

## **S.F. No. 2374 – Omnibus Tax Bill (as proposed to be amended by the A-4 delete everything amendment)**

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**Date:** May 6, 2025

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### **Article 1: Income and Corporate Franchise Taxes**

**Section 1. Data privacy related to electronic reporting system.** Allows the Campaign Finance Board to access and use data about the political contribution refund program in the electronic reporting system and to share the data with the commissioner of revenue. The data is classified as nonpublic data and private data on individuals. Effective January 1, 2027.

**Section 2. Refund receipts; penalty.** Amends the requirements regarding receipts for the political contribution refund program. The Campaign Finance Board must make available official refund receipts in an electronic format. Candidates and parties must only issue refund receipts for a contribution of \$10 or more. Each receipt must be in an electronic format and include a unique receipt validation number that allows the commissioner of revenue to verify the information on the receipt with the Board. The party or candidate may provide a printed copy of the receipt to the contributor. Each business day, the Board must provide to the commissioner of revenue a receipt validation report including information about each contribution reported to the Board since the last report. The validation report and receipt validation numbers are nonpublic data and private data on individuals. Effective for contributions made after December 31, 2026.

**Section 3. Definitions.** Amends the definition of “beginning farmer” for purposes of eligibility for the beginning farmer tax credit and the owner of agricultural assets credit. The definition of “beginning farmer” is amended to include a limited liability company owned by an individual

or two individuals who are spouses or family members. Strikes the definition of “emerging farmer” and adds the term “limited land access farmer,” with a cross reference to the term “limited land access” defined in the Department of Agriculture statutes. Effective beginning in tax year 2025.

**Section 4. Tax credit for owners of agricultural assets.** Strikes language referencing the allocation of the credit and the amount stated on the credit certificate issued by the Rural Finance Authority for owners of agricultural assets. Replaces the term “emerging” farmer with “limited land access” farmer. Specifies dates for which applications for credits are due. Effective beginning in tax year 2025.

**Section 5. Authority duties.** Strikes the allocation limitations for the credit for owners of agricultural assets. Effective beginning in tax year 2025.

**Section 6. Report to legislature.** Strikes the requirement that the report required to the legislature regarding various aspects of the credit include the number and amount of credit applications that exceeded the available allocation each year. Adds “limited land access farmers” to the report requirement. Effective for reports due for credits issued beginning in tax year 2026, but the change to the report regarding limited land access farmers is effective for reports due for credits issues beginning in tax year 2027.

**Section 7. Applications; allocations.** Reduces the allocable amount for the film production credit to \$1 million per year. Effective for allocation certificates issued the day following final enactment and thereafter for taxable years beginning after December 31, 2024.

**Section 8. Standards of conduct.** Strikes language regarding a tax preparer’s authority to assign a portion of the K-12 credit refund to an account without the taxpayer’s name, given that assignability of the K-12 credit is repealed in a later section. Effective beginning in tax year 2026.

**Section 9. Pass-through entity tax.** Extends the expiration of the PTE tax election by two years, through tax year 2027. Effective the day following final enactment.

**Section 10. National Guard and reserve compensation.** Extends the subtraction for National Guard and reserve compensation to include compensation paid to Minnesota residents who are members of the National Guard of a neighboring state (defined as North Dakota, South Dakota, Iowa, or Wisconsin). Modifies the definition of “active service” to include:

- service or duty on behalf of Minnesota or neighboring states in case of actual or threatened public disaster, war, riot, tumult, breach of the peace, resistance of process, or whenever called upon in aid of state civil authority;
- National Guard service or duty, including travel to or from that service or duty; or
- service performed under order of the adjutant general.

Effective beginning in tax year 2025.

**Section 11. Discharges of indebtedness; coerced debt.** Provides a subtraction for the amount of discharge of indebtedness resulting from coerced debt for purposes of calculating Minnesota taxable income. Effective beginning in tax year 2025.

**Section 12. Consumer enforcement public compensation payments.** Provides a subtraction for the amount of consumer enforcement public compensation received by a consumer for purposes of calculating Minnesota taxable income. Effective beginning in tax year 2025.

**Section 13. Student loan education assistance paid by critical access dental clinics.** Provides a subtraction for the amount of student loan educational assistance payments made by critical access dental clinics on behalf of their employees for purposes of calculating Minnesota taxable income. Effective beginning in tax year 2025.

**Section 14. Foreign service pension; retirement pay.** Provides a subtraction, for purposes of calculating Minnesota taxable income, for the amount of foreign service pension or retirement compensation received under specified pension systems, multiplied by the number of years of foreign service divided by the total years of civil service for which the taxpayer receives pension income. Excludes amounts claimed for this subtraction from being used in the calculation of the subtraction for public pension income under current law. Effective beginning in tax year 2025.

**Section 15. Net investment income tax.** Increases the net investment income tax from 1% to 1.5%. Effective beginning in tax year 2025.

**Section 16. Refund of contributions to political parties and candidates.** Specifies that the commissioner of revenue must not issue a refund that exceeds the maximum refund amounts per calendar year. Allows a person to file a refund claim using an electronic filing system that must be established by the commissioner. Strikes obsolete language. Effective for contributions made after December 31, 2026.

**Section 17. Pass-through entity tax paid to another state.** Extends the expiration of the PTE tax credit for PTE taxes paid to another state by two years, through tax year 2027. Effective the day following final enactment.

**Section 18. Beginning farmer incentive credit.** Strikes language pertaining to the limitation on the allocation certificate. Effective beginning in tax year 2025.

**Section 19. Definitions.** Adds a definition of “career and technical education program” in the K-12 credit statute. The program must be approved under K-12 or postsecondary education standards and must meet specified content requirements. Expands the expenses eligible for the K-12 credit to include expenses for a qualifying child participating in a career and technical education program to include:

- amounts paid to others for transportation outside of regular school hours that is directly related to participation in a career and technical education program;

- expenses for participation in a student organization if participation in the organization is part of the career and technical education program; and
- expenses for equipment not otherwise eligible for the credit that is required for participation in a career and technical education program.

Effective beginning in tax year 2025.

**Section 20. Applications; allocations.** Increases the length of time by which a project that qualifies for the historic structure rehabilitation credit or grant must be placed in service from three to six years. Effective retroactively for projects for which an allocation certificate was issued after June 30, 2021.

**Section 21. Credit certificates; grants.** Allows an assignee to assign the credit in whole to a second assignee before the first assignee's payment is claimed. Requires the recipient of the original credit certificate and each assignee to file a return for the taxable year the project is placed in service. Effective for applications for allocation certificates submitted after June 30, 2025.

**Section 22. Credit for attaining master's degree in teacher's licensure field.** Expands the credit to include a master's degree in special education and allows that for a special education program, the master's degree may include pedagogy or a pedagogy component. Clarifies that a master's degree program is limited to degree programs related to the area in which the teacher provides direct classroom instruction or in special education. Creates a definition of "special education." Provides that a qualified individual may claim the credit in the later of the year the master's degree program is completed or the year the teaching license is received and only one time for each master's degree program completed in a core content area or in special education. Effective beginning in tax year 2025.

**Section 23. Definitions.** Exclude discharged coerced debt and consumer enforcement public compensation for purposes of calculating the renter's credit. Effective beginning in tax year 2025.

**Section 24. Owner or managing agent to furnish rent certificate.** Requires an owner or managing agent to furnish a certificate of rent paid (CRP) to the commissioner on or before January 31 for purposes of the renter's credit. Imposes a penalty on owners who fail to furnish CRPs to the renter or commissioner. Effective for rent paid after December 31, 2025.

**Section 25. Definitions.** Adds definitions of "credit certificate" for purposes of the new certification and transfer provisions in section 26 and "eligible transferor" for purposes of allowing the credit to be claimed by a taxpayer that is part of a pass-through entity whose member, partner, owner, or shareholder is a short line railroad eligible for the credit. Effective retroactively to tax year 2024.

**Section 26. Credit certificates; written agreement required.** Modifies the process by which a credit certificate is issued and the credit transfer occurs. An eligible taxpayer would apply to the commissioner of transportation for a credit certificate, who must issue the credit certificate and provide a copy of the credit certificate to the commissioner of revenue. This

section also modifies the process by which an eligible transferor may transfer a credit to another taxpayer. The transfer must be made by written agreement, which must state the amount of credit stated in the credit certificate, or the entire amount of credit that is carried over in the five succeeding tax years. Requires the commissioner of revenue to issue a transfer credit certificate to a transferee, and strikes language requiring the transferee to be liable for credits claimed in excess of the allowed amount. Prohibits an eligible transferor from transferring a credit to an eligible transferee more than once in a taxable year. Effective retroactively to tax year 2024.

**Section 27. Definitions.** Adds a reference to the foreign service pension subtraction to the calculation of alternative minimum tax. Effective beginning in tax year 2025.

**Section 28. Defined and limited.** Reduces the net operating loss deduction from 70 to 60 percent of taxable net income in a single taxable year. Effective beginning in tax year 2025.

**Section 29. Nonconformity to certain worker classification rules.** Decouples Minnesota from section 530 of federal Public Law 95-600, which provides that employer tax liabilities resulting from classification of certain workers as nonemployees do not apply under certain circumstances. Effective beginning in tax year 2026.

**Section 30. Income.** Provides that the amount of discharge of indebtedness resulting from coerced debt and the amount of consumer enforcement public compensation are not considered income for purposes of determining eligibility for the property tax refund program. Effective beginning with property taxes payable in 2026 and thereafter.

**Section 31. Correction of errors; certain retirement contributions.** Requires an annuity contract provider that receives a contribution from an individual to an individual retirement plan on an annuity contract by the date prescribed by the Internal Revenue Code to treat the contribution as having been made the preceding taxable year. This requirement applies only if the annuity contract provider receives notification from the individual designating the tax year for the contribution within three years of the original due date for filing a return for that year. Effective retroactively for notifications for contributions made in 2024 that apply to the tax year 2023 contribution limitation.

**Section 32. Repealer.** Repeals a reference to data regarding assignment of the K-12 credit in the data practices chapter and repeals the assignability of the K-12 credit in the income tax chapter. Effective beginning in tax year 2026.

## **Article 2: Property Taxes**

**Section 1. Exempt property used by private entity for profit.** Provides that: (1) exempt property owned by a nonprofit conservation organization that is leased, loaned, or otherwise made available to an individual, corporation, or association for grazing activities that further the nonprofit conservation organization's conservation objectives for the property, remains exempt and a personal property tax is not imposed; and (2) expands the current law exemption for certain airport property to apply to an airport hangar used to manufacture aircraft. In addition, a 12-year 50% net tax capacity reduction is authorized for certain

property owned or operated by a city with a population over 50,000 but less than 150,000 and used as a hangar for storage repair, or manufacture or aircraft, or used as a passenger check-in area boarding area, or luggage claim area. Effective beginning with property taxes payable in 2026.

**Section 2, 18, and 19. Property used to distribute electricity to farmer.** Clarifies that, except for substations and transmission or generation equipment, utility cooperatives' power distribution systems are exempt from property taxes. Effective for assessment year 2024 and thereafter.

**Section 3. Certain property owned by an Indian Tribe.** Establishes a permanent property tax exemption for property located in Minneapolis and owned by the Leech Lake Band of Ojibwe. Effective beginning with assessment year 2026.

**Section 4. Electric generation facility; personal property.** Establishes a personal property tax exemption for the Steele Energy Station, a proposed power plant to be built in Owatonna. Effective beginning with property taxes payable in 2029.

**Section 5. Certain property owned by an Indian Tribe.** Establishes a permanent property tax exemption for property located in Minneapolis and owned by the Mille Lacs Band of Ojibwe. Effective beginning with the assessment year in which the property owner has complied with exemption application requirements

**Section 6. Certain property owned by an Indian Tribe.** Establishes a permanent property tax exemption for five parcels in Cook County that are owned by the Grand Portage Band of Lake Superior Chippewa. Effective beginning with assessment year 2026.

**Section 7. Conservation property tax valuation.** Provides that a metropolitan county that has adopted a program to protect farmland or natural areas may, by resolution, authorize the assessor to consider the impact of the conservation easement on the property's assessed value. Effective for assessment year 2026 and thereafter.

**Section 8. Homestead owned by or leased to family farm corporation, joint farm venture, limited liability company, or partnership.** Increases, from 12 to 18, the number of allowable shareholders, members, or partners, for entity-owned agricultural homestead property. Effective for homestead applications in 2025 and thereafter.

**Section 9. Agricultural homesteads; special provisions.** Expands the list of qualified relatives required for special agricultural homestead for purposes of unoccupied agricultural property to include grandparents, stepparents, stepchild, uncle, aunt, nephew, and niece, of the owner or the owner's spouse. This section also allows property to qualify for special agricultural homestead if the owner and the person actively farming the agricultural property lives within the county where the property is located, or lives within a county that is adjacent to the county where the property is located. Effective beginning with assessment year 2026.

**Section 10. Requirement; Class 4d(1).** Clarifies that income-averaging is allowed for class 4d(1) low-income rental property tax classification since income-averaging is allowed as a

third set-aside for qualified low-income housing projects under section 42(g) of the Internal Revenue Code (IRC). Effective beginning with assessment year 2026.

**Section 11. Class 1c; Homestead Resorts.** Modifies the classification rates for Class 1c homestead resorts so that the first \$1,500,000 of market value is Tier 1, the market value from \$1,500,001 to \$4,500,000 is Tier II, and any value over \$4,500,000 is Tier III. Effective beginning with assessment year 2026.

**Section 12. Class 2.**

- (1) **Class 2c; Managed Forest Land.** Eliminates the requirement that the property's forest management plan meet all requirements of SFIA to qualify for Class 2c managed forest land and instead provides cross-references to the definition of a 'forest management plan' and an 'approved plan writer' within the SFIA chapter. Provides that land otherwise eligible to be classified as Class 2c is eligible regardless of whether it is wholly or partially subject to a conservation easement.
- (2) **Class 2; Agricultural Land.** Expands the definition of 'agricultural land' by adding 'floriculture' and clarifies that greenhouses or other buildings where floriculture products are grown and used to conduct retail sales must be classified as agricultural if it is primarily used for the growing of floriculture products from seed, cuttings, or roots and occasionally as a showroom. This section also allows property to qualify as agricultural if the property consists of contiguous acreage containing a residence and is less than 15 acres if the contiguous acreage inclusive of the house, garage, and surrounding one acre of land was used in the preceding year for market farming and the owner provides the assessor with federal Schedule F (Form 1040) for the most recent tax year which reports gross income of at least \$20,000. Effective beginning with assessment year 2026.

**Section 13. Homestead of veteran with a disability or family caregiver.** Increases, from \$150,000 to \$175,000, the market value exclusion for veterans with a disability rating of 70 percent or more, and increases, from \$300,000 to \$350,000, the market value exclusion for veterans with a 100 percent total and permanent disability. Effective beginning with assessment year 2025.

**Section 14. Agricultural water quality credit.** Establishes a property tax credit equal to \$5 per acre for agricultural and rural vacant land if the property is located in Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Wabasha, or Winona County, and the property is certified under the Minnesota Agricultural Water Quality Certification Program (MAWQCP) administered by the Minnesota Department of Agriculture. The commissioners of revenue and education shall reimburse each taxing jurisdiction for the reductions granted under this section from an open appropriation from the general fund. Effective beginning with taxes payable in 2026.

**Section 15. Payment; school districts.** Adds a reference to the agricultural water quality property tax credit to the list of credit certifications made by the Department of Revenue to the Department of Education. Effective July 1, 2026.

**Section 16. Computation of net property taxes.** Adds the agricultural water quality property tax credit to the list of credits used to determine the amount of net property taxes owed. Effective beginning with taxes payable in 2026.

**Section 17. Tax-exempt property; lease.** Allows an exemption for a lease of any term of residential housing property that is exempt from property taxation as an institution of purely public charity. Effective beginning with assessment year 2025 and thereafter.

**Section 20. Notice of proposed property taxes.** Requires the agricultural water quality property tax credit to appear on the truth-in-taxation (TNT) statement. Effective beginning with taxes payable in 2026.

**Section 21. Contents of tax statements.** Requires the agricultural water quality property tax credit to appear on the property tax statement. Effective beginning with taxes payable in 2026.

**Section 22. Installment payments; confessions of judgement.** Provides that the interest rate on confession of judgment installment payments for owner occupied homestead property is equal to the prime rate charged by banks during the six-month period ending on September 30 of the preceding year, rounded to the nearest full percent, but no lower than 5% and no higher than 14%. Effective the day following final enactment.

**Section 23. Tax levy for free music in third class cities.** Increases, from \$3,000 to \$10,000, the annual limit that a city of the third class may expend for the purpose of providing free musical entertainment for the general public. Effective the day following final enactment.

**Section 24. Authorized types; border cities.** Eliminates a restriction that to qualify for a tax reduction under the border cities development program, a qualifying city must designate an area or areas within the city that is at least 100 acres but less than 400 acres in which the tax reduction may be provided, and allows reductions to be used for reimbursement of land acquisition costs for business expansion within the zone if the city determines that expansion is necessary to prevent relocation outside the state. Effective for taxable years beginning after December 31, 2024.

**Section 25. Restriction; border cities.** Allows border city tax reductions to be used on recreation or entertainment facilities, private or commercial golf courses, county clubs, massage parlors, tennis clubs, skating facilities including roller skating, skateboard, and ice skating, racquet sports facilities, hot tub facilities, suntan facilities, racetracks, or retail food or beverage facilities operating under a franchise agreement that requires the business to be in Minnesota. Effective the day following final enactment.

**Section 26. Additional border city allocations; border cities.** Allows additional border city tax reductions to be used on recreation or entertainment facilities, private or commercial golf courses, county clubs, massage parlors, tennis clubs, skating facilities including roller skating, skateboard, and ice skating, racquet sports facilities, hot tub facilities, suntan facilities, racetracks, or retail food or beverage facilities operating under a franchise



agreement that requires the business to be in Minnesota. Effective the day following final enactment.

**Section 27. Designation; border cities.** Provides that the cities of Dilworth, Moorhead, and Ortonville may designate all or any part of its city as a development zone. Effective the day following final enactment.

**Section 28. Land bank organization.** Defines a land bank organization as an organization that acquires, holds, or manages vacant, blighted, foreclosed, or tax-forfeited property for future development, redevelopment, or disposal. The organization must be: (1) a nonprofit organization exempt from taxation whose governing members are elected or appointed by a unit of government or whose members are elected or appointed officials of a government unit; or (2) a limited liability company of which a nonprofit organization is a sole member. Effective the day following final enactment.

**Section 29. Authority; land bank abatements.** Authorizes a political subdivision to grant a property tax abatement if the property will be used to provide for the development of housing to households at or below 80% AMI or will allow the property to be held by the land bank organization for future development. Effective the day following final enactment.

**Section 30. Duration limit; land bank abatement.** Allows abatements granted for the development of affordable housing and for land bank property to have a duration of up to five years. Effective for abatement resolutions approved after the day following final enactment.

**Section 31. Repayment; land bank abatement.** Requires a land bank organization to repay, with interest, any abatement granted under this proposal if the land for which the abatement was granted is used for a purpose other than the purpose given by the organization prior to development. Effective the day following final enactment.

**Section 32. Exemption for land held for economic development.** Extends, by six years, a property tax exemption for three parcels owned by the Port Authority of the city of Bloomington. Effective upon local approval and filing requirements.

**Section 33. Repealer.** Repeals Minnesota Statutes, sections 275.065, subdivision 3c and 276.04, subdivision 2a, which require a fiscal disparities adjustment on the notice of proposed property taxes (TNT) and the property tax statement. Effective beginning with property taxes payable in 2026.

### **Article 3: Sales and Use, Excise, Gross Receipts, and Local Sales and Use Taxes**

**Section 1. Sales and use tax.** Requires vendors to remit 10.896 percent of estimated June sales tax liabilities two business days before June 30, 2027, and strikes obsolete language. Effective for sales and purchases made after June 30, 2026.

**Section 2. Accelerated payment of June sales tax liability; penalty for underpayment.** Provides that penalties for underpayment of June accelerated sales tax liabilities do not apply

if the amount remitted equals the lesser of 10.896 percent of the preceding May's liability, or 10.896 percent of the average monthly liability for the previous calendar year. Effective for sales and purchases made after June 30, 2026.

**Section 3. Pharmacy refund.** Allows pharmacies to claim a refund on a quarterly basis of the amount paid to a wholesale drug distributor for legend drugs delivered by the pharmacy outside of Minnesota. The refund is equal to the amount paid by the pharmacy to a wholesale drug distributor for legend drugs delivered by the pharmacy outside Minnesota multiplied by the 1.8 percent wholesale drug distributor tax. A pharmacy must apply for the refund on a quarterly return basis for legend drugs delivered by the pharmacy outside of Minnesota. Refunds are not allowed if the claim for refund is filed more than one year after the end of the quarter in which the legend drugs were delivered by the pharmacy outside of Minnesota. Interest on refunds begins to accrue 60 days after the date the claim is filed. Effective for legend drugs delivered outside of Minnesota after December 31, 2025.

**Section 4. Social media data collection excise tax.** Imposes a tax on the collection of consumer data by a social media platform business based on the number of Minnesota consumers from whom a social media platform business collects data in a month:

- For 100,000 or fewer Minnesota consumers, there is no tax imposed;
- For over 100,000 but not more than 500,000 Minnesota consumers, the tax equals \$0.10 per month on the number of Minnesota consumers over 100,000 but not more than 500,000;
- For over 500,000 but not more than 1,000,000 Minnesota consumers, the tax equals \$40,000 plus \$.25 per month on the number of Minnesota consumers over 500,000 but not more than 1,000,000; and
- For over 1,000,000 Minnesota consumers, the tax equals \$165,000 plus \$0.50 per month on the number of Minnesota consumers over 1,000,000.

Effective for consumer data collected after December 31, 2025.

**Section 5. Championship golf tournaments and related events.** Provides an upfront sales tax exemption for the admissions to a world championship golf tournament sponsored by the Professional Golfers' Association of America (PGA) and related PGA-sponsored events. Effective for sales and purchases made after June 30, 2025.

**Section 6. Qualified data centers.** Extends the sunset for the sales tax exemption for qualified data centers to the earlier of 20 years of the date of the first qualifying purchase, or June 30, 2062. Effective for sales and purchases made after June 30, 2025.

**Section 7. Minnesota intercollegiate sports tickets and admissions.** Exempts from sales tax tickets and admissions to games and events for an intercollegiate sport sponsored by a public institution of higher education. Effective for sales and purchases made after June 30, 2025.

**Section 8. Temporary moratorium.** Extends the moratorium on local governments taking any action to impose a new local sales tax or modify an existing local sales tax until June 30, 2026.

Effective only if the provisions of Article 5 are not enacted in the 2025 regular session or a special session ending before July 1, 2025.

**Section 9. Definitions.** Strikes the counties listed in the definition of “metropolitan area” for the regional transportation sales and use tax and inserts a reference to the statutory definition of “metropolitan area” for purposes of the location of sales and purchases to which the tax would apply. “Metropolitan area” means Anoka, Carver, and Dakota Counties, excluding the cities of Northfield and Cannon Falls; Hennepin County excluding the cities of Hanover and Rockford; Ramsey County; Scott County, excluding the city of New Prague; and Washington County. Effective for sales and purchases made after June 30, 2025.

**Section 10. Definitions.** Strikes the reference to the definition of “metropolitan county” for the metropolitan sales and use tax and inserts a reference to the statutory definition of “metropolitan area” for purposes of the location of sales and purchases to which the tax would apply. “Metropolitan area” means Anoka, Carver, and Dakota Counties, excluding the cities of Northfield and Cannon Falls; Hennepin County excluding the cities of Hanover and Rockford; Ramsey County; Scott County, excluding the city of New Prague; and Washington County. Effective for sales and purchases made after June 30, 2025.

**Section 11. Sales tax imposition; rate.** Strikes the term “counties” and inserts “area” for purposes of the metropolitan region sales and use tax. The tax would now be imposed on sales made in the metropolitan area, as defined in an earlier section. Effective for sales and purchases made after June 30, 2025.

**Section 12. Sales tax authorized.** Authorizes the Hermantown local sales tax to be used to fund multiple sewer interceptor lines and multiple booster pump station projects. Effective the day following final enactment without approval.

**Section 13. Termination.** Extends the expiration date of the Hermantown local sales tax by ten years to the earlier of December 31, 2046, or when the city determines sufficient funds have been raised to pay bonds funded by tax revenues. Effective the day following final enactment without local approval.

**Section 14. Exemption; refund.** Adds materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, upgrade, expansion, renovation, or remodeling of trunk water main improvements in the city of Ramsey to the existing sales tax exemption for those items used for a new water treatment plant. Effective retroactively for sales and purchases made after December 31, 2022, and before July 1, 2027.

**Section 15. Browerville public schools; sales tax exemption for construction materials.** Exempts from sales tax materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, upgrade, expansion, renovation, or remodeling of the Browerville pre-kindergarten through grade 12 school building and construction of a new gymnasium, classrooms, locker rooms, a wrestling and weigh room, offices, and a stage. Effective retroactively for sales and purchases made after December 1, 2023, and before January 1, 2026.

**Section 16. City of Woodbury; sales and use tax exemption for construction materials.**

Exempts from sales tax materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, upgrade, expansion, renovation, or remodeling of a water treatment facility and water tower, including water pipeline infrastructure and associated improvements, funded by the city of Woodbury. Effective retroactively for sales and purchases made after January 31, 2024, and before December 1, 2028.

**Section 17. Repealer.** Repeals all sections of the illegal cannabis and controlled substances tax chapter. Effective August 1, 2025.

**Article 4: Property Tax Aids**

**Sections 1, 2, and 14. School district seasonal tax base replacement aid.** Establishes a new school district aid program that offsets voter-approved operating referendum levies in districts with class 4c(12) seasonal recreational property.

**Section 1. General education aid.** Makes a conforming change to the definition of general education aid related to the establishment of school district seasonal tax base replacement aid. Effective for revenue in fiscal year 2027 and later.

**Section 2. Seasonal tax base replacement aid.** Establishes a new school district aid program that offsets the voter-approved operating referendum levies in districts with class 4c(12) seasonal recreational property. The program would reduce voter-approved school district referendum tax rates by up to 50% in school districts with large amounts of class 4c(12) property. Effective for taxes payable in 2026 and later.

**Section 14. Appropriation; seasonal tax base replacement aid.** Appropriates \$3,422,000 in fiscal year 2027 for general education aid.

**Sections 3 and 4. Local government aid sparsity adjustment.** Establishes a sparsity adjustment within the local government aid formula. Effective for aids payable in 2026 and thereafter.

**Section 3. City revenue need.** Makes a conforming change to the calculation of city revenue need related to the establishment of a sparsity adjustment within the local government aid formula.

**Section 4. Sparsity adjustment.** Establishes a sparsity adjustment within the local government aid formula. The adjustment is 200 for a city with a population of 10,000 or more and an average population density of less than 150 per square mile, or a city with a population less than 10,000 and an average population density of less than 30 per square mile. An estimated 15 cities will have sparsity adjustments in 2026.

**Section 5. Towns.** Modifies the town aid calculation formula to distribute aid proportional to a town's town aid factor, allowing the entire appropriation for town aid to be distributed. Defines "town aid factor" as the product of a town's agricultural property factor, town area factor, and population factor. Strikes an obsolete reference to the State Land Management Information Center and inserts a reference to the Minnesota Geospatial Information Office. Effective for aids payable in 2026 and thereafter.

**Sections 6 and 13. Local government aid reduction.** Reduces the annual appropriation for local government aid. Effective for aids payable in 2026 and thereafter.

**Section 6. Cities.** Reduces the appropriation for local government aid by \$20,000,000, beginning with aids payable in 2026.

**Section 13. LGA payment adjustment.** Requires the commissioner of revenue to calculate a city's aid gap percentage as if the amount appropriated for local government aid payable in 2026 was not decreased from the amount appropriated for local government aids payable in 2025. Requires the commissioner of revenue to proportionally reduce a city's aid payment in 2026 so that the sum of all aid payments to cities equals the amount appropriated for local government aid in 2026.

**Sections 7 and 12. County program aid reduction.** Reduces the annual appropriation for county program aid. Effective for aids payable in 2026 and thereafter.

**Section 7. Counties.** Reduces the appropriation for county program aid by \$20,000,000, beginning with aids payable in 2026.

**Section 12. CPA tax base equalization minimum allocation adjustment.** Specifies that the minimum allocation to a county must not be less than the greater of .27 percent of the appropriation available for county program aid in that year, or 94 percent of the tax base equalization aid for the county in the prior year. Requires the commissioner of revenue to proportionally reduce a county's aid payment so that the sum of all aid payments to counties equals the amount appropriated for county program aid.

**Section 8. Appropriation.** Increases the appropriation for soil and water conservation district aid to \$14,730,000 for aids payable in 2025 and 2026, and to \$14,787,000 for aids payable in 2027 and thereafter. Effective for aids payable in 2025 and thereafter.

**Section 9. Fire protection and emergency medical services special taxing district aid.** Establishes an aid program for fire protection and emergency medical services special taxing districts. Effective for aids payable in 2026 and thereafter.

**Subdivision 1. Definitions.** Defines "commissioner" as the commissioner of revenue and "special taxing district" as a special taxing district that was established for the purpose of providing fire or ambulance service, or both, including: fire protection and emergency medical services districts formed

under section 144F.01, the Moose Lake Fire Protection District, the Floodwood Area Ambulance District, and the Cloquet Area Fire and Ambulance District.

**Subdivision 2. Distribution.** Calculates a special taxing district's annual aid distribution as 50 percent of the average of the district's certified levies for the fewer of the previous five years or the number of years in which the district has certified levies. A district's annual aid distribution is proportionally reduced if the sum of calculated aid distributions exceeds the amount appropriated for the aid.

**Subdivision 3. Commissioner responsibilities; payment.** Requires the commissioner of revenue to calculate and certify annual aid amounts payable to each special taxing district. Requires the commissioner to make aid payments on July 20 of each year.

**Subdivision 4. Appropriation.** Annually appropriates \$1,555,000 from the general fund for fire protection and emergency medical services special taxing district aid.

**Section 10. Report.** Establishes reporting requirements for recipients of public safety aid distributed in 2023. Requires that local units of government that received of \$10,000 or more of aid, counties, and Tribal governments to submit a report by January 15, 2026 to the commissioner of public safety. Requires that the commissioner of public safety compile data and submit a report by February 15, 2026, to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over public safety finance and policy, taxes, and property taxes. Effective the day following final enactment.

**Section 11. Aid penalty forgiveness.** Provides previously-withheld aid amounts to four cities that did not complete the required annual financial reporting to the state auditor in a timely manner. Effective the day following final enactment.

**Subdivision 1. City of Stewart.** Requires the commissioner of revenue to issue a withheld 2023 local government aid payment of \$87,501.50 to the City of Stewart upon certification that the state auditor has received the annual financial reporting from the City.

**Subdivision 2. City of Alpha.** Requires the commissioner of revenue to issue a withheld 2023 local government aid payment of \$18,472 to the City of Alpha upon certification that the state auditor has received the annual financial reporting from the City.

**Subdivision 3. City of Odin.** Requires the commissioner of revenue to issue a withheld 2024 local government aid payment and 2024 small cities assistance payment, totaling \$39,909, to the City of Odin upon certification that the state auditor has received the annual financial reporting from the City.

**Subdivision 4. City of Trosky.** Requires the commissioner of revenue to issue a withheld 2024 local government aid payment and 2024 small cities assistance payment, totaling \$25,003, to the City of Trosky upon certification that the state auditor has received the annual financial reporting from the City.

**Subdivision 5. Appropriation.** Appropriates the amount necessary from the general fund in fiscal year 2025 for payments to the City of Stewart and the City of Alpha.

**Section 15. Repealer.** Repeals the sunset of the local homeless prevention aid program. Under current law, the local homeless prevention aid program expires after aids payable in 2028.

## **Article 5: Local Sales Tax Reform**

**Section 1. Authorization; scope.** Adds a reference to the statute established in section 7 to the authority for political subdivisions to impose a local sales tax. Establishes dates of applicability for the section of statute currently governing local sales taxes. Effective the day following final enactment.

**Section 2. Requirements.** Strikes language in current law regarding the benefits of local sales taxes in relation to property taxes and property tax refunds. Effective the day following final enactment.

**Section 3. Legislative authority required before voter approval; requirements for adoption, use, termination.** Modifies the statute governing currently authorized local sales taxes:

- Strikes unnecessary language requiring a reduction in the duration of a tax imposed if not all projects authorized under a special law are approved by the voters.
- Prohibits political subdivisions from commingling tax revenues for a project approved by the voters with revenue from a tax authorized under the new section of statute established in section 7 or any other law, ordinance, or city charter, including an extension of or modification to the uses of the tax for a different project.
- Requires a political subdivision to notify the commissioner and at least 90 days before the political subdivision anticipates that revenues raised from a local sales tax are sufficient to fund each project approved by the voters. Also requires a political subdivision to notify the commissioner within 30 days of the date that sufficient revenues have been raised to fund the projects approved by the voters.
- Strikes obsolete language pertaining to local sales taxes for which voter approval was received in 2018.
- Limits the total tax rate imposed under this section and the new provisions of section 7 to .5%. This limit would not apply to taxes prior to June 1, 2023, but upon expiration of a tax authorized under this section, the .5% limit applies.

- Provides that counties may impose a local sales tax at the maximum rate of .5% described above in addition to the maximum .5% county transportation sales tax allowed under current law.

Effective the day following final enactment.

**Section 4. Collection and retention.** Requires the commissioner to remit tax proceeds at least quarterly to the political subdivision, less not more than 1% for administrative costs, and, if the political subdivision is a city, the city's contribution share, as defined in a later section. Specifies how revenue must be deposited after the remittances. Effective the day following final enactment.

**Section 5. Contribution share.** Requires the commissioner to retain 5% of local sales tax revenues for cities imposing a tax or extending an existing tax under the requirements of section and 8% for cities authorized to impose a local sales tax under special law. Effective the day following final enactment.

**Section 6. Accounts established; transfer.** Establishes the local sales tax equalization distribution account in the special revenue fund and requires distributions from the account under the provisions of section 9. Effective the day following final enactment.

**Section 7. Specified capital projects; local authorization allowed; requirements.**

**Subd. 1. Definitions.** Defines terms applicable to the section. Facilities funded by a local sales tax not requiring legislative approval must meet the definitions in this subdivision.

**Subd. 2. Local authorization allowed.** Allows a political subdivision to impose a local sales tax without legislative authorization by demonstrating the regional significance of a capital project as provided in this section. These provisions also apply to an extension of or modification to a local sales tax authorized under provisions of current law.

**Subd. 3. Regional community centers; regional sports complexes.** Requires political subdivisions seeking to impose a local sales tax to fund a regional community center or regional sports complex to demonstrate the regional nature of the project, as those facilities are defined in subdivision 1, and conduct and present an analysis of the surrounding region to demonstrate that there is no similar facility open to nonresidents at the same cost as residents.

**Subd. 4. Criminal justice facilities.** Specifies the requirements for a political subdivision to impose a local sales tax to fund a correctional facility, district court office, or law enforcement center, as those terms are defined in subdivision 1. In particular, a political subdivision seeking to impose a local sales tax to fund a law enforcement center must provide resolutions of support from surrounding communities.



**Subd. 5. Convention centers; libraries.** Specifies the requirements for a political subdivision to impose a local sales tax to fund these facilities, as those terms are defined in subdivision 1.

**Subd. 6. Demonstration of regional benefit; public hearing.** Requires a political subdivision to conduct a public hearing to provide information regarding each specified capital project that the political subdivision proposes to fund with a local sales tax. Specifies notice requirements for the hearing. Requires political subdivisions to obtain demonstrations of support of a proposed local sales tax via resolution from at least two adjacent communities, and requires a political subdivision submitting a resolution in support of a capital project funded by a local sales tax to indicate whether the political subdivision is eligible for a distribution share.

**Subd. 7. Resolution required.** Requires the governing body of a political subdivision to adopt a resolution indicating its approval of the proposed local sales tax and specifies the contents of the resolution. Requires the political subdivision to submit the resolution and supporting documentation to the commissioner under the provisions of section 8.

**Subd. 8. Voter approval required.** Requires a political subdivision to seek voter approval of a local sales tax at a general election or special election held within two years of the date it submits the resolution and documentation under subdivision 7. Each project proposed to be funded by a local sales tax must be stated in a separate question. Specifies the requirements of the ballot question to approve a local sales tax.

**Subd. 9. Administration; termination.**

- Requires that tax revenues must be dedicated exclusively to construction and rehabilitation and associated bonding costs related to the specific capital projects approved by the voters, and, if applicable, equalization distributions governed under section 9.
- Prohibits political subdivisions from commingling tax revenues for a project approved by the voters with revenue from a tax authorized under this section or by any other law, ordinance, or city charter, including an extension of or modification to the uses of the tax for a different project.
- Requires political subdivisions to notify the commissioner at least 90 days before the date the political subdivision anticipates that revenues raised from the tax are sufficient to fund the projects approved by the voters. Requires the tax to terminate after sufficient revenues have been raised to fund the projects approved by the voters. The political subdivision must notify the commissioner within 30 days of the date sufficient revenues have been raised.
- Establishes a one-year moratorium on imposing a new local sales tax after a tax imposed under this section has been terminated.

- Provides that if a tax is terminated because sufficient revenues have been raised and before the quarterly termination required under current law, any amount collected that is greater than the average quarterly revenue collected over the last 12 months must be retained by the commissioner for deposit to the general fund.

**Subd. 10. Other provisions apply.** References provisions of current local sales tax law that apply to local sales taxes authorized under this section. Limits the total tax rate imposed under this section to .5%. This limit would not apply to taxes authorized prior to June 1, 2023, but upon expiration of a tax authorized prior to that date, the .5% limit applies. Counties may impose a local sales tax at the maximum rate of .5% described above in addition to the maximum .5% county transportation sales tax allowed under current law.

**Subd. 11. Bonds; authorization.** Provides that municipal debt limits under current law apply to bonds issued for projects under this section. Establishes the maximum amount of time that a tax may be imposed as the earlier of 30 years or the time necessary to collect sufficient revenue to fund the specified capital projects, plus associated bonding costs.

**Subd. 12. Filing and imposition requirements.** Requires political subdivisions that have received voter approval to impose a local sales tax file a certificate of local approval with the secretary of state within 60 days of the approval. The tax must be imposed within 15 months of receiving voter approval, or the authority to impose the tax expires. Requires a political subdivision that cancels a project approved by the voters to notify the commissioner.

**Subd. 13. Allowance for inflation.** Allows an increase of up to three percent of the amount for increased project costs or up to ten more years of tax collection (or both), as those were approved by the voters, if the political subdivision adopts a resolution approving those amounts before 15-month tax imposition period expires. The duration extension would not apply to voter-approved taxes imposed for the maximum amount of 30 years. The political subdivision must file the resolution with the commissioner within an 30 days after adoption but before the 15-month period has expired.

Effective the day following final enactment.

**Section 8. Local sales taxes; oversight.** Requires that a political subdivision seeking to impose a local sales tax submit the resolution and documentation required under section 7 to the commissioner by October 31 of the year before the political subdivision seeks voter approval of the tax. Requires the commissioner to verify whether a project included in the submission meets the criteria specified in section 7 and to notify the political subdivision of the determination by January 10 of the first year the political subdivision may seek voter approval of the local sales tax. Effective the day following final enactment.

**Section 9. Local sales tax equalization distributions.**

**Subd. 1. Definitions.** Defines the following terms: city, commissioner, contribution share, contributor, local sales tax, metropolitan county, population, qualified recipient, and sharing pool.

**Subd. 2. Contribution share.** Requires the commissioner of revenue to annually retain the contribution share of each city included in the definition of contributor. Requires the commissioner to designate, for each contributor, a sharing pool for each county in which the contributor is located. The commissioner must allot a contributor's contribution share among the contributor's sharing pools proportionally to its population in each county in which it is located.

**Subd. 3. Distribution share; requirements.**

- Requires qualified recipients to adopt a resolution supporting a proposed local sales tax imposed by a contributor in order to receive a distribution share.
- Requires the commissioner to divide each contributor's sharing pools among qualified recipients:
  - For a contributor's sharing pool for a metropolitan county, the pool is distributed among all qualified recipients that are contiguous to the contributor. The distribution is proportional to the population of qualified recipients in the sharing pool.
  - For a contributor's sharing pool for a county that is not a metropolitan county, the pool is distributed among all qualified recipients that are located in the same county outside of the metropolitan area. The distribution is proportional to the share of each qualified recipient's population that resides in the sharing pool's county.

A qualified recipient's distribution is the sum of the distributions it receives from any sharing pool.

**Subd. 4. Certification.** Requires the commissioner to annually calculate and certify each city's contribution share and qualified recipient's distribution shares, based on local sales taxes collected in the previous year. Establishes that a contributor shall be paid its contribution share if there are no qualified recipients of its contribution share. Requires the commission to provide notice of certification to each political subdivision by January 31.

**Subd. 5. Payment.** Requires the commissioner to pay each qualified recipient the certified amount by March 15 annually.

**Subd. 6. Appropriation.** Appropriates from the local sales tax equalization distribution account to the commissioner the amount required to make distributions under this section.

Effective the day following final enactment.

## **Article 6: Tax Increment Financing**

**Section 1. Temporary use of increment authorized.** Clarifies that increment transferred under the 2021 temporary transfer authorization must be spent, loaned, or invested by December 31, 2025, and further clarifies that the requirement to return increment includes proceeds, principal, and interest received on loans of transferred increment, interest or investment earnings on transferred increment, or other repayments or returns of transferred increment that remain in the funds of accounts on December 31, 2025, or are subsequently received by the authority. Effective the day following final enactment.

**Section 2. City of Ramsey; TIF.** Extends, to December 31, 2025, the date by which the city of Ramsey must adopt an interfund loan resolutions. Effective upon city approval and filing requirements.

**Section 3. City of Maplewood; TIF.** Expands the geographical area in which tax increment may be spent to include the area bounded by State Highway 61, Interstate Highway 694, White Bear Avenue, and both sides of Beam Avenue. Effective upon city approval and filing requirements.

**Section 4. City of Maple Grove; TIF.** Extends the 5-year rule by an additional five years, and extends, from 20 years to 25 years, the duration of a soil deficiency district. Effective upon city approval except that the duration extension requires approval by the city, county, and school district.

**Section 5. City of St. Paul; Ford Site TIF.** Extends the 5 and 6-year rules by an additional five years for the Ford Site Redevelopment TIF district. Effective upon city approval and filing requirements.

**Section 6. City of Bloomington; TIF.** Extends, from December 31, 2025 to December 31, 2027, the date by which Bloomington must spend, loan, or invest unobligated increment from TIF District No. 1-C and 1-G that was transferred under the 2021 temporary transfer authorization, provided that construction commences prior to December 31, 2027, and the transferred increment is collected from and used within the boundaries of TIF District No. 1-C or 1-G. Effective upon city approval and filing requirements.

**Section 7. City of Brooklyn Center; TIF.** Authorizes the city of Brooklyn Center to establish not more than two redevelopment districts within a defined area. If established, the districts are exempt from the blight test, and the requirement that 90% of increment generated from the district be spent on blight correction. The authority to approve a tax increment financing plan to establish a district expires on December 31, 2031. Effective upon city approval and filing requirements.

**Section 8. City of Brooklyn Park TIF; 610/Zane Area.** Authorizes the city of Brooklyn Park to establish not more than two redevelopment districts within a defined area. If established, the districts are exempt from the blight test, and the requirement that 90% of increment generated from the district be spent on blight correction. The authority to approve a tax increment financing plan to establish a district expires on December 31, 2031. Effective upon city approval and filing requirements.

**Section 9. City of Brooklyn Park TIF; Biotech Area.** Authorizes the city of Brooklyn Park to establish not more than two redevelopment districts within a defined area. If established, the districts are exempt from the blight test, and the requirement that 90% of increment generated from the district be spent on blight correction. The authority to approve a tax increment financing plan to establish a district expires on December 31, 2031. Effective upon city approval and filing requirements.

**Section 10. City of Brooklyn Park TIF; Brooklyn Boulevard / West Broadway Area.** Authorizes the city of Brooklyn Park to establish not more than two redevelopment districts within a defined area. If established, the districts are exempt from the blight test, and the requirement that 90% of increment generated from the district be spent on blight correction. The authority to approve a tax increment financing plan to establish a district expires on December 31, 2031. Effective upon city approval and filing requirements.

**Section 11. City of Eden Prairie TIF; Eden Prairie Center.** Authorizes the city of Eden Prairie to establish not more than two redevelopment districts within a defined area. If established, the districts are exempt from the blight test, and the requirement that 90% of increment generated from the district be spent on blight correction. The authority to approve a tax increment financing plan to establish a district expires on December 31, 2026. Effective upon city approval and filing requirements.

**Section 12. City of Edina; 70<sup>th</sup> & France.** Extends the 5 and 6-year rules by an additional five years, and extends, by ten years, the duration of TIF District 70<sup>th</sup> & France. Effective upon city approval except that the duration extension requires approval by the city, county, and school district.

**Section 13. City of Edina TIF; 72<sup>nd</sup> & France 2.** Extends the 5 and 6-year rules by an additional five years, and extends, by five years, the duration of TIF District 72<sup>nd</sup> & France 2. Effective upon city approval except that the duration extension requires approval by the city, county, and school district.

**Section 14. City of Marshall; TIF.** Extends, from December 31, 2025 to December 31, 2027, the date by which Marshall must spend, loan, or invest unobligated increment from TIF District No 1-1, 1-7, and 2-1, that was transferred under the 2021 temporary transfer authorization. Effective upon city approval and filing requirements.

**Section 15. City of Minnetonka; TIF.** Extends the 5 and 6-year rules by five years, and exempts the district from the requirement that 90% of increment generated from the district be spent on blight correction. Effective upon city approval and filing requirements.

**Section 16. City of Moorhead; TIF District No. 31.** Extends the 5 and 6-year rules by an additional five years for TIF District No. 31. Effective upon city approval and filing requirements.

**Section 17. City of Oakdale; TIF.** Extends, from December 31, 2025 to December 31, 2027, the date by which Oakdale must spend, loan, or invest unobligated increment from TIF

District No 1-4 or 1-6, that was transferred under the 2021 temporary transfer authorization. Effective upon city approval and filing requirements.

**Section 18. City of Plymouth; TIF.** Authorizes the city of Plymouth to establish not more than two redevelopment districts in a defined area. If established, the districts are exempt from the blight test and the requirement that 90% of increment generated from the district be spent on blight correction. In addition, the 5 and 6-year rules are extended by five years. The authority to approve a tax increment financing plan to establish a district expires on December 31, 2031. Effective upon city approval and filing requirements.

**Section 19. City of St. Cloud; TIF.** Authorizes the city of St. Cloud to establish not more than two redevelopment districts in a defined area. If established, the districts are exempt from the blight test and the requirement that 90% of increment generated from the district be spent on blight correction. In addition, increment may be expended for the reconstruction, expansion, or new construction of adjacent public infrastructure, including but not limited to, public parking, streets, and utilities necessary to serve the development and all such expenditures shall be considered in-district expenditures. The authority to approve a tax increment financing plan to establish a district expires on December 31, 2031. Effective upon city approval and filing requirements.

## **Article 7: Public Finance**

**Sections 1, 4, 6, and 9. Bond issuance; notice requirement.** Harmonizes the period in which the notice of bond issuance, and the date and time of a public hearing to discuss the bond issuance, must be published in an official newspaper of the county or in a newspaper of general circulation in the county.

**Section 1. County capital improvement bonds.** Shortens the notice requirement from 14 days to 10 days before the public hearing.

**Section 4. Housing bonds.** Shortens the notice requirement from 15 days to 10 days before the public hearing.

**Section 6. Health care, nonprofit, exempt facilities.** Shortens the notice requirement from 14 days to 10 days before the public hearing.

**Section 9. Election requirement. City capital improvement bonds.** Shortens the notice requirement from 14 days to 10 days before the public hearing.

**Section 2. Definitions.** Modifies the definition of ‘debt obligation’ to include the construction of a court house or justice center if connected to a jail, correctional facility, or other law enforcement facility. Under current law, bonds issues for jails, correctional facilities, and law enforcement facilities are eligible for the Credit Enhancement Program administered by the Minnesota Public Facilities Authority.

**Section 3. Application.** Allows projects in the credit enhancement program to be refinanced at a lower interest rate. Under current law, the credit enhancement program is limited to new projects and refinancing of projects is not allowed.

**Section 5. Sections that apply if federal limit applies.** Clarifies that the Minnesota Bond Allocation Act applies to bonds issued by economic development authorities that are required by federal law to obtain an allocation of the volume cap.

**Section 7. Application for residential rental projects.** Clarifies that for residential rental project allocations the period in which an issuer must permanently issue obligations shall be the earlier of: (1) 180 days of the allocation; or (2) the last business day of December.

**Section 8. Application for all other types of qualified bonds.** Clarifies that for all allocations, other than those issued for residential rental projects, the period in which an issuer must permanently issue obligations shall be the earlier of: (1) 120 days of the allocation; or (2) the last business day of December.

**Section 10. Funds, how provided.** Clarifies that counties may authorize bond financing for sheriff's offices, law enforcement centers, or courthouses or justice centers attached to a county jail.

## **Article 8: Sustainable Aviation Fuel**

**Section 1. Definitions.** Modifies the definition of "sustainable aviation fuel" to further specify how biomass must be produced and adds biomass derived from gaseous carbon dioxides or hydrogen with specified properties to the definition. Effective retroactively to tax year 2024 for sustainable aviation fuel sold after June 30, 2024.

**Section 2. Tax credit establishment.** Requires that, to qualify for the credit, carbon oxides sequestered as part of the sustainable aviation fuel production process must not be used as a tertiary injectant in a qualified enhanced oil recovery project. Allows qualifying taxpayers to claim a supplemental tax credit equal to \$0.02 per gallon for each additional whole percentage carbon intensity reduction beyond 50 percent, up to \$0.50 per gallon. Effective retroactively to tax year 2024 for sustainable aviation fuel sold after June 30, 2024.

**Section 3. Allocation limits.** Increases the allocation limits for credit certificates issued in fiscal years 2026 and 2027 from \$2,100,000 to \$7,400,000 and extends the credit through fiscal year 2035 by adding allocation limits of \$2,100,000 for credit certificates issued in fiscal years 2028 through 2035. Also allows unallocated funds from each fiscal year to be available in the following fiscal year. Effective the day following final enactment.

**Section 4. Expiration.** Extends the credit expiration from taxable years beginning after December 31, 2030, to taxable years beginning after December 31, 2035. Effective the day following final enactment.

## **Article 9: Taxation of Gas Production**

**Section 1. Data and information on mine value of ore and well value of gas.** Specifies that data collected from taxpayers and maintained by the commissioner of revenue on the well value of gas is nonpublic data. This would provide the same treatment as data collected on the mine value of ore as in current law. Effective the day following final enactment.

**Section 2. Property used in business of mining subject to gross proceeds tax.** Expands the property tax exemption for property used in business of mining subject to the gross proceeds tax to include deposits of gas, and real and personal property used in mining, quarrying, or refining of gas. Effective for assessment year 2025 and thereafter.

**Section 3. Real property.** Provides that real property does not include underground openings used to extract metals, or gas. Effective for assessment year 2025 and thereafter.

**Section 4. Assessment of real property.** Provides that metals or gas which are subject to the gross proceeds tax shall not be recognized in the assessing of real property. Effective for assessment year 2025 and thereafter.

**Section 5. Helium relief areas.** This section defines “helium relief area” and requires the commissioner of revenue to annually establish helium relief areas.

**Subdivision 1. Definitions.** Defines the following terms: city, commissioner, county, gas, producing, structure or building, and town. Defines “helium relief area” as a geographic area within the state of Minnesota that falls within the boundaries of any school district that has a boundary within 17 miles of a well, mine, structure, or building, in Minnesota used for gas production that was subject to the tax under section 298.015 and 298.016 during the preceding calendar year.

**Subdivision 2. Establishment.** Requires the commissioner of revenue to annually establish helium relief areas by August 1, and to make publicly available specific information about established helium relief areas by September 1. Provides that a helium relief area that is overlapping or contiguous with an existing helium relief area is added to the existing helium relief area. Helium relief areas that are non-contiguous and non-overlapping are established as separate helium relief areas. Effective following final enactment.

**Section 6. Helium homestead credit.** Establishes a helium homestead property tax credit in the amount of \$50 for homestead properties located within a helium relief area. Requires the county auditor to determine the tax reductions and certify the amounts to the commissioner of revenue. Requires the commissioners of education and revenue to reimburse school districts and other local taxing jurisdictions for the tax reductions resulting from the credit. Annually appropriates a sufficient amount from the helium property tax relief account to the commissioners of education and revenue to make the payments to taxing jurisdictions. Provides that the credit shall not be applied unless the commissioner of revenue determines that there is sufficient revenue in the helium property tax relief account to make the required payments. Effective beginning with taxes payable in 2027.



**Section 7. Helium property tax relief account.** Establishes the helium property tax relief account in the special revenue fund. Funds from this account are used to reimburse taxing jurisdictions related to the helium homestead property tax credit. Effective the day following final enactment.

**Sections 8 through 10. Helium homestead credit; payment; computation of net taxes; tax statements.** Adds the helium homestead property tax to the list of credits used to calculate a property's net tax as well as the property tax statement. Effective beginning with taxes payable in 2027.

**Section 11. Mining company.** Expands the definition of 'mining company' to include a person engaged in the business of mining or producing minerals, metals, or gas. Effective for taxable years beginning after December 31, 2024.

**Section 12. Informational report by mining companies.** Requires mining companies subject to the gross proceeds tax to file an annual informational report with the commissioner of revenue that contains information on sales used to compute gross proceeds, the location of the mine or well where the ore, mineral, metal, or gas product is mined, extracted, refined, or produced, and other information necessary to collect the gross proceeds tax. The report must be filed on or before May 1. An extension of time is not permitted. Effective for annual informational reports due after December 31, 2024.

**Section 13. Corporate franchise and mining company taxes.** Provides that if a mining company does not file the annual information report required under Section 12 by May 1<sup>st</sup> following the close of the calendar year, then the mining company shall not receive an extension to file its annual tax return. Effective for annual informational reports due after December 31, 2024.

**Section 14. Nontaxable mining and production losses.** Adds income or gains from the business of the production of gas to the addition for corporations under current law for income or gains from the production of mining. Effective for taxable years beginning after December 31, 2024.

**Section 15. Exempt mining and production income.** Adds income or gains from the production of gas to the subtraction for corporations under current law for income or gains from the production of mining. Effective for taxable years beginning after December 31, 2024.

**Section 16. Basis modifications affecting gain or loss on disposition of property.** Adds a reference to assets used in producing minerals, metals, or gas that were placed in service before January 1, 1987, to the requirement that taxpayers must use the occupation tax basis of property used in that business. Effective for taxable years beginning after December 31, 2024.

**Section 17. Exempt entities.** Adds entities engaged in the business of producing gas from the exemption from income and corporate franchise tax. Royalties from the business of mining, producing, or refining other ores, metals, and minerals, or producing gas are not considered income. Effective for taxable years beginning after December 31, 2024.

**Section 18. Nonapplication of statutory methods.** Strikes language in the income tax chapter for apportioning income to Minnesota to clarify that those provisions do not apply to the business of mining or producing, which are subject to the occupation tax. Effective for taxable years beginning after December 31, 2024.

**Section 19. Definition.** Modifies the definition of “royalty” to include amounts received for the right to explore, mine, take out, and remove mineral, metal, or gas from the land. Effective for taxable years beginning after December 31, 2024.

**Section 20. Capital equipment.** Adds metal and gas to the definition of “integrated production process” for purposes of the sales tax exemption for capital equipment. Provides a cross reference for the definition of “gas” established in a later section. Effective retroactively for sales and purchases made after December 31, 2024.

**Section 21. Mineral production facilities.** Adds ore, metal, and gas to the type of processing plant for which building materials are exempt from sales tax under current law. Effective retroactively for sales and purchases made after December 31, 2024.

**Section 22. Producer.** Modifies the definition of ‘producer’ used in mining tax statutes to include a person engaged in the business of mining or producing minerals, metals or gas. Effective for taxable years beginning after December 31, 2024.

**Section 23. Producing.** Defines ‘producing’ in the mining tax statutes as the producing of gas products, the drilling, extracting separating, or beneficiating of which are subject to the gross proceeds tax and are carried out by an entity or affiliated entity that drilled, extracted, separated, or beneficiated the gas product. Effective for taxable years beginning after December 31, 2024.

**Section 24. Gas.** Defines ‘gas’ in the mining tax statutes as all gases, both hydrocarbon and nonhydrocarbon, that occur naturally beneath the ground surface in Minnesota. Gas includes, but is not limited to, natural gas, hydrogen, carbon dioxide, nitrogen, hydrogen sulfide, helium, methane and a mixture of some or all of these gases. Effective for taxable years beginning after December 31, 2024.

**Section 25. Gas production.** Defines ‘gas production,’ ‘the production of gas,’ and ‘producing gas’ as the action of taking gas, in its natural state, out from beneath the ground surface in Minnesota and includes drilling, extracting, separating or beneficiating that gas in Minnesota.

**Section 26. Occupation tax; other ores; gas.** Incorporates gas producers into the occupation tax. Effective for taxable years beginning after December 31, 2024.

**Section 27. Gross income; occupation tax.** Provides that refining or producing of gas shall be included in determining the amount of gross income used to calculate the occupation tax. Effective for taxable years beginning after December 31, 2024.

**Section 28. Deductions; occupation tax.** Provides that expenses necessary to convert gas to marketable quality shall be allowed as deductions for purposing of calculating the occupation tax. Effective for taxable years beginning after December 31, 2024.

**Section 29. Gross income; occupation tax; taconite.** Clarifies that this section concerns the taconite portion only of the occupation tax. Effective for taxable years beginning after December 31, 2024.

**Section 30. Deductions.** Provides that deductions allowed under the occupation tax must be determined separately. Effective for taxable years beginning after December 31, 2024.

**Section 31. If declared unconstitutional.** Provides that if changes to the occupation tax are held unconstitutional, the law shall revert to the occupation tax imposed in 1986. Effective for taxable years beginning after December 31, 2024.

**Section 32. Deductions applicable to mining both taconite and other ores, gas; ratio applied.** Provides how the value of a mine shall be calculated if mining or production of taconite, other ores, minerals, metals, or gas occurs at the same mine or facility, Effective for taxable years beginning after December 31, 2024.

**Section 33. Tax imposed; gross proceeds tax.** Sets a gross proceeds tax for carbon dioxide products, helium products, and hydrogen products. For the first twenty-four months from the month in which the gas was first extracted, a gross proceeds tax of seven percent of the gross proceeds shall be applied. After the first twenty-four months, a gross proceeds tax equal to nine percent of the gross proceeds shall be applied. Effective for taxable years beginning after December 31, 2024.

**Section 34. Computation; arm's length transactions.** Adds gas into the section of law used to calculate the gross proceeds tax from an arm's length transaction. Effective for taxable years beginning after December 31, 2024.

**Section 35. Other transactions.** Adds gas into the section of law used to calculate the gross proceeds from a non-arm's length transaction. Effective for taxable years beginning after December 31, 2024.

**Section 36. Alternative computation.** Provides an alternative computation of gross proceeds for gas and oi products in an non-arm's length transaction. Effective for taxable years beginning after December 31, 2024.

**Section 37. Metal, mineral, gas products; definitions.** Adds "gas" to the definition section for the gross proceeds tax. Effective for taxable years beginning after December 31, 2024.

**Section 38. Gas products; definition.** Defines "gas products" as all gases subject to the gross proceeds tax. Effective for taxable years beginning after December 31, 2024.

**Section 39. Within taconite assistance area.** Modifies law that distributes gross proceeds tax proceeds within the taconite assistance area to specify that it applies to proceeds paid on

ores, metals, or minerals mined or extracted within the taconite assistance area. Effective for taxable years beginning after December 31, 2024.

**Section 40. Distribution date.** Applies the December 15 gross proceeds tax proceeds distribution date under current law to distributions of proceeds of tax paid on gas produced within the taconite assistance area during the preceding year, and to distributions of proceeds of tax paid on gas produced within a helium relief area. Effective for taxable years beginning after December 31, 2024.

**Section 41. Gas produced within taconite assistance area.** Allocates ten percent of gross proceeds tax paid on gas produced within the taconite assistance area during the preceding calendar year to the commissioner of Iron Range Resources and Rehabilitation. Effective for taxable years beginning after December 31, 2024.

**Section 42. Within a helium relief area.** Provides that the gross proceeds tax proceeds paid on gas produced within a helium relief area, and that are not allocated to the commissioner of Iron Range Resources and Rehabilitation, are allocated to:

- School districts (25%) located entirely within the helium relief area, distributed to each district in proportion to the district's total pupil units relative to the total pupil units for all districts in the helium relief area. If Lake County is within the helium relief area, 8.33% is allocated to school districts within Lake County, and 16.67% is allocated to school districts within the helium relief area;
- Counties (4.25%), cities (2.875%), and towns (1.375%) that are located at least partially within the helium relief area, distributed in equal amounts among each county, city, or town;
- Counties (8.25%) located at least partially within a helium relief area and within which gas products subject to the gross proceeds tax in the preceding year were produced . Proceeds are distributed to eligible counties based on the types of production processes that occurs within the helium relief area in each county, and the relative extent of operations performed within the helium relief area in each county;
- Cities (5.875%), and towns (2.375%) that are located at least partially within the helium relief area and have a boundary within 25 miles of where gas products subject to the gross proceeds tax in the preceding year were produced. Proceeds are distributed to each eligible city or town based on the type of production processes that occur within 25 miles of the boundaries of eligible cities or towns, and the relative extent of operations performed within 25 miles of the boundaries of eligible cities and towns; and
- (50%) to the helium property tax relief account under section 273.1362.

Provides instructions for reallocation of funds if a distribution has no eligible recipients.

Effective for taxable years beginning after December 31, 2024.

**Section 43. Occupation taxes to be apportioned.** Allocates the proceeds of occupation tax paid on gas that are apportioned to the general fund as follows: 50 percent is distributed in equal amounts to counties that are located at least partially within a helium relief area and 50 percent is distributed to Tribal Nations based on the location of a well producing gas products subject to the gross proceeds tax, including Tribal Nations under the Treaty of 1854 and the Treaty of 1855, and all other federally recognized Tribal Nations in Minnesota. Effective for taxable years beginning after December 31, 2024.

## **Article 10: Miscellaneous**

**Section 1. Requirements for new or renewed tax expenditures.** Strikes the requirement that a new, renewed, or continuing tax expenditure must include a purpose statement and a standard or goal against which the effectiveness of the expenditure may be measured. Strikes the paragraph defining “tax expenditure,” and restates the definition in section 2. Effective the day following final enactment.

**Section 2. Definitions.** Adds the definition of “commissioner of revenue” to the definitions section of the Tax Expenditure Review Commission (TERC) statute. Effective the day following final enactment.

**Section 3. Membership.** Strikes a reference to the “commissioner of revenue” since the term is now defined in section 2. Allows the commissioner to designate another individual to represent the commissioner or the commissioner’s designee at a commission meeting. Effective the day following final enactment.

**Section 4. Duties.** Strikes the term “purpose” and replaces it with “objective.” Strikes the reference to the requirement that a purpose must be identified in enacting legislation. Modifies the date by which the TERC must hold a public hearing on an expenditure that is included in a TERC report from December 1 to February 1 of the year the expenditure is included in a report. Effective the day following final enactment.

**Section 5. Components of review.** Strikes references to the purpose statement requirement in the list of components of a TERC review of a tax expenditure and replaces the term “purpose” with “objective.” Effective the day following final enactment.

**Section 6. Report to legislature.** Modifies the due date for the annual TERC report to the legislature from December 15 to February 15 of each year. Replaces the term “purpose” with “objective” for purposes of the TERC’s initial review of tax expenditures. Effective the day following final enactment.

**Section 7. Terms; vacancies; meetings.** Requires the commissioner of revenue to convene the first TERC meeting of the year. Effective the day following final enactment.

**Section 8. Undistributed money to consumer protection restitution account.** Directs the court or attorney general to deposit money recovered from an action brought by the attorney

general's office that cannot be distributed to victims because the victims cannot be located or identified into the consumer protection restitution account. Effective July 1, 2025.

**Section 9. Consumer protection restitution account.** Establishes the consumer protection restitution account in the special revenue fund and defines applicable terms. Directs 50 percent of all money recovered by the attorney general in a consumer enforcement action that is payable to the state and not designated as a consumer enforcement public compensation to be deposited into the consumer protection restitution account. The other 50 percent must be deposited into the general fund.

Money from the consumer protection restitution account may be distributed to any eligible consumer with an identified amount of unpaid consumer enforcement public compensation. The money must be distributed chronologically, starting with eligible consumers with a final order of the oldest date. The attorney general may recommend to the legislature that the legislature prescribe a formula for prorating or capping payments to eligible consumers so that more eligible consumers will receive payment from the fund.

The attorney general may deem distribution to an eligible consumer to be impractical if the distribution is too small to justify the cost to locate the consumer or the consumer does not redeem the payment in a reasonable time.

The attorney general may deem an attempt to determine an identified amount of unpaid consumer enforcement public compensation for consumers to be unreasonable if the number of eligible consumers is too small to justify the cost to determine an identified amount of unpaid consumer enforcement public compensation or the information needed to identify an amount of unpaid consumer enforcement public compensation is unavailable or too costly to obtain.

The attorney general must publish a report on the attorney general website identifying where money has come from, which actions resulted in money being distributed to consumers, the actions that consumers are waiting to receive distributions for, the actions that the attorney general has concluded making distributions for, the actions that the attorney general determined were impractical or unreasonable to make distributions to, and the costs incurred to administer the account. Informal and formal policies relating to the account are deemed public data on individuals as defined in section 13.02, subdivision 15, and public data not on individuals as defined in section 13.02, subdivision 14.

Effective July 1, 2025.

**Section 10. Rulemaking procedures.** Replaces the term revenue "notices" with "rulings" for purposes of the exclusion from rulemaking procedures in chapter 14. The revenue ruling program is established in a later section. Effective July 1, 2025.

**Section 11. Exceptions.** Makes a technical correction to remove a provision that was previously repealed. This section also states that section 16A.151, which provides that money recovered by the state in litigation or in settlement must be deposited into the general fund, does not apply to the consumer protection restitution account. Effective July 1, 2025.

**Section 12. Bonding authority.** Increases, from \$30 million to \$50 million, the maximum amount of bonds that can be issued by the State Agricultural Society. Effective July 1, 2025.

**Section 13. Revenue rulings.** Modifies the procedure by which revenue notices may be published. Establishes a revenue ruling program. Allows revenue rulings to be expressly revoked or modified by the commissioner, but rulings may not be revoked or modified retroactively to the detriment of taxpayers. Provides the circumstances under which a revenue ruling may be revoked. The issuance of revenue rulings is at the discretion of the commissioner. Specifies the information required in a revenue ruling request and the provisions for acknowledging the request and issuing a ruling. Requires the commissioner to seek feedback from specified entities prior to publication of a revenue ruling. Requires the commissioner to redact certain information prior to publication or public dissemination of a revenue ruling. Provides that the determination made in a revenue ruling is not a rule and not subject to the Administrative Procedure Act. Requires the commissioner to issue a report to the legislature on various aspects of revenue ruling requests received in the immediately preceding calendar year. Effective beginning July 1, 2025. The first legislative report is due January 1, 2027.

**Section 14. Tax information bulletins.** Replaces the term revenue “notices” with “rulings” for purposes of tax information bulletins. Effective beginning July 1, 2025.

**Section 15. Notification requirements; sales and use taxes.** Replaces the term revenue “notices” with “rulings” for purposes of notification requirements for personal holding a sales tax permit. Effective beginning July 1, 2025.

**Section 16. Contents.** Strikes a reference to the purpose statement requirement in the TERC report requirements. Replaces the term “purpose” with “objective.” Effective the day following final enactment.

**Section 17. Definitions.** Amends the definition of “eligible individual” under the electric-assisted bicycle rebate program to (1) require the person to have a disability to be; and (2) require the filing of an income tax return in the two taxable years prior to the year in which the individual applied for a rebate. Adds definition of “person with a disability” to mean a person who receives social security disability benefits. Effective for rebates after December 31, 2024.

**Section 18. Amount of rebate.** Modifies the amount awarded in the electric-assisted bicycle rebate to the lesser of 75 percent of eligible expenses paid by an eligible individual or \$750. Limits eligibility of the rebate to married individuals who file a joint return with adjusted gross income of \$78,000 or less, to heads of household with adjusted gross income of \$62,000 or less, or \$41,000 for all other individuals. Effective for rebates after December 31, 2024.

**Section 19. Commissioner to issue rebate certificates.** Requires the commissioner to allocate electric-assisted bicycle rebate certificates to eligible applicants beginning July 1, 2025, instead of on a first-come, first-served basis. If the total number of eligible applicants exceeds the amount of certificates available for allocation, the commissioner must allocate the certificates through a randomized lottery. The commissioner must establish a suitable

randomized method for allocation and provide the method for an individual to apply for placement into the lottery. Effective for rebates after December 31, 2024.

**Section 20. Penalties relating to property tax refunds and certificates of rent paid.**

Reduces the penalty for an owner failing to give a certificate of rent paid (CRP) to a renter from \$100 to \$50, removes the reasonable cause exception, and allows the penalty to be abated under the abatement authority in current law. Creates a \$50 penalty for each time the owner fails to file a CRP with the commissioner, which can be abated under abatement authority. Effective for rent paid after December 31, 2025.

**Section 21. Park owner to furnish rent certificate.** Requires manufactured home park owners to furnish a CRP to the commissioner on or before March 1 and imposes a penalty on park owners who fail to furnish CRPs to the renter or commissioner by adding a cross-reference to the penalty imposed under section 20. The penalty can be abated under abatement authority in current law. Effective for rent paid after December 31, 2025.

**Sections 22 and 39. Reduction in the annual per acre payment for land enrolled in the sustainable forest incentive program.**

**Section 22. Calculation of incentive payment.** Amends section 290C.07, to reduce the annual per acre payment by 10% for each of the four types of enrolled land. Deletes an obsolete election that expired on May 16, 2019, for claimants to change the length of the covenant on enrolled land. Effective beginning with payments in calendar year 2026.

**Section 39. Special withdrawal and release procedures for the sustainable forest incentive act.** Creates an uncodified provision allowing a claimant with lands enrolled on or before the day following final enactment of section 22 to elect to withdraw these lands without penalty by July 1, 2026, and to receive a release of the covenant as of the date of the election. Effective the day following final enactment.

**Section 23. Deposit of revenues; account established.** Requires the commissioner to deposit all revenues from the cannabis gross receipts tax to the general fund, effective for revenues received after June 30, 2025, and removes the local cannabis aid account in the special revenue fund, effective January 2, 2026.

**Section 24. Definitions.** Adds the Office of the Legislative Auditor (OLA) to the definition of “requesting agency” for purposes of agencies allowed to access federal tax information held by the Department of Revenue. The OLA may use federal tax information when auditing the state’s financial statements, and for other audit and evaluation purposes. Effective the day following final enactment.

**Section 25. Criminal Act.** Strikes the reference to the illegal cannabis and controlled substance chapter, which is repealed in an earlier article, from the definition of “criminal act.” Effective August 1, 2025.



**Section 26. Cancellation of amounts in local government cannabis aid account.** Cancels any balance within the local government cannabis aid account on January 2, 2026, and directs it to the general fund. Effective the day following final enactment.

**Section 27. Cancellations.** Cancels any money in the tax filing modernization account created in the 2023 omnibus tax bill to the general fund. Cancels the \$10,000,000 appropriation from the general fund for a grant to the City of Minneapolis enacted in the 2023 omnibus tax bill. Effective the day following final enactment.

**Section 28. Effect of revenue notices.** Provides that revenue notices issued on or before July 1, 2025, have the full force and effect of revenue rulings. If the commissioner of revenue modifies a revenue notice after June 30, 2025, the commissioner must publish the modification as a revenue ruling. Effective the day following final enactment.

**Section 29. Appropriation; city of South St. Paul; grant.** Makes a onetime appropriation of \$250,000 in fiscal year 2025 from the general fund to the commissioner for a grant to the city of South St. Paul for planning and development costs. The grant must be paid by June 30, 2025. Retention of a portion of the grant for administrative costs is not allowed. Effective the day following final enactment.

**Section 30. Appropriation; Department of Revenue pass-through audit unit.** Appropriates money to the Department of Revenue in fiscal years 2026 and 2027 to establish a unit dedicated to auditing pass-through entities.

**Section 31. Appropriation; local business construction impacts assistance program.** On June 30, 2026, cancels any amount remaining of the \$4,000,000 appropriation for e-bike rebates enacted in the 2023 omnibus transportation bill, and appropriates that amount to the commissioner of transportation for the local business construction impacts assistance program. Effective upon enactment of the local business construction impacts assistance program or similar styled legislation.

**Section 32. Report; electric-assisted bicycle rebate program.** Requires the commissioner of revenue to submit a comprehensive report on the operation of the electric-assisted bicycle rebate program, its technical challenges, and the Department's anticipated plan for instituting a lottery for allocating the remaining rebate certificate. The report is due by January 15, 2026. Effective the day following final enactment.

**Section 33. Study; sales tax remittance for professional athletic events.** Requires the commissioner of revenue to consult with representatives of professional sports teams and members of legislative committees with jurisdiction over taxes to study, evaluate, and provide recommendations regarding the accrual method of remittance of sales taxes for the sale of the privilege of admission to professional athletic events and the application of interest and penalties for professional sports teams that have remitted sales taxes using the accrual method since December 31, 2014. The commissioner must provide a report on the recommendations, and additional information deemed relevant, to the chairs and ranking members of the legislative committees with jurisdiction over taxes by March 15, 2026. Effective the day following final enactment.

**Section 34. Study; funding the state grant program.** Requires members of legislative committees with jurisdiction over taxes and higher education finance and policy to consult with the commissioner of higher education and representatives of institutions of higher education to study, evaluate, provide recommendations, and issue a report regarding alternatives to funding the state grant program. Specifies the contents of the report. The members of the legislative committees with jurisdiction over taxes and higher education finance and policy must provide a report on the recommendations, to the chairs and ranking members of the legislative committees with jurisdiction over taxes and higher education finance and policy committees. The report may include any other information deemed relevant and must be submitted by March 15, 2026. Effective the day following final enactment.

**Section 35. Study; Hennepin County baseball stadium tax; review and evaluation.** Requires the commissioner, in consultation with various named entities, to review and evaluate the Hennepin County baseball stadium tax to determine whether the tax should be extended to fund purposes other than currently authorized uses. The review and evaluation must include possible distribution of revenues to fund hospitals in Hennepin County and the need for continuing operating costs and improvements to the infrastructure of the ballpark. The commissioner must provide a report of the findings to various legislative committees by March 15, 2026. Effective the day following final enactment.

**Section 36. Study; St. Paul local sales tax.** Requires the mayor of the city of St. Paul to consult with the chair and ranking minority members of legislative committees with jurisdiction over taxes and the director of operations of the St. Paul city council to study, evaluate, provide recommendations, and issue a report regarding modifications to the St. Paul local sales tax first enacted in 1993. Specifies the contents of the report. The mayor must submit the report on the recommendations, and any other information deemed relevant, to the chairs and ranking members of the legislative committees over taxes by March 15, 2026. Effective the day following final enactment.

**Section 37. Study; sports betting.** Requires members of the legislative committees with jurisdiction over taxes, finance, and human services to consult with representatives from named entities to study, evaluate, provide recommendations, and issue a report on the legalization of sports betting, fantasy sports, or both. The report may include any other information deemed relevant. The report must be submitted to the chairs and ranking members of the legislative committees with jurisdiction over taxes, finance, and human services by March 15, 2026. Effective the day following final enactment.

**Section 38. Study; finding capital improvements to the U.S. Bank Stadium.** Requires members of the legislative committees with jurisdiction over taxes and finance to consult with representatives from named entities to study, evaluate, provide recommendations, and issue a report on options for funding capital improvements to the U.S. Bank Stadium. The report may include any other information deemed relevant and must be submitted to the chairs and ranking members of the legislation with jurisdiction over taxes and finance by March 15, 2026. Effective the day following final enactment.

**Section 40. Repealer.** Repeals local government cannabis aid, effective for aids payable in 2026 and thereafter. Repeals the tax modernization account enacted in the 2023 omnibus tax bill, effective the day following final enactment. Repeals data practices provisions pertaining to marijuana and controlled substances tax information, effective August 1, 2025.

## **Article 11: Department of Revenue; Individual Income and Corporate Franchise Taxes**

**Section 1. Film production credit.** Amends Minn. Stat. § 116U.27, subd. 2, to allow a taxpayer with expenses incurred in any consecutive 12-month period to be eligible for the film production credit. Effective retroactively for taxable years beginning after December 31, 2022.

**Section 2. Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** Amends Minn. Stat. § 289A.31, subd. 1, by adding a cross-reference to Minn. Stat. § 289A.08, subd. 7a, to impose joint and several liability on partners of a passthrough entity electing and paying the pass-through entity tax consistent with income and composite taxes. Effective retroactively for taxable years beginning after December 31, 2020.

**Section 3. Net income allocation pass-through entity tax.** Amends Minn. Stat. § 290.01, subd. 19, to delete obsolete language regarding income allocation that was repealed and replaced in Minn. Stat. § 289A.08, subd. 7a, during the 2023 Legislative Session. Effective retroactively for taxable years beginning after December 31, 2022.

**Section 4. Social security subtraction correction.** Amends Minn. Stat. § 290.0132, subd. 26, paras. (f), (g), and (h) to correct a reference to paragraph (c) that should be to paragraph (e). Also amends paragraph (j) to clarify that the threshold amounts in the simplified subtraction are adjusted for inflation under Minn. Stat. § 270C.22. Effective retroactively for taxable years beginning after December 31, 2022.

**Section 5. Public pension subtraction.** Amends Minn. Stat. § 290.0132, subd. 34, to clarify "qualified public pension income" is the income of plan members who did not earn credits toward Social Security benefits for the same work that is the source of the pension income. Effective the day following final enactment.

**Sections 6 and 11. Business interest expense limitation.** Section 6 amends Minn. Stat. § 290.0134, subd. 20, the corporate subtractions to federal taxable income, to correct a cross-reference to the corporate additions to federal taxable income. Section 6 is effective retroactively for taxable years beginning after December 31, 2019. Section 11 amends 2023 Minn. Laws, Ch. 1, § 22, temporary additions and subtractions to make clear the definition of "income" for composite filers and the pass-through entity tax includes the individual addition for the disallowed business interest deduction in Minn. Stat. § 290.0131, subd. 19. Section 11 is effective retroactively at the same time the changes in Laws 2023, chapter 1, section 22 were effective for federal purposes.

**Sections 7, 8, and 9. Renter's credit.** Section 7 amends Minn. Stat. § 290.0693, subd. 1, to clarify the definition of "dependent" for the renter's credit to include that the dependent

needs to be claimed by the taxpayer. Section 8 amends Minn. Stat. § 290.0693, subd. 6, to clarify the ratio used to determine the renter's credit for taxpayers who accept medical assistance housing support payments. Section 9 amends Minn. Stat. § 290.0693, subd. 8, to clarify that married couples filing joint tax returns will use the total of both spouses' gross rent when claiming the renter's credit. Further clarifies that when married and filing a separate return, both spouses' share of gross rent must be used to calculate the credit. These sections are effective for taxable years beginning after December 31, 2024.

**Section 10. Credit calculation.** Amends Minn. Stat. § 290.0695, subd. 2, to make clear that the short line railroad infrastructure modernization credit does not exceed the product of multiplying the qualifying number of miles of railroad track by \$3,000. This section is effective retroactively for taxable years beginning after December 31, 2022.

## **Article 12: Department of Revenue; Sales and Use Taxes**

**Section 1. Sustainable aviation fuel facilities.** Amends Minn. Stat. § 297A.71, subd. 54, to clarify that the sustainable aviation fuel facilities exemption is only effective for purchases made after June 30, 2027, and before July 1, 2034. Effective the day following final enactment.

**Sections 2, 3, and 4. Reference correction.** Amends Minn. Stat. § 297A.75, subs. 1, 2, and 3, to correctly reference the sustainable aviation fuel facilities (SAF) exemption that was enacted in 2023. Minn. Stat. § 297A.75 addresses the refund process for construction exemptions. These amendments ensure the refund process requirements are accurately applied to the SAF exemption. Effective the day following final enactment.

**Section 5. Deposit of revenues.** Amends Minn. Stat. § 297A.94 to clarify that the amount deposited as revenue derived from the sales tax on the purchases of motor vehicle repair and replacement parts is deposited monthly based on an estimated amount. Effective the day following final enactment.

**Section 6. Use of zip code in determining location of sale.** Amends Minn. Stat. § 297A.99, subd. 10, to make clear when a seller has exercised due diligence in determining the nine-digit zip code designation of a purchaser and may apply the rate for the five-digit zip code area. Effective for sales and purchases made after June 30, 2025.

**Section 7. Definitions.** Amends Minn. Stat. § 297A.995, subd. 2, to clarify the definition of "certified service provider" (CSP). Minnesota is a member of the Streamline Sales Tax organization. This amendment aligns Minnesota Statutes with the definition of CSP in the Streamline Sales and Use Tax Agreement. This change ensures that CSPs are only liable for the sellers they work with to the extent outlined in the contract between the Streamline Sales Tax Governing Board and the CSPs. Effective for sales and purchases made after June 30, 2025.

**Section 8. Relief from certain liability.** Amends Minn. Stat. § 297A.995, subd. 10, to add clause (d) which provides a certified service provider (CSP) with relief from liability in certain circumstances. When a seller fails to remit all or a portion of their taxes prior to the due date,

the CSP may be relieved of liability for that tax if the CSP provided sufficient notice of the seller's failure to remit. Effective for sales and purchases made after June 30, 2025.

### **Article 13: Department of Revenue; Miscellaneous**

**Section 1. Tax preparer enforcement standard of conduct.** Amends Minn. Stat. § 270C.445, subd. 3, to clarify that it is a violation of the standards of conduct for a tax preparer to take ownership or control or establish an account in the preparer's name for any department payment paid to a client. This amendment was needed to ensure that any advance of the child tax credit paid to a client or similar type payments received the same protection as a tax refund. Effective for taxable years beginning after December 31, 2024.

**Section 2. Enforcement; administrative order; penalties; cease and desist.** Amends Minn. Stat. § 270C.445, subd. 6, to lengthen the timelines for the parties and the Office of Administrative Hearings to act in a contested case proceeding regarding a cease and desist order and/or administrative penalty issued to a tax preparer. Also clarifies that a contested case proceeding is commenced by the issuance of a notice of an order for hearing. Effective for penalties assessed and orders issued after the day following final enactment.

**Section 3. Add 4d(2) as an option for the remaining market value of 1b properties.** Amends Minn. Stat. § 273.13, subd. 22, to allow the value of class 1b property in excess of \$50,000 to be classified as 4d(2) community land trust property under Minn. Stat. § 273.13, subd. 25(e)(2). Effective beginning with assessment year 2025 and thereafter.

**Section 4. Return by qualified heirs.** Amends Minn. Stat. § 289A.12, subd. 18, to remove the first informational estate tax return requirement. Effective the day following final enactment.

**Section 5. Film production credit.** Amends Minn. Stat. § 297I.20, subd. 4(b), to extend the expiration date of the ability of insurers to use film production credits to offset the insurance premium tax. This offset opportunity will now expire January 1, 2031, for taxable years beginning after and premiums received after December 31, 2030. This extension aligns the offset opportunity expiration with the expiration of the underlying film production credit program, which was extended through 2030 via 2023 Minn. Laws, Ch. 64, Art. 1. § 33. Effective the day following final enactment.

**Section 6. Statute of limitations.** Amends 2023 Minn. Laws, Ch. 1, § 28, to correct an incomplete cross-reference. Effective retroactively at the same time the changes incorporated in Laws 2023, chapter 1, were effective for federal purposes.



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