



H.F. No. 2438 – Omnibus Tax Bill (as proposed to be amended by the A26-0187 delete-everything amendment)

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Article 1: Federal Conformity

This article conforms Minnesota’s tax statutes to the Internal Revenue Code as amended through May 1, 2026, which includes changes in Public Law 119-21. In instances where Minnesota does not conform, this article provides additions, subtractions, and adjustments to the calculation of Minnesota taxable income.

Section 1. Internal Revenue Code. Updates the reference to the definition of “Internal Revenue Code” in the tax administration chapter to May 1, 2026. Effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Section 2. Net income. Provides a cross reference to the adjustment for certain income defined under section 23 and certain additions and subtractions for purposes of determining net income. Effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Section 3. Internal Revenue Code. Updates the reference to the definition of “Internal Revenue Code” in the income and corporate franchise tax chapter. Effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Section 4. Charitable contributions. Limits the state itemized deduction for charitable contributions to contributions in excess of one percent of the taxpayer's contribution base (i.e., gross income without deduction for net operating loss carryback for the tax year). Effective beginning in tax year 2026.

Section 5. 529 plan addition. Requires an addition for individual income taxpayers for the amount of distributions of qualified postsecondary credentialing expenses that were excluded from gross income. Effective retroactively to the same time as the modifications in PL 119-21 were effective.

Section 6. Disallowed educational assistance payments. Requires an addition for individual income taxpayers for certain employer-provided educational assistance payments excluded from gross income. Effective beginning in tax year 2026.

Section 7. Qualified transportation fringe. Requires an addition for individual income taxpayers for the amount of qualified transportation fringe benefits for bicycle commuting expenses excluded from gross income that exceed the amount allowed under prior law. Effective beginning in tax year 2026.

Section 8. Services performed in the Sinan Peninsula and other areas. Requires an addition for individual income taxpayers for the amount excluded from gross income for services performed in certain hazardous duty areas. Effective beginning in tax year 2026.

Section 9. Opportunity zone capital gain income. Requires an addition for individual income taxpayers for the amount of capital gain investment in a qualified opportunity zone excluded from gross income. Effective beginning in tax year 2027.

Section 10. Interest on loans secured by rural or agricultural real property. Requires an addition for individual income taxpayers for the amount of interest paid on loans secured by rural or agricultural real property excluded from gross income. Effective retroactively to the same time as the modifications in PL 119-21 were effective.

Section 11. Business meals provided on fishing boats or at fish processing facilities; expenses for bona fide transactions. Requires an addition for individual income taxpayers for the amount excluded from gross income of certain business meals sold in a bona fide transaction and meals provided on fishing boats or fish processing facilities exceeding 50% of the allowed limitation. Effective beginning in tax year 2026.

Section 12. Previously taxed gain in an opportunity zone. Provides a subtraction for individual income taxpayers for the amount of deferred opportunity zone gain that was previously recognized as an addition under section 9 and recognized in the current taxable year. Effective beginning in tax year 2027.

Section 13. Net CFC tested income. Provides a subtraction for individual income taxpayers for the amount of net CFC tested income calculated in a later section. Effective beginning in tax year 2026.

Section 14. Research and experimental expenditures amortization. Requires an addition for corporate franchise taxpayers for 80% of the amount of the amortization deduction claimed under new amortization rules for federal tax purposes, which allows immediate expensing for domestic research and experimental (R&E) expenditures. For taxpayers accelerating unamortized amounts for 2022-2024 expenditures beginning in tax year 2025, an 80% addition is required, effective retroactively to tax year 2025. For certain other eligible taxpayers electing to retroactively apply the new rules for tax years 2022-2024, the unamortized amount for tax years 2022-2024 is an addition, effective retroactively to tax year 2022.

Section 15. Opportunity zone capital gain income. Requires an addition for corporate franchise taxpayers for the amount of capital gain investment in a qualified opportunity zone excluded from gross income. Effective beginning in tax year 2027.

Section 16. Interest on loans secured by rural or agricultural real property. Requires an addition for corporate franchise taxpayers for the amount of interest paid on loans secured by rural or agricultural real property excluded from gross income. Effective retroactively to the same time as the modifications in PL 119-21 were effective.

Section 17. Business meals provided on fishing boats or at fish processing facilities; expenses for bona fide transactions. Requires an addition for corporate franchise taxpayers for the amount excluded from gross income of certain business meals sold in a bona fide transaction and meals provided on fishing boats or fish processing facilities exceeding 50% of the allowed limitation. Effective beginning in tax year 2026.

Section 18. Research and experimental expenditures amortization. Provides a subtraction for one-fourth of the amount of the addition required under section 14. Effective for tax years depending on the election taken for purposes of the addition in section 14.

Section 19. Previously taxed gain in an opportunity zone. Provides a subtraction for corporate franchise taxpayers for the amount of deferred opportunity zone gain that was previously recognized as an addition under section 9 and recognized in the current taxable year. Effective beginning in tax year 2027.

Section 20. Net CFC tested income. Provides a subtraction for corporate franchise taxpayers for the amount of net CFC tested income calculated in a later section. Effective beginning in tax year 2026.

Section 21. Net investment income tax. Provides an adjustment for capital gains in an opportunity zone, depending on whether gains were an addition or subtraction for purposes of calculating Minnesota taxable income in earlier sections. Effective beginning in tax year 2027.

Section 22. Net CFC tested income. Provides a state definition of “net CFC tested income” by reference to the Internal Revenue Code. Net CFC tested income replaces GILTI under federal law and does not include the exclusion for an amount of the basis value of a CFC’s

depreciable tangible property. This definition would allow that exclusion. Effective beginning in tax year 2026.

Section 23. Adjustment for net CFC tested income and subpart F income. Provides that the look-through rule, which allows for exclusion of certain dividends, interest, and rent from a CFC that is a related person are not treated as foreign personal holding company income and therefore not treated as taxable U.S. business activity, does not apply. Effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Section 24. Schedules of rates for individuals, estates, and trusts. Includes the addition for disallowed educational assistance payments, qualified transportation fringe benefits, services performed in the Sinai peninsula and other areas, opportunity zone capital gain income, interest on loans secured by rural or other agricultural property, and business meals provided on fishing boats and expenses for bona fide transactions and the subtractions for previously taxed gains in an opportunity zone and net CFC tested income to the calculation for allocation of income to Minnesota for part-year residents.

Section 25. Section 529 expense plan recapture. Provides that qualified postsecondary credentialing expenses are not “qualified higher education expenses” for purposes of the additional tax applied to certain disallowed 529 plan distributions. Effective retroactively to the same time as the modifications in PL 119-21 were effective.

Section 26. Dependent care credit. Decouples Minnesota’s dependent care credit from the federal credit and re-states the calculation of the credit under current law. Effective beginning in tax year 2026.

Section 27. Definitions. Includes the addition for disallowed educational assistance payments, qualified transportation fringe benefits, services performed in the Sinai peninsula and other areas, opportunity zone capital gain income, interest on loans secured by rural or other agricultural property, and business meals provided on fishing boats and expenses for bona fide transactions and the subtractions for previously taxed gains in an opportunity zone capital gain income, interest on loans secured by rural or other agricultural property, and business meals provided on fishing boats and expenses for bona fide transactions and the subtractions for previously taxed gains in an opportunity zone and net CFC tested income to the calculation for Minnesota alternative minimum tax (AMT). Effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Section 28. Controlled foreign corporation. Provides that the adjustment under section 23 is dividend income for purposes of the dividends received deduction. Effective beginning in tax year 2026.

Section 29. Net CFC tested income. Provides that net CFC tested income as defined in section 22 is dividend income for purposes of the dividends received deduction. Effective beginning in tax year 2026.

Section 30. Internal Revenue Code. Updates the reference to the definition of “Internal Revenue Code” in the property tax refund chapter to May 1, 2026. Effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Section 31. Scope. Updates the reference to the definition of “Internal Revenue Code” in the estate tax chapter to May 1, 2026. Effective the day following final enactment, except the changes incorporated by federal changes are effective retroactively at the same time as the changes were effective for federal purposes.

Article 2: Individual Income and Corporate Franchise Taxes

Section 1. Definitions. Modifies the definition of “sustainable aviation fuel” (SAF) to require that, if liquid fuel is derived from biomass, it must be produced in the U.S., and any agricultural feedstocks must be from planted crops and crop residue harvested from actively managed or fallow agricultural land cleared or cultivated prior to December 19, 2007. Sustainable aviation fuel could also include gaseous carbon oxides and hydrogen meeting certain carbon intensity requirements. Effective retroactively for taxable years beginning after December 31, 2024, for sustainable aviation fuel sold after June 30, 2025.

Section 2. Tax credit establishment. Requires that, to receive the SAF credit, carbon oxides sequestered during the fuel production process must not be used as a tertiary injectant in a qualified enhanced oil recovery project in the production or blending process. Allows a supplemental credit of \$.02 per gallon for each additional whole percentage carbon intensity production beyond 50 percent, up to a maximum of \$2.00 per gallon. Effective retroactively for taxable years beginning after December 31, 2024, for sustainable aviation fuel sold after June 30, 2025.

Section 3. Allocation limits. Extends and increases the allocation for the SAF credit to \$7.4 million for FY 2027, \$5.3 million for FY 2028, and \$2.1 million for FYs 2029 through 2035. Allows unallocated credits to be carried forward to subsequent fiscal years until the entire allocation has been made, through FY 2035. Any remaining unallocated money cancels after June 30, 2025. Effective for taxable years beginning after December 31, 2025.

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

Section 5. Tax credit for owners of agricultural assets. Adds language referencing the temporary lift of the allocation of the credit for tax year 2026 and the amount stated on the credit certificate issued by the Rural Finance Authority for owners of agricultural assets. Effective beginning in tax year 2026.

Section 6. Authority duties. Adds language providing that the allocation limit for the credit for owners of agricultural assets does not apply for tax year 2026. Effective beginning in tax year 2026.

Section 7. Temporary removal of allocation limitation. Provides that the allocation limitation under current law does not apply for tax year 2026. Effective beginning in tax year 2026.

Section 8. Report to legislature. Clarifies that the report required to the legislature regarding various aspects of the credit for owners of agricultural assets includes the number and amount of credit applications that exceeded the available allocation each year applies to the extent that the allocation limitation is in effect. Effective for reports due for credits issued beginning in tax year 2026.

Section 9. Pass-through entity tax. Extends the pass-through entity (PTE) tax through tax year 2027. Effective retroactively from January 1, 2026.

Section 10. Direct free filing of individual returns. Requires the commissioner to establish an electronic filing system free of charge for individual income tax filers, made available on the Department's website, and available beginning in tax year 2027. Allows the commissioner to contract with a software vendor to develop the filing system, but the software vendor must not also offer paid tax preparation services for Minnesota individual filers the same year the system is active. Specifies the types of credits that the system must allow taxpayers to claim. Also authorizes the commissioner to establish a free federal income tax return filing system. Effective the day following final enactment.

Section 11. Net income. Removes unnecessary language regarding resident and nonresident PTE owners. Effective the day following final enactment.

Section 12. Pass-through entity tax paid to another state. Extends the PTE tax credit for PTE taxes paid to another state through tax year 2027. Effective retroactively from January 1, 2026.

Section 13. Pass-through entity tax credit. Provides that the commissioner may disallow the credit if the tax liability of the qualifying entity has not been paid. Effective the day following final enactment.

Section 14. Tax filing modernization. Modifies the eligible uses of the tax filing modernization account to allow funds to be used to develop and implement the free filing system established under section 10. Sunsets the provision and abolishes the account on July 1, 2029. Effective the day following final enactment.

Section 15. Income tax subtraction; nursing facility workforce wage supplement program. Provides a subtraction for purposes of calculating Minnesota taxable income and income for purposes of calculating the property tax refund for the amount of supplemental wage payments to certain nursing home employees. Effective for tax year 2026 only, and only upon passage of a specified human services bill.

Section 16. Pass-through entity tax; 2026 estimated payments. Provides that additions for underpayment of the PTE tax for tax year 2026 do not apply if the first estimated payment is paid in full with the second estimated payment on June 15, 2026. Effective retroactively to tax year 2026.

Section 17. Revival and reenactment. Revives and reenacts, from January 1, 2026, PTE provisions that expired as of tax year 2025. Effective the day following final enactment.

Section 18. Appropriation; direct free filing system. Appropriates \$2.3 million in FY 2027 from the general fund to the commissioner for the free direct filing system established in section 10. Specifies the base for the appropriation in FYs 2028 and 2029.

Article 3: Sales and Use Taxes

Section 1. Championship golf tournaments and related events. Provides a sales tax exemption for the granting of privilege of admission and events related to a world championship golf tournament sponsored by the PGA. Effective for sales and purchases made after June 30, 2026, and before July 1, 2023.

Section 2. Service charges; relationship to services. Amends the statute authorizing tourism improvement districts (“TIDs”) to allow, but not require, businesses in the TID to collect the service charge from purchasers as long as the charge is separately stated on the invoice, bill or sale, or similar document. This allows the service charge to be excluded from the sales price of tangible personal property or services sold by a business in the TID that is subject to sales tax. Effective retroactively for sales and purchases made after June 30, 2025.

Article 4: Property Tax Aids and Credits

Ongoing school district seasonal tax base replacement aid

Section 1. General education aid. Makes conforming changes to the definition of “general education aid” related to the establishment of seasonal tax base replacement aid. Effective for revenue in fiscal year 2028 and thereafter.

Section 2. Seasonal tax base replacement aid. Establishes an ongoing school district seasonal tax base replacement aid program that reduces voter-approved operating referendum levies by up to 50% in districts with a certain amount of class 4c(12) seasonal recreational market value. Effective for taxes payable in 2027 and thereafter.

Section 3. Property tax exemption; certain property owned by an Indian Tribe. Modifies a property tax exemption enacted in 2017 for the Fond du Lac Band of Lake Superior Chippewa’s Center for American Indian Resources in Duluth by: (1) expanding the exemption to include a parking lot that exclusively serves the medical clinic; (2) increasing the number of parcels eligible for the exemption from two to five parcels; (3) eliminating the requirement that parcels be contiguous; and (4) extending the exemption by ten years. Effective beginning with assessment year 2027.

Section 4. Property tax exemption; certain property owned by an Indian Tribe. Establishes a property tax exemption for property in Cloquet that is owned by the Fond du Lac Band of

Lake Superior Chippewa and used to store medical clinic equipment and materials. Effective beginning with taxes payable in 2027.

Section 5. Class 1c; homestead resorts. Modifies the classification tier rates for Class 1c homestead resorts by providing that the first \$1,500,000 of market value is Tier 1 with a class rate of .50%, the market value from \$1,500,001 to \$4,500,000 is Tier II with a class rate of 1.00%, and any value over \$4,500,000 is Tier III with a class rate of 1.25%. Effective beginning with assessment year 2027.

Sections 6, 7, 8 and 10. City of Lake City; port authority. Modifies certain powers of the City of Lake City's port authority by removing the power to bond, exercise eminent domain, and to levy taxes. The port authority may request the city levy taxes on its behalf. The bill also allows the City of Lake City to validate a 2021 session law regarding the port authority notwithstanding the original deadline to validate. Effective the day following final enactment.

Section 9. Expiration. Postpones from 2028 to 2032 the sunset of the local homeless prevention aid program.

Section 11. Onetime increase in homestead credit refund. Provides a onetime increase in homestead credit refunds based on property taxes payable in 2026. For claims filed based on property taxes payable in 2026, the commissioner of revenue shall increase by 14.88 percent the homestead credit refund otherwise payable to each claimant. In adjusting the refunds, the commissioner is not required to provide information concerning appeal rights, but taxpayers retain all rights to appeal. The amount necessary to make payments is appropriated from the general fund to the commissioner of revenue. Effective only for refunds based on property taxes payable in 2026.

Section 12. Onetime school district seasonal tax base replacement aid. Establishes a onetime school district seasonal tax base replacement aid program in fiscal year 2027 for districts with a certain amount of class 4c(12) seasonal recreational market value.

Subdivision 1. Aid amount. Establishes a formula to provide aid to school districts based on the amount of class 4c(12) seasonal recreational market value in each district.

Subdivision 2. Entitlement limit. Directs the commissioner of education to proportionally reduce the initial aid amount calculated for each district under subdivision 1 if the total for all districts exceeds \$2,542,000.

Subdivision 3. Payment. Requires that 100% of the aid be paid in fiscal year 2027.

Subdivision 4. Appropriation. Appropriates \$2,542,000 in fiscal year 2027 from the general fund to the commissioner of education for aid payments under this section. This is a onetime appropriation.

Section 13. 2027 aid calculation. Modifies the calculation of 2027 local government aid for Northern Township, which plans to incorporate as a city in November 2026, to make Northern

first eligible for aid in 2027 instead of 2028 and to establish an artificial 2026 aid amount of \$109.35 per capita for purposes of the 2027 aid calculation. Effective for aids payable in 2027 only.

Article 5: Minerals Taxes

Section 1. Appropriation. Establishes, for the two years after the year in which Mesabi Metallica begins production, guaranteed minimum distributions from the Taconite School Fund and School Building Maintenance Fund to certain school districts that are equal to the amount distributed to these districts with respect to production year 2023, and guaranteed fixed distributions from the School Building Maintenance Fund, Taconite Referendum Fund, Taconite Railroad Aid Account, and Taconite Municipal Aid Account to certain cities and school districts. These distributions are guaranteed by the Douglas J. Johnson Economic Protection Trust Fund.

Section 2. Taconite economic development fund. Precludes Mesabi Metallica from receiving a distribution of proceeds from the Taconite Economic Development Fund.

Section 3. City or town where quarried or produced. Directs that, instead of the current 4.5 cents per taxable ton contributed to the Taconite Cities and Towns Fund and the four cents per taxable ton contributed to the Mining Effects Fund by other producers, Mesabi Metallica contribute one cent per taxable ton produced in 2023 to each of these funds.

This section also adds unorganized townships as eligible recipients of distributions from the Mining Effects Fund.

Section 4. Cities; towns. Directs that, instead of the current 12.5 cents per taxable ton adjusted for inflation that is contributed to the Taconite Municipal Aid Account by other producers, Mesabi Metallica contribute two cents per taxable ton produced in 2023 to this account.

This section also increases from \$50,000 to \$70,000 the maximum distribution each town may receive from the Township Fund.

Section 5. School districts. Directs that, instead of the current four cents per taxable ton contributed to the School Building Maintenance Fund by other producers, Mesabi Metallica contribute eight cents per taxable ton plus \$300,000 to this fund. Distributions from this fund are modified to include eight cents per taxable ton produced by Mesabi Metallica for Greenway and Nashwauk-Keewatin Public School Districts, and \$150,000 for each of Grand Rapids and Ely Public School Districts. In addition, distributions to school districts that received a distribution from the School Building Maintenance Fund in 2024 are, from the proceeds of Mesabi Metallica, increased by an additional four cents per taxable ton produced in 2023 by the producer from which the school district received a distribution in 2024. References to Virginia and Eveleth-Gilbert Public School Districts are also updated to reflect their consolidation into Rock Ridge Public School District.

Finally, this section allocates 4.57 cents per taxable ton produced in 2023 from the proceeds of Mesabi Metallics to the Taconite Referendum Fund. Distributions from this allocation include \$100,000 for each of Ely and Chisholm Public School Districts, and the remainder for school districts eligible for distributions from the Taconite School Fund.

Section 6. Iron range schools and community development account. Allocates 20 cents per taxable ton produced by Mesabi Metallics to the Iron Range Schools and Community Development Account in the year after the year in which Mesabi Metallics begins production through 2050, and dedicates this allocation to projects in Greenway Public School District that were approved by referendum within five years of the date Mesabi Metallics begins production and that were approved by the commissioner of Iron Range resources and rehabilitation after review by the Iron Range Resources and Rehabilitation Advisory Board. Any portion of the allocation remaining if projects are not approved by referendum within five years of the date Mesabi Metallics begins production or if approved projects do not require the full allocation must be dedicated to other eligible uses of the Iron Range Schools and Community Development Account.

This section also adds community development as an eligible use of the Iron Range Schools and Community Development Account.

Section 7. Range Association of Municipalities and Schools. Exempts Mesabi Metallics from contributing 0.50 cent per taxable ton to the Range Association of Municipalities and Schools.

Section 8. Taconite economic development fund. Exempts Mesabi Metallics from contributing 25.1 cents per taxable ton to the Taconite Economic Development Fund. This section also excludes production by MagIron at Plant 4 in Arbo Township and production by Mesabi Metallics from the calculation of total industry production that determines whether distributions to the Taconite Economic Development Fund are made.

Section 9. Taconite environmental fund. Clarifies that contributions to the Taconite Environmental Protection Fund are based on taxable tons. Effective the day following final enactment.

Section 10. Insufficient proceeds. Requires that, if the proceeds from Mesabi Metallics are insufficient to fund the allocations designated from those proceeds, the allocations and distributions designated from those proceeds that are not calculated based on actual Mesabi Metallics production be proportionally reduced until the proceeds are sufficient.

Section 11. Remainder. Increases distributions to school districts from the Taconite Railroad Aid Account from 62 percent to 75 percent of the amount distributed in 1977.

Section 12. Distribution of taconite municipal aid account. Establishes fixed distributions from the Taconite Municipal Aid Account of \$25,000 to each of the city of Orr and the city of Winton, and \$75,000 to each of the city of Cook and the city of Two Harbors.

Section 13. Effective date; revisor notification. Effectuates sections 1 to 8 and 10 to 12 of this article for distributions in the year after the year in which Mesabi Metallics begins production and thereafter. The commissioner of revenue must certify to the commissioner of Iron Range resources and rehabilitation when production begins and notify the revisor of statutes within 30 days of the certification.

Article 6: Tax Increment Financing

Section 1. Excess increments. Modifies the requirements for the return of excess tax increments which are tax increments that exceed costs authorized in the TIF plan. This section: (1) restructures the calculation of excess increments by removing obsolete language; (2) clarifies the process for authorities to defer decertification of the district if within nine months after December 31st of the year being reviewed, a TIF plan is modified that increases total costs by an amount greater than the amount of excess increments; and (3) more clearly requires district decertification and return of excess increments to the county auditor when an authority determines that excess increments exist for the district. Effective for excess increment determinations beginning in calendar year 2026.

Section 2. City of Mountain Lake. Extends the five and six-year rules by additional three years for TIF District No. 1-8 in the city of Mountain Lake. Effective upon city approval and filing requirements.

Section 3. City of Wayzata. Authorizes the city of Wayzata to expend tax increment from TIF District No. 6 on the following projects, all of which are deemed in-district expenditures: (1) design and construction of Eco Park, including shoreline restoration, marsh and water quality improvements, a pier extension of the lakeside boardwalk, and creation of eco-living classrooms; (2) restoration of the Section Foreman House, including installation of a learning center and community space; and (3) expansion and remodeling of Depot Park, including accessibility improvements related to the Panoway on Wayzata Bay project. Effective upon city approval and filing requirements.

Section 4. City of Eden Prairie. Extends, by two years, the authority of the city of Eden Prairie to approve a tax increment financing plan to establish TIF districts pursuant to special legislation enacted in 2025. In 2025, Eden Prairie was authorized 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 collected be spent on blight correction. Eden Prairie must approve a TIF plan to establish these districts by December 31, 2026. This section extends the approval deadline to December 31, 2028. Effective upon city approval and filing requirements.

Section 5. City of Chaska. Authorizes the city of Chaska to collect tax increment from TIF District No. 23 for up to 35 years after receipt of the first increment. Effective upon approval and filing requirements by the city, county, and school district.

Section 6. City of Columbia Heights. Extends the five and six-year rules by an additional five years, and extends the district duration by five years, for the Alatus Tax Increment Financing

District in the city of Columbia Heights. Effective upon city approval except that the request to extend the duration of the districts is effective upon city, county, and school district approval.

Section 7. City of Hopkins. Extends the five and six-year rules by additional five years for TIF District No. 1-6 (325 Blake) in the city of Hopkins. Effective upon city approval and filing requirements.

Article 7: Public Finance

Section 1. County transportation sales and use tax; bonds. Shortens, from 14 days to 10 days, the period in which the date and time of a public hearing to discuss the issuance of bonds under the county transportation sales and use tax must be published in an official newspaper. This shortening of the notice requirement is consistent with changes enacted during the 2025 legislative session concerning the notice period for county capital improvement bonds, housing bonds, city capital improvement bonds, and bond issued by non-profit exempt facilities.

Section 2. Port authorities; general obligation bonds; detail; maturity. Eliminates the requirement that bonds issued by a port authority and secured by a city's general obligation pledge be issued as serial bonds. A serial bond requires portions of the total principal mature in installments at different dates rather than one single future date.

Article 8: Miscellaneous

Section 1. Exchange of criminal investigative data between Department of Revenue and Financial Crimes and Fraud Section. Authorizes the commissioner of revenue ("commissioner") to disclose active criminal investigative data to the Financial Crimes and Fraud Section ("FCFS") of the Bureau of Criminal Apprehension and to enter into an agreement with the FCFS. The data disclosure agreement is allowed only for the purposes of and to the extent necessary for tax administration and to carry out the requirements of section 6. Data disclosed by the commissioner to the FCFS during an investigation are classified as criminal investigative data as defined under current law. Effective the day following final enactment.

Section 2. Disclosure to Legislative Auditor and State Auditor; Inspector General. Adds the inspector general to the list of agencies with whom the commissioner must disclose tax returns and return information. Effective on January 1, 2027.

Section 3. Liability imposed. Adds the tax imposed under section 5 to the statute listing the entities liable for paying taxes. Effective for convictions of fraud made after December 31, 2025.

Section 4. Time limit; generally. Strikes language regarding the timing of claims for refunds as described above and provides that, unless otherwise specified, claims for refunds of all tax types must be filed at the later of 3½ years from the return due date, or two years from the date the tax, penalties, or interest is paid. Provides that claims for refunds filed the 3½-year period are limited to the amount of tax, penalties, and interest paid within that period prior to

the filing date, plus any extensions, if the claim was filed within the extended time. If the claim was not filed within the 3½ -year period, the refund is limited to tax, penalties, and interest paid during the two-year period immediately preceding the filing of the claim. If no claim was filed by the taxpayer, the refund is limited to the amount allowed under either of the two preceding paragraphs, if the claim is filed on the date the refund is allowed. Provides that withholding of estimated tax is considered tax paid on the last day allowed under law; that a return filed before the last day allowed for filing a return is considered filed on that last day; and that a return filed before an extended due date is considered filed on the extended due date, if an extension for filing a return has been granted. Effective the day following final enactment for claims for refund filed on or after that date.

Section 5. Penalty for failure to file, false or fraudulent return, evasion. Imposes a 100% penalty for money received due to fraud of a public program in addition to penalties imposed under current law. The penalty must not be assessed on any amounts assessed under section 5. Deposits amounts collected from this penalty to the tax relief account established in section 5. Effective for determinations of fraud made after December 31, 2025.

Section 6. Tax on amounts obtained through fraud.

Subdivision 1. Definitions. Provides definitions of “first-tier rate,” “public program,” and “program fraud amount.”

Subdivision 2. Tax imposed. Imposes a 100% tax of the amount of program fraud by any person or organization convicted by a state or federal court of fraud, regardless of any restitution, tax, or penalty imposed on or paid by a person or organization. Multiple persons or organizations convicted of fraud are jointly and severally liable for the tax. Provides that the assessment of the tax is a jeopardy assessment or jeopardy collection under provisions of current law.

Subdivision 3. Data sharing. Authorizes the commissioner to share data related to enforcement of the tax with FCFS.

Subdivision 4. Agency certification. Requires the agency primarily responsible for administering the public program under which a person or organization has been convicted to certify specified information to the commissioner in a form and manner prescribed by the commissioner. An agency’s certification is prima facie correct and valid.

Subdivision 5. Deposit of money. Establishes the tax relief account in the special revenue fund. Requires the commissioner to deposit money in the account from the tax imposed under this section. Money in the account must be used to reduce the first-tier income tax rate.

Effective for convictions of fraud made after December 31, 2025.

Section 7. Data sharing authorized. Authorizes FCFS to share criminal investigative data concerning tax administration with the Department of Revenue. Data is classified as criminal investigative data as defined under current law. Effective the day following final enactment.

Section 8. Ramsey County deed and mortgage tax. Extends, from January 1, 2028, to January 1, 2036, the authority of Ramsey County to impose an environmental response fund tax on mortgage registry and deed tax transactions that is in addition to the regular statewide mortgage registry tax and deed tax. Effective the day following final enactment.

Section 9. Hennepin County deed and mortgage tax. Extends, from January 1, 2028, to January 1, 2036, the authority of Hennepin County to impose an environmental response fund tax on mortgage registry and deed tax transactions that is in addition to the regular statewide mortgage registry tax and deed tax. Effective the day following final enactment.

Section 10. Minnesota Housing Finance Agency appropriation. Inserts appropriation rider language in Laws 2026, chapter 100 that is repealed by section 17.

Section 11. Nuclear energy study; appropriation. Appropriates \$500,000 in fiscal year 2027 from the general fund to the commissioner of commerce to conduct a study regarding nuclear generation. This is a onetime appropriation.

Section 12. Cancellations. Cancels \$15,000,000 of a Minnesota forward fund appropriation in Laws 2023, chapter 53 to match federal funds. Effective the day following final enactment.

Section 13. Transfer. Transfers \$15,000,000 in fiscal year 2027 from the Minnesota forward fund to the general fund. This is a onetime transfer.

Section 14. Transfer. Transfers \$75,000,000 in fiscal year 2027 from the driver and vehicle services operating account to the general fund. This is a onetime transfer.

Section 15. Return of unused tax-forfeited settlement appropriation; cancellation. Cancels \$40,000,000 of unspent funds in the tax-forfeited settlement fund to the general fund. This section is effective the day following enactment.

Section 16. Appropriation. Appropriates \$38,000,000 from the general fund to the Minnesota Housing Finance Agency for the family homeless prevention and assistance program. The section allows grants to be awarded to existing and former program grantees and Indian Tribes. The agency may redistribute unused money among grantees and must use all available methods of payment. The appropriation must be spent by December 31, 2026. This section is effective the day following enactment and prevails over any contrary enactment made this session.

Section 17. Repealer. Repeals a section in chapter 100 that cancels unspent funds in the tax-forfeited settlement fund to the general fund and appropriates them to the family homeless prevention and assistance program. This section is effective the day following enactment and prevails over any contrary enactment made this session.

Article 9: Department of Revenue; Individual Income and Corporate Franchise Taxes

Sections 1-3. Composite tax election for accelerated installment sales gain. Amends Minn. Stat. § 289A.08, subd. 7, by creating a new paragraph (h), which permits a nonresident owner that incurs an accelerated gain on certain installment sales in section 290.0137, paragraph (a), to elect to report the accelerated gain on a composite tax return. Previous paragraph (h), and the remaining paragraphs in subdivision 7, are re-lettered. Conforming amendments are made to Minn. Stat. §§ 290.01, subd. 19, paragraph (h), and 290.0137, paragraph (c). Effective for taxable years beginning after December 31, 2025.

Article 10: Department of Revenue; Property Taxes

Sections 1 and 2. Expired property tax programs. Amends Minn. Stat. §§ 273.032, to remove references to two expired valuation exclusions for improvements to certain business property damaged by floods in 1997 or 2022. Amends Minn. Stat. § 273.111, subd. 9, to delete an expired provision of the Green Acres Program. Effective the day following final enactment.

Section 3. Expired property tax programs, terminated aid programs, and obsolete personal property lists. Repeals Minn. Stat. §§ 272.02, subd. 31 (business incubator property), 273.11, subds. 19 and 20 (valuation exclusions for improvements to certain business property damaged by floods in 1997 or 2022), and 273.1315, subd. 1 (class 1b homestead declaration before 2009), to remove references to expired property tax programs. Repeals Minn. Stat. § 273.1385 as this aid for a Public Employers Retirement Association employer rate increase ended on June 30, 2020. Repeals Minn. Stat. §§ 273.25, 273.65, 273.66, 273.67, and 274.07 as the personal property in these statutes is no longer taxed. Repeals Minn. Stat. § 428B.02, subd. 7, to remove the requirement for the governing body to send a copy of the applicable ordinance to the commissioner of revenue. Repeals Minn. Stat. § 477A.085 for debt service aid to Minneapolis that ended after aid was paid in 2021, and Minn. Stat. § 477A.18 providing production property transition that ended after aid was paid in 2020. Effective the day following final enactment.

Article 11: Department of Revenue; Miscellaneous

Sections 1-5, 7-10, 12, and 14-16. Expired Job Opportunity Building Zone program. Amends Minn. Stat. §§ 123B.53, subd. 1, 123B.535, subd. 1, 268.19, subd. 1, 270B.14, subd. 3, 270B.15, 290.01, subd. 29, 290.0921, subd. 3, 290.0922, subds. 2 and 3, 297A.75, subds. 1-3, 297B.03, and 477A.18, subd. 1, to remove references to the expired Job Opportunity Building Zone program. Repeals Minn. Stat. §§ 272.02, subd. 64, 272.029, subd. 7, 289A.12, subd. 15, 290.06, subd. 29, 297A.68, subd. 37, 469.310, 469.311, 469.312, 469.313, 469.314, 469.315, 469.316, 469.317, 469.318, 469.3181, 469.319, 469.3191, 469.3192, 469.3193, 469.320, and 469.3201, to remove references to the expired Job Opportunity Building Zone program. Effective the day following final enactment.

Section 6. Consolidation of venue. Amends Minn. Stat. § 270C.055 by adding subdivision 4, which applies when two or more criminal offenses under state revenue laws or chapter 349 (Lawful Gambling) are committed by the same person in multiple counties. The new subdivision provides that unless otherwise provided in Chapter 289A, the accused person may be prosecuted for all offenses in any county where one offense was committed. Effective for criminal offenses committed after July 31, 2026.

Section 11. Volunteer ambulance services. Amends Minn. Stat. § 295.52, subd. 5, to correct the reference to “volunteer ambulance attendant” defined in Minn. Stat. § 144E.001, subd. 15. Effective the day following final enactment.

Section 13. Deposit of revenues on the sale and purchase of motor vehicles repair and replacement parts. Amends Minn. Stat. § 297A.94 to require the commissioner of revenue to update the estimated monthly deposit amount related to revenues from taxes on the sale and purchase of motor vehicle repair and replacement parts following a change in the law. An updated deposit amount is required if a law changes the tax rate, or percentages, after the amount is determined and before July 1. The commissioner must update any change in the deposit amount by July 15. Effective retroactively from January 1, 2026.



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