections 290.0131, subdivisions 2 and 6 to 11,
167.8 and 290.0137, paragraph (a); and reduced by

167.9 (ii) the Minnesota assignable portion of the subtraction for United States government
167.10 interest under section 290.0132, subdivision 2, ~~and~~ the subtractions under ~~section~~ sections
167.11 290.0132, subdivisions 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c), after applying
167.12 the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

167.13 (2) the denominator is the individual's federal adjusted gross income as defined in section
167.14 62 of the Internal Revenue Code, increased by:

167.15 (i) the ~~amounts specified in section~~ additions required under sections 290.0131,
167.16 subdivisions 2 and 6 to 11, and 290.0137, paragraph (a); and reduced by

167.17 (ii) the ~~amounts specified in section~~ subtractions under sections 290.0132, subdivisions
167.18 2, 9, 10, 14, 15, 17, and 18, and 290.0137, paragraph (c).

167.19 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective for taxable years
167.20 beginning after December 31, 2017. The amendment to paragraph (e) is effective the day
167.21 following final enactment.

167.22 Sec. 3. Minnesota Statutes 2016, section 290.06, subdivision 2d, is amended to read:

167.23 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
167.24 December 31, 2013, the minimum and maximum dollar amounts for each rate bracket for
167.25 which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage
167.26 determined under paragraph (b). For the purpose of making the adjustment as provided in
167.27 this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets
167.28 as they existed for taxable years beginning after December 31, 2012, and before January 1,
167.29 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts
167.30 setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate
167.31 brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in
167.32 \$5, it must be rounded up to the nearest \$10 amount.

168.1 (b) The commissioner shall adjust the rate brackets and by the percentage determined
168.2 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section
168.3 1(f)(3)(B) the word "2012" shall be substituted for the word "1992." For 2014, the
168.4 commissioner shall then determine the percent change from the 12 months ending on August
168.5 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from
168.6 the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the
168.7 year preceding the taxable year. The commissioner shall determine the rate bracket for
168.8 married filing separate returns after this adjustment is done. The rate bracket for married
168.9 filing separate must be one-half of the rate bracket for married filing joint. The determination
168.10 of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall
168.11 not be subject to the Administrative Procedure Act contained in chapter 14.

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

168.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
168.15 31, 2017.

168.16 Sec. 4. Minnesota Statutes 2016, section 290.92, subdivision 28, is amended to read:

168.17 Subd. 28. **Payments to horse racing license holders.** Effective with payments made
168.18 after April 1, 1988, any holder of a license issued by the Minnesota Racing Commission
168.19 who makes a payment for personal or professional services to a holder of a class C license
168.20 issued by the commission, except an amount paid as a purse, shall deduct from the payment
168.21 and withhold 6.25 percent of the amount as Minnesota withholding tax when the amount
168.22 paid to that individual by the same person during the calendar year exceeds \$600. For
168.23 purposes of the provisions of this section, a payment to any person which is subject to
168.24 withholding under this subdivision must be treated as if the payment was a wage paid by
168.25 an employer to an employee. Every individual who is to receive a payment which is subject
168.26 to withholding under this subdivision shall furnish the license holder with a statement, made
168.27 under the penalties of perjury, containing the name, address, and Social Security account
168.28 number of the person receiving the payment. No withholding is required if the individual
168.29 presents a signed certificate from the individual's employer which states that the individual
168.30 is an employee of that employer. A nonresident individual who holds a class C license must
168.31 be treated as an athlete for purposes of applying the provisions of subdivision 4a and section
168.32 290.17, subdivision ~~2(1)(b)(ii)~~(a)(2)(ii).

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

169.1 Sec. 5. Minnesota Statutes 2017 Supplement, section 462D.03, subdivision 2, is amended
169.2 to read:

169.3 Subd. 2. **Designation of qualified beneficiary.** (a) The account holder must designate
169.4 a first-time home buyer as the qualified beneficiary of the account ~~by April 15 of the year~~
169.5 in a form and manner prescribed by the commissioner following the taxable year in which
169.6 the account was established. The account holder may be the qualified beneficiary. The
169.7 account holder may change the designated qualified beneficiary at any time, but no more
169.8 than one qualified beneficiary may be designated for an account at any one time. For purposes
169.9 of the one beneficiary restriction, a married couple qualifies as one beneficiary. Changing
169.10 the designated qualified beneficiary of an account does not affect computation of the ten-year
169.11 period under section 462D.06, subdivision 2.

169.12 (b) The commissioner shall establish a process for account holders to notify the state
169.13 that permits recording of the account, the account holder or holders, any transfers under
169.14 section 462D.04, subdivision 2, and the designated qualified beneficiary for each account.
169.15 This may be done upon filing the account holder's income tax return or in any other way
169.16 the commissioner determines to be appropriate.

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

169.18 ARTICLE 12

169.19 DEPARTMENT OF REVENUE; SALES AND USE TAXES; TECHNICAL CHANGES

169.20 Section 1. Minnesota Statutes 2016, section 297A.68, subdivision 17, is amended to read:

169.21 Subd. 17. **Ships used in interstate commerce; other vessels.** Repair, replacement, and
169.22 rebuilding parts and materials, and lubricants, for the following are exempt:

169.23 (1) ships or vessels used or to be used principally in interstate or foreign commerce ~~are~~
169.24 exempt; and

169.25 (2) vessels with a gross registered tonnage of at least 3,000 tons ~~are exempt.~~

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

169.27 Sec. 2. Minnesota Statutes 2016, section 297A.68, subdivision 44, is amended to read:

169.28 Subd. 44. **Greater Minnesota business expansions.** (a) Purchases and use of tangible
169.29 personal property or taxable services by a qualified business, ~~as defined in section 116J.8738,~~
169.30 are exempt if:

170.1 (1) the commissioner of employment and economic development certifies to the
170.2 commissioner of revenue, in a format approved by the commissioner of revenue, that the
170.3 qualified business meets the requirements under section 116J.8738;

170.4 (2) the business subsidy agreement provides that the exemption under this subdivision
170.5 applies;

170.6 ~~(2)~~ (3) the property or services are primarily used or consumed at the facility in greater
170.7 Minnesota identified in the business subsidy agreement; and

170.8 ~~(3)~~ (4) the purchase was made and delivery received during the duration of the
170.9 ~~certification of the business as a qualified business under section 116J.8738~~ business subsidy
170.10 agreement.

170.11 (b) Purchase and use of construction materials and supplies used or consumed in, and
170.12 equipment incorporated into, the construction of improvements to real property in greater
170.13 Minnesota are exempt if the improvements after completion of construction are to be used
170.14 in the conduct of the trade or business of the qualified business, ~~as defined in section~~
170.15 ~~116J.8738~~ and the commissioner of employment and economic development certifies to
170.16 the commissioner of revenue, in a format approved by the commissioner of revenue, that
170.17 the qualified business meets the requirements under section 116J.8738. This exemption
170.18 applies regardless of whether the purchases are made by the business or a contractor.

170.19 (c) The exemptions under this subdivision apply to a local sales and use tax.

170.20 (d) The tax on purchases imposed under this subdivision must be imposed and collected
170.21 as if the rate under section 297A.62 applied, and then refunded in the manner provided in
170.22 section 297A.75. The total amount refunded for a facility over the certification period is
170.23 limited to the amount listed in the business subsidy agreement. No more than \$7,000,000
170.24 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be
170.25 allocated on a first-come, first-served basis. If more than \$7,000,000 of eligible claims are
170.26 made in a fiscal year, claims by qualified businesses carry over to the next fiscal year, and
170.27 the commissioner of revenue must first allocate refunds to qualified businesses eligible for
170.28 a refund in the preceding fiscal year. Any portion of the balance of funds allocated for
170.29 refunds under this paragraph does not cancel and shall be carried forward to and available
170.30 for refunds in subsequent fiscal years. Notwithstanding section 297A.75, subdivision 4, for
170.31 an eligible refund claim that carries over to a subsequent fiscal year, the interest on the
170.32 amount carried over must be paid on the refund no sooner than from 90 days after July 1
170.33 of the fiscal year in which funds are available for the eligible claim.

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

171.1 Sec. 3. Minnesota Statutes 2016, section 297A.71, subdivision 45, is amended to read:

171.2 Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used
171.3 or consumed in, capital equipment incorporated into, and privately owned infrastructure in
171.4 support of the construction, improvement, or expansion of a biopharmaceutical manufacturing
171.5 facility in the state are exempt if the commissioner of employment and economic
171.6 development certifies to the commissioner of revenue that the following criteria are met:

171.7 (1) the facility is used for the manufacturing of biologics;

171.8 (2) the total capital investment made at the facility exceeds \$50,000,000; and

171.9 (3) the facility creates and maintains at least 190 full-time equivalent positions at the
171.10 facility. These positions must be new jobs in Minnesota and not the result of relocating jobs
171.11 that currently exist in Minnesota.

171.12 (b) The tax must be imposed and collected as if the rate under section 297A.62 applied,
171.13 and refunded in the manner provided in section 297A.75.

171.14 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility
171.15 must:

171.16 (1) initially apply to the ~~Department~~ commissioner of employment and economic
171.17 development for certification no later than one year from the final completion date of
171.18 construction, improvement, or expansion of the facility; and

171.19 (2) for each year that the owner of the biopharmaceutical manufacturing facility applies
171.20 for a refund, the ~~owner~~ commissioner must have received written certification from the
171.21 ~~Department~~ commissioner of employment and economic development that the facility has
171.22 met the criteria of paragraph (a).

171.23 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund
171.24 payable to date, with the commissioner making annual payments of the remaining refund
171.25 until all of the refund has been paid.

171.26 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are
171.27 interchangeable and mean medical drugs or medicinal preparations produced using
171.28 technology that uses biological systems, living organisms, or derivatives of living organisms
171.29 to make or modify products or processes for specific use. The medical drugs or medicinal
171.30 preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

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

172.1 Sec. 4. Minnesota Statutes 2016, section 297A.77, is amended by adding a subdivision to
172.2 read:

172.3 Subd. 5. **Records must be kept.** Every person liable for any tax imposed by this chapter,
172.4 or for the collection thereof, shall keep such records, render such statements, make such
172.5 returns, and comply with such rules, as the commissioner may from time to time prescribe.

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

172.7 **ARTICLE 13**

172.8 **DEPARTMENT OF REVENUE; TOBACCO TAXES; TECHNICAL CHANGES**

172.9 Section 1. Minnesota Statutes 2016, section 297F.01, subdivision 19, is amended to read:

172.10 Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing,
172.11 made, or derived from tobacco that is intended for human consumption, whether chewed,
172.12 smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or
172.13 any component, part, or accessory of a tobacco product, including, but not limited to, cigars;
172.14 cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking
172.15 tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing
172.16 tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds
172.17 and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco
172.18 products includes vapor products. Tobacco products excludes any tobacco product that has
172.19 been approved by the United States Food and Drug Administration for sale as a tobacco
172.20 cessation product, as a tobacco dependence product, or for other medical purposes, and is
172.21 being marketed and sold solely for such an approved purpose.

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

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

172.25 Sec. 2. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to
172.26 read:

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

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

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

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

173.11 Sec. 3. Minnesota Statutes 2016, section 297F.01, subdivision 23, is amended to read:

173.12 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price at which a
 173.13 distributor purchases a tobacco product. Wholesale sales price includes the applicable federal
 173.14 excise tax, freight charges, or packaging costs, regardless of whether they were included in
 173.15 the purchase price. Wholesale sales price of a vapor product does not include the cost of a
 173.16 product, device, component, part, or accessory described in subdivision 22b that is sold
 173.17 with a nicotine solution if the distributor sells the cartridge of nicotine solution separately
 173.18 and can isolate the cost of the product, device, component, part, or accessory.

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

173.20 **ARTICLE 14**

173.21 **DEPARTMENT OF REVENUE; PROPERTY TAXES; TECHNICAL CHANGES**

173.22 Section 1. Minnesota Statutes 2016, section 270C.85, subdivision 2, is amended to read:

173.23 Subd. 2. **Powers and duties.** The commissioner shall have and exercise the following
 173.24 powers and duties in administering the property tax laws:;

173.25 ~~(a)~~ (1) confer with, advise, and give the necessary instructions and directions to local
 173.26 assessors and local boards of review throughout the state as to their duties under the laws
 173.27 of the state;;

173.28 ~~(b)~~ (2) direct proceedings, actions, and prosecutions to be instituted to enforce the laws
 173.29 relating to the liability and punishment of public officers and officers and agents of
 173.30 corporations for failure or negligence to comply with the provisions of the property tax
 173.31 laws, and cause complaints to be made against local assessors, members of boards of

174.1 equalization, members of boards of review, or any other assessing or taxing officer, to the
 174.2 proper authority, for their removal from office for misconduct or negligence of duty;

174.3 ~~(e)~~ (3) require county attorneys to assist in the commencement of prosecutions in actions
 174.4 or proceedings for removal, forfeiture, and punishment, for violation of the property tax
 174.5 laws in their respective districts or counties;

174.6 ~~(d)~~ (4) require town, city, county, and other public officers to report and certify
 174.7 information, at the parcel level or in the aggregate, as to the assessment and taxation of real
 174.8 and personal property, and such other information as may be needful in the work of the
 174.9 commissioner, ~~in such form as the commissioner may prescribe.~~ The commissioner shall
 174.10 prescribe the content, format, manner, and time of filing of all required reports and
 174.11 certifications;

174.12 ~~(e)~~ (5) transmit to the governor, on or before the third Monday in December of each
 174.13 even-numbered year, and to each member of the legislature, on or before November 15 of
 174.14 each even-numbered year, the report of the department for the preceding years, showing all
 174.15 the taxable property subject to the property tax laws and the value of the same, in tabulated
 174.16 form;

174.17 ~~(f)~~ (6) inquire into the methods of assessment and taxation and ascertain whether the
 174.18 assessors faithfully discharge their duties; and

174.19 ~~(g)~~ (7) assist local assessors in determining the estimated market value of industrial
 174.20 special-use property. For purposes of this ~~paragraph~~ clause, "industrial special-use property"
 174.21 means property that:

174.22 ~~(1)~~ (i) is designed and equipped for a particular type of industry;

174.23 ~~(2)~~ (ii) is not easily adapted to some other use due to the unique nature of the facilities;

174.24 ~~(3)~~ (iii) has facilities totaling at least 75,000 square feet in size; and

174.25 ~~(4)~~ (iv) has a total estimated market value of \$10,000,000 or greater based on the
 174.26 assessor's preliminary determination.

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

174.28 Sec. 2. Minnesota Statutes 2017 Supplement, section 270C.89, subdivision 1, is amended
 174.29 to read:

174.30 Subdivision 1. **Initial report.** Each county assessor shall file ~~by April 1~~ with the
 174.31 commissioner a copy of ~~the abstract~~ preliminary assessment information that the
 174.32 commissioner may require under section 270C.85, subdivision 2, clause (4), that will be

175.1 acted upon by the local and county boards of review. ~~The abstract must list the real and~~
 175.2 ~~personal property in the county itemized by assessment districts.~~ The assessor of each county
 175.3 in the state shall file with the commissioner, within ten working days following final action
 175.4 of the local board of review or equalization and within five days following final action of
 175.5 the county board of equalization, any changes made by the local or county board. ~~The~~
 175.6 ~~information must be filed in the manner prescribed by the commissioner.~~

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

175.8 Sec. 3. Minnesota Statutes 2016, section 270C.89, subdivision 2, is amended to read:

175.9 Subd. 2. **Final report.** The final ~~abstract of assessments~~ assessment information after
 175.10 adjustments by the State Board of Equalization and inclusion of any omitted property shall
 175.11 be ~~submitted~~ reported to the commissioner ~~on or before September 1 of each calendar year~~
 175.12 under section 270C.85, subdivision 2, clause (4). ~~The final abstract must separately report~~
 175.13 ~~the captured tax capacity of tax increment financing districts under section 469.177,~~
 175.14 ~~subdivision 2, the areawide net tax capacity contribution values determined under sections~~
 175.15 ~~276A.05, subdivision 1, and 473F.07, subdivision 1, and the value subject to the power line~~
 175.16 ~~credit under section 273.42.~~

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

175.18 Sec. 4. Minnesota Statutes 2016, section 270C.91, is amended to read:

175.19 **270C.91 RECORD OF PROCEEDINGS CHANGING NET TAX CAPACITY;**
 175.20 **DUTIES OF COUNTY AUDITOR.**

175.21 A record of all proceedings of the commissioner affecting any change in the net tax
 175.22 capacity of any property, as revised by the State Board of Equalization, shall be kept by the
 175.23 commissioner and a copy thereof, duly certified, shall be mailed each year to the auditor of
 175.24 each county wherein such property is situated, on or before June 30 ~~or 30 days after~~
 175.25 ~~submission of the abstract required by section 270C.89, whichever is later.~~ This record shall
 175.26 specify the amounts or amount, or both, added to or deducted from the net tax capacity of
 175.27 the real property of each of the several towns and cities, and of the real property not in towns
 175.28 or cities, also the percent or amount of both, added to or deducted from the several classes
 175.29 of personal property in each of the towns and cities, and also the amount added to or deducted
 175.30 from the assessment of any person. The county auditor shall add to or deduct from such
 175.31 tract or lot, or portion thereof, of any real property in the county the required percent or
 175.32 amount, or both, on the net tax capacity thereof as it stood after equalized by the county
 175.33 board, adding in each case a fractional sum of 50 cents or more, and deducting in each case

176.1 any fractional sum of less than 50 cents, so that no net tax capacity of any separate tract or
176.2 lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of
176.3 personal property in the county the required percent or amount, or both, on the net tax
176.4 capacity thereof as it stood after equalized by the county board, adding or deducting in
176.5 manner aforesaid any fractional sum so that no net tax capacity of any separate class of
176.6 personal property shall contain a fraction of a dollar, and add to or deduct from assessment
176.7 of any person, as they stood after equalization by the county board, the required amounts
176.8 to agree with the assessments as returned by the commissioner.

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

176.10 Sec. 5. Minnesota Statutes 2016, section 273.061, subdivision 9, is amended to read:

176.11 Subd. 9. **Additional general duties.** Additional duties of the county assessor ~~shall be~~
176.12 are as follows:

176.13 (1) to make all assessments, based upon the appraised values reported by the local
176.14 assessors or assistants and the county assessor's own knowledge of the value of the property
176.15 assessed;

176.16 (2) to personally view and determine the value of any property ~~which~~ that because of
176.17 its type or character may be difficult for the local assessor to appraise;

176.18 (3) to make all changes ordered by the local boards of review, relative to the net tax
176.19 capacity of the property of any individual, firm or corporation after notice has been given
176.20 and hearings held as provided by law;

176.21 (4) to enter all assessments in the assessment books, furnished by the county auditor,
176.22 with each book and the tabular statements for each book in correct balance;

176.23 (5) to prepare all assessment cards, charts, maps and any other forms prescribed by the
176.24 commissioner of revenue;

176.25 (6) to attend the meeting of the county board of equalization; to investigate and report
176.26 on any assessment ordered by said board; to enter all changes made by said board in the
176.27 assessment books and prepare ~~the abstract of assessments for the commissioner of revenue~~
176.28 information reported to the commissioner under section 270C.85, subdivision 2, clause (4);
176.29 to enter all changes made by the State Board of Equalization in the assessment books; to
176.30 deduct all exemptions authorized by law from each assessment and certify to the county
176.31 auditor the taxable value of each parcel of land, as described and listed in the assessment
176.32 books by the county auditor, and the taxable value of the personal property of each person,
176.33 firm, or corporation assessed;

177.1 (7) to investigate and make recommendations relative to all applications for the abatement
177.2 of taxes or applications for the reduction of the net tax capacity of any property; and

177.3 (8) to perform all other duties relating to the assessment of property for the purpose of
177.4 taxation which may be required by the commissioner of revenue.

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

177.6 Sec. 6. Minnesota Statutes 2017 Supplement, section 273.0755, is amended to read:

177.7 **273.0755 TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.**

177.8 (a) Beginning with the four-year period starting on July 1, 2000, every person licensed
177.9 by the state Board of Assessors at the Accredited Minnesota Assessor level or higher, shall
177.10 successfully complete a weeklong Minnesota laws course sponsored by the Department of
177.11 Revenue at least once in every four-year period. An assessor need not attend the course if
177.12 they successfully pass the test for the course.

177.13 (b) The commissioner of revenue may require that each county, and each city for which
177.14 the city assessor performs the duties of county assessor, have ~~(i)~~ (1) a person on the assessor's
177.15 staff who is certified by the Department of Revenue in sales ratio calculations, ~~(ii)~~ (2) an
177.16 officer or employee who is certified by the Department of Revenue in tax calculations, and
177.17 ~~(iii)~~ (3) an officer or employee who is certified by the Department of Revenue in the proper
177.18 preparation of ~~abstracts of assessment. The commissioner of revenue may require that each~~
177.19 ~~county have an officer or employee who is certified by the Department of Revenue in the~~
177.20 ~~proper preparation of abstracts of tax lists~~ information reported to the commissioner under
177.21 section 270C.85, subdivision 2, clause (4). Certifications under this paragraph expire after
177.22 four years.

177.23 (c) Beginning with the four-year educational licensing period starting on July 1, 2004,
177.24 every Minnesota assessor licensed by the State Board of Assessors must attend and participate
177.25 in a seminar that focuses on ethics, professional conduct and the need for standardized
177.26 assessment practices developed and presented by the commissioner of revenue. This
177.27 requirement must be met at least once in every subsequent four-year period. This requirement
177.28 applies to all assessors licensed for one year or more in the four-year period.

177.29 (d) When the commissioner of revenue determines that an individual or board that
177.30 performs functions related to property tax administration has performed those functions in
177.31 a manner that is not uniform or equitable, the commissioner may require that the individual
177.32 or members of the board complete supplemental training. The commissioner may not require
177.33 that an individual complete more than 32 hours of supplemental training pursuant to this

178.1 paragraph. If the individual is required to complete supplemental training due to that
178.2 individual's membership on a local or county board of appeal and equalization, the
178.3 commissioner may not require that the individual complete more than two hours of
178.4 supplemental training.

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

178.6 Sec. 7. Minnesota Statutes 2016, section 273.113, subdivision 3, is amended to read:

178.7 Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the
178.8 commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with the~~
178.9 ~~commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of tax
178.10 lost to the county from the property tax credit under subdivision 2. Any prior year adjustments
178.11 must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue shall review
178.12 the certifications to determine their accuracy. The commissioner may make the changes in
178.13 the certification that are considered necessary or return a certification to the county auditor
178.14 for corrections. The commissioner shall reimburse each taxing district, other than school
178.15 districts, for the taxes lost. The payments must be made at the time provided in section
178.16 473H.10 for payment to taxing jurisdictions in the same proportion that the ad valorem tax
178.17 is distributed. Reimbursements to school districts must be made as provided in section
178.18 273.1392. The amount necessary to make the reimbursements under this section is annually
178.19 appropriated from the general fund to the commissioner of revenue.

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

178.21 Sec. 8. Minnesota Statutes 2016, section 273.119, subdivision 2, is amended to read:

178.22 Subd. 2. **Reimbursement for lost revenue.** The county may transfer money from the
178.23 county conservation account created in section 40A.152 to the county revenue fund to
178.24 reimburse the fund for the cost of the property tax credit. The county auditor shall certify
178.25 to the commissioner of revenue, ~~as part of the abstracts of tax lists required to be filed with~~
178.26 ~~the commissioner~~ under section ~~275.29~~ 270C.85, subdivision 2, clause (4), the amount of
178.27 tax lost to the county from the property tax credit under subdivision 1 and the extent that
178.28 the tax lost exceeds funds available in the county conservation account. Any prior year
178.29 adjustments must also be certified ~~in the abstracts of tax lists~~. The commissioner of revenue
178.30 shall review the certifications to determine their accuracy. The commissioner may make
178.31 the changes in the certification that are considered necessary or return a certification to the
178.32 county auditor for corrections. The commissioner shall reimburse each taxing district, other
178.33 than school districts, from the Minnesota conservation fund under section 40A.151 for the

179.1 taxes lost in excess of the county account. The payments must be made at the time provided
179.2 in section 473H.10, subdivision 3, for payment to taxing jurisdictions in the same proportion
179.3 that the ad valorem tax is distributed.

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

179.5 Sec. 9. Minnesota Statutes 2016, section 273.1231, subdivision 3, is amended to read:

179.6 Subd. 3. **Disaster or emergency area.** (a) "Disaster or emergency area" means a
179.7 geographic area for which:

179.8 (1)(i) the president of the United States, the secretary of agriculture, or the administrator
179.9 of the Small Business Administration has determined that a disaster exists pursuant to federal
179.10 law, or

179.11 (ii) a local emergency has been declared pursuant to section 12.29; and

179.12 (2) an application by the local unit of government requesting property tax relief under
179.13 this section has been received by the governor and approved by the executive council.

179.14 (b) The executive council must not approve an application unless:

179.15 (1) a completed disaster survey is included; and

179.16 (2) within the boundaries of the applicant, (i) the average damage for the buildings that
179.17 are damaged is at least \$5,000, and (ii) either at least 25 taxable buildings were damaged,
179.18 or the total dollar amount of damage to all taxable buildings equals or exceeds one percent
179.19 of the total taxable market value of buildings for the applicant as reported to the commissioner
179.20 of revenue under section ~~270C.89, subdivision 2~~ 270C.85, subdivision 2, clause (4), for the
179.21 assessment in the year prior to the year of the damage.

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

179.23 Sec. 10. Minnesota Statutes 2016, section 273.136, subdivision 2, is amended to read:

179.24 Subd. 2. **Reduction amounts submitted to county.** The commissioner of revenue shall
179.25 determine, not later than April 1 of each year, the amount of reduction resulting from section
179.26 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph
179.27 (b), basing determinations on a review of ~~abstracts of tax lists submitted by the county~~
179.28 ~~auditors pursuant to section 275.29~~ information reported to the commissioner under section
179.29 270C.85, subdivision 2, clause (4). The commissioner may make changes ~~in the abstracts~~
179.30 ~~of tax lists~~ as deemed necessary. The commissioner of revenue, after such review, shall
179.31 submit to the St. Louis County auditor, on or before April 15, the amount of the first half

180.1 payment payable hereunder and on or before September 15 the amount of the second half
180.2 payment.

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

180.4 Sec. 11. Minnesota Statutes 2016, section 273.1384, subdivision 3, is amended to read:

180.5 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions
180.6 allowed under subdivision 2 within the county for each taxes payable year and shall certify
180.7 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~
180.8 ~~by the county auditors under section 275.29~~ under section 270C.85, subdivision 2, clause
180.9 (4). Any prior year adjustments shall also be certified ~~on the abstracts of tax lists.~~ The
180.10 commissioner shall review the certifications for accuracy, and may make such changes as
180.11 are deemed necessary, or return the certification to the county auditor for correction. The
180.12 credit under this section must be used to proportionately reduce the net tax capacity-based
180.13 property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

180.15 Sec. 12. Minnesota Statutes 2017 Supplement, section 273.1387, subdivision 3, is amended
180.16 to read:

180.17 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions
180.18 allowed under this section within the county for each taxes payable year and shall certify
180.19 that amount to the commissioner of revenue ~~as a part of the abstracts of tax lists submitted~~
180.20 ~~under section 275.29~~ under section 270C.85, subdivision 2, clause (4). Any prior year
180.21 adjustments shall also be certified ~~on the abstracts of tax lists.~~ The commissioner shall
180.22 review the certifications for accuracy, and may make such changes as are deemed necessary,
180.23 or return the certification to the county auditor for correction. The credit under this section
180.24 must be used to reduce the school district net tax capacity-based property tax as provided
180.25 in section 273.1393.

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

180.27 Sec. 13. Minnesota Statutes 2016, section 273.18, is amended to read:

180.28 **273.18 LISTING, VALUATION, AND ASSESSMENT OF EXEMPT PROPERTY**
180.29 **BY COUNTY AUDITORS.**

180.30 (a) In every sixth year after the year 2010, the county auditor shall enter the description
180.31 of each tract of real property exempt by law from taxation, with the name of the owner, and

181.1 the assessor shall value and assess the same in the same manner that other real property is
181.2 valued and assessed, and shall designate in each case the purpose for which the property is
181.3 used.

181.4 (b) ~~For purposes of the apportionment of fire state aid under section 69.021, subdivision~~
181.5 ~~7, The county auditor shall include on the abstract of assessment of exempt real property~~
181.6 ~~filed under this section in the exempt property information that the commissioner may~~
181.7 require under section 270C.85, subdivision 2, clause (4), the total number of acres of all
181.8 natural resources lands for which in lieu payments are made under sections 477A.11 to
181.9 477A.14. The assessor shall estimate its market value, provided that if the assessor is not
181.10 able to estimate the market value of the land on a per parcel basis, the assessor shall furnish
181.11 the commissioner of revenue with an estimate of the average value per acre of this land
181.12 within the county.

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

181.14 Sec. 14. Minnesota Statutes 2016, section 274.14, is amended to read:

181.15 **274.14 LENGTH OF SESSION; RECORD.**

181.16 The board must meet after the second Friday in June on at least one meeting day and
181.17 may meet for up to ten consecutive meeting days. The actual meeting dates must be contained
181.18 on the valuation notices mailed to each property owner in the county as provided in section
181.19 273.121. For this purpose, "meeting days" is defined as any day of the week excluding
181.20 Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken
181.21 by the county board of review after June 30 is valid, except for corrections permitted in
181.22 sections 273.01 and 274.01. The county auditor shall keep an accurate record of the
181.23 proceedings and orders of the board. The record must be published like other proceedings
181.24 of county commissioners. A copy of the published record must be sent to the commissioner
181.25 of revenue, ~~with the abstract of assessment required by section 274.16~~ within five days
181.26 following final action of the county board of equalization.

181.27 For counties that conduct either regular board of review meetings or open book meetings,
181.28 at least one of the meeting days must include a meeting that does not end before 7:00 p.m.
181.29 For counties that require taxpayer appointments for the board of review, appointments must
181.30 include some available times that extend until at least 7:00 p.m. The county may have a
181.31 Saturday meeting in lieu of, or in addition to, the extended meeting times under this
181.32 paragraph.

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

182.1 Sec. 15. Minnesota Statutes 2016, section 274.16, is amended to read:

182.2 **274.16 CORRECTED LISTS, ~~ABSTRACTS~~.**

182.3 The county assessor or, in Ramsey County, the official designated by the board of county
182.4 commissioners shall calculate the changes of the assessment lists determined by the county
182.5 board of equalization, and make corrections accordingly, in the real or personal lists, or
182.6 both, and shall make ~~duplicate abstracts~~ duplicates of them. One must be filed in the assessor's
182.7 office, and one must be forwarded to the commissioner of revenue as provided in section
182.8 270C.89.

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

182.10 Sec. 16. Minnesota Statutes 2017 Supplement, section 275.025, subdivision 1, is amended
182.11 to read:

182.12 Subdivision 1. **Levy amount.** The state general levy is levied against
182.13 commercial-industrial property and seasonal residential recreational property, as defined
182.14 in this section. The state general levy for commercial-industrial property is \$784,590,000
182.15 for taxes payable in 2018 and thereafter. The state general levy for seasonal-recreational
182.16 property is \$44,190,000 for taxes payable in 2018 and thereafter. The tax under this section
182.17 is not treated as a local tax rate under section 469.177 and is not the levy of a governmental
182.18 unit under chapters 276A and 473F.

182.19 The commissioner shall increase or decrease the preliminary or final rate for a year as
182.20 necessary to account for errors and tax base changes that affected a preliminary or final rate
182.21 for either of the two preceding years. Adjustments are allowed to the extent that the necessary
182.22 information is available to the commissioner at the time the rates for a year must be certified,
182.23 and for the following reasons:

182.24 (1) an erroneous report of taxable value by a local official;

182.25 (2) an erroneous calculation by the commissioner; and

182.26 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
182.27 residential recreational property reported ~~on the abstracts of tax lists submitted under section~~
182.28 ~~275.29 that was not reported on the abstracts of assessment submitted under section 270C.89~~
182.29 to the commissioner under section 270C.85, subdivision 2, clause (4), for the same year.

182.30 The commissioner may, but need not, make adjustments if the total difference in the tax
182.31 levied for the year would be less than \$100,000.

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

183.1 Sec. 17. Minnesota Statutes 2016, section 290B.09, subdivision 1, is amended to read:

183.2 Subdivision 1. **Determination; payment.** The county auditor shall determine the total
183.3 current year's deferred amount of property tax under this chapter in the county, and ~~submit~~
183.4 report those amounts ~~as part of the abstracts of tax lists submitted by the county auditors~~
183.5 under section 275.29 to the commissioner under section 270C.85, subdivision 2, clause (4).
183.6 The commissioner may make changes ~~in the abstracts of tax lists~~ as deemed necessary. The
183.7 commissioner of revenue, after such review, shall pay the deferred amount of property tax
183.8 to each county treasurer on or before August 31.

183.9 The county treasurer shall distribute as part of the October settlement the funds received
183.10 as if they had been collected as a part of the property tax.

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

183.12 Sec. 18. Minnesota Statutes 2016, section 469.177, subdivision 1, is amended to read:

183.13 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment
183.14 financing plan, the auditor of any county in which the district is situated shall, upon request
183.15 of the authority, certify the original net tax capacity of the tax increment financing district
183.16 and that portion of the district overlying any subdistrict as described in the tax increment
183.17 financing plan and shall certify in each year thereafter the amount by which the original net
183.18 tax capacity has increased or decreased as a result of a change in tax exempt status of
183.19 property within the district and any subdistrict, reduction or enlargement of the district or
183.20 changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after
183.21 receipt of the request and sufficient information to identify the parcels included in the district.
183.22 The certification relates to the taxes payable year as provided in subdivision 6.

183.23 (b) If the classification under section 273.13 of property located in a district changes to
183.24 a classification that has a different assessment ratio, the original net tax capacity of that
183.25 property must be redetermined at the time when its use is changed as if the property had
183.26 originally been classified in the same class in which it is classified after its use is changed.

183.27 (c) The amount to be added to the original net tax capacity of the district as a result of
183.28 previously tax exempt real property within the district becoming taxable equals the net tax
183.29 capacity of the real property as most recently assessed pursuant to ~~section 273.18~~ information
183.30 reported to the commissioner under section 270C.85, subdivision 2, clause (4), or, if that
183.31 assessment was made more than one year prior to the date of title transfer rendering the
183.32 property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If
183.33 improvements are made to tax exempt property after the municipality approves the district

184.1 and before the parcel becomes taxable, the assessor shall, at the request of the authority,
184.2 separately assess the estimated market value of the improvements. If the property becomes
184.3 taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the
184.4 parcel, excluding the separately assessed improvements. If substantial taxable improvements
184.5 were made to a parcel after certification of the district and if the property later becomes tax
184.6 exempt, in whole or part, as a result of the authority acquiring the property through
184.7 foreclosure or exercise of remedies under a lease or other revenue agreement or as a result
184.8 of tax forfeiture, the amount to be added to the original net tax capacity of the district as a
184.9 result of the property again becoming taxable is the amount of the parcel's value that was
184.10 included in original net tax capacity when the parcel was first certified. The amount to be
184.11 added to the original net tax capacity of the district as a result of enlargements equals the
184.12 net tax capacity of the added real property as most recently certified by the commissioner
184.13 of revenue as of the date of modification of the tax increment financing plan pursuant to
184.14 section 469.175, subdivision 4.

184.15 (d) If the net tax capacity of a property increases because the property no longer qualifies
184.16 under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open
184.17 Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act,
184.18 chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because
184.19 platted, unimproved property is improved or market value is increased after approval of the
184.20 plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be
184.21 added to the original net tax capacity. If the net tax capacity of a property increases because
184.22 the property no longer qualifies for the homestead market value exclusion under section
184.23 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax
184.24 capacity if the original construction of the affected home was completed before the date the
184.25 assessor certified the original net tax capacity of the district.

184.26 (e) The amount to be subtracted from the original net tax capacity of the district as a
184.27 result of previously taxable real property within the district becoming tax exempt or
184.28 qualifying in whole or part for an exclusion from taxable market value, or a reduction in
184.29 the geographic area of the district, shall be the amount of original net tax capacity initially
184.30 attributed to the property becoming tax exempt, being excluded from taxable market value,
184.31 or being removed from the district. If the net tax capacity of property located within the tax
184.32 increment financing district is reduced by reason of a court-ordered abatement, stipulation
184.33 agreement, voluntary abatement made by the assessor or auditor or by order of the
184.34 commissioner of revenue, the reduction shall be applied to the original net tax capacity of
184.35 the district when the property upon which the abatement is made has not been improved

185.1 since the date of certification of the district and to the captured net tax capacity of the district
185.2 in each year thereafter when the abatement relates to improvements made after the date of
185.3 certification. The county auditor may specify reasonable form and content of the request
185.4 for certification of the authority and any modification thereof pursuant to section 469.175,
185.5 subdivision 4.

185.6 (f) If a parcel of property contained a substandard building or improvements described
185.7 in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if
185.8 the authority elects to treat the parcel as occupied by a substandard building under section
185.9 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174,
185.10 subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the
185.11 parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated
185.12 market value of the parcel for the year in which the building or other improvements were
185.13 demolished or removed, but applying the classification rates for the current year.

185.14 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,
185.15 paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of
185.16 the land as the original tax capacity for any parcel in the district that contains a building
185.17 that suffered substantial damage as a result of the disaster or emergency.

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

185.19 Sec. 19. **REPEALER.**

185.20 Minnesota Statutes 2016, section 275.29, is repealed.

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

185.22 **ARTICLE 15**

185.23 **DEPARTMENT OF REVENUE; MISCELLANEOUS; TECHNICAL CHANGES**

185.24 Section 1. Minnesota Statutes 2016, section 272.02, subdivision 27, is amended to read:

185.25 Subd. 27. **Superior National Forest; recreational property for use by ~~disabled~~**
185.26 **veterans with a disability.** Real and personal property is exempt if it is located in the
185.27 Superior National Forest, and owned or leased and operated by a nonprofit organization
185.28 that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue
185.29 Code and primarily used to provide recreational opportunities for ~~disabled~~ veterans with a
185.30 disability and their families.

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

186.1 Sec. 2. Minnesota Statutes 2016, section 272.02, subdivision 81, is amended to read:

186.2 Subd. 81. **Certain recreational property for ~~disabled~~ veterans with a disability.** Real
186.3 and personal property is exempt if it is located in a county in the metropolitan area with a
186.4 population of less than 500,000 according to the 2000 federal census, and owned or leased
186.5 and operated by a nonprofit organization, and primarily used to provide recreational
186.6 opportunities for ~~disabled~~ veterans with a disability and their families.

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

186.8 Sec. 3. Minnesota Statutes 2016, section 273.032, is amended to read:

186.9 **273.032 MARKET VALUE DEFINITION.**

186.10 (a) Unless otherwise provided, for the purpose of determining any property tax levy
186.11 limitation based on market value or any limit on net debt, the issuance of bonds, certificates
186.12 of indebtedness, or capital notes based on market value, any qualification to receive state
186.13 aid based on market value, or any state aid amount based on market value, the terms "market
186.14 value," "estimated market value," and "market valuation," whether equalized or unequalized,
186.15 mean the estimated market value of taxable property within the local unit of government
186.16 before any of the following or similar adjustments for:

186.17 (1) the market value exclusions under:

186.18 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

186.19 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

186.20 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

186.21 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);

186.22 (v) section 273.13, subdivision 34 (homestead of a ~~disabled~~ veteran with a disability or
186.23 family caregiver); or

186.24 (vi) section 273.13, subdivision 35 (homestead market value exclusion); or

186.25 (2) the deferment of value under:

186.26 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

186.27 (ii) the Aggregate Resource Preservation Law, section 273.1115;

186.28 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

186.29 (iv) the rural preserves property tax program, section 273.114; or

186.30 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

187.1 (3) the adjustments to tax capacity for:

187.2 (i) tax increment financing under sections 469.174 to 469.1794;

187.3 (ii) fiscal disparities under chapter 276A or 473F; or

187.4 (iii) powerline credit under section 273.425.

187.5 (b) Estimated market value under paragraph (a) also includes the market value of
187.6 tax-exempt property if the applicable law specifically provides that the limitation,
187.7 qualification, or aid calculation includes tax-exempt property.

187.8 (c) Unless otherwise provided, "market value," "estimated market value," and "market
187.9 valuation" for purposes of property tax levy limitations and calculation of state aid, refer
187.10 to the estimated market value for the previous assessment year and for purposes of limits
187.11 on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the
187.12 estimated market value as last finally equalized.

187.13 (d) For purposes of a provision of a home rule charter or of any special law that is not
187.14 codified in the statutes and that imposes a levy limitation based on market value or any limit
187.15 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market
187.16 value, the terms "market value," "taxable market value," and "market valuation," whether
187.17 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

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

187.19 Sec. 4. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 22, is amended
187.20 to read:

187.21 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and
187.22 (c), real estate which is residential and used for homestead purposes is class 1a. In the case
187.23 of a duplex or triplex in which one of the units is used for homestead purposes, the entire
187.24 property is deemed to be used for homestead purposes. The market value of class 1a property
187.25 must be determined based upon the value of the house, garage, and land.

187.26 The first \$500,000 of market value of class 1a property has a net classification rate of
187.27 one percent of its market value; and the market value of class 1a property that exceeds
187.28 \$500,000 has a classification rate of 1.25 percent of its market value.

187.29 (b) Class 1b property includes homestead real estate or homestead manufactured homes
187.30 used for the purposes of a homestead by:

187.31 (1) any person who is blind as defined in section 256D.35, or the ~~blind~~ person who is
187.32 blind and the ~~blind person's~~ spouse of the person who is blind;

188.1 (2) any person who is permanently and totally disabled or by the ~~disabled~~ person with
188.2 a disability and the ~~disabled person's~~ spouse of the person with a disability; or

188.3 (3) the surviving spouse of a veteran who was permanently and totally disabled ~~veteran~~
188.4 homesteading a property classified under this paragraph for taxes payable in 2008.

188.5 Property is classified and assessed under clause (2) only if the government agency or
188.6 income-providing source certifies, upon the request of the homestead occupant, that the
188.7 homestead occupant satisfies the disability requirements of this paragraph, and that the
188.8 property is not eligible for the valuation exclusion under subdivision 34.

188.9 Property is classified and assessed under paragraph (b) only if the commissioner of
188.10 revenue or the county assessor certifies that the homestead occupant satisfies the requirements
188.11 of this paragraph.

188.12 Permanently and totally disabled for the purpose of this subdivision means a condition
188.13 which is permanent in nature and totally incapacitates the person from working at an
188.14 occupation which brings the person an income. The first \$50,000 market value of class 1b
188.15 property has a net classification rate of .45 percent of its market value. The remaining market
188.16 value of class 1b property is classified as class 1a or class 2a property, whichever is
188.17 appropriate.

188.18 (c) Class 1c property is commercial use real and personal property that abuts public
188.19 water as defined in section 103G.005, subdivision 15, or abuts a state trail administered by
188.20 the Department of Natural Resources, and is devoted to temporary and seasonal residential
188.21 occupancy for recreational purposes but not devoted to commercial purposes for more than
188.22 250 days in the year preceding the year of assessment, and that includes a portion used as
188.23 a homestead by the owner, which includes a dwelling occupied as a homestead by a
188.24 shareholder of a corporation that owns the resort, a partner in a partnership that owns the
188.25 resort, or a member of a limited liability company that owns the resort even if the title to
188.26 the homestead is held by the corporation, partnership, or limited liability company. For
188.27 purposes of this paragraph, property is devoted to a commercial purpose on a specific day
188.28 if any portion of the property, excluding the portion used exclusively as a homestead, is
188.29 used for residential occupancy and a fee is charged for residential occupancy. Class 1c
188.30 property must contain three or more rental units. A "rental unit" is defined as a cabin,
188.31 condominium, townhouse, sleeping room, or individual camping site equipped with water
188.32 and electrical hookups for recreational vehicles. Class 1c property must provide recreational
188.33 activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill
188.34 or cross-country ski equipment; provide marina services, launch services, or guide services;

189.1 or sell bait and fishing tackle. Any unit in which the right to use the property is transferred
189.2 to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies
189.3 for class 1c even though it may remain available for rent. A camping pad offered for rent
189.4 by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of
189.5 the rental agreement, as long as the use of the camping pad does not exceed 250 days. If
189.6 the same owner owns two separate parcels that are located in the same township, and one
189.7 of those properties is classified as a class 1c property and the other would be eligible to be
189.8 classified as a class 1c property if it was used as the homestead of the owner, both properties
189.9 will be assessed as a single class 1c property; for purposes of this sentence, properties are
189.10 deemed to be owned by the same owner if each of them is owned by a limited liability
189.11 company, and both limited liability companies have the same membership. The portion of
189.12 the property used as a homestead is class 1a property under paragraph (a). The remainder
189.13 of the property is classified as follows: the first \$600,000 of market value is tier I, the next
189.14 \$1,700,000 of market value is tier II, and any remaining market value is tier III. The
189.15 classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25
189.16 percent. Owners of real and personal property devoted to temporary and seasonal residential
189.17 occupancy for recreation purposes in which all or a portion of the property was devoted to
189.18 commercial purposes for not more than 250 days in the year preceding the year of assessment
189.19 desiring classification as class 1c, must submit a declaration to the assessor designating the
189.20 cabins or units occupied for 250 days or less in the year preceding the year of assessment
189.21 by January 15 of the assessment year. Those cabins or units and a proportionate share of
189.22 the land on which they are located must be designated as class 1c as otherwise provided.
189.23 The remainder of the cabins or units and a proportionate share of the land on which they
189.24 are located must be designated as class 3a commercial. The owner of property desiring
189.25 designation as class 1c property must provide guest registers or other records demonstrating
189.26 that the units for which class 1c designation is sought were not occupied for more than 250
189.27 days in the year preceding the assessment if so requested. The portion of a property operated
189.28 as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5)
189.29 other nonresidential facility operated on a commercial basis not directly related to temporary
189.30 and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

189.31 (d) Class 1d property includes structures that meet all of the following criteria:

189.32 (1) the structure is located on property that is classified as agricultural property under
189.33 section 273.13, subdivision 23;

189.34 (2) the structure is occupied exclusively by seasonal farm workers during the time when
189.35 they work on that farm, and the occupants are not charged rent for the privilege of occupying

190.1 the property, provided that use of the structure for storage of farm equipment and produce
190.2 does not disqualify the property from classification under this paragraph;

190.3 (3) the structure meets all applicable health and safety requirements for the appropriate
190.4 season; and

190.5 (4) the structure is not salable as residential property because it does not comply with
190.6 local ordinances relating to location in relation to streets or roads.

190.7 The market value of class 1d property has the same classification rates as class 1a property
190.8 under paragraph (a).

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

190.10 Sec. 5. Minnesota Statutes 2017 Supplement, section 273.13, subdivision 34, is amended
190.11 to read:

190.12 Subd. 34. **Homestead of ~~disabled~~ veteran with a disability or family caregiver.** (a)

190.13 All or a portion of the market value of property owned by a veteran and serving as the
190.14 veteran's homestead under this section is excluded in determining the property's taxable
190.15 market value if the veteran has a service-connected disability of 70 percent or more as
190.16 certified by the United States Department of Veterans Affairs. To qualify for exclusion
190.17 under this subdivision, the veteran must have been honorably discharged from the United
190.18 States armed forces, as indicated by United States Government Form DD214 or other official
190.19 military discharge papers.

190.20 (b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded,
190.21 except as provided in clause (2); and

190.22 (2) for a total (100 percent) and permanent disability, \$300,000 of market value is
190.23 excluded.

190.24 (c) If a ~~disabled~~ veteran with a disability qualifying for a valuation exclusion under
190.25 paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the
190.26 veteran the spouse holds the legal or beneficial title to the homestead and permanently
190.27 resides there, the exclusion shall carry over to the benefit of the veteran's spouse for the
190.28 current taxes payable year and for eight additional taxes payable years or until such time
190.29 as the spouse remarries, or sells, transfers, or otherwise disposes of the property, whichever
190.30 comes first. Qualification under this paragraph requires an application under paragraph (h),
190.31 and a spouse must notify the assessor if there is a change in the spouse's marital status,
190.32 ownership of the property, or use of the property as a permanent residence.

191.1 (d) If the spouse of a member of any branch or unit of the United States armed forces
191.2 who dies due to a service-connected cause while serving honorably in active service, as
191.3 indicated on United States Government Form DD1300 or DD2064, holds the legal or
191.4 beneficial title to a homestead and permanently resides there, the spouse is entitled to the
191.5 benefit described in paragraph (b), clause (2), for eight taxes payable years, or until such
191.6 time as the spouse remarries or sells, transfers, or otherwise disposes of the property,
191.7 whichever comes first.

191.8 (e) If a veteran meets the disability criteria of paragraph (a) but does not own property
191.9 classified as homestead in the state of Minnesota, then the homestead of the veteran's primary
191.10 family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify
191.11 for under paragraph (b).

191.12 (f) In the case of an agricultural homestead, only the portion of the property consisting
191.13 of the house and garage and immediately surrounding one acre of land qualifies for the
191.14 valuation exclusion under this subdivision.

191.15 (g) A property qualifying for a valuation exclusion under this subdivision is not eligible
191.16 for the market value exclusion under subdivision 35, or classification under subdivision 22,
191.17 paragraph (b).

191.18 (h) To qualify for a valuation exclusion under this subdivision a property owner must
191.19 apply to the assessor by July 1 of the first assessment year for which the exclusion is sought.
191.20 For an application received after July 1, the exclusion shall become effective for the following
191.21 assessment year. Except as provided in paragraph (c), the owner of a property that has been
191.22 accepted for a valuation exclusion must notify the assessor if there is a change in ownership
191.23 of the property or in the use of the property as a homestead.

191.24 (i) A first-time application by a qualifying spouse for the market value exclusion under
191.25 paragraph (d) must be made any time within two years of the death of the service member.

191.26 (j) For purposes of this subdivision:

191.27 (1) "active service" has the meaning given in section 190.05;

191.28 (2) "own" means that the person's name is present as an owner on the property deed;

191.29 (3) "primary family caregiver" means a person who is approved by the secretary of the
191.30 United States Department of Veterans Affairs for assistance as the primary provider of
191.31 personal care services for an eligible veteran under the Program of Comprehensive Assistance
191.32 for Family Caregivers, codified as United States Code, title 38, section 1720G; and

191.33 (4) "veteran" has the meaning given the term in section 197.447.

192.1 (k) If a veteran dying after December 31, 2011, did not apply for or receive the exclusion
192.2 under paragraph (b), clause (2), before dying, the veteran's spouse is entitled to the benefit
192.3 under paragraph (b), clause (2), for eight taxes payable years or until the spouse remarries
192.4 or sells, transfers, or otherwise disposes of the property if:

192.5 (1) the spouse files a first-time application within two years of the death of the service
192.6 member or by June 1, 2019, whichever is later;

192.7 (2) upon the death of the veteran, the spouse holds the legal or beneficial title to the
192.8 homestead and permanently resides there;

192.9 (3) the veteran met the honorable discharge requirements of paragraph (a); and

192.10 (4) the United States Department of Veterans Affairs certifies that:

192.11 (i) the veteran met the total (100 percent) and permanent disability requirement under
192.12 paragraph (b), clause (2); or

192.13 (ii) the spouse has been awarded dependency and indemnity compensation.

192.14 (l) The purpose of this provision of law providing a level of homestead property tax
192.15 relief for ~~gravely disabled~~ veterans with a disability, their primary family caregivers, and
192.16 their surviving spouses is to help ease the burdens of war for those among our state's citizens
192.17 who bear those burdens most heavily.

192.18 (m) By July 1, the county veterans service officer must certify the disability rating and
192.19 permanent address of each veteran receiving the benefit under paragraph (b) to the assessor.

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

192.21 Sec. 6. Minnesota Statutes 2016, section 289A.08, subdivision 6, is amended to read:

192.22 Subd. 6. **Returns of married persons.** ~~A husband and wife~~ Individuals who are married
192.23 to each other must file a joint Minnesota income tax return if they filed a joint federal income
192.24 tax return. If the ~~husband and wife~~ spouses have elected to file separate federal income tax
192.25 returns, they must file separate Minnesota income tax returns. This election to file a joint
192.26 or separate return must be changed if they change their election for federal purposes. In the
192.27 event taxpayers desire to change their election, the change must be done in the manner and
192.28 on the form prescribed by the commissioner.

192.29 The determination of whether an individual is married shall be made under the provisions
192.30 of section 7703 of the Internal Revenue Code.

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

193.1 Sec. 7. Minnesota Statutes 2016, section 289A.25, subdivision 1, is amended to read:

193.2 Subdivision 1. **Requirements to pay.** An individual, trust, S corporation, or partnership
193.3 must, when prescribed in subdivision 3, paragraph (b), make payments of estimated tax.
193.4 For individuals, the term "estimated tax" means the amount the taxpayer estimates is the
193.5 sum of the taxes imposed by chapter 290 for the taxable year. For trusts, S corporations,
193.6 and partnerships, the term estimated tax means the amount the taxpayer estimates is the
193.7 sum of the taxes for the taxable year imposed by chapter 290 and the composite income tax
193.8 imposed by section 289A.08, subdivision 7. If the individual is an infant or incompetent
193.9 person, the payments must be made by the individual's guardian. If joint payments on
193.10 estimated tax are made but a joint return is not made for the taxable year, the estimated tax
193.11 for that year may be treated as the estimated tax of either ~~the husband or the wife~~ spouse or
193.12 may be divided between them.

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

193.14 Sec. 8. Minnesota Statutes 2016, section 289A.31, subdivision 2, is amended to read:

193.15 Subd. 2. **Joint income tax returns.** (a) If a joint income tax return is made by ~~a husband~~
193.16 ~~and wife~~ spouses, the liability for the tax is joint and several. A spouse who qualifies for
193.17 relief from a liability attributable to an underpayment under section 6015(b) of the Internal
193.18 Revenue Code is relieved of the state income tax liability on the underpayment.

193.19 (b) In the case of individuals who were ~~a husband and wife~~ married as determined in
193.20 section 7703 of the Internal Revenue Code prior to the dissolution of their marriage or their
193.21 legal separation, or prior to the death of one of the individuals, for tax liabilities reported
193.22 on a joint or combined return, the liability of each person is limited to the proportion of the
193.23 tax due on the return that equals that person's proportion of the total tax due if ~~the husband~~
193.24 ~~and wife~~ each spouse filed separate returns for the taxable year. This provision is effective
193.25 only when the commissioner receives written notice of the marriage dissolution, legal
193.26 separation, or death of a spouse from the ~~husband or wife~~ surviving spouse. No refund may
193.27 be claimed by an ex-spouse, legally separated or widowed spouse for any taxes paid more
193.28 than 60 days before receipt by the commissioner of the written notice.

193.29 (c) A request for calculation of separate liability pursuant to paragraph (b) for taxes
193.30 reported on a return must be made within six years after the due date of the return. For
193.31 calculation of separate liability for taxes assessed by the commissioner under section 289A.35
193.32 or 289A.37, the request must be made within six years after the date of assessment. The
193.33 commissioner is not required to calculate separate liability if the remaining unpaid liability
193.34 for which recalculation is requested is \$100 or less.

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

194.2 Sec. 9. Minnesota Statutes 2016, section 289A.37, subdivision 6, is amended to read:

194.3 Subd. 6. **Order of assessment if joint income tax return.** If a joint income tax return
194.4 is filed by a ~~husband and wife~~ spouses, an order of assessment may be a single joint notice.
194.5 If the commissioner has been notified by either spouse that that spouse's address has changed
194.6 and if that spouse requests it, then, instead of the single joint notice mailed to the last known
194.7 address of the ~~husband and wife~~ spouses, a duplicate or original of the joint notice must be
194.8 sent to the requesting spouse at the address designated by the requesting spouse. The other
194.9 joint notice must be mailed to the other spouse at that spouse's last known address. An
194.10 assessment is not invalid for failure to send it to a spouse if the spouse actually receives the
194.11 notice in the same period as if it had been mailed to that spouse at the correct address or if
194.12 the spouse has failed to provide an address to the commissioner other than the last known
194.13 address.

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

194.15 Sec. 10. Minnesota Statutes 2016, section 290.0802, subdivision 2, is amended to read:

194.16 Subd. 2. **Subtraction.** (a) A qualified individual is allowed a subtraction from federal
194.17 taxable income of the individual's subtraction base amount. The excess of the subtraction
194.18 base amount over the taxable net income computed without regard to the subtraction for
194.19 the elderly or ~~disabled~~ a person with a disability under section 290.0132, subdivision 5,
194.20 may be used to reduce the amount of a lump sum distribution subject to tax under section
194.21 290.032.

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

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

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

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

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

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

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

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

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

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

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

195.8 Sec. 11. Minnesota Statutes 2016, section 290.0802, subdivision 3, is amended to read:

195.9 Subd. 3. **Restrictions; married couples.** Except in the case of a ~~husband and wife~~
195.10 spouses who live apart at all times during the taxable year, if the taxpayer is married at the
195.11 close of the taxable year, the subtraction under subdivision 2 is allowable only if the taxpayers
195.12 file joint federal and state income tax returns for the taxable year.

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

195.14 Sec. 12. Minnesota Statutes 2017 Supplement, section 290.091, subdivision 2, is amended
195.15 to read:

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

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

195.20 (1) the taxpayer's federal alternative minimum taxable income as defined in section
195.21 55(b)(2) of the Internal Revenue Code;

195.22 (2) the taxpayer's itemized deductions allowed in computing federal alternative minimum
195.23 taxable income, but excluding:

195.24 (i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

195.25 (ii) the medical expense deduction;

195.26 (iii) the casualty, theft, and disaster loss deduction; and

195.27 (iv) the impairment-related work expenses of a ~~disabled~~ person with a disability;

195.28 (3) for depletion allowances computed under section 613A(c) of the Internal Revenue
195.29 Code, with respect to each property (as defined in section 614 of the Internal Revenue Code),

196.1 to the extent not included in federal alternative minimum taxable income, the excess of the
196.2 deduction for depletion allowable under section 611 of the Internal Revenue Code for the
196.3 taxable year over the adjusted basis of the property at the end of the taxable year (determined
196.4 without regard to the depletion deduction for the taxable year);

196.5 (4) to the extent not included in federal alternative minimum taxable income, the amount
196.6 of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue
196.7 Code determined without regard to subparagraph (E);

196.8 (5) to the extent not included in federal alternative minimum taxable income, the amount
196.9 of interest income as provided by section 290.0131, subdivision 2; and

196.10 (6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

196.11 less the sum of the amounts determined under the following:

196.12 (i) interest income as defined in section 290.0132, subdivision 2;

196.13 (ii) an overpayment of state income tax as provided by section 290.0132, subdivision
196.14 3, to the extent included in federal alternative minimum taxable income;

196.15 (iii) the amount of investment interest paid or accrued within the taxable year on
196.16 indebtedness to the extent that the amount does not exceed net investment income, as defined
196.17 in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted
196.18 in computing federal adjusted gross income;

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

196.21 (v) the amount of the net operating loss allowed under section 290.095, subdivision 11,
196.22 paragraph (c).

196.23 In the case of an estate or trust, alternative minimum taxable income must be computed
196.24 as provided in section 59(c) of the Internal Revenue Code.

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

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

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

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

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

197.4 Sec. 13. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 3, is amended
197.5 to read:

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

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

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

197.9 (i) all nontaxable income;

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

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

197.16 (iv) cash public assistance and relief;

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

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

197.24 (vii) workers' compensation;

197.25 (viii) nontaxable strike benefits;

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

197.29 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of
197.30 1986, as amended through December 31, 1995;

198.1 (xi) contributions made by the claimant to an individual retirement account, including
198.2 a qualified voluntary employee contribution; simplified employee pension plan;
198.3 self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of
198.4 the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal
198.5 Revenue Code, to the extent the sum of amounts exceeds the retirement base amount for
198.6 the claimant and spouse;

198.7 (xii) to the extent not included in federal adjusted gross income, distributions received
198.8 by the claimant or spouse from a traditional or Roth style retirement account or plan;

198.9 (xiii) nontaxable scholarship or fellowship grants;

198.10 (xiv) the amount of deduction allowed under section 199 of the Internal Revenue Code;

198.11 (xv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue
198.12 Code;

198.13 (xvi) the amount deducted for tuition expenses under section 222 of the Internal Revenue
198.14 Code; and

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

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

198.22 (b) "Income" does not include:

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

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

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

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

198.32 (5) relief granted under this chapter;

199.1 (6) child support payments received under a temporary or final decree of dissolution or
199.2 legal separation; or

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

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

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

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

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

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

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

199.12 (6) if the claimant or claimant's spouse ~~was disabled~~ had a disability or attained the age
199.13 of 65 on or before December 31 of the year for which the taxes were levied or rent paid,
199.14 the exemption amount.

199.15 (d) For purposes of this subdivision, the "exemption amount" means the exemption
199.16 amount under section 151(d) of the Internal Revenue Code for the taxable year for which
199.17 the income is reported; "retirement base amount" means the deductible amount for the
199.18 taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue
199.19 Code, adjusted for inflation as provided in section 219(b)(5)(C) of the Internal Revenue
199.20 Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional
199.21 or Roth style retirement account or plan" means retirement plans under sections 401, 403,
199.22 408, 408A, and 457 of the Internal Revenue Code.

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

199.24 Sec. 14. Minnesota Statutes 2016, section 290A.03, subdivision 4, is amended to read:

199.25 Subd. 4. **Household.** "Household" means a claimant and an individual related to the
199.26 claimant as ~~husband or wife~~ the claimant's spouse who are domiciled in the same homestead.

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

200.1 Sec. 15. Minnesota Statutes 2017 Supplement, section 290A.03, subdivision 8, is amended
200.2 to read:

200.3 Subd. 8. **Claimant.** (a) "Claimant" means a person, other than a dependent, as defined
200.4 under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3)
200.5 of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a
200.6 resident of this state as provided in chapter 290 during the calendar year for which the claim
200.7 for relief was filed.

200.8 (b) In the case of a claim relating to rent constituting property taxes, the claimant shall
200.9 have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu
200.10 of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem
200.11 taxes, are payable at some time during the calendar year covered by the claim.

200.12 (c) "Claimant" shall not include a resident of a nursing home, intermediate care facility,
200.13 long-term residential facility, or a facility that accepts housing support payments whose
200.14 rent constituting property taxes is paid pursuant to the Supplemental Security Income
200.15 program under title XVI of the Social Security Act, the Minnesota supplemental aid program
200.16 under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX
200.17 of the Social Security Act, or the housing support program under chapter 256I.

200.18 If only a portion of the rent constituting property taxes is paid by these programs, the
200.19 resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant
200.20 to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as
200.21 defined in subdivision 3, paragraphs (a) and (b), reduced by the total amount of income
200.22 from the above sources other than vendor payments under the medical assistance program
200.23 and the denominator of which is income as defined in subdivision 3, paragraphs (a) and (b),
200.24 plus vendor payments under the medical assistance program, to determine the allowable
200.25 refund pursuant to this chapter.

200.26 (d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home,
200.27 intermediate care facility, long-term residential facility, or facility for which the rent was
200.28 paid for the claimant by the housing support program for only a portion of the calendar year
200.29 covered by the claim, the claimant may compute rent constituting property taxes by
200.30 disregarding the rent constituting property taxes from the nursing home or facility and use
200.31 only that amount of rent constituting property taxes or property taxes payable relating to
200.32 that portion of the year when the claimant was not in the facility. The claimant's household
200.33 income is the income for the entire calendar year covered by the claim.

201.1 (e) In the case of a claim for rent constituting property taxes of a part-year Minnesota
201.2 resident, the income and rental reflected in this computation shall be for the period of
201.3 Minnesota residency only. Any rental expenses paid which may be reflected in arriving at
201.4 federal adjusted gross income cannot be utilized for this computation. When two individuals
201.5 of a household are able to meet the qualifications for a claimant, they may determine among
201.6 them as to who the claimant shall be. If they are unable to agree, the matter shall be referred
201.7 to the commissioner of revenue whose decision shall be final. If a homestead property owner
201.8 was a part-year Minnesota resident, the income reflected in the computation made pursuant
201.9 to section 290A.04 shall be for the entire calendar year, including income not assignable to
201.10 Minnesota.

201.11 (f) If a homestead is occupied by two or more renters, who are not ~~husband and wife~~
201.12 married to each other, the rent shall be deemed to be paid equally by each, and separate
201.13 claims shall be filed by each. The income of each shall be each renter's household income
201.14 for purposes of computing the amount of credit to be allowed.

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

201.16 Sec. 16. Minnesota Statutes 2016, section 290A.05, is amended to read:

201.17 **290A.05 COMBINED HOUSEHOLD INCOME.**

201.18 If a person occupies a homestead with another person ~~or persons~~ not related to the person
201.19 as ~~husband and wife~~ the person's spouse, excluding dependents, roomers or boarders on
201.20 contract, and has property tax payable with respect to the homestead, the household income
201.21 of the claimant or claimants for the purpose of computing the refund allowed by section
201.22 290A.04 shall include the total income received by the other persons residing in the
201.23 homestead. For purposes of this section, "dependent" includes a parent of the claimant or
201.24 spouse who lives in the claimant's homestead and does not have an ownership interest in
201.25 the homestead. If a person occupies a homestead with another person or persons not related
201.26 to the person as ~~husband and wife~~ the person's spouse or as dependents, the property tax
201.27 payable or rent constituting property tax shall be reduced as follows.

201.28 If the other person or persons are residing at the homestead under rental or lease
201.29 agreement, the amount of property tax payable or rent constituting property tax shall be that
201.30 portion not covered by the rental agreement.

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

202.1 Sec. 17. Minnesota Statutes 2016, section 290A.08, is amended to read:

202.2 **290A.08 ONE CLAIMANT PER HOUSEHOLD.**

202.3 Only one claimant per household per year is entitled to relief under this chapter. Payment
202.4 of the claim for relief may be made payable to the ~~husband and wife~~ spouses as one claimant.
202.5 The commissioner, upon written request, may issue separate checks, to the ~~husband and~~
202.6 ~~wife~~ spouses for one-half of the relief provided the original check has not been issued or
202.7 has been returned. Individuals related as ~~husband and wife~~ spouses who were married during
202.8 the year may elect to file a joint claim which shall include each spouse's income, rent
202.9 constituting property taxes, and property taxes payable. ~~Husbands and wives~~ Spouses who
202.10 were married for the entire year and were domiciled in the same household for the entire
202.11 year must file a joint claim. The maximum dollar amount allowable for a joint claim shall
202.12 not exceed the amount that one person could receive.

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

202.14 Sec. 18. Minnesota Statutes 2016, section 290A.09, is amended to read:

202.15 **290A.09 PROOF OF CLAIM.**

202.16 Every claimant shall supply to the commissioner of revenue, in support of the claim,
202.17 proof of eligibility under this chapter, including but not limited to amount of rent paid or
202.18 property taxes accrued, name and address of owner or managing agent of property rented,
202.19 changes in homestead, household membership, household income, size and nature of property
202.20 claimed as a homestead.

202.21 ~~Disabled~~ Persons with a disability filing claims shall submit proof of disability in the
202.22 form and manner as the commissioner may prescribe. The department may require
202.23 examination and certification by the claimant's physician or by a physician designated by
202.24 the commissioner. The cost of any examination shall be borne by the claimant, unless the
202.25 examination proves the disability, in which case the cost of the examination shall be borne
202.26 by the commissioner.

202.27 A determination of disability of a claimant by the Social Security Administration under
202.28 Title II or Title XVI of the Social Security Act shall constitute presumptive proof of disability.

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

203.1 Sec. 19. Minnesota Statutes 2016, section 297A.61, subdivision 18, is amended to read:

203.2 Subd. 18. **Disabled Person with a disability.** "Disabled Person with a disability" means
203.3 an individual who has a permanent and total disability as defined in section 273.13,
203.4 subdivision 22.

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

203.6 Sec. 20. Minnesota Statutes 2017 Supplement, section 297A.67, subdivision 6, is amended
203.7 to read:

203.8 Subd. 6. **Other exempt meals.** (a) Prepared food, candy, and soft drinks purchased for
203.9 and served exclusively to individuals who are 60 years of age or over and their spouses or
203.10 to ~~disabled~~ persons with a disability and their spouses by governmental agencies, nonprofit
203.11 organizations, or churches, or pursuant to any program funded in whole or in part through
203.12 United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or
203.13 served, are exempt. Taxable food sold through vending machines is not exempt.

203.14 (b) Prepared food, candy, and soft drinks purchased for and served exclusively to children
203.15 who are less than 14 years of age or ~~disabled~~ children with a disability who are less than
203.16 16 years of age and who are attending a child care or early childhood education program,
203.17 are exempt if they are:

203.18 (1) purchased by a nonprofit child care facility that is exempt under section 297A.70,
203.19 subdivision 4, and that primarily serves families with income of 250 percent or less of
203.20 federal poverty guidelines; and

203.21 (2) prepared at the site of the child care facility.

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

203.23 Sec. 21. Minnesota Statutes 2016, section 297A.67, subdivision 12, is amended to read:

203.24 Subd. 12. **Parts and accessories used to make a motor vehicle ~~disabled~~ accessible**
203.25 **to a person with a disability.** Parts, accessories, and labor charges that are used solely to
203.26 modify a motor vehicle to make it ~~disabled~~ accessible to persons with a disability are exempt.

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

203.28 Sec. 22. Minnesota Statutes 2016, section 297A.70, subdivision 3, is amended to read:

203.29 Subd. 3. **Sales of certain goods and services to government.** (a) The following sales
203.30 to or use by the specified governments and political subdivisions of the state are exempt:

- 204.1 (1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire
204.2 apparatus to a political subdivision;
- 204.3 (2) machinery and equipment, except for motor vehicles, used directly for mixed
204.4 municipal solid waste management services at a solid waste disposal facility as defined in
204.5 section 115A.03, subdivision 10;
- 204.6 (3) chore and homemaking services to a political subdivision of the state to be provided
204.7 to elderly individuals or ~~disabled individuals~~ persons with a disability;
- 204.8 (4) telephone services to the Office of MN.IT Services that are used to provide
204.9 telecommunications services through the MN.IT services revolving fund;
- 204.10 (5) firefighter personal protective equipment as defined in paragraph (b), if purchased
204.11 or authorized by and for the use of an organized fire department, fire protection district, or
204.12 fire company regularly charged with the responsibility of providing fire protection to the
204.13 state or a political subdivision;
- 204.14 (6) bullet-resistant body armor that provides the wearer with ballistic and trauma
204.15 protection, if purchased by a law enforcement agency of the state or a political subdivision
204.16 of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;
- 204.17 (7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles
204.18 are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt
204.19 from taxation under section 473.448, or exempt from the motor vehicle sales tax under
204.20 section 297B.03, clause (12);
- 204.21 (8) equipment designed to process, dewater, and recycle biosolids for wastewater
204.22 treatment facilities of political subdivisions, and materials incidental to installation of that
204.23 equipment;
- 204.24 (9) the removal of trees, bushes, or shrubs for the construction and maintenance of roads,
204.25 trails, or firebreaks when purchased by an agency of the state or a political subdivision of
204.26 the state;
- 204.27 (10) purchases by the Metropolitan Council or the Department of Transportation of
204.28 vehicles and repair parts to equip operations provided for in section 174.90, including, but
204.29 not limited to, the Northstar Corridor Rail project; and
- 204.30 (11) purchases of water used directly in providing public safety services by an organized
204.31 fire department, fire protection district, or fire company regularly charged with the
204.32 responsibility of providing fire protection to the state or a political subdivision.

205.1 (b) For purposes of this subdivision, "firefighters personal protective equipment" means
205.2 helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including
205.3 pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls;
205.4 goggles; self-contained breathing apparatus; canister filter masks; personal alert safety
205.5 systems; spanner belts; optical or thermal imaging search devices; and all safety equipment
205.6 required by the Occupational Safety and Health Administration.

205.7 (c) For purchases of items listed in paragraph (a), clause (10), the tax must be imposed
205.8 and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded
205.9 in the manner provided in section 297A.75.

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

205.11 Sec. 23. Minnesota Statutes 2017 Supplement, section 297A.70, subdivision 4, is amended
205.12 to read:

205.13 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b),
205.14 to the following "nonprofit organizations" are exempt:

205.15 (1) a corporation, society, association, foundation, or institution organized and operated
205.16 exclusively for charitable, religious, or educational purposes if the item purchased is used
205.17 in the performance of charitable, religious, or educational functions;

205.18 (2) any senior citizen group or association of groups that:

205.19 (i) in general limits membership to persons who are either age 55 or older, or ~~physically~~
205.20 ~~disabled~~ persons with a physical disability;

205.21 (ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit
205.22 purposes, not including housing, no part of the net earnings of which inures to the benefit
205.23 of any private shareholders; and

205.24 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code; and

205.25 (3) an organization that qualifies for an exemption for memberships under subdivision
205.26 12 if the item is purchased and used in the performance of the organization's mission.

205.27 For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery
205.28 owned by a religious organization.

205.29 (b) This exemption does not apply to the following sales:

205.30 (1) building, construction, or reconstruction materials purchased by a contractor or a
205.31 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed

206.1 maximum price covering both labor and materials for use in the construction, alteration, or
 206.2 repair of a building or facility;

206.3 (2) construction materials purchased by tax-exempt entities or their contractors to be
 206.4 used in constructing buildings or facilities that will not be used principally by the tax-exempt
 206.5 entities;

206.6 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2),
 206.7 and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67,
 206.8 subdivision 2, except wine purchased by an established religious organization for sacramental
 206.9 purposes or as allowed under subdivision 9a; and

206.10 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as
 206.11 provided in paragraph (c).

206.12 (c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01,
 206.13 subdivision 11, only if the vehicle is:

206.14 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
 206.15 passenger automobile, as defined in section 168.002, if the automobile is designed and used
 206.16 for carrying more than nine persons including the driver; and

206.17 (2) intended to be used primarily to transport tangible personal property or individuals,
 206.18 other than employees, to whom the organization provides service in performing its charitable,
 206.19 religious, or educational purpose.

206.20 (d) A limited liability company also qualifies for exemption under this subdivision if
 206.21 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
 206.22 purchased qualify for the exemption.

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

206.24 Sec. 24. Minnesota Statutes 2016, section 297A.70, subdivision 16, is amended to read:

206.25 Subd. 16. **Camp fees.** Fees to camps or other recreation facilities are exempt for:

206.26 (1) services primarily for children, adults accompanying children, or persons with
 206.27 ~~disabilities~~ a disability; or

206.28 (2) educational or religious activities;

206.29 ~~and~~ if the camp or facilities are owned and operated by an exempt organization under section
 206.30 501(c)(3) of the Internal Revenue Code.

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

207.1 Sec. 25. Minnesota Statutes 2016, section 297A.71, subdivision 22, is amended to read:

207.2 Subd. 22. **Materials used to make residential property ~~disabled~~ accessible to persons**
207.3 **with a disability**. Building materials and equipment sold to, or stored, used, or consumed
207.4 by, a nonprofit organization are exempt if:

207.5 (1) the materials and equipment are used or incorporated into modifying an existing
207.6 residential structure to make it ~~disabled~~ accessible to persons with a disability; and

207.7 (2) the materials and equipment used in the modification would qualify for an exemption
207.8 under either subdivision 11 or 12 if made by the current owner of the residence.

207.9 For purposes of this subdivision, "nonprofit organization" means any nonprofit
207.10 corporation, society, association, foundation, or institution organized and operated exclusively
207.11 for charitable, religious, educational, or civic purposes; or a veterans' group exempt from
207.12 federal taxation under section 501(c), clause (19), of the Internal Revenue Code.

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

207.14 Sec. 26. Minnesota Statutes 2017 Supplement, section 297A.75, subdivision 1, is amended
207.15 to read:

207.16 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following
207.17 exempt items must be imposed and collected as if the sale were taxable and the rate under
207.18 section 297A.62, subdivision 1, applied. The exempt items include:

207.19 (1) building materials for an agricultural processing facility exempt under section
207.20 297A.71, subdivision 13;

207.21 (2) building materials for mineral production facilities exempt under section 297A.71,
207.22 subdivision 14;

207.23 (3) building materials for correctional facilities under section 297A.71, subdivision 3;

207.24 (4) building materials used in a residence for ~~disabled~~ veterans with a disability exempt
207.25 under section 297A.71, subdivision 11;

207.26 (5) elevators and building materials exempt under section 297A.71, subdivision 12;

207.27 (6) materials and supplies for qualified low-income housing under section 297A.71,
207.28 subdivision 23;

207.29 (7) materials, supplies, and equipment for municipal electric utility facilities under
207.30 section 297A.71, subdivision 35;

208.1 (8) equipment and materials used for the generation, transmission, and distribution of
208.2 electrical energy and an aerial camera package exempt under section 297A.68, subdivision
208.3 37;

208.4 (9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph
208.5 (a), clause (10);

208.6 (10) materials, supplies, and equipment for construction or improvement of projects and
208.7 facilities under section 297A.71, subdivision 40;

208.8 (11) materials, supplies, and equipment for construction, improvement, or expansion
208.9 of:

208.10 (i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014,
208.11 section 297A.71, subdivision 42;

208.12 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision
208.13 45;

208.14 (iii) a research and development facility exempt under Minnesota Statutes 2014, section
208.15 297A.71, subdivision 46; and

208.16 (iv) an industrial measurement manufacturing and controls facility exempt under
208.17 Minnesota Statutes 2014, section 297A.71, subdivision 47;

208.18 (12) enterprise information technology equipment and computer software for use in a
208.19 qualified data center exempt under section 297A.68, subdivision 42;

208.20 (13) materials, supplies, and equipment for qualifying capital projects under section
208.21 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

208.22 (14) items purchased for use in providing critical access dental services exempt under
208.23 section 297A.70, subdivision 7, paragraph (c);

208.24 (15) items and services purchased under a business subsidy agreement for use or
208.25 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision
208.26 44;

208.27 (16) building materials, equipment, and supplies for constructing or replacing real
208.28 property exempt under section 297A.71, subdivision 49; and

208.29 (17) building materials, equipment, and supplies for constructing or replacing real
208.30 property exempt under section 297A.71, subdivision 50, paragraph (b).

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

209.1 Sec. 27. Minnesota Statutes 2016, section 297B.01, subdivision 14, is amended to read:

209.2 Subd. 14. **Purchase price.** (a) "Purchase price" means the total consideration valued
209.3 in money for a sale, whether paid in money or otherwise. The purchase price excludes the
209.4 amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is
209.5 taken in trade as a credit or as part payment on a motor vehicle taxable under this chapter,
209.6 the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted
209.7 from the total selling price to establish the purchase price of the vehicle being sold and the
209.8 trade-in allowance allowed by the seller shall constitute the purchase price of the motor
209.9 vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle
209.10 is acquired by gift or by any other transfer for a nominal or no monetary consideration shall
209.11 also include the average value of similar motor vehicles, established by standards and guides
209.12 as determined by the motor vehicle registrar. The purchase price in those instances where
209.13 a motor vehicle is manufactured by a person who registers it under the laws of this state
209.14 shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean
209.15 the amount expended for materials, labor, and other properly allocable costs of manufacture,
209.16 except that in the absence of actual expenditures for the manufacture of a part or all of the
209.17 motor vehicle, manufactured costs shall mean the reasonable value of the completed motor
209.18 vehicle.

209.19 (b) The term "purchase price" shall not include the portion of the value of a motor vehicle
209.20 due solely to modifications necessary to make the motor vehicle ~~disability~~ accessible to
209.21 persons with a disability.

209.22 (c) The term "purchase price" shall not include the transfer of a motor vehicle by way
209.23 of gift between a ~~husband and wife~~ spouses or parent and child, or to a nonprofit organization
209.24 as provided under subdivision 16, paragraph (c), clause (6), nor shall it include the transfer
209.25 of a motor vehicle by a guardian to a ward when there is no monetary consideration and the
209.26 title to such vehicle was registered in the name of the guardian, as guardian, only because
209.27 the ward was a minor.

209.28 (d) The term "purchase price" shall not include the transfer of a motor vehicle as a gift
209.29 between a foster parent and foster child. For purposes of this subdivision, a foster relationship
209.30 exists, regardless of the age of the child, if (1) a foster parent's home is or was licensed as
209.31 a foster family home under Minnesota Rules, parts 2960.3000 to 2960.3340, and (2) the
209.32 county verifies that the child was a state ward or in permanent foster care.

210.1 (e) There shall not be included in "purchase price" the amount of any tax imposed by
210.2 the United States upon or with respect to retail sales whether imposed upon the retailer or
210.3 the consumer.

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

210.5 Sec. 28. Minnesota Statutes 2017 Supplement, section 297B.01, subdivision 16, is amended
210.6 to read:

210.7 Subd. 16. **Sale, sells, selling, purchase, purchased, or acquired.** (a) "Sale," "sells,"
210.8 "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor
210.9 vehicle, whether absolutely or conditionally, for a consideration in money or by exchange
210.10 or barter for any purpose other than resale in the regular course of business.

210.11 (b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or
210.12 by holding it in an effort to so lease it, and which is put to no other use by the owner other
210.13 than resale after such lease or effort to lease, shall be considered property purchased for
210.14 resale.

210.15 (c) The terms also shall include any transfer of title or ownership of a motor vehicle by
210.16 other means, for or without consideration, except that these terms shall not include:

210.17 (1) the acquisition of a motor vehicle by inheritance from or by bequest of, or
210.18 transfer-on-death of title by, a decedent who owned it;

210.19 (2) the transfer of a motor vehicle which was previously licensed in the names of two
210.20 or more joint tenants and subsequently transferred without monetary consideration to one
210.21 or more of the joint tenants;

210.22 (3) the transfer of a motor vehicle by way of gift from a limited used vehicle dealer
210.23 licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with
210.24 no monetary or other consideration or expectation of consideration and the parties to the
210.25 transfer submit an affidavit to that effect at the time the title transfer is recorded;

210.26 (4) the transfer of a motor vehicle by gift between:

210.27 (i) spouses;

210.28 (ii) parents and a child; or

210.29 (iii) grandparents and a grandchild;

210.30 (5) the voluntary or involuntary transfer of a motor vehicle between ~~a husband and wife~~
210.31 spouses in a divorce proceeding; or

211.1 (6) the transfer of a motor vehicle by way of a gift to an organization that is exempt from
211.2 federal income taxation under section 501(c)(3) of the Internal Revenue Code when the
211.3 motor vehicle will be used exclusively for religious, charitable, or educational purposes.

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

211.5 Sec. 29. Laws 2017, First Special Session chapter 1, article 8, section 3, the effective date,
211.6 is amended to read:

211.7 **EFFECTIVE DATE.** This section is effective for (1) petitions and appeals filed after
211.8 June 30, 2017, for which notices of entry of order are mailed before July 1, 2018, and (2)
211.9 notices of entry of order mailed after June 30, 2018.

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

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275.29 ABSTRACTS TO COMMISSIONER OF REVENUE.

Not later than March 31, in each year, the county auditor shall make and transmit to the commissioner of revenue, in such form as may be prescribed by the commissioner of revenue, complete abstracts of the tax lists of the county, showing the number of acres of land assessed; its value, including the structures thereon; the value of town and city lots, including structures; the total value of all taxable personal property in the several assessment districts; the aggregate amount of all taxable property in the county, and the total amount of taxes levied therein for state, county, town, and all other purposes for that year.

289A.38 LIMITATIONS ON TIME FOR ASSESSMENT OF TAX.

Subd. 7. **Federal tax changes.** If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any period, as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

Subd. 8. **Failure to report change or correction of federal return.** If a taxpayer fails to make a report as required by subdivision 7, the commissioner may recompute the tax, including a refund, based on information available to the commissioner. The tax may be recomputed within six years after the report should have been filed, notwithstanding any period of limitations to the contrary.

Subd. 9. **Report made of change or correction of federal return.** If a taxpayer is required to make a report under subdivision 7, and does report the change or files a copy of the amended return, the commissioner may recompute and reassess the tax due, including a refund (1) within one year after the report or amended return is filed with the commissioner, notwithstanding any period of limitations to the contrary, or (2) within any other applicable period stated in this section, whichever period is longer. The period provided for the carryback of any amount of loss or credit is also extended as provided in this subdivision, notwithstanding any law to the contrary. If the commissioner has completed a field audit of the taxpayer, and, but for this subdivision, the commissioner's time period to adjust the tax has expired, the additional tax due or refund is limited to only those changes that are required to be made to the return which relate to the changes made on the federal return. This subdivision does not apply to sales and use tax.

For purposes of this subdivision and section 289A.42, subdivision 2, a "field audit" is the physical presence of examiners in the taxpayer's or taxpayer's representative's office conducting an examination of the taxpayer with the intention of issuing an assessment or notice of change in tax or which results in the issuing of an assessment or notice of change in tax. The examination may include inspecting a taxpayer's place of business, tangible personal property, equipment, computer systems and facilities, pertinent books, records, papers, vouchers, computer printouts, accounts, and documents.

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.

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Subd. 14. **Fines, fees, and penalties.** The amount of expenses disallowed under section 290.10, subdivision 2, is an addition.

290.067 DEPENDENT CARE CREDIT.

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

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

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

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

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

(xii) nontaxable scholarship or fellowship grants;

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

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

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

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

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

(b) "Income" does not include:

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

(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;

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- (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.

290.0921 CORPORATE ALTERNATIVE MINIMUM TAX AFTER 1989.

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

- (1) 5.8 percent of Minnesota alternative minimum taxable income; over
- (2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

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

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

- (1) less the exemption amount, and
- (2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

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

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

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

(2) a deduction for dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.0133, subdivision 11, is disallowed in determining alternative minimum taxable income.

(2) The subtraction for depreciation allowed under section 290.0134, subdivision 13, is allowed as a depreciation deduction in determining alternative minimum taxable income.

(3) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(4) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

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(6) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(7) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(8) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(9) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.0134, subdivision 2, or (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.0134, subdivision 8.

(10) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

Subd. 3a. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) cooperatives taxable under subchapter T of the Internal Revenue Code or organized under chapter 308 or a similar law of another state;

(2) corporations subject to tax under section 297I.05, subdivisions 1 to 5;

(3) real estate investment trusts;

(4) regulated investment companies or a fund thereof;

(5) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code; and

(6) small corporations exempt from the federal alternative minimum tax under section 55(e) of the Internal Revenue Code.

Subd. 4. **Alternative tax net operating loss.** (a) An alternative tax net operating loss deduction is allowed from alternative minimum taxable net income equal to the net operating loss deduction allowable for the taxable year under section 290.095 with the following modifications:

(1) The amount of the net operating loss deduction must not exceed 90 percent of alternative minimum taxable net income.

(2) In determining the amount of the net operating loss deduction (i) the net operating loss under section 290.095 must be adjusted as provided in paragraph (b), and (ii) for taxable years beginning after December 31, 1989, section 290.095, subdivision 3, must be applied by substituting "90 percent of alternative minimum taxable net income" for "taxable net income."

(b) The following adjustments must be made to the alternative tax net operating loss deduction under paragraph (a):

(1) For a loss year beginning after December 31, 1989, the net operating loss for each year under section 290.095 must be (i) determined with the adjustments provided in sections 56 and 58 of the Internal Revenue Code, as modified by subdivision 3 and (ii) reduced by the items of tax preference for the year determined under section 57 of the Internal Revenue Code, as modified by subdivision 3.

(2) For a loss year beginning before January 1, 1990, the amount of the net operating loss that may be carried over to taxable years beginning after December 31, 1989, equals the amount which may be carried from the loss year to the first taxable year of the taxpayer beginning after December 31, 1989.

Subd. 6. **Dividends received.** (a) A deduction is allowed from alternative minimum taxable net income equal to the deduction for dividends received under section 290.21, subdivision 4, for purposes of calculating taxable income under section 290.01, subdivision 29.

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(b) The amount of the deduction must not exceed 90 percent of alternative minimum taxable net income.

This limitation does not apply to:

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

(2) dividends received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (i) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (ii) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

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.