

## S.F. No. 26 – Omnibus Tax Bill

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### Article 1: Federal Conformity; Individual Income and Corporate Franchise Taxes

**Section 1. Credit allowed.** Extends the angel investment credit for one year in tax year 2022, with a \$5 million appropriation. Strikes obsolete language. Effective for tax year 2022.

**Section 2. Film production credit.** Establishes a nonrefundable tax credit equal to 25 percent of eligible film production costs in Minnesota.

**Subd. 1. Definitions.** Defines “allocation certificate,” “application,” “commissioner,” “credit certificate,” “eligible production costs,” “film,” “project,” and “promotion of Minnesota” for purposes of establishing the credit.

**Subd. 2. Credit allowed.** Allows an income and corporate franchise tax credit equal to 25 percent of “eligible production costs.” A taxpayer may only claim a credit if a credit certificate is issued.

**Subd. 3. Credit assignable.** Allows a taxpayer to sell or assign the credit in whole or in part. The assignee must notify DEED within 30 days of the assignment.

**Subd. 4. Application; allocations.** Requires taxpayers to apply to DEED prior to claiming the credit. Requires DEED to issue allocation certificates that verify eligibility for the credit, state the amount of credit anticipated, and state the taxable year in which the credit is allocated. Limits credit amounts to \$4.95 million per taxable year. No credits may be allocated after 2024.

Requires that credits be allocated on a first-come, first-served basis.

Requires an independent audit report detailing production costs to be submitted to DEED once the project is completed and the final credit amount must be based on the verified costs.

Permits DOR to use its audit and examination powers to verify the taxpayer is eligible for the credit.

**Subd. 5. Report required.** Requires DEED to submit a report on the credit to the tax and economic development committees of the legislature by January 15, 2025. The report must detail the amount of credit certifications issued annually, the number and amount of allocation certifications issued, the number of reports submitted upon completion of a project, the number of credit certificates issued, the types of projects eligible for the credit, the total economic impact of the credit including jobs, the number of taxpayers per tax type who are assignees of credit certificates, annual Minnesota taxes paid by specified businesses, and any other information DEED deems necessary.

**Subd. 6. Appropriation.** Appropriates \$50,000 annually to DEED for administrative and personnel costs associated with the credit.

**Subd. 6. Expiration.** Sunsets the credit after 2024.

Effective for tax years 2021 through 2024, except that the reporting requirement is expires July 1, 2025.

**Section 3. Net income.** Provides a new cross reference to provisions of the Internal Revenue Code (IRC) in the definition of “net income” for purposes of the federal conformity items in section 5. Effective the day following final enactment, but changes incorporated by federal changes are effective the same time as they were effective for federal purposes.

**Section 4. Internal Revenue Code.** Provides a new cross reference in the definition of “Internal Revenue Code” for purposes of the federal conformity items in a section 5. Effective the day following final enactment, but changes incorporated by federal changes are effective the same time as they were effective for federal purposes.

### **Section 5. Temporary conformity to certain federal tax changes.**

**Subd. 1. Adopting Internal Revenue code changes.** Provides that references to the Internal Revenue Code include the sections of federal law to which Minnesota conforms in this section.

**Subd. 2. Further Consolidated Appropriations Act, 2020.** Conforms to the following provisions:

- Exclusion of Discharge of Indebtedness on Qualified Principal Residence; TY 2018-2020
- Exclusion of Benefits for Volunteer Firefighters & Emergency Medical Responders; TY 2020
- Special disaster-related rules for use of retirement funds; TY 2018-2020 (in part)
- Special disaster-related rules for qualified disaster-related personal casualty losses; TY 2018-2020 (in part)
- Temporary increase in limitation on qualified contributions; TY 2018-2020 (in part)
- Accelerated Depreciation for Business Property on Indian Reservation; TY 2018-2020

- Special Expensing Rules for Certain Film, Television and Live Theatrical Productions; TY 2018-2020
- Special Rule for the Production Period for Beer, Wine and Distilled Spirits; TY 2020
- Energy-Efficient Commercial Building Deduction; TY 2018-2020
- Special Depreciation Allowances for Second Generation Biofuel Plant Property; TY 2018-2020
- Special Rule for Sales or Dispositions of Transmission Lines for Qualified Electric Utilities; TY 2018-2020.

**Subd. 3. CARES Act.** Conforms to the following provisions:

- Exclusion of Paycheck Protection Program (PPP) Loan Forgiveness; TYs 2020-2021
- Special Rules for use of retirement funds; TY 2020.

**Subd. 4. Consolidated Appropriations Act, 2021.** Conforms to the following provisions:

- Modification of Educator Expense Deduction to Include PPE expenses (beginning TY 2020)
- Exclusion of Certain Financial Aid Grants made Under CARES Act; TY 2020
- Exclusion of EIDL Loan Advances and Repayments from gross income; TY 2020
- Exclusion of Small Business Assistance (SBA) Loan from gross income; TY 2020

**Subd. 5. American Rescue Plan Act.** Conforms to the exclusion of up to \$10,200 of unemployment insurance benefits in TY 2020.

**Subd. 6. Minnesota education credit; nontaxable income.** Provides that forgiven PPP loans and EIDL advances are not excluded from income for purposes of calculating income eligibility for the Minnesota education credit.

**Section 6. Losses.** Clarifies Minnesota’s treatment of itemized deductions for casualty losses to make it consistent with the Department of Revenue’s current administration of the provision. The deduction is limited to losses not covered by insurance; is subject to the two percent AGI floor under the Internal Revenue Code; and is subject to amounts in excess of \$100, minus ten percent of the taxpayer’s AGI. Effective the day following final enactment.

**Section 7. Volunteer driver reimbursement.** Provides a subtraction for the amount of mileage reimbursements paid by a charitable organization to a volunteer driver. The reimbursement rate for charitable organizations is 14 cents per mile, and the reimbursement rate for businesses is 56 cents per mile. For volunteer drivers, reimbursements above the volunteer driver rate are included in taxable income. The subtraction equals reimbursements received in excess of 14 cents per mile up to the limit for business mileage. Effective beginning in tax year 2021.

**Section 8. Film production credit.** Allows an income tax credit for the film credit certified in section 2. Unused credits may be carried over for five years. Allows the Department of Revenue to audit the credit. Effective for tax years 2021 through 2024.

**Section 9. Credit allowed.** Modifies the working family credit to allow taxpayers 19 or older without qualifying children to claim the credit. Under current law, the minimum age to claim the credit for taxpayers without qualifying children is 21. Effective beginning in tax year 2021.

**Section 10. Sunset.** Extends the sunset date on the historic structure rehabilitation credit for one year. Effective the day following final enactment.

**Section 11. Student loan credit.** Amends the definition of “earned income” to reference the current law definition of “earned income” in the marriage penalty credit, which includes Social Security benefits and some retirement income. Requires the Department of Revenue to allocate the couple’s combined adjusted gross income to each individual spouse based on the spouse’s percentage share of the couple’s earned income, which effectively reduces the marriage penalty in the credit. Effective beginning in tax year 2021.

**Section 12. Minnesota housing tax credit.**

**Subd. 1. Definitions.** Defines the following terms:

**Agency** means the Minnesota Housing Finance Agency (MHFA).

**Minnesota housing tax credit contribution fund** means the fund established in a later section.

**Qualified project** means a project qualifying for a loan or grant under a later section.

**Taxpayer** means an individual or corporation subject to the individual income tax, corporate franchise tax, or insurance premiums tax.

**Subd. 2. Credit allowed.** Allows taxpayers to claim a credit for contributions of at least \$1,000 and up to \$2 million to the housing tax credit contribution fund. The credit equals 85 percent of the amount contributed in the taxable year. The credit is not refundable but may be carried forward for up to ten years. Excludes the contribution used to claim the credit from being used to claim any other subtraction or credit allowed under other sections of law. Requires the credit to be allocated according to provisions of current law for nonresidents and part-year residents.

**Subd. 3. Allocation.** Requires taxpayers to contribute to the fund to claim the credit. Allocates \$9.9 million annually for the credit. Allows contributions to be designated for a specific project, but prohibits designations disallowed in a later section. Requires the MHFA to file a credit certificate statement with the taxpayer within 30 days of the taxpayer’s contribution to the fund, and send a copy to the commissioner of revenue. If there are insufficient amounts to match the contribution, the MHFA must not issue a credit certificate for the amount for which there are insufficient credits, and must return the difference contribution to the taxpayer.

**Subd. 4. Partnerships; multiple owners.** Requires distribution of the credit to partners, members, shareholders, or multiple owners of property on a pro rata basis according to their share of the entity’s assets or as required in organizational documents valid as of the last day of the taxable year.

**Subd. 5. Recapture.** Provides that credits claimed are not subject to recapture but that if grants or loans are canceled or recaptured, the grant or loan is returned to the housing tax credit contribution fund.

**Subd. 6. Audit powers.** Provides that the commissioner of revenue’s audit and examination powers apply to credits claimed under this legislation.

**Subd. 7. Sunset.** Sunsets the credit after tax year 2028 but allows MHFA to issue credit certificates based on contributions received before January 1, 2029 and allocation certificates

were issued before February 1, 2029. Provides that reporting requirements under a later section remain in effect until the earlier of all allocation certificates having been canceled or resulting in credit certificates, or January 1, 2031. The provisions of this section do not affect the commissioner's audit, examination, or assessment authority.

**Subd. 8. Appropriation.** Appropriates \$100,000 for annually to MHFA for administrative and personnel costs associated with the credit.

Effective beginning in tax year 2023.

**Section 13. Film production credit.** Allows a tax credit against the insurance premiums tax for the film credit certified in section 2. Unused credits may be carried over for five years. Effective for tax years 2021 through 2024.

**Section 14. Minnesota housing tax credit.** Allows a tax credit against the insurance premiums tax for the housing credit certified in section 12. Unused credits may be carried over for ten years. Effective for tax years 2023 through 2028.

**Section 15. Minnesota housing tax credit contribution fund.**

**Subd. 1. Fund created.** Establishes the fund and appropriates amounts contributed to make grants or loans to eligible recipients.

**Subd. 2. Use of funds; grant and loan program.** Permits the commissioner to award grants or loans for multifamily and single family developments for persons and families with low and moderate incomes. Specifies the uses of loan and grant funds. Permits the commissioner to give preference to grants and loans to proposals that include waivers or regulatory changes that result in identifiable cost avoidance or cost reduction. Separately sets aside the following amounts for uses of funds:

- ten percent of grants and loans for townships and cities outside the metropolitan area with a population of less than 2,500;
- 35 percent of the financing for housing projects for persons and families at or below 50 percent of the area median income; and
- 25 percent for single-family housing.

After September 1, any remaining financing available after these set-asides may be awarded to any project.

**Subd. 3. Eligible recipients; definitions; restrictions; use of funds.** Specifies disqualified individuals and businesses, prohibits grants to disqualified individuals and businesses, and requires grant or loan recipients to disclose that the disqualifications do not apply. Permits the commissioner to make loans and grants to specified entities, subject to the rules for disqualified individuals and disqualified businesses. Except for the initial set-asides in subdivision 2, funds must be used for homeownership projects that serve households whose incomes were below 115 percent of the greater state or area median income and for rental projects that serve households with incomes below 80 percent of the state or area median income.

**Subd. 4. Recapture.** Provides that loans or grants made through the program are subject to repayment or recapture. Recaptured funds are redeposited in the fund and not returned to taxpayers who made contributions to the fund.

**Subd. 5. Report.** Requires a report to the legislative committees having jurisdiction over housing regarding the credits, grants, and loans issued by region.

Effective for tax years 2023 through 2028.

**Section 16.** Eliminates the state addition for the portion of the federal section 179 subtraction arising from a federal section 179 carryover, for property placed in service prior to tax year 2020. Effective retroactively to tax year 2020.

## **Article 2: Partnership Audits**

This article modifies Minnesota’s reporting and payment requirements generated by federal audits and assessments in response to federal changes enacted in 2015, which provided for conducting audits at the partnership level, rather than at the partner level. The article requires state reporting of federal adjustments from a partnership-level audit and allows assessments to be paid at the entity level. All sections are effective retroactively to tax year 2018 or earlier tax periods, if applicable.

**Section 1. Enforcement, administrative order; penalties; cease and desist.** Adds a cross reference to the changes made in section 9.

**Section 2. Individual income, fiduciary income, mining company; corporate franchise, and entertainment taxes.** Adds a cross-reference to the changes made in section 9.

**Section 3. Erroneous refunds.** Adds a cross-reference to the changes made in section 9.

**Section 4. Federal tax changes.** Adds a cross-reference to the changes made in section 9.

**Section 5. Failure to report change or correction of federal return.** Adds a cross-reference to the changes made in section 9.

**Section 6. Report made of change or correction of federal return.** Adds a cross-reference to the changes made in section 9. Allows taxpayers to make estimated payments due to a pending IRS audit.

**Section 7. Incorrect determination of federal adjusted gross income.** Adds a cross-reference to the changes made in section 9.

**Section 8. Definitions; partnerships; federal adjustments.** Provides definitions applicable to reporting of federal adjustments and to federal adjustment of a partnership return.

**Section 9. Reporting and payment requirements.**

**Subd. 1. State partnership representative.** Provides that a state representative of the partnership has sole authority to act on the partnership’s behalf, and that the state representative is the federal representative unless the partnership formally designates another representative.

**Subd. 2. Reporting and payment requirements for partnerships and tiered partners.** Requires partnerships reporting adjustments to file a federal adjustments report related to federal changes and submit the report to both Minnesota and its direct partners within 90 days of the final determination date. Partnerships electing the partner pay option and negative adjustments are not subject to this requirement. Each partnership reporting changes must also file amended composite and withholding reports for nonresident partners within 180 days. Within 180 days of the final determination date of a federal audit adjustment, direct partners other than tiered partners must

file a federal adjustments report of their distributive share of federal adjustments and pay any additional tax due, including penalties and interest but excluding withholdings or overpayments.

**Subd. 3. Election; partnership or tiered partners pay.** Allows audited partnerships the election to pay tax at the entity level. Partnerships making this election are required to do so on a federal adjustments report filed with the commissioner within 90 days of the final determination date. Within 180 days after the final determination date, a partnership making the election must be able to determine and report the residency status of all direct partners and pay tax on the properly allocated and apportioned share of all income at the highest marginal rate for its individual and corporate direct and tiered partners.

**Subd. 4. Tiered partners and indirect partners.** Requires that direct and indirect tiered partners of an audited partnership are subject to the reporting and payment requirements in this section and may also elect to pay their tax at the entity level.

**Subd. 5. Effects of election by partnership or tiered partner and payment of amount due.** Requires that the election under subdivision 3 is irrevocable unless otherwise determined by the commissioner. Allows properly reported and paid taxes determined under subdivision 3 to be treated as paid in lieu of taxes owed by direct and indirect partners on the same final federal adjustments, if applicable.

**Subd. 6. Failure of partnership or tiered partner to report or pay.** Allows the commissioner to assess direct or indirect partners for taxes owed if a partnership or tiered partner fails to timely report or pay as required.

**Section 10. Consent to extend statute.** Adds a cross-reference to the changes made in section 9.

**Section 11. Penalty for failure to notify of federal change.** Adds a cross-reference to the changes made in section 9.

**Section 12. Partners, not partnership, subject to tax.** Adds a cross-reference to the changes made in section 9.

**Section 13. Time limit for bad debt refund.** Adds a cross-reference to the changes made in section 9.

**Section 14. Time limit for bad debt deduction.** Adds a cross-reference to the changes made in section 9.

**Section 15. Repayment procedures.** Adds a cross-reference to the changes made in section 9.

### **Article 3: Pass-through Entity Tax**

This article establishes a fully refundable pass-through entity (PTE) tax that allows pass-through businesses to pay state income tax at the entity level and deduct this tax for federal income tax purposes. Under federal law, taxes on pass-through income are subject to the \$10,000 SALT limitation. All sections are effective beginning in tax year 2021.

**Section 1. Pass-through entity tax.**

**Paragraph (a)** establishes definitions for “income,” “qualifying entity,” and “qualifying owner” for purposes of the pass-through entity (PTE) tax.

**Paragraph (b)** allows a qualifying entity to file and pay the PTE tax if the owners holding more than a 50 percent ownership in the entity elect to do so.

**Paragraph (c)** imposes the PTE tax on a qualifying entity. The amount of tax is equal to the amount of tax liability of each owner.

**Paragraph (d)** requires the tax liability of each owner to be calculated by applying the rates and brackets for married separate filers, estates, and trusts under the individual income tax to each owner’s share of the qualifying entity’s income. As is the case for the composite return filing rules, no nonbusiness deductions would be allowed. In addition, only those deductions and credits allowed to an individual owner are allowed in calculating the owner’s tax liability.

**Paragraph (e)** requires that the same deductions used to calculate an owner’s tax liability for the PTE tax must also be used to calculate the owner’s liability under the individual income tax.

**Paragraph (f)** imposes the estimated tax requirements on owners paying the PTE tax, in the same manner as required for composite return filers.

**Paragraph (g)** clarifies that an owner’s adjusted basis in the partnership is determined as if the election to pay the PTE tax was not made.

**Paragraph (h)** treats a PTE return and a qualifying entity like a composite return and composite filer for administrative purposes.

**Paragraph (i)** allows the commissioner of revenue to prescribe the content, format, and manner of PTE returns and other documents.

**Paragraph (j)** allows PTE filers to also pay the composite tax.

**Paragraph (k)** allows the PTE tax to satisfy the tax liability for nonresidents, in the manner allowed for nonresidents electing composite return filing.

**Section 2. Pass-through entity tax.** Provides that the PTE tax is treated as a corporate tax for the purposes of certain civil penalties.

**Section 3. Schedules of rates for individuals, estates, and trusts.** Requires an adjustment to the residency percentage for nonresident qualifying owners of a PTE tax-electing pass-through business, for the state income tax addition and state subtraction for tax refunds, to the extent these adjustments are attributed to the electing pass-through.

**Section 4. Credit for taxes paid to another state.** Clarifies that the provision requiring a pro-rata share of a partnership-level tax to be considered a tax imposed on the partner also includes LLCs.

**Section 5. Pass-through entity tax credit.** Allows a taxpayer to claim a refundable credit for their share of the amount of PTE tax paid by an electing pass-through business.

**Section 6. Withholding by partnerships.** Provides an exception to the withholding rules for partners in a partnership that elects to file and pay the pass-through entity tax in section 1.

**Section 7. Withholding by S-corporations.** Provides an exception to the withholding rules for shareholders in an S-corporation that elects to file and pay the pass-through entity tax in section 1.

## **Article 4 – Sales and Use Taxes**



**Section 1. Additional revenues; priority.** Requires, for a November forecast only, a transfer to reduce the percentage of June accelerated sales tax liability payments under section 298A.20 until the percentage equals zero. Requires the commissioner of MMB to notify the commissioner of Revenue with the revised percentage amount by March 15 following the November forecast. By April 15, the commissioner of revenue must certify the percentage owed by vendors. Effective July 1, 2021

**Section 2. Sales and use tax.** Exempts vendors of construction materials from the June accelerated remittance requirement. Provides a new definition of “vendors of construction materials as a vendor that makes only retail sales of lumber, veneer, plywood, wood siding, wood roofing, millwork, including wood trim, wood doors, wood windows, wood flooring; or concrete, cement, and masonry. The exemption expires when the June accelerated remittance percentage reaches zero. Effective for sales and purchases made after June 30, 2021.

**Section 3. Accelerated payment of June sales tax liability; penalty for underpayment.** Adds a cross reference to the reduced percentage remittance requirement provision from section 1, for purposes of calculating penalties for late sales tax remittances. Effective for estimated payments required after July 1, 2021.

**Section 4. Fundraising sales by or for nonprofit groups.** Exempts the sales made by school-associated student groups even when the money is recorded as part of school district revenues provided that the sales are for fund-raising purposes of elementary or secondary student organizations for the purposes of funding extracurricular activities such as sports, arts, etc., and the school district reserves the revenue raised for extracurricular activities and the money raised for a specific activity is spent on that activity. This provision restores this exemption that was in place prior to a change made in the 2019 omnibus education bill. Effective for sales and purchases made after the day of final enactment.

## **Article 5: Vapor and Tobacco Taxes**

**Section 1. Delivery sale.** Creates a definition of “delivery sale” in the cigarette and tobacco taxes chapter to reference its meaning in the chapter regulating distribution of tobacco products. A “delivery sale” is a sale of tobacco products to a consumer in Minnesota when the item is sold over the phone, online, or by mail order form, or is delivered to the customer in Minnesota by mail or other delivery service. Effective January 1, 2022.

**Section 2. Nicotine solutions products.** Amends the definition of “nicotine solution products” to add commonly-used terms for nicotine solution products. Effective January 1, 2022.

**Section 3. Registration requirement.** Clarifies that the registration requirement applicable to out-of-state retailers applies before making delivery sales. Effective for all delivery sales occurring after December 31, 2021.

**Section 4. Retailer collection and remittance of use tax.** Requires retailers and out-of-state retailers to collect and pay any use tax legally due and give the purchaser a receipt of taxes paid. Effective for all delivery sales occurring after December 31, 2021.

**Section 5. Use tax return; cigarette or tobacco products consumer and retailers making delivery sales.** Requires retailers and out-of-state retailers that make delivery sales to file a monthly tax return accompanied by the full unpaid tax liability. Effective for all delivery sales occurring after December 31, 2021.

**Section 6. Reporting requirements.** Requires retailers and out-of-state retailers that make delivery sales to file monthly reports. Clarifies that this requirement may be met by meeting certain federal law requirements and by filing under the use tax return requirement. Effective for all delivery sales occurring after December 31, 2021.

**Section 7. Electronic payment.** Requires retailers and out-of-state retailers having a liability of \$10,000 or more during a fiscal year ending June 30 to remit all liabilities in all subsequent calendar years by electronic means. Effective for all delivery sales occurring after December 31, 2021.

**Section 8. Accelerated tax payment.** Requires retailers and out-of-state retailers to meet the accelerated tax payment requirements that are applicable to delivery sales occurring after December 31, 2021. Effective for all delivery sales occurring after December 31, 2021.

**Section 9. Definitions.** Makes conforming changes the cross reference to the definition tobacco products in the chapter regulating distribution of tobacco products. Effective January 1, 2022.

**Section 10. Registration requirement.** Makes conforming changes in the chapter regulating distribution of tobacco products to align the registration requirement of out-of-state retailers with the registration requirement imposed by the cigarette and tobacco taxes chapter. Effective January 1, 2022.

**Section 11. Collection of taxes.** Makes conforming changes in the chapter regulating distribution of tobacco products to the section imposing penalties on retailers making delivery sales to align with the amended requirements in the cigarette and tobacco taxes chapter that require these retailers to file all returns and reports, collect and pay all taxes, and maintain all records. Effective for all delivery sales occurring after December 31, 2021.

## **Article 6: Property Taxes**

**Section 1. Fire protection and emergency medical services special taxing districts.** Authorizes the establishment of fire protection special taxing districts by modifying the current law authority for emergency medical services special taxing districts.

**Subdivision 1. Definitions.** Defines “political subdivision,” “governing body,” and “emergency medical services.”

**Subdivision 2. Authority to establish.** Authorizes two or more political subdivisions to establish a special taxing district to provide fire protection or emergency medical services, or both. Prior to establishment, an agreement must be entered into between participating political subdivisions concerning how any liabilities, other than debt, and assets, will be distributed if the district is dissolved. A special taxing district operating a fire department may be associated with only one volunteer firefighting relief association or one account in the voluntary firefighting retirement plan at one time.

**Subdivision 3. Board.** Requires that each political subdivision’s representative to the district board be an elected member of the governing body of the political subdivision they represent.

**Subdivision 4. Property tax levy.** Authorizes the district board to levy a tax on taxable property in the district or apportion its levy among the participating political subdivisions

under a formula with factors including population, number of service calls, or costs of providing service.

**Subdivision 5. Use of levy proceeds.** Requires that levy proceeds be used to provide fire protection, emergency medical services, or both, to residents and property located within the district, in addition to paying debt authorized under subdivision 6.

**Subdivision 6. Debt.** Authorizes the district to incur debt, and issue certificate of indebtedness or capital notes to purchase capital equipment.

**Subdivision 7. Powers.** Provides the district with the same powers and authorities granted to participating political subdivisions that are necessary to support the services of the district.

**Subdivision 8. Additions and withdrawals.** Allows political subdivisions to be added or withdrawn from an existing district. A political subdivision that wishes to withdraw from a district must provide two years' notice, and must continue to pay its share of any debt issued during the time the political subdivision was a member of the district.

**Subdivision 9. Dissolution.** Authorizes the dissolution of the district by majority vote of its board. Any outstanding assets and liabilities are assigned according to the district's founding agreement. A district may not be dissolved until all issued debt has been paid.

**Subdivision 10. Reports.** Requires that on or before March 15, 2024, and 2026: (1) each special taxing district established under this section submit a levy and expenditure report to the legislature; and (2) each political subdivision that establishes, or joins, a special taxing district under this section, submit a levy and expenditure report to the legislature.

**Effective Date.** This section is effective the day following final enactment and applies to districts established after June 30, 2021, except that districts established prior to June 30, 2021, are eligible for changes made to subdivisions 4 and 6 beginning with property taxes payable in 2022.

**Section 2. Certain property owned by an Indian tribe.** Reestablishes a property tax exemption for certain parcels owned by the Leech Lake Band of Ojibwe in Cass County, and authorizes a refund of any state general taxes paid on the parcels in 2020 and 2021. Effective beginning with assessment year 2021.

**Section 3. Agricultural relative homestead; general rule.** Expands "qualifying relatives" for purposes of agricultural relative homestead by including grandparents, stepparents, stepchildren, uncles, aunts, nephews, and nieces of the owner or the owner's spouse. Effective beginning with property taxes payable in 2022.

**Section 4. Homestead established after assessment date.** Extends the homestead occupancy and application deadline dates to December 31. Effective beginning with assessment year 2021.

**Section 5. Homestead application.** Makes a conforming change to reflect the extension of the homestead application deadline found in Section 4. Effective beginning with assessment year 2021.

**Section 6. Class 2.** Provides that when a parcel of at least 20 acres is enrolled in the sustainable forest incentive act program (SFIA) and the parcel has been improved with a structure, the number of acres

assigned to the split parcel is the greater of three or the number of acres excluded from SFIA due to the structure. Effective for assessment year 2022 and thereafter.

**Section 7. Class 4.** Sets the first-tier limit for class 4d property at \$100,000 for assessment years 2022 and 2023. Beginning with assessment year 2024, the first-tier limit is annually adjusted. Effective beginning with assessment year 2022.

**Section 8. Homestead of veteran with a disability or family caregiver.** Extends the application deadline for the disabled veteran's homestead market value exclusion to December 31 to reflect the homestead application deadline extension found in Section 3. Effective beginning with assessment year 2021.

**Section 9. State general levy; levy amount.** Decreases the commercial-industrial (CI) portion of the state general levy by \$20.1 million to prevent shifting as a result of the increase to the CI market value exclusion amount in section 10. Effective beginning with property taxes payable in 2023.

**Section 10. State general levy; commercial-industrial tax capacity.** Increases the market value exclusion on commercial-industrial (CI) property subject to the state general tax, from the first \$100,000 of market value to the first \$150,000 of market value. Effective beginning with property taxes payable in 2023 and thereafter.

**Section 11. Notice of proposed property taxes.** Requires fire and ambulance special taxing districts to hold truth-in-taxation hearings. Effective beginning with property taxes payable in 2022.

**Section 12. Notice of proposed property taxes required supplemental information.** Adds a supplemental statement to the notice of proposed property taxes that must contain the percent change in levy proposed for the following year by the county, city or township, and school district, and summary budget information for the county, city, and school district. Effective for property taxes payable in 2022 and thereafter.

**Section 13. Special taxing districts; definition.** Makes a conforming change to the statutory list of special taxing districts to reflect the authorization to establish fire protection special taxing districts. Effective the day following final enactment.

**Section 14. Income; homestead credit and renter's refund.** Excludes veterans disability compensation paid under title 38 of the United States Code from the definition of "income" used for purposes of the Homestead Credit Refund and the Renter's Property Tax Refund. Effective for refund claims based on property taxes payable in 2022 and rent paid in 2021, and thereafter.

**Sections 15 and 16. Energy improvements authorized; petition by all owners.** Authorizes a city to impose special assessments to construct, reconstruct, alter, extend, operate, maintain, and promote energy improvements in existing buildings, provided that: (1) a petition is made by a property owner; (2) the municipality funds and administers the improvement project; (3) project funds are used only for the installation of improvements to heating, ventilation, and air conditioning equipment and building envelope and for the installation of renewable energy systems; (4) each property owner is notified that free or low-cost energy improvements may be available; (5) for improvements on residential property, only residential property having five or more units may qualify; and (6) prior to financing or imposing an assessment, written notice is provided to the mortgage lender. Effective for special assessments payable in 2022 and thereafter.

**Section 17. Cloquet Fire and Ambulance Special Taxing District.** Removes the levy limit for the Cloquet Area Fire and Ambulance Special Taxing District to match the taxing authority allowed for fire protection special taxing districts authorized in Section 1. Effective the day after the governing body of the district approves the law through resolution and certifies the approval with the secretary of state.

**Section 18. Sustainable forest incentive act; violations.** Provides that land that was split-classified using the current method for agricultural land while enrolled in SFIA is not in violation of the program. Effective for determinations of violations after June 30, 2021.

**Section 19. 4d affordable housing programs report.** Requires the commissioner of revenue, in consultation with Minnesota Housing, to produce a report on class 4d property and on local 4d affordable housing programs. The report must include information on the number of 4d units and the property tax impacts of the 4d classification on these units. It must also contain an analysis of the impact of reducing the classification rate of the first-tier of 4d property to 0.25 percent. The report must be completed by January 15, 2022. Effective the day following final enactment.

## **Article 7: Aids and Credits**

**Section 1. Counties (county program aid).** Transfers the portion of county program aid designated to public defender costs directly to the Board of Public Defense, rather than to the commissioner of management and budget.

**Section 2. Local homeless prevention aid.** Creates a new state aid to counties that can be used to fund family homeless prevention and assistance projects and programs. Distributes aid based on the population of the county and a rolling three-year average of each county's percentage share of students experiencing homelessness, except that each county must receive at least \$5,000 per year. Appropriates \$20 million annually for the aid program. Sunsets the program after six years. Requires a biennial report. Effective beginning with aids payable in 2023 and thereafter.

**Section 3. Supplemental 2022 city aid distribution.** Provides supplemental aid for a city for which the local government aid (LGA) certified for payable 2022 is less than the amount certified for the city in 2021. Provides that the amount of supplemental aid for each city is equal to the reduction in LGA between 2021 and 2022. Appropriates money for the supplemental aid. Effective for aids payable in calendar year 2022.

**Section 4. City of Floodwood; grant.** Appropriates \$250,000 for a grant to the City of Floodwood to pay the capital and administrative costs of the Floodwood City-wide Street and Infrastructure Project. Directs the commissioner to pay the grant by July 15, 2021. Effective the day following final enactment.

## **Article 8: Local Taxes**

**Section 1. Local resolution before application for authority.** Creates a definition of "capital project" for which revenues collected from a general local tax may be used. These are the only projects that may be submitted to the legislature for approval of a local sales tax. A capital project includes: a single building or structure, including associated infrastructure; improvements within a single park or

recreation area; or a contiguous trail. Effective for local sales tax proposals submitted after the day following final enactment.

**Section 2. City of Sartell; local taxes authorized.** Removes the expiration date of the food and beverage tax imposed by the city of Sartell and amends the referendum requirement to allow the referendum to be held at a general or special election as determined by a resolution adopted by the city's governing board. Effective the day following final enactment.

**Section 3. Carlton County; local sales and use tax authorized.** Authorizes Carlton County to impose a 0.5 percent local sales tax to finance \$60 million plus associated bond costs for construction of a new building housing a law enforcement center, judicial center, and jail. Allows the city to issue up to \$60 million in bonds for the projects without separate voter approval. The tax expires the earlier of 30 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 4. City of Cloquet; taxes authorized.** Authorizes the city of Cloquet to impose a 0.5 percent local sales tax to finance \$8,150,200 plus associated bond costs for the Pine Valley Regional Park Project and restoration of the Cloquet Ice Arena. Allows the city to issue up to \$8,150, 200million in bonds for the projects without separate voter approval. The tax expires the earlier of ten years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 5. City of Edina; taxes authorized.** Authorizes the city of Edina to impose a 0.5 percent local sales tax to finance \$39.3 million plus associated bond costs for development of Fred Richards Park and improvements to Braemar Park. Allows the city to issue up to \$39.3 million in bonds for the projects without separate voter approval. The tax expires the earlier of 19 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 6. City of Fergus Falls; taxes authorized.** Authorizes the city of Fergus Falls to impose a 0.5 percent local sales tax to finance \$13 million plus associated bond costs for construction of an aquatics center and the DeLagoon Improvement Project. Allows the city to issue up to \$13 million in bonds for the projects without separate voter approval. The tax expires the earlier of December 31, 2037, or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 7. City of Grand Rapids; taxes authorized.** Authorizes the city of Grand Rapids to impose a 0.5 percent local sales tax to finance \$5.98 million plus associated bond costs for reconstruction and remodeling of the IRA Civic Center. Allows the city to issue up to \$5.98 million in bonds for the project without separate voter approval. The tax expires the earlier of seven years or when allowed revenues are raised.

**Section 8. City of Hermantown; taxes authorized.** Authorizes the city of Hermantown to impose an additional 0.5 percent local sales tax to finance \$28 million plus associated bond costs for upgrades to the Hermantown Hockey Arena, construction of the Hermantown-Proctor trail, and improvements to Fichtner Park. Allows the city to issue up to \$28 million in bonds for the projects without separate voter approval. The tax expires the earlier of 20 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 9. Itasca County; taxes authorized.** Authorizes Itasca County to impose a 0.5 percent local sales tax to finance \$75 million plus associated bond costs for the construction of a correctional

facility and associated court facilities. Allows the city to issue up to \$75 million in bonds for the projects without separate voter approval. The tax expires the earlier of 30 years or when allowed revenues are raised.

**Section 10. City of Litchfield; taxes authorized.** Authorizes the city of Litchfield to impose a 0.5 percent local sales tax to finance \$10 million plus associated bond costs for construction of a community wellness and recreation center. Allows the city to issue up to \$10 million in bonds for the projects without separate voter approval. The tax expires the earlier of 20 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 11. City of Little Falls; taxes authorized.** Authorizes the city of Little Falls to impose a 0.5 percent local sales tax to finance \$17 million plus associated bond costs for construction of a community recreational facility. Allows the city to issue up to \$17 million in bonds for the project without separate voter approval. The tax expires the earlier of 30 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 12. City of Maple Grove; taxes authorized.** Authorizes the city of Maple Grove to impose a 0.5 percent local sales tax to finance \$90 million plus associated bond costs for expansion and renovation of the Maple Grove Community Center. Allows the city to issue up to \$90 million in bonds for the project without separate voter approval. The tax expires the earlier of 20 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 13. Mille Lacs County; local sales and use tax authorized.** Authorizes Mille Lacs County to impose a 0.5 percent local sales tax to finance \$10 million plus associated bond costs for construction of a public works building. Allows the county to issue up to \$10 million in bonds for the project without separate voter approval. The tax expires the earlier of eight years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 14. City of Moorhead; taxes authorized.** Authorizes the city of Moorhead to impose a 0.5 percent local sales tax to finance \$31.59 million plus associated bond costs for construction of a regional library and community center. Allows the city to issue up to \$31.59 million in bonds for the project without separate voter approval. The tax expires the earlier of 22 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 15. City of Oakdale; taxes authorized.** Authorizes the city of Oakdale to impose a 0.5 percent local sales tax to finance \$37 million plus associated bond costs for construction of a new public works facility and expansion of the police department. Allows the city to issue up to \$37 million in bonds for the projects without separate voter approval. The tax expires the earlier of 25 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 16. City of St. Cloud; taxes authorized.** Allows the city of St. Cloud to impose a 0.5 percent local sales tax to finance \$21.1 million plus associated bond costs for expansion and improvements to the St. Cloud Municipal Athletic Complex. Allows the city to issue up to \$21.1 million in bonds for the project without separate voter approval. The tax expires the earlier of five years or when allowed revenues are raised.

**Section 17. City of St. Peter; taxes authorized.** Allows the city of St. Peter to impose a 0.5 percent local sales tax to finance \$9.121 million plus associated bond costs for construction of a new fire station. Allows the city to issue up to \$9.121 million in bonds for the project without separate voter approval. The tax expires the earlier of 40 years or when allowed revenues are raised.

**Section 18. City of Staples; local sales and use taxes authorized.** Authorizes the city to impose a 0,5 percent local sales tax to finance up to \$1.6 million plus associated bond costs for renovation of the Staples Community Center. Allows the city of issue up to \$1.6 million in bonds for the project Expires at the earlier of 25 years or when allowed revenues are raised.

**Section 19. City of Wadena; taxes authorized.** Authorizes the city of Wadena to impose a 0.25 percent local sales tax to finance \$3 million plus associated bond costs for the Wadena Library Rehabilitation Project. Allows the city to issue up to \$3 million in bonds for the projects without separate voter approval. The tax expires the earlier of 20 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

**Section 20. City of Waite Park; taxes authorized.** Authorizes the city of Waite Park to impose a 0.5 percent local sales tax to finance \$27.5 million plus associated bond costs for construction of a public safety facility and regional trail connections. Allows the city to issue up to \$27.5 million in bonds for the projects without separate voter approval. The tax expires the earlier of 19 years or when allowed revenues are raised. This tax is in addition to the city's existing local sales tax of 0.5 percent imposed as part of the Central Minnesota Cities local sales tax. Effective upon the city complying with approval and notice requirements for special laws.

**Section 21. City of Warren; local sales and use taxes authorized.** Authorizes the city of Warren to impose a 0.5 percent local sales tax to finance \$1.6 million plus associated bond costs for construction of a new child care facility. Allows the city to issue up to \$1.6 million in bonds for the projects without separate voter approval. The tax expires the earlier of 20 years or when allowed revenues are raised. Effective upon the city complying with approval and notice requirements for special laws.

## **Article 9: Tax Increment Financing**

**Section 1. Temporary use of increment authorized.** Allows unobligated tax increment to be used: (1) to provide improvements, loans, interest rate subsidies, or assistance in any form to private development consisting of construction or substantial rehabilitation of buildings and ancillary facilities if doing so will create jobs, including construction jobs, the construction commences before December 31, 2025, and the construction would not have commenced prior to that date without the assistance; or (2) to make an equity investment that the authority determines is necessary to make construction of the development financially feasible. Transfers of increment may only occur after a written spending plan is adopted following a public hearing. The authority to transfer increment expires on December 31, 2022. All transferred increment must be spent by December 31, 2025. Increment not spent by that date must be returned to the district, and if the district has already decertified, the increment must be distributed to the county, county, and school district. Effective the day following final enactment and applies to increments from any district that are unobligated as of the date of final enactment regardless of when the request for certification was made.

**Section 2. Expenditures outside district.** Allows tax increment financing districts that have elected to increase pooling by ten percent to use the increment for owner-occupied housing meeting the



requirements of a Housing TIF district, in addition to current law low-income rental housing. Effective the day following final enactment.

**Section 3. Five-year rule.** Extends the five-year rule by three years for a total of eight years for redevelopment districts that were certified after December 31, 2017, and before June 30, 2020. Effective the day following final enactment.

**Section 4. Use of revenues for decertification.** Makes a corresponding change to the six-year rule for those districts whose five-year rule was extended under Section 3. Effective the day following final enactment.

**Section 5. Cities of Minnetonka, Richfield, and St. Louis Park; temporary transfer of increment authorized.** Authorizes the cities of Minnetonka, Richfield, and St. Louis Park to transfer tax increment accumulated for housing development to the city’s housing trust fund established under Minnesota Statutes, section 462C.16. Once transferred, increment is not subject to income or rent restrictions required for housing development under tax increment financing laws. Increment transferred under this section, however, may only be used to make grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing, or to match other funds from federal, state, or private resources for housing projects. The authority to make transfers under this section expires December 31, 2026, and transfers are subject to reporting requirements. All three cities must submit an expenditure report to the legislature by February 1, 2024 and 2026. Effective upon local approval and filing requirements.

**Section 6. City of Bloomington; TIF Authority; American Boulevard.** Authorizes the city of Bloomington, or its HRA, to establish a redevelopment district comprised of specified parcels. If established, the district is exempt from the “blight test” finding for redevelopment districts and the requirement that 90% of increment generated from the district be spent on correcting blight. In addition, increment spent on undergrounding or overhead power lines, transformers, and related utility infrastructure within the program area are deemed in-district expenditures. Effective upon city approval and filing requirements.

**Section 7. City of Bloomington; TIF Authority; 98<sup>th</sup> & Aldrich.** Authorizes the city of Bloomington, or its HRA, to establish a redevelopment district comprised of specified parcels. If established, the district is exempt from the “blight test” finding for redevelopment districts, and the requirement that 90% of increment generated from the district must be spent on correcting blight. Effective upon city approval with approval and filing requirements.

**Section 8. City of Burnsville; TIF Authority; Burnsville Center Mall.** Authorizes the city of Burnsville to establish one or more redevelopment districts limited to parcels comprising the Burnsville Center mall, together with adjacent roads and rights-of-way. If established, the districts are exempt from the “blight test” finding for redevelopment districts and the requirement that 90% of increment be spent on correcting blight. In addition, increments spent on construction and acquisition of property for a bridge, tunnel, or other connector related to the subject property are deemed in-district expenditures. Effective upon city approval and filing requirements.

**Section 9. City of Mountain Lake; TIF District No. 1-8; Five-Year Rule Extension.** Extends, by five years, the five-year rule for TIF District No. 1-8. A conforming change to the six-year rule is also made. Effective upon city approval and filing requirements.

**Section 10. City of Wayzata; TIF District No. 6; Expenditures Allowed.** Authorizes the city of Wayzata to expend increment generated from TIF District No. 6 for the design and construction of a lakefront pedestrian walkway and public access infrastructure related to the Panoway on Wayzata Bay Project, and all such expenditures are deemed expended on activities within the district. Effective upon city approval and filing requirements.

**Section 11. City of Windom; TIF District No. 1-22; Five-Year Rule Extension; Duration Extension.** Extends, by five years, both the five-year rule, and the district's duration, for TIF District No. 1-22. A conforming change is made the six-year rule. Effective upon city approval and filing requirements, except that the duration extension requires approval by the city, county, and school district.

## **Article 10: Public Finance**

**Section 1. Allocation; Termination.** Allows proceeds of the county transportation sales tax to be used for the payment of capital costs of constructing building and other facilities for maintaining transportation or transit projects or improvements.

**Sections 2. Exercising Powers of a Municipal Power Agency.** Authorizes municipal gas agencies to engage in electric prepayment transactions.

**Section 3. All Other Powers.** Renumbers existing subdivision to conform to change made in Section 2.

**Section 4. Installment, Lease Purchase; City, County, Town, School.** Provides that an installment contract used to purchase and/or lease personal or real property is not to be included in the calculation of the local governmental unit's net debt if the amount is under \$1,000,000.

**Section 5. Interest Rate.** Eliminates outdated and obsolete language relating to interest rates for municipal debt.

**Section 6. Street Reconstruction and Bituminous Overlays** Allows municipalities to use street reconstruction bond proceeds to construct bicycle lanes, sidewalks, and paths that are incidental to the street reconstruction.

**Section 7. Advertisement** Eliminates outdated and obsolete language relating to issuance of public debt.

**Section 8. Escrow Account Securities.** Updates the list of permissible investments for escrow accounts for refunding bonds to reflect the consolidation of banks into the Farm Credit System.

**Section 9. Repealer.** Repeals contradictory language relating to the sale of port authority property.

## **Article 11: Miscellaneous**

**Section 1. Requirements for new or renewed tax expenditures.** Requires any bill creating a new tax expenditure or extending an expiring tax expenditure to include an expiration date for the tax

expenditure no more than eight years from the effective date of the proposal. Effective for the 2022 legislative session and later.

**Section 2. Director; staff.** Requires the Legislative Budget Office (LBO) to provide technical and professional assistance to the Tax Expenditure Review Commission.

**Section 3. Tax Expenditure Review Commission.**

**Subd. 1. Establishment.** Establishes a Tax Expenditure Review Commission to review Minnesota’s tax expenditures and evaluate their effectiveness and fiscal impact.

**Subd. 2. Definitions.** Defines the terms “significant tax expenditure,” “tax,” and “tax expenditure” by cross-reference.

**Subd. 3. Membership.** Establishes the membership for the commission.

**Subd. 4. Duties.** Establishes the duties for the commission. During the first three years after the commission is established, it must complete an initial review of the state’s tax expenditures to identify purpose statements and metrics for evaluating each expenditure. After the period of initial review, the commission must review and evaluate Minnesota’s tax expenditures on a regular, rotating basis. Before December 1 of each year the commission issues a report reviewing an expenditure, it must hold a public hearing on the expenditure.

**Subd. 5. Components of review.** Describes the process for evaluating a tax expenditure.

**Subd. 6. Department of Revenue; research support.** Requires the DOR research department to provide research support to the commission.

**Subd. 7. Report to legislature.** Requires the commission to submit a report to the legislature by December 15 of each year. Requires the legislative tax committees to hold a public hearing on the report.

**Subd. 8. Terms; vacancies.** Establishes two-year terms for the commission and provides rules for filing vacancies.

**Subd. 9. Officers.** Requires the commission to elect a chair and vice-chair as presiding officers. The chair and vice-chair must not be from the same chamber.

**Subd. 10. Staff.** Requires LBO to provide professional and technical assistance to the commission, including assistance with the annual report.

**Subd. 11. Expenses.** Requires commission and staff to be reimbursed for expenses, in accordance with Legislative Coordinating Commission (LCC) policies.

Effective the day following final enactment. Initial appointments to the commission must be made by January 15, 2022. The first meeting must be convened by July 1, 2022. The first commission report is due on December 15, 2022.

**Section 4. Additional revenues; priority.** Requires that the commissioner of management and budget allocate a forecasted biennium-closing positive unrestricted budgetary general fund balance to the budget reserve account until the account reaches \$2.377 billion. (This allocation to the budget

reserve account would occur prior to the June accelerated sales tax percentage provisions proposed in Article 4.) Effective July 1, 2021.

**Section 5. Private nonprofit hospital.** Requires that private nonprofit hospitals that are eligible for participation in the revenue recapture program must annually provide the Department of Revenue with a copy of the hospital's lease agreement. Effective the day following final enactment.

**Section 6. Background check; access to federal tax information.** Requires that individuals performing services for an independent vendor or independent contractor authorized to have access to federal tax data must undergo a background check as provided under section 18 of this article. Effective the day following final enactment.

**Section 7. Tax Expenditure Review Commission.** Requires the Department of Revenue to disclose to the commission the data required under section 3 of this article. Effective the day following final enactment.

**Section 8. Preparation; submission.** Changes the due date for the Department of Revenue tax expenditure budget from February 1 to November 1 of each even-numbered year. Effective for budgets due on or after November 1, 2023.

**Section 9. Contents.** Requires the DOR tax expenditure budget to include new items, including the purpose, incidence, and tax rate effects of the tax expenditure. Effective for budgets due on or after November 1, 2023.

**Section 10. Definitions.** Defines "business tax credit," "pass-through entity," "significant tax expenditure," and "tax pyramiding" for the purposes of the tax expenditure budget. Effective for budgets due on or after November 1, 2023.

**Section 11. Biennial report.** Changes the due date for the Department of Revenue tax incidence report from March 1 of each odd-numbered year to March 1, 2024, and each even-numbered year thereafter. Effective for reports due on or after March 1, 2021.

**Section 12. Rate.** Clarifies that the solid waste tax for construction debris and industrial waste is 60 cents per cubic yard and that the Pollution Control Agency must determine and publish weight-to-volume conversion schedules. Effective July 1, 2021.

**Section 13. Self-haulers.** Modifies the solid waste tax rate for self-haulers generating construction debris to match the rate for commercial generators, which is 60 cents per cubic yard. Also makes the same clarifying change for self-hauler generated industrial waste that is made in section 12. Effective July 1, 2021, except that the new rate applies for waste delivered after June 30, 2021.

**Section 14. Merchantable iron ore concentrate.** Provides a definition of "merchantable iron ore concentrate" for the purpose of minerals taxes. Effective for taxes payable in 2022 and thereafter.

**Section 15. Imposed; calculation.** Expands the types of iron ore bearing material that are subject to the production tax to include lump ore. Effective for taxes payable in 2022 and thereafter.

**Section 16. State aid amount; appropriation.** Excludes the tonnage of taxable lump ore from the calculation of state taconite aid until distribution year 2024. Effective the day following final enactment.

**Section 17. Definition.** Modifies the definition of iron-ore bearing material that are subject to the production tax to include lump ore. Effective for taxes payable in 2022 and thereafter.

**Section 18. Background check; access to federal tax information.**

**Subd. 1. Definitions.** Provides definitions used in this section. In particular:

- **IRS publication 1075** means the publication that provides guidance on tax information security guidelines for federal, state, and local agencies;
- **National criminal history record information** means FBI identification records as defined under federal regulations; and
- **Requesting agency** means the Department of Revenue, Department of Employment and Economic Development, Department of Human Services, board of directors of MNsure, the Office of MN.IT Services, and counties.

**Subd. 2. National criminal history record information check.** Provides that a requesting agency must require fingerprints for a national criminal history record information (CHRI) check from specified individuals who have or will have access to federal tax information.

**Subd. 3. Fingerprint submission and written statement of understanding.** Requires an individual subject a CHRI check to provide to the requesting agency fingerprints and a statement of understanding that the fingerprints will be used for a background check. The requesting agency must submit the fingerprints and written statement of understanding to the Bureau of Criminal Apprehension (BCA), which must use the fingerprints only for the purposes designated in this section.

**Subd. 4. Bureau of Criminal Apprehension requirements.** Provides that after the BCA receives approval from the U.S. Attorney General to exchange CHRI with officials of state and local governmental agencies, the BCA must notify the requesting agency of the approval. The requesting agency may then submit fingerprints and statement of understanding to the BCA, which is required to:

- perform the state CHRI search;
- exchange the fingerprints to the FBI for purposes of a national CHRI check;
- compile the results of the state and national CHRI searches; and
- provide the results to the requesting agency.

**Subd. 5. Classification of data.** Classifies all data related to background checks as private data. Prohibits requesting agencies from further disseminating the results of a background check.

Effective the day following final enactment.

**Section 19. 2008 Distribution Transfer; City of Biwabik Street and Highway Improvements.** Directs St. Louis County to transfer \$1,500,000 from a 2006 appropriation to the city of Biwabik for certain street and highway projects. Any remaining unspent money from the 2006 appropriation shall be retained by St. Louis County for road improvements. Effective the day following final enactment.

**Section 20. Appropriations; Tax Expenditure Review.** Appropriates money to the Legislative Coordinating Commission and Department of Revenue for the Tax Expenditure Review Commission.

**Section 21. Administrative appropriation.** Appropriates \$3 million in FY 2022 and \$1 million in FY 2024 only to the Department of Revenue to administer this act.

## **Article 12: Department of Revenue Policy and Technical: Individual Income and Corporate Franchise Taxes**

**Section 1. Composite income tax returns for nonresident partners, shareholders, and beneficiaries.** Clarifies that the taxable income computed for purposes of composite returns includes the modifications for foreign income. Effective retroactively for taxable years beginning after December 31, 2015.

**Sections 2, 4-11, and 13. Withholding.** Amends withholding statutes to refer to withholding exemptions as withholding allowances consistent with conforming federal law. Also amends the states withholding rules so that withholding allowances are based on newly codified state definitions for the standard deduction (including the additional amount for the blind and seniors), dependent exemption, and itemized deductions. Provides the commissioner with discretion to adjust withholding. Effective for taxable years after December 31, 2020.

**Section 3. Inflation adjustment.** Removes superfluous language regarding the rounding of the inflation adjustment. Effective the day following final enactment.

**Section 12. Miscellaneous withholding arrangements.** Requires that a financial institution withhold Minnesota income tax on any periodic payment or nonperiodic distribution for Minnesota residents, unless the Minnesota resident requests that the financial institution not withhold. Effective for payments and distributions made after December 31, 2021.

**Section 14. Special limited adjustment.** Clarifies that the special limited adjustment applies to individuals, estates, and trusts. Effective retroactively for taxable years beginning after December 31, 2017, and before January 1, 2019.

## **Article 13: Department of Revenue Policy and Technical: Property Taxes and Local Government Aids**

**Section 1. Board of Assessors reports.** Combines separate reports to the governor and the legislature into a single report containing the same information required under current law. Effective for reports issued in 2022 and thereafter.

**Section 2. Board of Assessors fees.** Removes the fee for record retention by the Board of Assessors. Effective the day following final enactment.

**Sections 3 and 4. Definitions.** Clarifies that the construction date of a wind energy conversion system, or a solar energy generating system, is not altered if the system is replaced, repaired, or otherwise maintained or altered. Effective the day following final enactment.

**Section 5. Notification of tax.** Allows the commissioner to correct clerical errors until December 31. Effective the day following final enactment.

**Section 6. Assessor powers and duties.** Clarifies that the “powers and duties” performed by a city assessor in a county having a city of the first class are the powers and duties identified in section 273.061, subd. 8. Effective the day following final enactment.

**Section 7. Assessor education.** Specifies that licensed assessors must complete 30 hours of education on Minnesota laws, assessment administration, and administrative procedures, which may be spread out over every four-year licensing cycle, rather than mandating completion of a single weeklong course on these topics. Effective retroactively for the four-year licensing period starting on July 1, 2020, and thereafter.

**Sections 8, 9, and 11. Lake Vermillion-Soudan Underground Mine State Park PILT.** Amends payment in-lieu of taxes (PILT) references to include a cross-reference to the Lake Vermillion-Soudan Underground Mine State Park PILT statute. Effective the day following final enactment.

**Section 10. Exemptions.** Allows an exemption for mortgage loans made under a low or moderate income housing program if the assignee of the mortgage is a governmental agency. Currently, the governmental agency must be listed as the mortgagee for the exemption to apply. Effective for mortgages recorded after June 30, 2021.

#### **Article 14: Department of Revenue Policy and Technical: Sales and Use Taxes**

**Section 1. Accelerated tax payments.** Makes a technical change to match the June accelerated sales tax payment percentages in two paragraphs of section 289A.20, subd. 4. Effective the day following final enactment.

**Section 2. Liquor gross receipts tax.** Clarifies that a liquor retailer may collect the liquor gross receipts tax from the purchaser and the tax is excluded from sales price for purposes of sales tax if separately stated on the receipt given to the purchaser. Effective the day following final enactment.

**Section 3. Marketplace provider liability.** Clarifies that marketplace provider is deemed to be the retailer or seller for all retail sales the marketplace provider facilitates. Effective the day following final enactment.

**Section 4. Repealer.** Repeals existing rules requiring local units of government whose tax is administered by DOR to pay for new computer system development costs. Effective the day following final enactment.

#### **Article 15: Department of Revenue Policy and Technical: Special Taxes**

**Section 1. Special fuel dealers.** Clarifies that “fuel dealer” refers to “special fuel dealer” as defined in section 296A.01, subd. 47. Effective the day following final enactment.

**Sections 2 and 7. Refusal to issue or renew; revocation.** Adds convictions for any crimes involving tobacco products to the list of reasons the commissioner must not issue or renew a license under chapter 297F. Effective the day following final enactment.

**Sections 3 and 6. Accelerated tax payments.** Reorganizes sections 297F.09, subd. 10 and 297G.09, subd. 9 for readability and clarity. Removes references to calendar year 2020 since the

relevant time periods for 2020 have already passed. Effective for estimated payments required to be made after the date following final enactment.

**Section 4. Retailer and subjobber to preserve purchase invoices.** Requires cigarette and tobacco product retailers and subjobbers to preserve a legible copy of each purchase invoice for one year from the date of the invoice or as long as the cigarette or tobacco product listed on the invoice is available for sale or in their possession, whichever period is longer. Effective for all cigarette and tobacco products available for sale or in a retailer or subjobber's possession after December 31, 2021.

**Section 5. Sufficiency of notice.** Strikes unnecessary language in section 297F.17, subd. 1. Effective for notices of tax assessment issued after the date of final enactment.

#### **Article 16: Department of Revenue Policy and Technical: Miscellaneous**

**Section 1. Adjustment; definition; period; rounding.** Corrects the statutory year calculation of inflation for the property tax refund chapter. Effective retroactively for property tax refunds based on property taxes payable in 2020, and rent paid in 2019.

**Section 2. Paid preparer; depositing client refunds.** Clarifies that a paid tax preparer may not take control or ownership of a client's tax refund regardless of the manner in which the refund is paid. Effective the day following final enactment.