

S.F. No. 1811, First Engrossment – Omnibus Tax Bill

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ARTICLE 1 INCOME AND CORPORATE FRANCHISE TAXES

Section 1. New markets tax credit. Adds language in the data practices chapter to require that disclosure of information regarding issuance of credit certificates is governed under provisions created in a later section. Effective the day following final enactment.

Section 2. Definitions. Adds language modifying the definition of “beginning farmer” to reflect changes made in section 3. Effective for taxable years beginning after December 31, 2022.

Section 3. Tax credit for owners of agricultural assets. Increases the credit percentage for owners of agricultural assets from five to eight percent (of the lesser of the sale price or fair market value of the agricultural asset) and increases the maximum credit for sales from \$32,000 to \$50,000. Allows the credit in the case of a sale to a family member if the sales price of the agricultural asset equals or exceeds the assessed value of the asset as of the date of sale. Provides that, for the sale of an agricultural asset to a disadvantaged farmer or rancher, as defined under federal law, the credit percentage is twelve instead of eight percent. Effective for taxable years beginning after December 31, 2022.

Section 4. Authority duties. Strikes obsolete language and allocates \$4 million per taxable year for the credit for owners of agricultural assets. Provides that any unallocated credits for taxable years ending before January 1, 2023, are canceled. Effective for taxable years beginning after December 31, 2022.

Section 5. Report to legislature. Strikes obsolete language and requires the report required under current law to be provided by February 1, 2024. Adds a requirement that the report include, for the period 2017 through 2023, the number of beginning farmers by race and ethnicity, as those terms

were applied in the 2020 census, and, to the extent available, the number of beginning farmers who are members of a socially disadvantaged group. Effective the day following final enactment.

Section 6. Classification and release of data on individuals. Allows the commissioner of DEED to release data to the Department of Revenue on individuals to the extent required to administer the credit. Effective the day following final enactment.

Section 7. Credit allowed. Allocates \$5 million for the angel investment credit for taxable years beginning after December 31, 2022, and before January 1, 2027. Effective for taxable years beginning after December 31, 2022.

Section 8. Sunset. Extends the reporting requirements and revocation provisions for the angel investment credit under current law consistent with the extension of the credit in section 7. Effective the day following final enactment.

Section 9. Definitions. Clarifies the definition of “project” for purposes of expenses eligible for the film production credit by specifying that the minimum \$1 million expenditure must be made in the consecutive 12-month period beginning when expenditures are first paid in Minnesota. Effective for taxable years beginning after December 31, 2022.

Section 10. Applications; allocations. Increases the available allocation for the film production credit from \$4.95 million to \$9.95 million annually. Provides that any unallocated credits for taxable years ending before January 1, 2023, are canceled. Extends the sunset date of the credit to taxable year 2032. Effective for allocation certificates issued after December 31, 2022.

Section 11. Expiration. Extends the substantive provisions of the film production credit through taxable year 2032, consistent with the extension in section 10.

Section 12. New markets tax credit.

Subd. 1. Definitions. Provides definitions applicable to the credit.

Subd. 2. Credit allowed; qualification; limitation. Allows a credit equal to the applicable percentage for each credit allowance date, multiplied by the purchase price paid to the qualified community development entity (QCDE) for the qualified equity investment. The credit may be claimed against the income and corporate franchise tax or the insurance premiums tax, but not both.

Subd. 3. Requirements. Provides that a QCDE that seeks to have an equity investment designated as a qualified equity investment eligible for the credit must have an allocation agreement currently in effect executed by the applicant or its controlling entity and the CDFI fund; be certified as a QCDE by the CDFI fund; and meet all requirements for the federal credit. Requires that an entity seeking eligibility for the credit must hold a qualified equity investment on a credit allowance date of the investment and meet all requirements for the federal credit.

Subd. 4. Application. Requires a QCDE to apply to the commissioner of DEED and specifies the components of the application, which must include a \$5,000 nonrefundable application fee to offset costs to administer the credit. A QCDE may apply for both a greater Minnesota and metropolitan allocation.

Subd. 5. Certification and timing of qualified equity investments. Provides the requirements for the Commissioner of DEED to grant and deny applications and allow for corrections of denied applications. Requires the QCDE to provide evidence of receipt of the cash investment and the designation of 50 percent of the qualified equity investment under the requirements of the federal new markets tax credit, if the QCDE is not a Minnesota QCDE. Requires the commissioner of DEED to notify the commissioner of revenue of credits approved.

Subd. 6. Examination. Authorizes the commissioner of DEED to conduct examinations to verify the credits have been received and applied under the requirements of this section and that no event has occurred that would trigger the recapture provisions under subd. 5.

Subd. 7. Annual reporting by community development entities. Requires each QCDE to annually submit a report to the commissioner of DEED, which must include information about low-income community investments made and low-income community businesses funded, certification that no credits have been subject to recapture, and any changes regarding taxpayers eligible to claim credits with respect to qualified equity investments issued by the QCDE since its last report.

Subd. 8. Program report. Requires the commissioner of DEED to provide a report on the credit if the credit has not been reviewed by the tax expenditure review commission. Subd. 9. Expiration. Provides that the credit expires for taxable years beginning after December 31, 2031. Authorizes the commissioner of DEED allow the credit based on credit certificates issued before the expiration date through the earlier of the year after the year that all certificates have been cancelled or resulted in credit certificates, or 2034.

Effective for taxable years beginning after December 31, 2023.

Section 13. Disclosure to Department of Employment and Economic Development. Authorizes the commissioner of Revenue to disclose tax return information to DEED to the extent required to administer the credit. Effective the day following final enactment.

Section 14. Composite income tax returns for nonresident partners, shareholders, and beneficiaries. Strikes the definition of “income” for purposes of partnership filing requirements and cross references the definition created in section 18. Effective for taxable years beginning after December 31, 2022.

Section 15. Pass-through entity tax. Provides a new cross reference for the definition of “income” for purposes of the PTE tax. Specifies that a “qualifying entity” eligible to make the PTE election includes an LLC taxed as a partnership or S-corporation and a qualifying entity must have at least one qualifying owner. A qualifying entity must not include a publicly traded partnership. Adds a disregarded entity that has a qualifying owner as its single owner to the definition of “qualifying owner.” Removes the requirement that at least one qualifying owner of the PTE is limited by the federal SALT deduction. Specifies that the PTE election must exclude partners, members, shareholders, or owners who are not qualifying owners. Sunsets the PTE election at the same time the federal SALT limitation expires (currently, after 2025) but that the commissioner’s audit, examination, and assessment powers are not affected by the sunset date. Effective retroactively to taxable years beginning after December 31, 2021.

Section 16. Reporting and payment requirements for partnerships and tiered partners.

Requires partnerships to file an amended return for all direct partners if it was subject to a federal audit. Effective retroactively to taxable years beginning after December 31, 2021.

Section 17. Resident trust. Modifies the definition of “resident trust” for purposes of establishing nexus. For trusts (except grantor trusts) that become irrevocable on or before December 13, 1995, or were first administered in Minnesota on or before December 31, 1995, the trust is a resident trust only in the case that at least two of the following conditions are satisfied:

- a majority of the discretionary decisions of the trustees relative to the investment of trust assets are made in Minnesota;
- a majority of the discretionary decisions of the trustees relative to the distributions of trust income and principal are made in Minnesota; or
- the official books and records of the trust, consisting of the original minutes of trustee meetings and the original trust instruments, are located in Minnesota.

For trusts (except grantor trusts) that become irrevocable after December 13, 1995, or were first administered in Minnesota after December 31, 1995, the trust is a resident trust only in the case that either:

- it was created by a will of a decedent was domiciled in Minnesota on the decedent’s date of death; *or*
- is an irrevocable trust whose grantor was domiciled in Minnesota at the time the trust became irrevocable;

and at least two of the following conditions are satisfied:

- a majority of the discretionary decisions of the trustees relative to the investment of trust assets are made in Minnesota;
- a majority of the discretionary decisions of the trustees relative to the distributions of trust income and principal are made in Minnesota; or
- the official books and records of the trust, consisting of the original minutes of trustee meetings and the original trust instruments, are located in Minnesota.

Effective for taxable years beginning after December 31, 2024.

Section 18. Net income. Recodifies the existing definitions of income for purposes of composite returns and the PTE tax from the tax administration chapter to the income tax chapter. Also allows 100 percent of resident qualifying owner’s income to be used in calculating the PTE tax, instead of requiring allocation for income outside Minnesota. Effective retroactively to taxable years beginning after December 31, 2021.

Section 19. Dependent flexible spending accounts. For taxpayers who claim, or whose spouses claim, the dependent care credit in a later section, requires an addback of the amount of dependent care assistance excluded from federal gross income. Effective for taxable years beginning after December 31, 2022.

Section 20. Education expenses. Provides a cross reference in the subtraction for K-12 expenses to a re-codified definition in the credit for K-12 expenses in a later section. Effective for taxable years beginning after December 31, 2022.

Section 21. Social Security benefits. Modifies the subtraction for Social Security income by increasing the subtraction amount and changing the measure of income used to calculate the subtraction. Taxpayers may claim a subtraction equal to the greater of two calculations.

Under a new “simplified calculation,” for married joint filers with adjusted gross income up to \$100,000 and single and head of household filers with adjusted gross income up to \$78,000 the subtraction equals the full amount of taxable Social Security benefits. The subtraction is reduced by ten percent for each \$4,000 of adjusted gross income over these thresholds. For married separate filers, the subtraction is reduced by ten percent of each \$2,000 of adjusted gross income in excess of \$50,000. The phaseout threshold amounts are adjusted annually for inflation.

Under the “alternate calculation,” the subtraction amount and provisional income thresholds under current law are increased. These amounts are not adjusted for inflation.

Effective for taxable years beginning after December 31, 2022.

Section 22. Qualified retirement benefits. Provides a subtraction for qualified public pension income from state or federal plans for taxpayers who do not also receive Social Security benefits for the service on which the pension income is based. The subtraction equals a maximum of \$25,00 for married joint filers or surviving spouses and \$12,500 for all other filers. The subtraction is phased out by ten percent for each \$2,000 of adjusted gross income over \$100,000 for married joint filers or surviving spouses and \$78,000 for single or head of household filers. For married separate filers, the subtraction is phased out by ten percent for every \$1,000 in excess of adjusted gross income over \$50,000. The subtraction amounts and phaseout thresholds are adjusted annually for inflation. Effective for taxable years beginning after December 31, 2022.

Section 23. Subpart F income. Provides a subtraction of Subpart F income (certain income earned by controlled foreign corporations) for individual filers who are part of a unitary businesses subject to combined worldwide reporting in a later section, Effective for taxable years beginning after December 31, 2023.

Section 24. Subpart F income. Provides a subtraction of Subpart F income (certain income earned by controlled foreign corporations) for corporate filers who are part of a unitary businesses subject to combined worldwide reporting in a later section, Effective for taxable years beginning after December 31, 2023.

Section 25. Refund of contributions to political parties and candidates. Increases the political contribution refund from \$50 to \$75 for individuals and from \$100 to \$150 for married joint filers. Effective January 1, 2024 for contributions made in calendar year 2024 and thereafter.

Section 26. Film production credit. Extends the sunset of the film production credit by eight years, to January 1, 2033. Effective the day following final enactment.

Section 27. Pass-through entity tax paid to another state. Provides a credit for PTE taxes paid to another state claimed by a qualifying owner of a PTE. Effective retroactively to taxable years beginning after December 31, 2021.

Section 28. Great start childcare and dependent care credit.

Subdivision 1. Amount of credit. Strikes language linking the state child and dependent care credit to the federal credit and provides a reference to the new calculation of the state credit. Defines terms applicable to the credit. “Employment-related expenses” and “qualifying individual” have the meaning provided in the Internal Revenue Code, but for purposes of determining whether a child is a dependent, whether the taxpayer received a Minnesota family investment program (MFIP) grant or allowance on behalf of the child does not count toward the calculation of whether the child received more than half of the child’s support from the taxpayer. A “young child” is a qualifying individual who has not reached age five by December 31 of the taxable year.

Subd. 1a. Eligible dependent care expenses. Specifies that eligible dependent care expenses are limited to \$3,000 for one qualifying individual per taxpayer and \$6,000 for two or more qualifying individuals per taxpayer.

Subd. 1b. Eligible expenses for taxpayers with young children. Allows an additional \$7,000 in eligible expenses for taxpayers with young children; \$14,000 for taxpayers with two young children; and \$19,000 for taxpayers with three or more young children.

Subd. 1c. Credit percentage. States that the credit percentage equals 50% of eligible expenses, reduced by one percentage point for each \$800 over adjusted gross income of \$160,000. For married separate filers, the adjusted gross income threshold is \$80,000.

Subd. 2b. Inflation adjustment. Updates the statutory year for the inflation adjustment of the income thresholds under current law. The “statutory year” is the year before the amounts begin to be adjusted for inflation.

Subd. 2c. Deemed expenses. Allows taxpayers who care for their own children under age 6 in their own licensed family day care to claim deemed expenses in the amount the taxpayer would charge for the care of child of the same age for the same hours of care. For married filers with a child under age one who do not participate in a dependent care assistance program, the deemed employment-related expenses to claim the credit equals the lesser of the couple’s combined earned income, or \$3,000 (\$10,000 for couples with a young child), regardless of whether employment-related expenses have been paid.

Subd. 2d. Identifying information required. Requires claimants who do not file a federal income tax return to include the name, address, and taxpayer identification number of the person paid employment-related expenses; or if the person who was paid employment-related expenses is a nonprofit organization, the name and address of the organization.

Subd. 3. Credit to be refundable. Appropriates an amount sufficient to pay refunds for the credit.

Subd. 4. Right to file claim. No changes to this subdivision from current law.

Subd. 5. Employment-related expenses. Specifies that the federal requirement limiting the credit to the earned income of the taxpayer, or the taxpayer’s lesser-earning spouse for married joint filers, applies for purposes of the state credit.

Subd. 6. Rules for married couples filing separate returns. Provides that only one spouse may claim the credit.

Effective for taxable years beginning after December 31, 2022.

Section 29. Credit allowed. Provides that the section of the Internal Revenue Code that requires a Social Security number for claimants and qualifying children does not apply for purposes of

claiming the Minnesota working family credit. An individual taxpayer identification number (ITIN) could be used to claim the credit. Effective for tax years beginning after December 31, 2022.

Section 30. Minnesota education credit. Restructures the definitions in the K-12 credit to more clearly state the expenses that qualify for the credit. Increases the income threshold at which the credit starts to phase out to \$70,000 and modifies the definition of income used to calculate the credit from “household income” to FAGI. Strikes the definition of “household income.” Requires the commissioner of revenue to annually adjust the \$70,000 FAGI threshold for inflation. Effective for taxable years beginning after December 31, 2022.

Section 31. Military service credit. Provides that the credit is allowed for military service in a calendar year, rather than a taxable year. Effective for taxable years beginning after December 31, 2022.

Section 32. Applications; allocations. Provides that the taxpayer or grant recipient is entitled to the credit or grant provided that a project is placed in service within five, rather than three years, after the issuance of the certificate. Effective for applications for allocation certificates submitted after June 30, 2023.

Section 33. Credit certificates; grants. Allows the first assignee of a credit or grant to assign the credit certificate in whole to a second assignee, which must be a financial institution. Requires the original credit certificate recipient and each assignee to file a return for the taxable year the project is placed in service. Effective for projects placed in service after June 30, 2023.

Section 34. Credit allowed. Specifies that the stillbirth credit is available only to Minnesota residents. Allows the credit to be claimed for a birth resulting in a stillbirth in another state that provides a certificate of stillbirth similar to that provided under Minnesota law. Effective for taxable years beginning after December 31, 2022.

Section 35. Minnesota child tax credit.

Subd. 1. Definitions. Provides definitions for the credit.

Subd. 2. Credit allowed. Allows a credit equal to \$620 for each child,

Subd. 3. Limitations. Provides that the maximum credit is \$1,860. The credit is phased out by \$62 for each \$1,000 by which the taxpayers adjusted gross income exceeds \$33,000 for unmarried individuals, \$50,000 for married joint filers, and \$25,000 for married separate filers. For part year residents, the credit is allocated under provisions of current law.

Subd. 4. Credit refundable. Directs the commissioner to issue refunds to taxpayers whose credit exceeds tax liability.

Subd. 5. Inflation adjustment. Requires the commissioner to adjust the credit amount and income thresholds annually for inflation under provisions of current law.

Subd. 6. Appropriation. Appropriates an amount sufficient to pay refunds.

Subd. 7. Sunset. Sunsets the credit after tax year 2030 and retains the commissioner’s authority to audit and issue assessments for credits claimed.

Effective for taxable years beginning after December 31, 2022.

Section 36. New markets tax credit.

Subd. 1. Definitions. References the definitions established in section 12.

Subd. 2. Credit allowed. Allows a credit equal to the applicable percentage for each credit allowance date, multiplied by the purchase price paid to the qualified community development entity (QCDE) for the qualified equity investment. The credit may be claimed against the income and corporate franchise tax or the insurance premiums tax, but not both.

Subd. 3. Credit recapture. Provides the circumstances under which credits are recaptured:

- the federal credit allowed for a qualified equity investment is recaptured;
- the QCDE redeems or makes principal repayment with respect to a QCDE prior to seven years of the date of investment; or
- the QCDE fails to invest at least 100 percent of the cash purchase price of the qualified equity investment in qualified low-income community investments in greater Minnesota or metropolitan counties within 12 months of the issuance of the qualified equity investment and maintains the investment in a qualified low-income community in greater Minnesota or metropolitan counties, as applicable, until the last credit allowance date for the qualified equity investment.

The commissioner of DEED must notify the QCDE of proposed recapture of credits, including the reasons for the proposed recapture, and must allow 90 days for the QCDE to cure the deficiency resulting in the proposed recapture. If, after 90 days, the deficiency has not been cured, the commissioner must issue a final order of recapture.

Subd. 4. Sunset. Provides that the credit expires for taxable years beginning after December 31, 2031, but retains the commissioner's authority to audit and issue assessments for credits claimed.

Effective for taxable years beginning after December 31, 2023.

Section 37. Credit for sales of manufactured home parks to cooperatives.

Subd. 1. Definitions. Defines terms applicable to the program and credit.

Subd. 2. Credit allowed; carryforward. Provides a credit equal to five percent of the sales price of qualified property. The credit is nonrefundable but may be carried forward for up to five years. The credit is allocated for nonresidents and part-year residents as provided under current law.

Subd. 3. Partnerships; multiple owners. Requires the credit to be passed through to partners, members, shareholders, or owners of a pass-through entity according to their share of the entity's assets or as otherwise provide in the entity's organizational documents.

Effective for taxable years beginning after December 31, 2022.

Section 38. Short line railroad infrastructure modernization credit.

Subd 1. Definitions. Defines terms applicable to the credit.

Subd. 2. Credit allowed; limitation; carryover. Provides an income or corporate franchise tax credit equal to 50% of the taxpayer's qualified railroad reconstruction or replacement expenditures. The credit equals \$3,000 times the number of miles of railroad track owned or leased in Minnesota by the taxpayer as of the end of the taxable year for which the taxpayer made qualified railroad expenditures. The credit is nonrefundable but may be carried forward for up to five years.

Subd. 3. Transferability; written agreement required; credit certificate. Allows an eligible taxpayer to transfer the credit to a taxpayer subject to the income, corporate franchise, or insurance premiums tax. The transferred amount must not be more than the unused, remaining portion of the credit. The eligible taxpayer and eligible transferee must jointly file a copy of the transfer agreement with the commissioner of revenue within 30 days of the transfer, and the commissioner must issue a credit certificate to the transferee within 30 days of the filing of the agreement. In case of an audit or assessment, the transferee is liable for repayment of credits claimed in excess of the allowed amount.

Subd. 4. Partnerships; multiple owners. Requires the credit to be passed through to partners, members, shareholders, or owners of a partnership, LLC taxed as a partnership, S corporation, or multiple owners of property according to their interest in the business entity or as specified in their organizational documents.

Subd. 5. Allocation for nonresidents and part-year residents. Provides that the credit must be allocated under current law requirements.

Effective for taxable years beginning after December 31, 2022.

Section 39. Income of certain nonresidents.

Subd. 1. Exemption allowed. Provides that compensation received by a qualifying nonresident for employment in Minnesota is excluded from gross income, subject to later provisions in the bill.

Subd. 2. Definitions. Provides definitions relevant to the exemption.

Subd. 3. Withholding exemption; limitation. Exempts employers from the withholding requirements for qualifying nonresident individuals and related filing requirements for those individuals. The exemption does not apply if the employee performs employment duties for the employer in Minnesota for more than 30 days in the calendar year, in which case the withholding and filing requirements apply for every day, including the first 30 days, that the employee performed employment duties in Minnesota for that year.

Subd. 4. Employers; application of penalties. Prohibits the application of penalties or interest otherwise applicable for an employer who fails to deduct and withhold income taxes, if the employer met one of two conditions when determining whether withholding was required:

- the employer maintained a time and attendance system and relied on data from that system; or
- if the employer did not maintain a time and attendance system, the employer relies on either:
 - the employer's own records maintained in the regular course of business of the employer's location or
 - the employee's reasonable determination of the time the employee expected to spend performing employment duties in Minnesota, the employer has no actual knowledge of fraud by the employee in making the determination, and the employer and employee did not collude to evade taxation.

Subd. 5. Timing of employment duties performed. Provides that an employee is deemed to be performing employment duties in Minnesota for a day if the employee performs more

of their employment duties in Minnesota than in any other state during that day, excluding travel time.

Subd. 6. Severability. States that if any provision in this section or application of a provision in this section is found unconstitutional, then all other provisions and related rights, remedies, and privileges remain valid.

Effective for taxable years beginning after December 31, 2025.

Section 40. Definitions. Adds a cross reference to the public pension subtraction in section 22 for purposes of calculating alternative minimum tax (AMT). Effective for taxable years beginning after December 31, 2022.

Section 41. Unitary business principle. Requires foreign corporations that are a unitary business with a domestic corporation to apportion income to Minnesota and requires the factors of a unitary foreign corporation to be included in the apportionment formula. Requires foreign corporations not subject to federal tax filing requirements to calculate net income as required under federal law. Effective for taxable years beginning after December 31, 2023.

Section 42. Foreign corporations and other foreign entities. Provides the rules for calculating federal taxable income for a foreign corporation or other foreign entity subject to worldwide reporting. Effective for taxable years beginning after December 31, 2023.

Section 43. Film production credit. Extends the sunset date for the credit claimed against insurance premiums tax. Effective the day following final enactment.

Section 44. Shortline railroad infrastructure modernization credit. Allows the credit established in an earlier section to be claimed against insurance premiums tax. The credit is nonrefundable but may be carried forward for up to five years. Effective for taxable years beginning after December 31, 2022.

Section 45. New markets tax credit. Allows the credit established in an earlier section to be claimed against insurance premiums tax. The credit is nonrefundable but may be carried forward for up to five years. Effective for taxable years beginning after December 31, 2023 and expires January 1, 2032 for taxable years beginning after and premiums received after December 31, 2031.

Section 46. Advance payment and one-time refundable credit.

Subdivision 1. Credit allowed; eligibility. Provides a refundable individual income tax credit for 2023 only, equal to \$279 for single filers and married persons filing a separate return, and \$558 for head of household, married joint, and surviving spouse filers. The credit is increased by \$56 for each of the first three dependents of the tax filer, up to a maximum of \$168. To be eligible for the credit, the individual must:

- be a resident of Minnesota for at least part of 2023;
- must not be a dependent in 2023; and
- must have adjusted gross income of under \$75,000 for single and married separate filers and \$150,000 for all other filers.

The credit for part year residents is equal to the credit otherwise calculated times the percentage calculated under current law.

To be eligible to receive the credit for dependents, the TIN of the dependent, as defined in section 7701(a)(41) of the Internal Revenue Code, must be included on the 2023 tax return.

Subd. 2. Advance payment of credit. The commissioner of revenue is authorized to make advance payments to persons the commissioner reasonably believes will be eligible for the 2023 credit, based on 2021 individual income tax and property tax refund returns filed before January 1, 2023, who:

- were a resident of Minnesota at the end of 2021;
- were not a dependent in 2021;
- had adjusted gross income in 2021 under \$50,000 for single or married filing separate filers, or \$100,000 for all other individual income tax filers; and
- have not died before January 1, 2023.

The advance payments will be made based on information available in the commissioner's records and individuals are not required to file a claim. The decision of the commissioner to not make an advance payment to an individual is not appealable.

Subd. 3. Payments to taxpayers who do not receive an advance payment. Eligible individuals who do not receive an advance payment or did not receive the full payment for having dependents, can claim the credit on their 2023 Minnesota individual income tax return. Any credit claimed on the tax return is reduced by the amount of the advance payment made to the individual.

Subd. 4. Repayment of advance payment. Persons who receive an advance payment but who are not eligible for the credit in 2023, are required to repay the amount by the due date of the 2023 individual income tax return.

Subd. 5. Internal Revenue Code. Provides that references to the IRC in this section are to the IRC as amended through the date to which the provision related.

Subd. 6. Data classification. Allows the commissioner to share taxpayer data, including return information, to a third-party vendor for purposes of administering advance payments.

Subd. 7. Advance payment not subject to set off. The commissioner must not apply, and must not certify to another agency to apply, an advance payment to any unpaid tax or nontax debt.

Subd. 8. Not income. An advance payment or refund of a credit is not considered income in determining Minnesota income tax, Minnesota income tax credits, the Minnesota property tax refund, or the Minnesota senior citizen property tax deferral. An advance payment or refund of a credit is not considered income, assets or property under various assistance programs.

Subd. 9. Procurement. Exempts the commissioner from various procurement provisions when administering this section.

Subd. 10. Appropriation. Appropriates the amount necessary to pay the advance credit and the refundable portion of the tax credit from the general fund beginning July 1, 2023.

Effective the day following final enactment.

Section 47. Historic structure rehabilitation credit; special provision. Provides that projects that started rehabilitation work after June 30, 2022, and before July 1, 2023, that otherwise meet the statutory requirements to qualify for the credit are eligible to claim the credit if the credit

application is received within 60 days of June 30, 2023. Effective the day following final enactment.

Section 48. Revival and reenactment of expired provisions. Revives and reenacts the definitions and requirements for the angel investment credit and the historic structure rehabilitation credit, which are extended and reenacted, respectively, in other sections. Effective the day following final enactment.

Section 49. Subtraction; certain unemployment compensation. Provides a subtraction for tax year 2021 for unemployment compensation paid to high school students who were initially deemed ineligible for pandemic unemployment assistance (PUA) benefits in 2020. The students were determined eligible in a court of appeals decision but because the payments were not made until 2021 after the outcome of the decision, the payments were not eligible for the exclusion of up to \$10,200 in unemployment compensation under the ARPA. Effective retroactively for tax year 2021.

Section 50. Repealer. Repeals the sunset of the historic structure rehabilitation credit, effective for allocation certificates submitted after June 30, 2023, and repeals the sunset of the credit for owners of agricultural assets, effective the day following final enactment.

ARTICLE 2 FEDERAL CONFORMITY

This article adopts updates to the Internal Revenue Code through March 1, 2023. By conforming to the IRC as of that date, Minnesota would conform to the following provisions of the SECURE 2.0 Act:

Deferral for sales to stock to an employee stock ownership plan. Allows S-corp shareholders to defer recognition of gains on the sale of stock to an employee stock ownership plan. Effective beginning in tax year 2028.

Retirement account withdrawals for emergency expenses. Allows individuals to withdraw up to \$1,000 from a retirement account for emergency expenses. The withdrawal is exempt from the federal 10% penalty on early withdrawals but is included in taxable income. The withdrawal may be repaid within three years. Taxpayers may adjust the prior year's return to exclude the withdrawal from income if the amount of the withdrawal is repaid during the three-year period. Effective beginning in tax year 2024.

Simplified employee pension plans. Allows employers to make additional pre-tax contributions to a Simplified Employee Pension (SEP) plan, up to ten percent of compensation, or \$5,000, whichever is less. Effective beginning in tax year 2024.

Distributions from 529 plans to Roth IRAs. Allows a beneficiary of a Section 529 college savings plan to roll over up to \$35,000 into a Roth IRA. Effective beginning in tax year 2024.

Charitable distributions from IRA. Allows a one-time charitable distribution from an IRA of up to \$50,000 to a charitable gift annuity, charitable remainder trust, or charitable remainder annuity trust. Adjusts the annual \$100,000 limit on charitable distributions from an IRA for inflation. Effective beginning December 29, 2022.

Exclusion of certain first responder retirement benefits. Excludes from gross income qualified service-connected disability pension payments for service as a law enforcement 2

officer, firefighter, paramedic, or emergency medical technician. Effective beginning in tax year 2027.

Distributions from an IRA for federal disasters. Allows withdrawals up to \$22,000 from an IRA for expenses related to a federally declared disaster without incurring a penalty. The distribution is included pro-rata in income over three years and may be repaid within three years. Also allows repayment to retirement accounts for individuals who withdrew from the accounts to purchase a home but were unable to complete the purchase due to a federally declared disaster. Effective retroactively for disasters occurring on or after January 26, 2021.

Limitation on deduction for charitable conservation easements. Limits the deduction under current law for each partner in a partnership for contributions of property to a charitable conservation easement to 2.5 times the partner's basis. The limitation does not apply if the contribution meets a three-year holding period requirement, substantially all of the partnership is owned by family members, or the contribution relates to the preservation of a certified historic structure. Effective December 29, 2022.

Sections 1 to 3, 5, and 6 update the reference date for the Internal Revenue Code tax for purposes of the tax administration chapter (section 1); definition of "net income" and "Internal Revenue Code" in the income and corporate franchise tax chapter (sections 2 and 3); the property tax refund chapter (section 5); and the estate tax chapter (section 6).

Section 4. Schedule of rates for individuals, estates, and trusts. Adds the new addition and subtractions passed in the early conformity bill for disallowed net operating losses and the disallowed business interest deduction to the part and non-resident calculation of income. Effective retroactively for taxable years beginning after December 31, 2018.

Section 7. Effective date. Amends the effective date for the residency percentage calculation in the early federal conformity bill to include the subtraction for business interest. Effective retroactively to tax year 2020 and thereafter.

Section 8. Repealer. Repeals the excess business loss subtraction enacted in the early federal conformity bill. Effective the day following final enactment.

ARTICLE 3 PROPERTY TAX

Section 1. Watershed districts; general fund. Increases the maximum general fund levy authority for watershed districts. Under current law, watershed districts may levy a property tax not to exceed the lesser of: (1) 0.048 percent of the estimated market value of the district; or (2) \$250,000. This section increases the levy limit to the lesser of: (1) 0.096 percent of the estimated market value of the district; or (2) \$500,000. Effective beginning with assessment year 2024.

Section 2. Solar energy generating systems. Requires that real property be classified as class 3a (commercial/industrial) if the property contains more than one solar energy generating system that cannot be combined with the nameplate capacity of another solar generating system for purposes of the solar production tax but is in aggregate over one megawatt. Effective beginning with assessment year 2024.

Section 3. Certain property owned by an Indian tribe. Extends, by ten years, a property tax exemption for certain Tribal-owned property in Minneapolis. This section also exempts the property from the requirement that the property reapply for the exemption every three years but requires all books and records relating to the ownership or use of the property be available to the assessor upon request. Effective beginning with property taxes payable in 2023.

Section 4. Elderly living facility. Establishes an ongoing property tax exemption for Saint Ann's Senior Residence in Duluth. For assessment year 2022 only, an exemption application must be filed with the county assessor by June 15, 2023. Effective beginning with taxes payable in 2023.

Sections 5 & 6. Energy storage systems; statement of exemption. Establishes an ongoing property tax exemption for energy storage systems with a storage capacity not exceeding 300 megawatt-hours and not located in an energy community. A taxpayer seeking exemption must file an application with the commissioner of revenue who, after consultation with the commissioner of commerce, will determine eligibility and issue an exemption order. Effective beginning with assessment year 2024.

Section 7. Community land trusts. Provides that community land trust property that is owned and used as a homestead by the occupant can qualify for the newly established class 4d(2) classification proposed in Section 21. Effective beginning with assessment year 2024.

Section 8. First tier valuation limit agricultural homestead property. Sets the first-tier valuation limit for agricultural homestead property at \$3,500,000 for assessment year 2024. Beginning with assessment year 2025, the limit will be annually adjusted by the commissioner of revenue pursuant to current law. Effective beginning with assessment year 2024.

Section 9. Property no longer eligible for deferment; Green Acres. Provides that property that received Green Acres tax deferment for assessment year 2012 and would have continued to receive the deferment for assessment years 2013 to 2023 but for an eminent domain action that reduced the total acreage to less than ten acres, may reapply, and if deemed eligible, continue to receive the deferment until the property no longer qualifies as agricultural land, or the property is voluntarily withdrawn or sold, transferred, or subdivided. Effective beginning with assessment year 2024.

Section 10. Leasehold cooperatives; ITIN. Requires a cooperative association to provide the county assessor with the Social Security numbers or individual taxpayer identification numbers of its members claiming homestead treatment. Effective retroactively for homestead applications filed in 2023 and thereafter.

Section 11. Homestead application; ITIN. Allows property owners applying for homestead classification to provide either a Social Security number or an individual taxpayer identification number for owners, spouses, or relatives that occupy the property. Effective retroactively for homestead applications filed in 2023 and thereafter.

Section 12. Occupant list; ITIN. Requires that, at the request of the commissioner of revenue, each county must provide the commissioner a list that includes the Social Security number or individual taxpayer identification number of each occupant of homestead property who is the property owner,

property owner's spouse, qualifying relative, or spouse of a qualifying relative. Effective for homestead data provided to the commissioner of revenue in 2024 and thereafter.

Section 13. Property lists; ITIN. Provides that lists the commissioner of revenue may ask counties to provide may contain individual taxpayer identification numbers in addition to Social Security numbers. Effective for homestead data provided to the commissioner of revenue in 2024 and thereafter.

Section 14. Homestead data; ITIN. Requires that each county provide the commissioner of revenue with the individual taxpayer identification numbers of each occupant of homestead property. Effective for homestead data provided to the commissioner of revenue in 2024 and thereafter.

Section 15. Agricultural homesteads; special provisions; ITIN. Requires individuals actively farming agricultural land provide an individual taxpayer identification number when filing an agricultural homestead application. Effective retroactively for homestead applications filed in 2023 and thereafter.

Section 16. Private or nonpublic data; ITIN. Adds individual taxpayer identification numbers to the list of private or nonpublic data. Effective retroactively for homestead applications filed in 2023 and thereafter.

Section 17. Requirement; 4d(1). Makes a technical cross-reference update to the newly established class 4d(1) classification proposed in Section 21. Effective beginning with assessment year 2024.

Section 18. Class 4d; approval. Requires that a property owner receive approval by the governing body of the city or town where the property is located before applying to the Housing Finance Agency for initial class 4d(1) classification, for property that was not, in whole or in part, classified as class 4d(1) prior to assessment year 2024. A property owner that received approval under this section, and the required certification from the Housing Finance Agency, is not required to seek approval prior to applying in each subsequent year. Likewise, approval under this section is not needed if a property is located in a city or town in which the net tax capacity of class 4d(1) property did not exceed two percent of the jurisdiction's total net tax capacity in the prior assessment year. Effective beginning with assessment year 2024.

Section 19. Class 4d; application. Adds the additional approval requirement from Section 18 to the application submitted to the Housing Finance Agency for class 4d(1) designation. Effective beginning with assessment year 2024.

Section 20. Class 1c. Modifies the classification tier rates for class 1c homestead resort property by providing that the first \$850,000 of market value is Tier I (.50% rate); the market value from \$850,001 to \$3,100,000 is Tier II (1% rate); and any value over \$3,100,000 is Tier III (1.25% rate) and remains subject to the state general levy. Effective beginning with assessment year 2024.

Section 21. Class 4d; class rate. Sets the class rate for all class 4d(1) low-income rental properties at 0.25%, and sets the classification rate at 0.75% for any community land trust unit that is owned

and used as a homestead by the occupant, provided that: (1) the community land trust owns the real property on which the unit is located, and (2) the unit owner is a member in good standing of the community land trust. Effective beginning with assessment year 2024.

Section 22. Homestead of veteran with a disability or family caregiver; market value

exclusion. Increases, from \$150,000 to \$165,000 and from \$300,000 to \$330,000, the exclusion amounts for the disabled veterans homestead market value exclusion and allows a surviving spouse to reapply for the exclusion if the spouse previously received the exclusion, but the exclusion expired prior to assessment year 2019 when the eligibility period for surviving spouses was changed to a potential lifetime benefit. Effective beginning with assessment year 2023.

Section 23. Homestead market value exclusion. Increases, by approximately 25% percent, the minimum and maximum market value thresholds for the homestead market value exclusion. Under the proposal, the exclusion equals 40% of the first \$95,000 of market value. For homesteads valued between \$95,000 and \$517,200, the exclusion equals \$38,000 minus 9% of the value over \$95,000. Homesteads valued at \$517,200 or more are not eligible to receive the exclusion. Effective for assessment year 2024 and thereafter.

Section 24. Class 1b homestead declaration 2009 and thereafter. Provides that individual taxpayer identification numbers are considered private data when included on declarations for class 1b homestead classification. Effective retroactively for homestead applications filed in 2023 and thereafter.

Section 25. Amount of tax; distribution. Modifies the definition of “attachments and appurtenances” of cooperative utility distribution lines to include all cooperative association-owned metering and streetlighting equipment that is physically or electrically connected to the cooperative association’s distribution system. Effective beginning with assessment year 2024.

Sections 26 and 27. Delinquent property taxes, penalties, and costs; interest rate. Eliminates the 10% minimum on interest rates charged on delinquent property taxes, penalties and costs, and confessions of judgment, and authorizes county boards to establish, by resolution, a lower interest rate than the prime rate charged by banks. Effective for property taxes, penalties, and costs determined to be delinquent on or after January 1, 2024.

Section 28. Homestead. Allows community land trust properties receiving the proposed class 4d(2) classification to qualify for property tax refunds. Effective for refund claims based on taxes payable in 2025 and thereafter.

Section 29. Additional refund. Reduces, from 12% to 10% percent, the threshold to qualify for the additional or “targeting” property tax refund, and increases, from \$1,000 to \$2,000, the maximum refund allowed. Effective for refund claims based on taxes payable in 2024 and thereafter.

Sections 30 to 33. Senior citizens’ property tax deferral program. Modifies two qualifications for the senior citizens’ property tax deferral program by: (1) increasing, from \$60,000 to \$96,000, the maximum household income allowed; and (2) reducing, from 15 years to 5 years, the homestead ownership and occupancy requirement. Effective for applications received for deferral of taxes payable in 2024 and thereafter.

Section 34. Anoka County; public safety improvements and equipment levy. Extends, by ten years, the authority for Anoka County to levy for public safety improvements and equipment and provides that the county shall separately certify to the county auditor any property tax levied under this authority. Effective upon approval by Anoka County with approval and filing requirements.

Sections 35 and 36. Metropolitan fiscal disparities program. Aligns the definition of the area and municipalities included in the metropolitan fiscal disparities program with the definition of the area and municipalities under the jurisdiction of the Metropolitan Council. Effective for taxes payable in 2024 and thereafter.

Section 37. Northwest Minnesota Multi-County Housing and Redevelopment Authority. Extends, by ten years, the authority for the Northwest Minnesota Multicounty Housing and Redevelopment Authority to levy up to 25% of the statutory permitted amount without needing approval by the governing bodies of participating jurisdictions. Effective upon local approval and filing requirements.

Section 38. Class 4d(1); class rate reduction property tax savings report. Requires counties to identify ten properties in the county with the greatest number of class 4d(1) units, and requires that each property owner be contacted and surveyed as to how each used property tax savings resulting from the class rate change. Counties must issue a report to the commissioner of revenue and the legislature. Effective the day following final enactment.

ARTICLE 4 PROPERTY TAX AIDS

Section 1. Payment; school districts. Makes a conforming change related to the payment of electric generation transition aid to school districts. Effective July 1, 2024.

Section 2. Population age 65 and over. Recodifies an existing definition from the county program aid (CPA) section for general use in the revised local government aid (LGA) formula. Effective beginning for aids payable in 2024.

Section 3. Transformed population. Defines “transformed population” to mean the log base 10 of the population. Effective beginning for aids payable in 2024.

Section 4. City revenue need. Modifies the calculation of revenue need for small, medium, and large cities. Adjusts the base year for the annual inflation adjustment for revenue need. Effective beginning for aids payable in 2024.

For a **large city** with a population of at least 10,000, updates the formula constant and the formula coefficient on the pre-1940 housing independent variable, and introduces three new independent variables: city age index (defined below), commercial industrial utility percentage (defined below), and peak population decline (already used in the current-law medium city formula). Removes two current law independent variables and the sparsity adjustment from the calculation.

For a **medium city** with a population between 2,500 and 10,000, updates the formula constant and the formula coefficient on the pre-1940 housing and peak population decline independent variables, and introduces one new independent variable: commercial industrial utility percentage. Removes the sparsity adjustment from the calculation.

For a **small city** with a population less than 2,500, updates the formula constant and substitutes “transformed population” for population in the small city formula. Eliminates the current law cap on small city per-capita revenue need.

Section 5. City age index. Defines “city age index” to mean the percentage of the population of the city that is age 65 or older. Effective beginning for aids payable in 2024.

Section 6. Commercial industrial utility percentage. Defines “commercial industrial utility percentage” to mean the percentage of the total estimated market value of real and personal property in the city that is class 3 property under section 273.13. Effective beginning for aids payable in 2024.

Section 7. Definitions [applicable to CPA]. Defines “Group A offenses” and “adjusted offenses” for the purposes of the CPA formula. (Beginning with data reported for 2021, the FBI and Bureau of Criminal Apprehension no longer classify crimes as “part I” or “part II” crimes. Instead, crimes are classified as “group A” and “group B” offenses. In general, group A offenses include all the part I crimes plus additional types of serious offenses. The language proposed here will transition to the CPA calculation to use a count of “group A” offenses.) Makes other conforming changes. Effective beginning for aids payable in 2024.

Section 8. County need aid. Provides for a transition from using annual counts of “Part I crimes” to “Group A offenses” as an input to the calculation of CPA. Effective beginning for aids payable in 2024.

Section 9. City formula aid. Makes a conforming change to the elimination of aid adjustments under the proposed LGA formula. Effective beginning for aids payable in 2024.

Section 10. City aid distribution. Makes a conforming change to the elimination of aid adjustments under the proposed LGA formula. Strikes other obsolete language. Effective beginning for aids payable in 2024.

Section 11. Calculations and payments; adjustments to computational factors. Removes specific references to obsolete and unneeded LGA computational factors. Clarifies the commissioner’s authority to adjust computational factors in cases of city annexations. Makes other technical changes. Effective beginning for aids payable in 2024.

Section 12. Payment dates. Requires the commissioner to pay 12.39% of local government aid payable in 2025 on March 20, 2025. The remaining amounts would be paid on the normal biannual payment dates. Effective beginning for aids payable in 2024.

Section 13. Cities [aid amount]. For aid payable in 2024 and later, increases the total amount of annual LGA to \$604.4 million, an increase of \$40 million over current law. Effective beginning for aids payable in 2024.

Section 14. Counties [aid amount]. For aid payable in 2024 and later, increases the amount of total annual CPA to \$304.7 million, an increase of \$40 million over current law. Effective beginning for aids payable in 2024.

Section 15. Types of land; payments [in lieu of taxes]. Increases, from \$2 to \$2.25, the payment per acre for county-administered and commissioner-administered other natural resource land. Effective beginning for aids payable in 2024.

Section 16. Aid eligibility; payment [utility valuation transition aid]. Modifies the eligibility criteria for the utility valuation transition aid program. Requires that a city or town must have generated aid in the previous year to remain eligible for aid in 2024 and later. Phases the aid program out entirely after 2026. Effective beginning for aids payable in 2024.

Section 17. Soil and water conservation district aid. Establishes a state aid program to annually provide money to soil and water conservation districts (SWCD). Allocates \$12.723 million annually by a statutory formula as follows: 70 percent in equal amounts to each SWCD; 20 percent in proportion to the amount of nonpublic land in each SWCD; and 10 percent in proportion to the cube root of the population of each SWCD. Provides for other administrative authority and duties related to the aid program. Effective beginning for aids payable in 2024.

Section 18. Electric generation transition aid. Establishes a transition aid program for local governments for which the local tax base is reduced because of the retirement of one or more electric generating units at an electric generating plant owned by a public utility. Provides a formula to calculate the aid attributable to the retirement of a single electric generating unit, including units previously retired and made retroactively eligible to generate aid. Provides for other administrative authority and duties related to the aid program. Effective beginning for aids payable in 2024.

Section 19. Mahnomen property tax reimbursement aid. Codifies an existing annual aid payment for local governments in Mahnomen County. Increases the annual aid by \$50,000 for the City of Mahnomen and by \$110,000 for Mahnomen County over the current law amounts. Effective beginning for aids payable in 2024.

Section 20. Mahnomen county property tax reimbursement. Consistent with the codification of the Mahnomen aid program in an earlier section, expires the current-law uncoded Mahnomen aid program for aids payable after 2023. Effective beginning for aids payable in 2024.

Section 21. 2021 aid penalty forgiveness. Appropriates money to pay previously-withheld aid amounts to the City of Echo and City of Morton. (The cities did not timely complete the required annual financial reporting form for 2020 to the state auditor and the cities' December 2021 local government aid and small cities assistance aid payments were withheld.) Effective the day following final enactment.

Section 22. 2023 public safety aid. Establishes an aid program to distribute one-time public safety aid among qualifying local governments and Tribal governments in calendar year 2023. Requires that the aid recipient use the proceeds to provide public safety. Provides a formula to allocate aid among counties, Tribal governments, cities, and qualifying towns. Appropriates \$300 million in fiscal year 2024; 30 percent of the appropriation is for aid to counties and Tribal governments and 70 percent of the appropriation is for aid to cities and qualifying towns. Provides for other administrative authority and duties related to the aid program. Effective for aid payable in 2023.

Section 23. City of Hibbing; 2024 city formula aid adjustment. Provides a formula aid adjustment for the City of Hibbing for local government aid payable in 2024. The certified 2024 aid amount for the city would become an input to the calculation of aid payable in 2025. Effective for aids payable in 2024 only.

Section 24. Crisis response and criminal investigation grants; special revenue account; appropriation. Appropriates money from the special revenue fund in fiscal years 2024 to 2028 to the commissioner of public safety for grants to local governments and local law enforcement agencies to improve responses to situations involving individuals experiencing a mental health crisis and to improve criminal investigations. Authorizes the Office of Justice Programs to retain a portion of the appropriation in each year for administrative expenses.

Section 25. Crisis response and criminal investigation account; transfer. Transfers money in fiscal year 2024 only from the general fund to the crisis response and criminal investigation account in the special revenue fund.

Section 26. Tribal Nation housing and homelessness aid. Establishes an aid program to distribute \$44 million of one-time aid to tribal governments in Minnesota for homelessness prevention, emergency shelter, and other needs related to housing instability and homelessness. Aid would be distributed to all tribes that submit a request for aid by July 1, 2023. Aid recipients must submit a report to the commissioner by February 1, 2024. The commissioner must compile the reports and submit them to the chairs, and ranking minority members of the house and senate committees with jurisdiction over taxes. Effective the day following final enactment.

Section 27. Appropriation; City of Spring Grove fire remediation grant. Appropriates \$250,000 from the general fund for a grant to the City of Spring Grove to remediate the effects of a December 2022 fire. The city must use the money for remediation costs incurred by public or private entities because of the fire, including disaster recovery, infrastructure, reimbursement for emergency personnel costs, reimbursement for equipment costs, and reimbursement for property tax abatements. Effective July 1, 2023.

Section 28. Appropriation; Class 4d(1) low-income rental property 2025 and 2026 transition aid. Provides transition aid in 2025 and 2026 only for cities in which the net tax capacity of 4d(1) property exceeds two percent of the total net tax capacity in assessment year 2023. Provides that the transition aid is calculated as a function of the city's pay 2024 tax rate and an approximation of the reduction in 4d(1) net tax capacity attributable to the classification rate and tier consolidation changes effective beginning in assessment year 2024. Directs the commissioner to pay transition aid concurrent with local government aid payments in 2025 and 2026. Appropriates money to pay the transition aid. Effective for aids payable in 2025 and 2026 only.

Section 29. Repealer. Repeals definitions of LGA independent variables and the sparsity adjustments that are no longer used under the proposed LGA formula. Repeals the city aid adjustments in the LGA formula. Effective beginning for aids payable in 2024.

ARTICLE 5 SALES AND USE TAXES

Section 1. Use of a portion of county fair revenues. Strikes language pertaining to use of sales tax savings between owners and non-owners of fairgrounds and retains language that requires a county

agricultural society to use that amount to maintain, improve, or expand buildings and facilities located at the fairgrounds. Effective the day following final enactment.

Section 2. Firearm storage units. Provides a sales and use tax exemption for secure firearm storage units. Defines “secure firearm storage unit” as a fully enclosed container that is locked by padlock, keylock, combination lock, or similar locking device, that is either specifically designed for safe storage of firearms or is sold for that purpose by a federally licensed firearms dealer. “Firearm” has the meaning provided under current law: a gun that discharges shot or a projectile by means of an explosive, a gas, or compressed air. Effective for sales and purchases made after June 30, 2023.

Section 3. Fiber and conduit; broadband and Internet access. Exempts fiber and conduit purchased or leased for use directly by a broadband or internet service provider primarily in the provision of broadband or internet access services that are ultimately sold at retail. Effective for sales and purchases made after June 30, 2023.

Section 4. Amenities included with the privilege of admission. Creates a sales tax exemption for the sale of amenities when sold by the seller of the privilege of admission, including but not limited to food and beverages, parking services, and promotional items that are included in the sales price of the privilege of admission. The exempt portion of the sale of the privilege of admission is equal to the purchase price of the amenity if sales or use tax was paid on the amenity when purchased by the seller. Requires the seller to retain records the sales price and tax paid by the seller when purchasing the amenities and the price and tax collected when the seller sells the privilege of admission. Effective retroactively for sales and purchases made after June 30, 2022.

Section 5. Hospitals, outpatient surgical centers, critical access dental providers, and blood centers. Adds blood centers to the sales tax exemption for sales to and purchases by certain medical and dental facilities. Defines “blood center” as a 501(c)(3) nonprofit organization that is:

- registered as a “blood establishment” under the Code of Federal Regulations;
- a human cells, tissues and cellular and tissue-based products establishment under the Code of Federal Regulations; or
- a clinical lab that performs infectious disease testing blood typing, and other laboratory testing services in connection with blood processing for human transfusion under the Code of Federal Regulations.

Provides that, unlike the exemption for hospitals, outpatient surgical centers, and critical access dental providers, the exemption for blood centers applies to leases by a blood center of a truck bus, or passenger automobile if those vehicles are used for the purposes of the blood center. Adds references to blood centers to specify the products and services to which the exemption does not apply. Effective retroactively for sales and purchases made after December 31, 2019.

Section 6. Nonprofit snowmobile clubs; machinery and equipment. Expands the exemption to include materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, maintenance, or improvement of state or grant-in-aid snowmobile trails that are completed by the club. Effective for sales and purchases made after June 30, 2023.

Section 7. County agricultural society sales at county fairs. Clarifies the exemption for sales by county agricultural societies during regularly scheduled county fairs. The exemption does not apply

to sales for county fair events held at a time other than the regularly scheduled county fair or for events not held on the county fairgrounds. Effective the day following final enactment.

Section 8. Properties destroyed by fire. Extends the end date of the exemption for construction materials used in the replacement of real property affected by, and capital equipment destroyed in the fire in Mazeppa on March 11, 2018 to sales and purchases made before January 1, 2025. Effective retroactively for sales and purchases made after March 11, 2018, and before January 1, 2025.

Section 9. Construction materials; certain local government facilities. Adds the North Metro Regional Public Safety Training Facility in Maple Grove to the statute that exempts construction materials from sales and use tax for a number of local government facilities. Materials and supplies used in, and equipment incorporated into the construction, reconstruction, upgrade, expansion, or remodeling of the facility must be purchased after August 31, 2021, and before December 31, 2023. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after August 31, 2021, and before December 31, 2023.

Section 10. Sales and use tax exemption; certain natural gas fees. Provides a sales tax exemption for fees related to natural gas used as a primary source of residential heating during the period from February 13 to February 17, 2021, but applied to customers' billing statements in the non-exempt months of May to October. The fee must be separately stated on a billing statement and labeled as a fee subject to a cost recovery plan for increased natural gas prices during the period February 13 to 17, 2021. Utilities must apply to the commissioner of revenue for a refund of sales tax remitted for purchases of natural gas related to the cost recovery plan by October 1, 2023. Within 90 days of receipt of the refund, the utilities must provide a plan for crediting taxes paid to the Public Utilities Commission, which must be approved by the Commission. The utilities must then refund customers pursuant to the Commission-approved plan. The exemption is retroactive to fees applied to customers' bills beginning September 1, 2021, through June 30, 2023. The exemption is upfront for the period July 1, 2023, through December 31, 2026.

Section 11. Beltrami County; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction of a new county jail. The tax must be paid upfront and then refunded under the provisions of current law. Effective for sales and purchases made after March 31, 2024, and before January 1, 2028.

Section 12. City of Chanhassen; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into the construction, reconstruction, upgrade, expansion, or remodeling of a new city hall, a new senior center, council chambers, and certain park amenities in the city of Chanhassen. Sales tax must be paid upfront and then refunded under the provisions of current law. Effective for sales and purchases made after January 31, 2024, and before February 1, 2027.

Section 13. Chisolm Public Schools; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into construction and renovation projects for Chisolm Elementary School and Vaughn Steffensrud School. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 31, 2021, and before January 1, 2025.

Section 14. Duluth Public Schools; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into construction of an administrative

building and a transportation facility for Duluth Public Schools. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after June 30, 2021, and before January 1, 2025.

Section 15. Ely Public Schools; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into renovations to the elementary and high school buildings and construction of a building that connects the elementary school and high school buildings that contains classrooms, a common area, gymnasium, and administrative offices. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after May 1, 2019, and before January 1, 2024.

Section 16. Hibbing Public Schools; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into the addition of an Early Childhood Family Education Center to an existing elementary school; improvements to an existing athletic facility; a reroofing project at Hibbing Washington Elementary School; and a Hibbing High School restroom remodel project. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after May 1, 2019, and before January 1, 2025.

Section 17. Sales tax exemption for construction materials; Itasca County. Exempts materials and supplies used or consumed in and equipment incorporated into the construction of the Itasca County courthouse and a new correctional facility. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after April 30, 2021, and before and before January 1, 2025.

Section 18. Minneapolis-St. Paul International Airport; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, repair, maintenance, or improvement of public infrastructure at the Minneapolis-St. Paul International Airport purchased by a contractor or subcontractor. The tax must be paid upfront and then refunded under the provisions of current law. The total amount of refunds issued must not exceed \$8 million. Effective for sales and purchases made after June 30, 2023, and before July 1, 2024.

Section 19. City of Moorhead; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction of a regional library and community center in the city of Moorhead. The tax must be paid upfront and then refunded under the provisions of current law. Effective for sales and purchases made after February 29, 2024, and before April 1, 2027.

Section 20. Nashwauk-Keewatin Public schools; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into construction of a new school building and attached community wellness center to replace Keewatin Elementary School and Nashwauk High School. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 31, 2021, and before January 1, 2025.

Section 21. Northern Lights Academy; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into construction of a new addition to the existing facility and renovations and improvements to the existing facility. The tax

must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 31, 2021, and before January 1, 2025.

Section 22. Northland Learning Center; sales tax exemption for construction materials.

Exempts materials and supplies used in and equipment incorporated into the construction of a new addition to the James Madison Building for Northland Learning Center and renovations and improvements to the existing facility. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 31, 2021, and before January 1, 2025.

Section 23; City of Oakdale; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction of a new public works facility in the city of Oakdale. The tax must be paid upfront and then refunded under the provisions of current law. Effective for sales and purchases made after August 31, 2023, and before and before January 1, 2027.

Section 24. City of Ramsey; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction of a new water treatment plan in the city of Ramsey. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 31, 2022.

Section 25. Red Lake County School District; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction of a new school. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 31, 2020, and before and before January 1, 2026.

Section 26. Red Rock Central School District; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction of a new prekindergarten through grade 12 learning facility. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 31, 2021, and before July 1, 2025.

Section 27. Rock Ridge Public Schools; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into the construction of two new elementary school buildings and a new high school building, if purchased. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after May 1, 2019, and before January 1, 2024.

Section 28. City of Spring Grove; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction, replacement, or repair of real property and capital equipment destroyed in the fire on December 22, 2022, in the city of Spring Grove. The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 22, 2022, and before and before January 1, 2028.

Section 29. Springfield School District; sales tax exemption for construction materials. Exempts materials and supplies used in and equipment incorporated into the following projects in the district:

- construction of a main secure entrance;
- construction of a required tornado storm shelter and related safety, security, and accessibility improvements;
- installation of HVAC improvements;
- renovation and interior modifications necessary to convert the existing elementary school gymnasium for use for career and technical education trades and an auto shop; and
- addition of a new school gymnasium, including the construction and improvement of new locker rooms, and the renovation and repurposing of existing locker rooms for use for cafeteria improvements and school programming needs.

The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after December 31, 2021, and before July 1, 2025.

Section 30. City of Wayzata; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the following construction projects in the city of Wayzata:

- expansion and remodeling of Depot Park;
- community docks for access from Lake Minnetonka
- lakeside boardwalk;
- shoreline restoration;
- restoration of Section Foreman House;
- restoration of Eco Park;
- public plaza
- regional multiuse trail; and
- railroad crossings.

The tax must be paid upfront and then refunded under the provisions of current law. Effective retroactively for sales and purchases made after March 31, 2020.

Section 31. City of Woodbury; sales tax exemption for construction materials. Exempts materials and supplies used or consumed in and equipment incorporated into the construction, reconstruction, upgrade, expansion, renovation, or remodeling of the Central Park project in the city of Woodbury. The tax must be paid upfront and then refunded under the provisions of current law. Effective for sales and purchases made after June 30, 2023, and before January 1, 2026.

ARTICLE 6 MINERALS

Section 1. Property subject to the taconite production tax or gross proceeds tax. Makes a conforming change related to the conversion of the net proceeds tax proposed in section 4. Effective beginning with assessment year 2023.

Section 2. Taconite assistance area. Modifies the boundary of the ‘taconite assistance area’ to include a municipality located in a county: (1) already partially included within the taconite

assistance area; and (2) where the active mining of nonferrous materials is occurring, or where a mine subject to the minimum payment proposed in Section 5 is located. Effective for taxable years beginning after December 31, 2022.

Section 3. Taconite, other ores, metals, or minerals; production materials. Makes a conforming change related to the conversion of the net proceeds tax proposed in Section 4. Effective the day following final enactment.

Section 4. Gross proceeds tax on mining. Converts the net proceeds tax to a gross proceeds tax. The net proceeds tax applies to the mining or production of nonferrous materials including all ores, metals and minerals mined, extracted, produced, or refined within Minnesota, other than sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural peat, clay, soil, iron ore and taconite concentrates. This section also:

- reduces the tax rate from 2% to 0.4%;
- eliminates deductions under current law for the expenses of converting raw materials to marketable quality; and
- Establishes a prorated \$2 million minimum payment for operators who obtained all required permits to mine the property but have yet to begin mining, unless the operator demonstrates to the commissioner of revenue that is legally prohibited from engaging in the business of mining.

Effective for taxable years beginning after December 31, 2022.

Section 5. Within taconite assistance area. Modifies the distribution of the proposed gross proceeds tax by:

- Reducing, from 20% to 10%, the distribution to the county where mining or processing occurs;
- Reducing, from 20% to 5%, the distribution to the property tax relief account;
- Increasing, from 5% to 20%, the distribution to the Iron Range Resources and Rehabilitation account;
- Adding a 10% distribution to be used for capital improvements to Giants Ridge Recreation Area; and
- Directing 10% of the proceeds for the first five years that the tax is paid to six designated municipalities.

Effective for distributions beginning after December 31, 2022.

Section 6. Distribution date. Makes a conforming change related to the conversion of the net proceeds tax proposed in section 4. Effective the day following final enactment.

Section 7. Counties. Eliminates a five-cent increase of the production tax distribution to the county road and bridge fund that would have commenced with distributions beginning in 2024. Effective the day following final enactment.

Section 8. Iron Range school consolidation and cooperatively operated school account.

Eliminates the five-cent decrease of the production tax distribution to the Iron Range school consolidation and cooperatively operated school account that would have commenced with distributions beginning in 2024. Effective the day following final enactment.

Section 9. Transfer; property tax relief account. Provides that of the amount of taconite production tax proceeds annually distributed to the Douglas J. Johnson Economic Protection Trust Fund, \$3,500,000 shall be transferred to the Iron Range School Consolidation and Cooperatively Operated School Account, and the remainder transferred to the Iron Range resources and rehabilitation account. Effective beginning with the 2023 distribution.

Section 10. Temporary loan authority. Makes a conforming change related to the conversion of the net proceeds tax proposed in section 4. Effective the day following final enactment.

Section 11. Transfer 2023 distribution only. Provides a onetime transfer of up to \$6 million from the property tax relief account to the Iron Range resources and rehabilitation account to be distributed to twenty-two designated municipalities, school districts, and other entities. If the amount of the transfer is less than \$6 million, all distributions must be proportionally reduced. Effective the day following final enactment and applies only to the 2023 distribution.

Section 12. 2023 Transfer; Douglas J. Johnson Economic Protection Trust Fund. Provides that of the amount of taconite production tax proceeds distributed to the Douglas J. Johnson Economic Protection Trust Fund for distribution in 2023 only, \$3,500,000 shall be transferred to the Iron Range School Consolidation and Cooperatively Operated School Account. Effective for the 2023 distribution only.

ARTICLE 7 TAX INCREMENT FINANCING

Section 1. Small city; economic development districts. Changes the definition of a ‘small city’ by reducing, from 10 miles to 5 miles, the distance required between qualifying cities. Under current law, a ‘small city’ is defined as any home rule charter or statutory city with a population of 5,000 or less and located 10 miles or more from a MN home rule charter or statutory city with a population of 10,000 or more. Increment generated from an economic development district cannot be used for commercial development unless the development is 15,000 square feet or less and located in a small city. Effective for districts for which the request for certification was made after July 1, 2023.

Section 2. City of Hopkins; district extension. Increases, from 20% to 25%, permitted pooling for housing or redevelopment activities, and increases, from 25% to 28%, the district’s total permitted pooling for TIF District No. 2-11. Effective upon city approval and filing requirements.

Section 3. City of Bloomington; five-year rule. Authorizes an additional 5-year extension of the five-year rule and authorizes a 5-year district duration extension for TIF District No 1-I, Bloomington Central Station. Effective upon approval by the city, county, and school district.

Sections 4 and 5. City of St. Paul; authorization. Authorizes a 10-year district duration extension and authorizes increment, beginning with taxes payable in 2024, to be spent to facilitate capital improvements within the city’s RiverCentre complex, including, but not limited to, the St. Paul

RiverCentre, Xcel Energy Center, Roy Wilkins Auditorium, St. Paul RiverCentre Parking Ramp, and adjacent city-controlled areas. Effective upon city approval except that the district duration extension is effective upon approval by the city, county, and school district.

Section 6. City of Savage; special rules. Extends the five-year rule by an additional four years and allows four additional years to enlarge the geographic area of TIF District #11. Effective upon city approval and filing requirements.

Section 7. City of Duluth; establishment. Modifies special law enacted in 2019 by allowing the city to establish one additional district within a defined area and authorizing a five-year district duration extension. Effective upon city approval except that the duration extension requires approval by the city, county, and school district.

Section 8. City of Ramsey; five-year extension. Authorizes an additional three-year extension of the 5 and 6-year rules for TIF District No. 14. Effective upon city approval and filing requirements.

Section 9. City of Chatfield; economic development authorization. Authorizes the city of Chatfield to establish an economic development district to construct a multilevel hotel provided that the first floor of the hotel does not exceed 15,000 square feet. The ‘first floor’ is defined as the floor at street level where the public is permitted to enter and exit. Effective upon city approval and filing requirements.

Section 10. City of Duluth; special rules. Authorizes the city to establish multiple redevelopment districts within a defined area. If established, the districts are exempt from the ‘blight’ test, and the requirement that 90% of increment collected from the district be spent on blight correction. Effective upon city approval and filing requirements.

Section 11. City of Fridley; transfer of increment. Authorizes the city to transfer increment from TIF District No. 20 to the city’s Housing and Redevelopment Authority. Only authorized ‘pooling’ increment may be transferred. If transferred, increment may only be used to: (1) make grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing; or (2) match other funds from federal, state, or private resources for housing projects. Transferred increment is subject to annual reporting requirements, and by February 1, 2025, and 2027, the city must issue reports to the legislature containing detailed information on each housing program financed with tax increment. The authority to transfer increment expires December 31, 2027. Effective upon city approval and filing requirements.

Section 12. City of Plymouth; establishment. Authorizes the city 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 from the district be spent on blight correction, and not more than 75% of increment generated from the district may be expended on improvements to Chankahda Trail. The authority to certify districts pursuant to this special law expires December 31, 2030. Effective upon city approval and filing requirements.

Section 13. City of Shakopee; special rules authorization. Authorizes the city of Shakopee to create tax increment financing districts (until December 31, 2026) under special rules in a defined area of the city. Before establishing districts, the city must find that 70 percent of the defined area has peat or other geotechnical difficulties, landfills, dumps, quarries, gravel pits, floodway, or substantial fill is required for commercial development. The authority can create any TIF district in the area, other than an economic development or housing district, and if established, the five-year

rule is extended to eight years, and the permitted polling percentage is increased from 20 to 80 percent. In addition, a new “soils deficiency district” can be established if 70 percent of the area has unusual terrain or soil deficiencies that require substantial filling and the estimated correction costs exceed the fair market value of the property, excluding costs of roads and other public improvements for which landowners would be assessed. Effective upon city approval and filing requirements.

Section 14. City of West St. Paul; special rules. Authorizes the city to establish redevelopment districts within a defined area. If established, the districts are exempt from the ‘blight’ test, and the requirement that 90% of increment collected from the district be spent on blight correction. Effective upon city approval and filing requirements.

Section 15. City of Woodbury; expenditures allowed; duration extension. Authorizes the city of Woodbury to extend, by five years, the duration of TIF District No. 13, and allows increment generated from the district to be spent on the maintenance and facility and infrastructure upgrades to Central Park, and all such expenditures are deemed expended on activities within the district. Effective upon city approval, except that the duration extension is effective upon approval by the city, county, and school district.

ARTICLE 8 OFFICE OF THE STATE AUDITOR: TAX INCREMENT FINANCING GENERAL LAW CHANGES

Section 1. Administrative expenses. Expands the definition of administrative expenses to identify a non-exhaustive list of items that are included as administrative expenses, while continuing to identify items that are not administrative expenses. Included within administrative expenses are amounts for the usual and customary maintenance and operation of properties purchases with tax increment, including necessary reserves for repairs and the cost of any insurance. Effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Section 2. Pay-as-you-go contract and note. Defines “pay-as-you-go contract and note” as a written note or contractual obligation under which the following apply: (1) the note or obligation evidences an authority’s commitment to reimburse a developer, property owner, or note holder for the payment of costs of activities, including any interest on unreimbursed costs; (2) the reimbursement is made from tax increment revenues identified in the note or contractual obligation; and (3) the risk that available tax increments may be insufficient to fully reimburse the costs is borne by the developer, property owner, or note holder. Effective the day following final enactment.

Section 3. Annual financial reporting. Eliminates the need for authorities to report the month in which the authority receives, or anticipates receiving, the district’s first tax increment. Effective the day following final enactment.

Section 4. Limitation on administrative expenses. Adds clarifying language that addresses how the administrative expense limit should be calculated when some of the total increment received has been returned to the county. This section also provides a partial exemption from the administrative expense limit when lease proceeds are used for the customary maintenance and operation of properties purchased with TIF. Effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Section 5. Limitation on use of tax increment; general rule. Clarifies that expenditures for administrative expenses are authorized uses of tax increment under the general rule concerning the use of tax increment. Effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Section 6. Expenditures outside district. Clarifies how the tax increment financing pooling limit should be calculated when tax increments have been returned to the county. Effective the day following final enactment and applies to all districts with a request for certification after April 30, 1990, except that certain changes apply to districts decertifying after December 31, 2023.

Section 7. Five-year rule. Deletes obsolete language and a reference to permitted pooling under the “2(d)” affordable housing authorization which is further addressed in Section 8. Effective the day following final enactment and applies to all districts with a request for certification date after April 30, 1990.

Section 8. Use of revenues for decertification. Makes a number of changes to the six-year rule by removing the annual pooling restriction (but maintains overall pooling limit), clarifying at which point a district must be decertified when sufficient increment is collected, allows districts to defer decertification when pay-as-you-go contracts and notes are involved, prevents changes from impeding an authority’s ability to use extra “2(d) pooling for affordable housing, and allows districts to remove parcels when increment is not pledged for outstanding obligations. Effective the day following final enactment and applies to all district with a request for certification after April 30, 1990.

Section 9. Pooling permitted for deficits. Makes a technical correction to a provision that allows pooling to address deficits caused by previously enacted tax reforms. Effective the day following final enactment and applies to districts for which the request for certification was made before August 1, 2001, and without regard to whether the request for certification was made prior to August 1, 1979.

Section 10. Collection of increment. Removes obsolete language that addresses the improper receipt of increment relating to tax increment financing duration limits. Effective the day following final enactment.

Section 11. Suspension of distribution of tax increment. Removes obsolete language concerning the county auditor’s authority to without distribution of tax increment. Effective the day following final enactment.

Section 12. Expenditure of increment. Amends statute addressing expenditures in violation of tax increment financing law to properly cover all potential violations. Effective the day following final enactment.

ARTICLE 9 LOCAL SALES AND USE TAXES

Section 1. Authorization; scope. Strikes language that prohibits political subdivisions from spending funds related to a local sales tax and re-states it in a new paragraph. Clarifies that a political subdivision may spend funds to disseminate information included in the resolution submitted to the chair and ranking members of the Senate and House Taxes committees as required under current law. Effective the day following final enactment.

Section 2. Local resolution before application for authority. Requires that the resolution be adopted no more than 90 days before the date of submission to the chairs and ranking members. Requires a political subdivision to submit an amended resolution if, after the original resolution submitted by January 31, it seeks to add a project to be funded by the local sales tax, increase the amount used for any project, increase the total revenue raised for all projects, or increase the length of time that the tax will be in effect if all projects are funded. Strikes the definition of “capital project” under current law. Effective the day following final enactment.

Section 3. Legislative authority required before voter approval; requirements for adoption, use, termination. Clarifies that a political subdivision must receive legislative approval to modify a previously authorized local sales tax. Clarifies that voter approval of a new or modified tax is subject to voter approval at an election held on the first Tuesday after the first Monday in November to allow jurisdictions with elections in odd-numbered years to conduct the referendum within the required two-year period after a new or modified local sales tax is authorized. Provides that a political subdivision is not required to list each project separately for approval on the ballot but must still list the projects proposed to be funded with the tax, the amount for each project, and the estimated length of time the tax will be in effect. Specifies that if a modification to a tax or project is not approved by the voters, the termination date and total amount that may be raised must be reduced proportionately. Effective for new local sales taxes authorized in May 2023, and thereafter.

Sections 4 to 7. City of St. Paul local sales tax modifications. Authorizes the city of St. Paul to impose an up to 1% local sales tax to fund \$738 million for a Physical Transportation Fund and \$246 million for a Recreational Infrastructure Fund and to bond for these projects up to an amount needed to cover the costs of issuing the bonds, subject to voter approval. The tax terminates at the earlier of 20 years or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Sections 8 to 11. City of Rochester local sales tax modifications. Authorizes the city of Rochester to extend its 0.5% local sales tax to fund the following projects, subject to voter approval:

- \$60 million for an economic vitality fund, subject to adoption of a resolution to allow an additional \$10 million for the fund, which was initially authorized at \$50 million. The additional \$10 million must be used for a grant to Rochester Area Economic Development, Inc. (RAEDI) to make grants and loans for economic development projects. \$5 million must be used for grants and loans for economic development projects in the city, and \$5 million must be used for grants and loans for economic development projects in communities located in the Rochester metropolitan statistical area, including the cities of Pine Island, St. Charles, and Zumbrota, and excluding the city of Rochester. If the city does not pass a resolution allowing an additional \$10 million for the fund, then it must use \$10 million out of the initially authorized \$50 million for the grant to RAEDI.
- \$50 million for street reconstruction;
- \$40 million for flood control and water quality, excluding removal of the MN00515 dam; and
- \$65 million for a sports and recreation complex.

Authorizes the city to bond for these projects up to the amount to cover the costs of issuing the bonds. The tax terminates at the earlier of 24 years or when revenues are sufficient to pay for the

approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 12. City of North Mankato; taxes authorized. Authorizes the city of Mankato to extend its current local sales tax to cover an additional \$15 million in bonds, plus associated bond costs, to cover currently authorized projects, and to extend the imposition of the tax for an additional six years, or when revenues from the tax equal or exceed \$21 million plus the amount needed to pay bond issuance costs. Effective upon filing of local approval with the secretary of state.

Section 13. City of Marshall; sales and use tax. Authorizes an extension, subject to voter approval, of the 0.5% Marshall local sales tax to fund \$18.37 million, plus associated bonding costs, for a new municipal aquatic center. Authorizes the city to bond for the project up to the amount to cover the costs of issuing the bonds. The tax terminates at the earlier of 35 years after the existing local sales tax was first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Sections 14 to 16. Sales and use tax authorization; bonding authority; termination of taxes (city of Avon). Authorizes an extension of the 0.5% local sales tax, subject to voter approval, to fund an additional \$6.635 million to complete various street and sewer projects funded by the tax first authorized in 2019. Authorizes the city to bond up to the additional amount to cover the costs of issuing the bonds. Effective upon filing of local approval with the secretary of state.

Section 17. City of Excelsior; local sales and use tax authorized. Authorizes an extension of the 0.5% local sales tax, subject to voter approval, to fund an additional \$23 million for further improvements to The Commons. The tax was initially authorized in 2019 to fund up to \$7 million in improvements. Authorizes the city to bond up to the additional amount to cover the costs of issuing the bonds. Effective upon filing of local approval with the secretary of state.

Section 18. City of Rogers; local taxes authorized. Authorizes the city of Rogers to raise an additional \$8.5 million from its 0.25% local sales tax and bond up to the additional amount, plus an amount to cover the cost of issuing the bonds, to fund projects first authorized in 2019. Effective upon filing of local approval with the secretary of state.

Section 19. City of Edina; taxes authorized. Increases the amount authorized to be funded with the Edina 0.5% local sales tax authorized in 2021 for the Braemar Park project by \$31.7 million and authorizes bonding up to that amount plus an amount necessary to cover the cost of issuing the bonds. Effective upon filing of local approval with the secretary of state.

Sections 20 and 21. Use of sales and use tax revenues; bonding authority (city of Fergus Falls). Authorizes the city to use their 0.5% local sales tax to fund an additional \$3 million for the aquatic center project that was authorized in 2021 and to bond for this additional amount without holding an election. The city included this additional amount and bonding authority in their ballot question at the 2022 election. Effective upon filing of local approval with the secretary of state.

Sections 22 to 25. City of Oakdale local sales tax modifications. Increases the authorized project costs for the Oakdale local sales tax authorized in 2021 from \$22 million to \$28 million for a new public works facility and from \$15 million to \$18 million for the police department facility. Increases the length of time the tax may be imposed from to 30 years. Requires the city to submit an updated resolution reflecting approval of these modifications and requires voter approval of the

increased project costs and duration of tax. Effective upon filing of local approval with the secretary of state.

Section 26. Termination of taxes; city of Waite Park. Extends the duration that the Waite Park local sales tax may be imposed from 19 to 20 years. The tax was first authorized in 2021. Effective the day following final enactment.

Section 27. Beltrami County; taxes authorized. Authorizes Beltrami County to impose a local sales and use tax of up to 0.625% to fund up to \$80 million for a new county jail and allows the county to bond for that amount if approved by the voters. The tax terminates at the earlier of 30 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 28. City of Blackduck; taxes authorized. Authorizes the city of Blackduck to impose a local sales and use tax of up to 0.5% to fund the following projects:

- \$200,000 for Pine Tree Park Municipal Campground improvements
- \$300,000 for Blackduck Trail improvements
- \$250,000 for Blackduck City Wayside Rest improvements
- \$150,000 for Blackduck City Golf Course irrigation improvements
- \$100,000 for the Blackduck City Library reconstruction project

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 29. City of Bloomington; taxes authorized. Authorizes the city of Bloomington to impose a local sales and use tax of up to 0.5% to fund the following projects:

- \$35 million for Bloomington Ice Garden construction and rehabilitation
- \$100 million for a new community health and wellness center
- \$20 million for the Nine Mile Creek Corridor renewal

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 30. City of Brooklyn Center; taxes authorized. Authorizes the city of Brooklyn Center to impose a local sales and use tax of 0.5% to fund up to \$44 million for construction of the Brooklyn Center Community Center and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 31. City of Chanhassen; taxes authorized. Authorizes the city of Chanhassen to impose a local sales and use tax of up to 0.5% to fund up to \$40 million for construction of the Avienda Recreational Facility and allows the city to bond for that amount if approved by the voters. The tax

terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 32. City of Cottage Grove; taxes authorized. Authorizes the city of Cottage Grove to impose a local sales and use tax of up to 0.5% to fund the following projects:

- \$17 million for improvements to Hamlet Park
- \$6 million for improvements to the River Oaks Golf Course
- \$13 million for improvements to Mississippi Dunes Park

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 25 years after first imposed, or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 33. City of Detroit Lakes; taxes authorized. Authorizes the city of Detroit Lakes to impose a local sales and use tax of up to 0.5% to fund up to \$17.3 million for construction and renovation of the Detroit Lakes Pavilion and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 12 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 34. City of Dilworth; taxes authorized. Authorizes the city of Dilworth to impose a local sales and use tax of up to 0.5% to fund up to \$5.4 million for construction of a community and recreational center and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 25 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 35. City of East Grand Forks; taxes authorized. Authorizes the city of East Grand Forks to impose a local sales and use tax of up to 1% to fund the following projects:

- \$6.745 million for reconstruction and renovation of and upgrades and enhancements to Civic Center Sports Complex
- \$8 million for reconstruction and renovation of, and upgrades and enhancements to VFW Memorial and Blue Line Arena

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 36. City of Fairmont; taxes authorized. Authorizes the city of Fairmont to impose a local sales and use tax of up to 0.5% to fund up to \$20 million for construction of a community center and ice arena and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 25 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 37. City of Henderson; taxes authorized. Authorizes the city of Henderson to impose a local sales and use tax of up to 0.5% to fund up to \$250,000 for the Allanson's Park Campground

and Trail Project and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 15 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 38. City of Hibbing; taxes authorized. Authorizes the city of Hibbing to impose a local sales and use tax of up to 0.5% to fund up to \$19.6 million for construction of a regional public safety center and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 39. City of Golden Valley; taxes authorized. Authorizes the city of East Grand Forks to impose a local sales and use tax of up to 1% to fund the following projects:

- \$45 million for construction of a new public works facility
- \$15 million for purchase of land for the public works facility; and
- \$45 million for construction of a new public safety facility

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 30 years after first imposed, or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 40. City of Jackson; taxes authorized. Authorizes the city of Jackson to impose a local sales and use tax of 1% to fund up to \$5.75 million for construction, renovation, and improvements to a new outdoor athletic complex and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 30 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 41. Jackson County; taxes authorized. Authorizes Jackson County to impose a local sales and use tax of 1% to fund up to \$39 million for construction of a new law enforcement center and government center and allows the county to bond for that amount if approved by the voters. The tax terminates at the earlier of 30 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 42. City of Monticello; taxes authorized. Authorizes the city of Monticello to impose a local sales and use tax of 0.5% to fund the following projects:

- \$15 million for construction and rehabilitation of the Bertram Chain of Lakes Regional Athletic Park
- \$15 million for construction and improvements to the Pointes at Cedar Recreation Area

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 43. City of Mounds View; taxes authorized. Authorizes the city of Mounds View to impose a local sales and use tax of up to 0.5% to fund up to \$16.5 million for construction of an expanded community center into a regional amateur sports and recreational facility and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 44. City of Proctor; taxes authorized. Authorizes the city of Proctor to impose a local sales and use tax of 0.5% to fund up to \$48 million for construction of a new trail spur and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 45. Rice County; taxes authorized. Authorizes Rice County to impose a local sales and use tax of up to 0.375% to fund up to \$39 million for construction of a public safety facility and allows the county to bond for that amount if approved by the voters. The tax terminates at the earlier of 30 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 46. City of Richfield; taxes authorized. Authorizes the city of Richfield to impose a local sales and use tax of 0.5% to fund the following projects:

- \$11 million for Wood Lake Nature Center construction and improvements
- \$9 million for improvements to Veterans Park Complex
- \$45 million for a new Richfield Community Center

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 47; City of Roseville; taxes authorized. Authorizes the city of Roseville to impose a local sales and use tax of 0.5% to fund the following projects:

- \$64.2 million for construction of a new maintenance facility
- \$12.7 million for construction of a new license and passport center

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 48. City of St. Joseph; taxes authorized. Authorizes the city of St. Joseph to impose a local sales and use tax of 0.5% to fund the following projects:

- \$11 million for construction of Phase II of the St. Joseph community center expansion
- \$6 million for Phases II and II of improvements to East Park along the Sauk River

Allows the city to bond for amounts for projects approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved

projects and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 49. Stearns County; taxes authorized. Authorizes Stearns County to impose a local sales and use tax of up to 0.375% to fund up to \$325 million for construction of the Stearns County Justice Center and allows the county to bond for that amount if approved by the voters. The tax terminates at the earlier of 30 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 50. City of Stillwater; taxes authorized. Authorizes the city of Stillwater to impose a local sales and use tax of 0.5% to fund up to \$12.5 million for construction, renovation, and improvements to the Riverfront Improvement Project and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 51. Winona County; taxes authorized. Authorizes Winona County to impose a local sales and use tax of up to 0.25% to fund up to \$28 million for construction of a new correctional facility and allows the county to bond for that amount if approved by the voters. The tax terminates at the earlier of 25 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

Section 52. City of Woodbury; taxes authorized. Authorizes the city of Woodbury to impose a local sales and use tax of 0.5% to fund up to \$50 million for construction of a new public safety campus and allows the city to bond for that amount if approved by the voters. The tax terminates at the earlier of 20 years after first imposed, or when revenues are sufficient to pay for the approved project and any associated bond costs. Effective upon filing of local approval with the secretary of state.

ARTICLE 10 LOCAL SPECIAL TAXES

Section 1. Cook County lodging tax. Strikes the authority for Cook County to impose an admissions tax and modifies the authorization for the Cook County lodging tax. Cook County is authorized to impose an up to one percent lodging tax, in addition to the up to three percent lodging tax that may be imposed under general statutory authority. Up to one percent lodging tax must be used to fund a county event and visitors bureau. Extends the expiration date for lodging tax from 15 years after first imposed to 30 years after first imposed. Effective the day following final enactment.

Section 2. Lake of the Woods County lodging tax authorized. Authorizes Lake of the Woods County to impose a lodging tax of up to three percent. The authorization does not apply to a statutory or home rule city or town located in the county that imposes a lodging tax, or to the city of Baudette. The total tax rate under existing statutory authority and this bill must not exceed three percent. Revenues from the tax must be used to fund a new event and visitors bureau established by the county Board of Commissioners to market the county. The Board must annually review the bureau's budget. The bureau may receive revenue from the tax only upon approval of the budget by the Board. Effective upon filing of local approval with the secretary of state.

Section 3. City of Wayzata food and beverage tax. Authorizes the city of Wayzata to impose up to a one percent food and beverage tax on the sale of food and beverages by a restaurant or place of refreshment. Those terms would be defined by the city in the ordinance imposing the tax and would include alcoholic beverages. Tax revenues must be used for operating, maintenance, and capital expenses for city parks; operating costs to provide public safety for the city as a regional destination; and costs related to attracting and retaining downtown businesses. The city may enter into an agreement with the Department of Revenue to administer the tax. Effective upon filing of local approval with the secretary of state.

ARTICLE 11 PUBLIC FINANCE

Section 1. Purchase of capital equipment; school district. Extends, from ten to twenty years, the duration limit of certificates or notes issued by a school district.

Section 2. Certificates of indebtedness; towns. Extends, from ten to twenty years, the duration limit for certificates of indebtedness issued by a town.

Section 3. Capital notes; county. Extends, from ten to twenty years, the duration limit for capital notes issued by a county and modifies the definition of ‘capital equipment’ to include projects that eliminate R-22 refrigerant.

Section 4. Equipment acquisition; capital notes; Hennepin County. Extends, from ten to twenty years, the duration limit for capital notes issued by Hennepin County.

Section 5. Cities may issue capital notes for capital equipment; home rule charter city. Extends, from ten to twenty years, the duration limit for capital notes issued by a home rule charter city and modifies the definition of ‘capital equipment’ to include projects that eliminate R-22 refrigerant.

Section 6. Financing purchase of certain equipment; statutory city. Extends, from ten to twenty years, the duration limit for certificates of indebtedness or capital notes issued by a statutory city and modifies the definition of ‘capital equipment’ to include projects that eliminate R-22 refrigerant.

Section 7. Operation area as taxing district; special tax; housing and redevelopment authority. Provides a reference to the special taxing district levy certification process for housing and redevelopment authorities.

Section 8. Mandatory city levy; port authority. Provides a reference to the special taxing district levy certification process for port authorities.

Section 9. Discretionary city levy; port authority. Provides a reference to the special taxing district levy certification process for port authorities.

Section 10. City tax levy; economic development authorities. Provides a reference to the special taxing district levy certification process for economic development authorities.

Section 11. Obligations. Authorizes the Metropolitan Council to issue general obligation bonds totaling \$104,545 million to implement the Council’s transit capital improvement program. Of this

amount, the Council may issue bonds not exceeding \$51.5 million after July 1, 2023, and not exceeding \$53.045 million after July 1, 2024. Effective the day following final enactment.

Section 12. Public facilities project. Eliminates the requirement that public facilities funded by tax-exempt bonds be publicly owned, or a facility used for district heating or cooling.

Section 13. Qualified bonds. Eliminates specific projects that can be financed with public facility bonds so that federal tax rules apply.

Section 14. In installments; exception; annual limit. Eliminates ambiguity concerning whether both municipal water and wastewater treatment systems and essential community facilities must be financed or guaranteed by the United States Department of Agriculture to qualify for the longer, 40-year maturity limit.

Section 15. City of St. Paul; capital improvement bonds. Extends, by ten years, and increases, from \$20 million to \$30 million, the authority of the city of St Paul to issue capital improvement bonds.

Section 16. City of Virginia; net debt limit exemption. Authorizes the city of Virginia to finance the construction of a public safety building with a loan from the United States Department of Agriculture and provides that any bonds issued relating to the project or repayment of the loan shall not be included in the computation of the city's limit on net debt. Effective upon city approval and filing requirements.

ARTICLE 12 STADIUM RESERVE

Section 1. Sports facilities transfers; appropriations. Makes conforming changes and strikes obsolete language. Effective July 1, 2023.

Section 2. General fund allocations. Repeals the requirement that the commissioner of revenue retain sales tax revenue generated in Minneapolis for the purpose of repaying state payments made to the Minnesota Sports Facilities Authority from 2016 through 2020 for operating and capital expenses related to U.S. Bank Stadium. Requires that certain tax revenues remitted to the Minnesota Sports Facilities Authority be used for capital improvements. Effective July 1, 2023.

Section 3. Operating expenses. Makes conforming changes. Effective July 1, 2023.

Section 4. Capital improvements. Makes conforming changes. Effective July 1, 2023.

Section 5. Appropriation; secure perimeter. Appropriates \$15.7 million in fiscal year 2023 from the general fund to the commissioner of management and budget to provide for the construction of a perimeter fence around U.S. Bank Stadium. Effective the day following final enactment.

Section 6. Optional debt payoff; appropriation. Appropriates an amount in fiscal year 2023 from the general fund that, when added to the balance of the stadium reserve account, is sufficient to prepay outstanding debt on the bonds sold to finance the construction of U.S. Bank Stadium. The appropriation is made available to the commissioner of management and budget to prepay the

outstanding debt if the amount in the stadium reserve account is insufficient to prepay the outstanding debt. Effective the day following final enactment.

Section 7. Repealer. Repeals the statutory sections authorizing the issuance of appropriation bonds to finance the construction of U.S. Bank Stadium and requiring the deposit of certain revenues in the stadium reserve account. Effective upon notification by the commissioner of management and budget to the revisor of statutes that the stadium debt is no longer outstanding.

ARTICLE 13 MISCELLANEOUS

Section 1. Local election expense reimbursement. Establishes the local election expense reimbursement program. Creates the local election reimbursement account in the special revenue fund and appropriates money in the account to the secretary of state to reimburse local governments for up to 80 percent of certain election expenses. Provides a process for submitting requests for reimbursement. Requires the secretary of state to report to the legislature. Beginning in fiscal year 2024, transfers \$6 million annually from the general fund to the reimbursement account to fund reimbursements. Effective July 1, 2023.

Section 2. Voting equipment and infrastructure grant account. Expands the existing grant program to include expenditures for hardware or software for election-related purposes, cybersecurity, and security-related infrastructure for election-related purposes. Increases the maximum grant to no more than 80 percent of the total cost. Beginning in fiscal year 2024, transfers \$4 million annually from the general fund to the grant account to fund grants. Effective July 1, 2023.

Section 3. Payment agreements. Removes the \$50 fee charged to a taxpayer for entering into a payment agreement, for entering into a new payment agreement after a taxpayer has defaulted on a previous agreement, or entering into a new payment agreement after a taxpayer has renegotiated the terms of an existing payment agreement. Effective for payment plan agreements entered into beginning 30 days after final enactment.

Section 4. Determination of validity. Modifies the requirements for serving a petition challenging the assessment and/or valuation of property in a district court, or the Minnesota Tax Court. Under current law, a petitioner must file one copy of the petition with the county auditor, county attorney, and county treasurer, and three copies with the county assessor. The proposal modifies the service requirement by authorizing the county auditor to: (1) designate an alternative service method on its website; (2) agreeing to waive personal service of a petition by agreeing to accept service through an alternative method; or (3) acknowledging receipt of a petition served through an alternative service method. An ‘alternative service method’ includes, but is not limited to, service by email or by an electronic upload to a website designated by the county. Service may also be made by any person, including a party to the action. Within 30 days after a petition is filed, the county auditor must provide a copy of the petition to the county assessor, county treasurer, and county attorney. On or before July 1st, the county auditor must send a list of petitioned properties to the school board of the school district in which the property is located. Effective the day following final enactment.

Section 5. Allocation of [solid waste management tax] revenues. Allocates additional revenues from the solid waste management tax to the resource management account in the environmental fund beginning in fiscal year 2027. Appropriates the amounts in the resource management account

to the commissioner of the Pollution Control Agency for payments to counties for certain waste reduction and recycling programs. Effective the day following final enactment.

Section 6. Tourism improvement district] definitions. Provides definitions of ‘activity’, ‘business’, ‘business owner’, ‘city’, ‘clerk’, ‘governing body’, ‘impacted business owners’, ‘municipality’, ‘tourism improvement association’, and ‘tourism improvement district.’ Effective the day following final enactment.

Section 7. Establishment of tourism improvement district. Authorizes municipalities to establish a tourism improvement district upon petition by impacted business owners.

Subd 1. Ordinance. The municipality must adopt an ordinance that identifies the boundaries of the district, the name of the tourism improvement association to administer the district, a list of proposed activities within the district, the time and manner of collecting the service charge, a definition of the type or class of business to be included in the district, the rate, method, and basis of the service charge and penalties on delinquent payments, and the number of years the service charge will be in effect.

Subd. 2. Notice. A municipality must provide notice of the hearing where adoption of the ordinance will be considered.

Subd. 3. Business owner determination. Requires a business owner to provide ownership information to the municipality.

Subd. 4. Service charge; relationship to services. Authorizes a municipality to impose a service charge on a business for the purpose of providing activities and improvement that will provide benefits to businesses located within the district. Each business paying the service charge must benefit directly or indirectly from the improvements, but the businesses need not benefit equally.

Subd. 5. Public hearing. Allows business owners and other persons affected by the proposed district to testify at the public hearing.

Subd. 6. Appeal to district court. Authorizes a challenge to the adoption of the ordinance in district court provided that the appeal is made within 45 days after adoption of the ordinance.

Subd. 7. Notice to the commissioner of revenue. Requires the municipality to send a copy of the ordinance to the commissioner of revenue within 30 days of adoption. Effective the day following final enactment.

Section 8. Service charge authority; notice; hearing requirement. Authorizes a municipality to impose service charges to finance an activity or improvement within the district provided that the activity or improvement is provided at an increased level of service. Requires a municipality to hold an annual public hearing beginning one year after establishment of the district concerning the continuation of the service charges. Within six months of the hearing, the municipality may adopt a resolution to continue imposing the service charges. Effective the day following final enactment.

Section 9. Modification of ordinance.

Subd. 1. Adoption of ordinance; request for modification. The governing body of a municipality may adopt an ordinance to modify the district after conducting a public hearing on the proposed modifications.

Subd. 2. Notice of modification. Notice of the modification hearing must be provided by the municipality.

Subd. 3 Hearing on modification. Allows business owners and persons affected by the proposed modification to testify at the hearing. Within six months after the conclusion of the hearing, the municipality may adopt an ordinance modifying the district.

Subd. 4. Objection. If the modification includes an expansion of the district's boundaries, the ordinance may be adopted after notice and veto requirements.

Effective the day following final enactment.

Section 10. Collection of service charges; penalties. Provides that service charges may be collected by the municipality, tourism improvement association, or another designated agency or entity. The collecting entity may charge interest and penalties on delinquent payment as set forth in the municipality's ordinance. Effective the day following final enactment.

Section 11. Tourism improvement association. Requires that a tourism improvement association be designated in the ordinance. The association shall appoint a governing board or committee composed of a majority of business owners who pay the service charge, or the representatives of those business owners. The board or committee must manage the funds and fulfill the obligations of the district. The association must submit an annual report to the municipality. Effective the day following final enactment.

Section 12. Petition required. Provides that a tourism improvement district may not be established unless impacted business owners file a petition requesting a public hearing. Effective the day following final enactment.

Section 13. Veto powers of owners. Provides that within 45 days of adoption of the ordinance or resolution the municipality must mail a summary to each business owner subject to the service charge. The summary must provide notice that the business owners have the right to veto, by a simple majority, the ordinance. If the vote is successful, the ordinance does not become effective. Effective the day following final enactment.

Section 14. Disestablishment. The ordinance must provide a 30-day period each year in which business owners may request disestablishment of the district. An ordinance disestablishing the district becomes effective following notice and veto requirements. Upon disestablishment of the district, any remaining revenues shall be refunded to business owners. Effective the day following final enactment.

Section 15. Coordination of districts. Provides that if a county or city establishes a district, the other municipality may not establish a second district within the same boundary. Effective the day following final enactment.

ARTICLE 14
DEPARTMENT OF REVENUE:
INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Sections 1, 2, and 5. Pass-through entity and composite tax income definitions. Section 1 amends Minn. Stat. § 289A.08, subd. 7, to move the definition of income to the new subdivision in Minn. Stat. § 290.01, subd. 19(h). Section 2 amends Minn. Stat. § 289A.08, subd. 7a, to move its definition of income to new subdivision in Minn. Stat. § 290.01, subd. 19(i). Section 5 creates two new paragraphs. Minn. Stat. § 290.01, subd. 19, (h) will be the new paragraph for the definition of income for purposes of the composite tax; and (i) will be the new paragraph for the definition of income for purposes of the pass-through entity tax. All described changes in the sections are effective for taxable years beginning after December 31, 2022.

Section 2. Pass-through entity. Amends Minn. Stat. § 289A.08, subd. 7a, to clarify that a qualifying entity for the pass-through entity tax includes only limited liability companies taxed as partnerships or S-corporations. The section also adds a new subdivision that does not allow an entity to claim a refund after the qualifying owner has claimed the credit on their return. When a qualifying owner has claimed the credit on their return, any refund must be claimed by the qualifying owner, and not by the qualifying entity. The described changes in section 2 are effective retroactively for taxable years beginning after December 31, 2020.

Section 3. Reporting and payment requirements for partnerships and tiered partners. Amends Minn. Stat. § 289A.382, subd.2, to clarify that the pass-through entity must file an amended return and pay any additional amounts in the event of a federal partnership audit. Effective retroactively for taxable years beginning after December 31, 2020.

Section 4. Nonresident withholding tax refund clarification. Amends Minn. Stat. § 289A.50 by adding a new subd. 3a, to clarify that when there is an overpayment of nonresident withholding tax by a partnership or S corporation, a refund allowable under that section to the payor is limited to the amount of the overpayment that was not deducted and withheld from the shares of the payor's partners or shareholders. Effective the day following final enactment.

Section 6. Credit for taxes paid. Adds Minn. Stat. § 290.06, subd. 22, para. (m), so that sole members of an entity disregarded for income tax purposes can receive credit for tax paid by the entity in another state. Effective for taxable years beginning after December 31, 2022.

Sections 7 and 8. Credit allowed. Amends Minn. Stat. § 290.0671, subds. 1 and 7, of the working family credit to clarify that only the maximum credit amount is phased out if the taxpayer's adjusted gross income or earned income, whichever is greater, is in excess of the threshold amount in paragraph (h). The inflation adjustment for the credit is also updated for consistency. Effective the day following final enactment.

Section 9. Miscellaneous withholding arrangements. Amends Minn. Stat. § 290.92, subd. 20, to establish a withholding rate of 6.25 percent, or the rate directed by the recipient, for periodic payments and nonperiodic distributions such as annuities and IRA distributions on demand. Makes non-substantive organizational changes for readability and clarity. Effective for periodic payments and nonperiodic distributions made on or after the day following final enactment. For periodic payments and nonperiodic distributions made on or after the day following final enactment but before January 1, 2024, the commissioner of revenue must not assess penalties relating to this amendment against a payor who complies with Minn. Stat. 2021 Supplement, § 290.92, subd. 20.

Section 10. Surety deposits; out-of-state contractors. Amends Minn. Stat. § 290.9705, subd. 1(b), to clarify that the obligation to withhold surety deposits on construction contracts exceeding \$50,000 applies to payments to construction companies that are corporations and cooperatives that are not organized under Minnesota law. Effective the day following final enactment.

Section 11. Property tax refund, homestead application. Amends Minn. Stat. § 290A.03, subd. 13, by changing the deadline for filing of a homestead application, and for the property to be classified as homestead, from December 15 to December 31, for purposes of the property tax refund, to match the deadlines for homestead applications for purposes of the homestead market value exclusion. Effective retroactively for refund claims based on property taxes payable in 2022 and thereafter.

ARTICLE 15

DEPARTMENT OF REVENUE:

FIRE AND POLICE STATE AIDS

Section 1. Compliance report due dates. Amends Minn. Stat. § 6.495, subd. 3, to provide due dates for financial compliance reports submitted by the state auditor to the commissioner of revenue. The reports certify which relief associations are eligible to receive fire state aid. Effective for aids payable in calendar year 2024 and thereafter.

Section 2. Apportionment agreement definition. Amends Minn. Stat. § 477B.01, by adding a new subd. 1a, to define “apportionment agreement” for the purposes of fire state aid. Effective for aids payable in calendar year 2024 and thereafter.

Section 3. Fire department definition. Amends Minn. Stat. § 477B.01, subd. 5, to add joint powers entities and fire protection special taxing districts to the definition of “fire department” for purposes of Chapter 477B. The latter is cross-referenced with Chapter 144F, that added authority to create fire protection special taxing districts in 2021. Effective for aids payable in calendar year 2024 and thereafter.

Section 4. Joint powers entity definition. Amends Minn. Stat. § 477B.01, by adding a new subd. 7a, that defines a joint powers entity for purposes of fire state aid. Effective for aids payable in calendar year 2024 and thereafter.

Section 5. Municipality definition. Amends Minn. Stat. § 477B.01, subd. 10, to include joint powers entities and fire protection special taxing districts in the definition of “municipality” for purposes of fire state aid. Park districts and the University of Minnesota are eliminated from the definition. These two entities do not receive fire state aid, have not received it in the past, and are not anticipated to qualify for fire state aid in the future. Effective for aids payable in calendar year 2024 and thereafter.

Section 6. Secretary definition. Amends Minn. Stat. § 477B.01, subd. 11, to include the secretary or financial manager of a joint powers board or fire protection special taxing district board in the definition of “secretary” for purposes of fire state aid. Effective for aids payable in calendar year 2024 and thereafter.

Section 7. Fire department criteria. Amends Minn. Stat. § 477B.02, subd. 2, to require a fire department to have a fire department identification number issued by the state fire marshal to receive fire state aid. Effective for aids payable in calendar year 2024 and thereafter.

Section 8. Fire department personnel and benefits criteria. Amends Minn. Stat. § 477B.02, subd. 3, to eliminate outdated personnel criteria for fire departments to receive fire state aid. Language is also added to clarify that a fire department may not be associated with more than one retirement benefit plan at the same time. Effective for aids payable in calendar year 2024 and thereafter.

Section 9. Public safety answering point requirement. Amends Minn. Stat. § 477B.02, by adding a new subd. 4a, requiring a fire department to be dispatched by a public safety answering point to qualify for fire state aid. Effective for aids payable in calendar year 2024 and thereafter.

Section 10. Documentation filing requirements. Amends Minn. Stat. § 477B.02, subd. 5, to clarify the documentation required to be filed with the commissioner by municipalities and independent nonprofit firefighting corporations already receiving fire state aid, and those applying for the first time. For those already receiving aid, notifications of contract formation and termination, and notice of fire department dissolution, must be provided to the commissioner within 60 days of the event. For departments applying for fire state aid for the first time, notice of apportionment agreements, joint powers agreements, and fire protection special taxing district resolutions or agreements must be filed with the commissioner. If any of the above-listed documents are updated, the updated version must also be filed with the commissioner within 60 days of the update. In the event a fire department is located in an unorganized territory, the county auditor is also required to provide information that the commissioner needs to apportion the estimated market value of the fire department service area. Effective for aids payable in calendar year 2024 and thereafter.

Section 11. PERA certification. Amends Minn. Stat. § 477B.02, subd. 8, to provide that the executive director of the Public Employees Retirement Association (PERA) only needs to certify to the commissioner of revenue which fire departments began or terminated participation in the voluntary statewide volunteer firefighter retirement plan since the previous certification. Requires the certifications to include the number of active volunteer firefighters under Section 17 477B.03, subd. 5, information required for aid calculation. Also amends Minn. Stat. 477B.03, subd. 5, to provide the due date for PERA to certify the number of active firefighters to the commissioner of revenue and to the state auditor and clarifies that the certification requirement applies to all municipalities and independent nonprofit firefighting corporations participating in the voluntary statewide volunteer firefighter retirement plan, not just to relief associations that were recently terminated because benefits started being provided by the statewide plan. Effective for aids payable in calendar year 2024 and thereafter.

Section 12. Fire department certification to commissioner. Amends Minn. Stat. § 477B.02, subd. 9, to require the municipal clerk or the secretary to annually certify a fire department's service area and whether all the qualification criteria for fire state aid are met. The municipal clerk or secretary must send a copy of the certification to the fire chief within five business days of filing with the commissioner. Effective for aids payable in calendar year 2024 and thereafter.

Section 13. Fire state aid penalty for failure to file or correct certification. Amends Minn. Stat. § 477B.02, subd. 10, to establish a penalty for failure to file the certification required under subdivision 9 on or before March 1st or if a corrective certification is not filed by March 15 or more

than 30 days after the date the commissioner's notice of rejection. Effective for aids payable in calendar year 2024 and thereafter.

Sections 14 and 22. Certain tax credits and calculation of amount of fire and police state aid available for apportionment. Amends Minn. Stat. § 477B.03, subd. 2, and § 477C.03, subd. 2, to clarify that when the Department annually calculates the amount of fire and police state aid available for apportionment based on insurance premium data, the calculation is not affected by premium tax credits received under 297I.20, subd. 3 (historic structure insurance premium tax credit), subd. 4 (film production insurance premium tax credit), and subd. 5 (Minnesota housing insurance premium tax credit). This change aligns Chapters 477B and 477C with Minn. Stat. § 297I.20, subs. 3, 4, and 5, which state that the credits do not affect the calculation. These amendments are effective the day following final enactment. Minn. Stat. § 477C.03, subd. 2, is also amended to delete vague language describing adjustments to aid payments. This amendment is effective for aids payable in calendar year 2024 and thereafter.

Section 15. Population data. Amends Minn. Stat. § 477B.03, subd. 3, to require the commissioner to use the most recent population estimates from the state demographer, rather than federal census data, to calculate fire state aid. Also requires the commissioner to use the estimated market value (EMV) property figures for the assessment year immediately prior to aid distribution in any calculations requiring EMV figures. Effective for aids payable in calendar year 2024 and thereafter.

Section 16. Fire state aid initial allocation amount. Amends Minn. Stat. § 477B.03, subd. 4(b), to make clear that fire state aid allocation for those providing fire protection to more than one municipality includes those that enter into joint power agreements or resolutions, not just those that enter into service contracts. Effective for aids payable in calendar year 2024 and thereafter.

Section 17. Fire state aid minimum allocation amount. Amends Minn. Stat. § 477B.03, subd. 5(e), to make clear that the minimum fire state aid allocation amount, that is based on the number of active volunteer firefighters, for a municipality or independent nonprofit firefighting corporation that provides retirement coverage under Chapter 353G equals the number of active firefighters covered by the retirement plan within 30 days of the date the municipality or independent nonprofit firefighting corporation begins coverage in the plan, not to exceed 30. Effective for aids payable in calendar year 2024 and thereafter.

Section 18. Fire state aid appeal. Amends Minn. Stat. § 477B.03, subd. 7, to provide that objections to fire state aid apportionments may only be raised within 60 days after the apportioned fire state aid is paid. There was previously no timeline for objections. Effective for aids payable in calendar year 2024 and thereafter.

Section 19. Timing and direction of fire state aid payments. Amends Minn. Stat. § 477B.04, subd. 1, to clarify that aid is withheld for noncompliance with financial reporting requirements. If the Office of the State Auditor certifies that the requirements have been met, the commissioner of revenue must make the payments within ten business days of receipt of the certification. Language also clarifies that fire state aid payments will be distributed to the largest municipality in population located within a joint powers entity and within the fire department service area of independent nonprofit firefighting corporations. If a joint powers entity has designated an agency as its fiscal agent, however, the payments will be distributed to that agency regardless of population size. Effective for aids payable in calendar year 2024 and thereafter.

Section 20. Fire state aid amount corrections. Amends Minn. Stat. § 477B.04, by adding a new subd. 4, which specifies how clerical errors that resulted in incorrect overpayments or underpayments of fire state aid are adjusted. Adjustments must occur within three years after a payment is issued. Effective for aids payable in calendar year 2024 and thereafter.

Section 21. Police state aid penalty for failure to file or correct certification. Amends Minn. Stat. § 477C.02, subd. 4, to establish a penalty for failure to file the certification required under subdivisions 1 or 2 on or before March 1st or if a corrective certification is not filed by March 15 or more than 30 days after the date the commissioner's notice of rejection. Effective for aids payable in calendar year 2024 and thereafter.

Section 23. Police state aid appeal. Amends Minn. Stat. § 477C.03, subd. 5, to provide that objections to police state aid apportionments may only be raised within 60 days after the apportioned police state aid is paid. There was previously no timeline for objections. Effective for aids payable in calendar year 2024 and thereafter.

Section 24. Police state aid amount corrections. Amends Minn. Stat. § 477C.04, by adding a new subd. 4, which specifies how clerical errors that resulted in incorrect overpayments and underpayments of police state aid are adjusted. Adjustments must occur within three years after a payment is issued. Effective for aids payable in calendar year 2024 and thereafter.

Section 25. Repealer. An uncodified provision repeals Minn. Stat. § 477B.02, subd. 4. This subdivision details outdated equipment requirements for fire departments that are no longer used in determining qualification for fire state aid. Minn. Stat. § 477B.03, subd. 6, is also repealed. This subdivision contained vague language describing aid payment adjustments. It is no longer needed with the fire state aid correction language added to Minn. Stat. § 477B.04. Effective for aids payable in calendar year 2024 and thereafter.

ARTICLE 16

DEPARTMENT OF REVENUE: DATA PRACTICES

Section 1. Disclosure of Welfare Data. Amends Minn. Stat. § 13.46, subd. 2(a)(8), to clarify that welfare data is able to be disclosed to the Minnesota Department of Revenue to prepare the databases for reports required under Minn. Stat. § 270C.13 and 2008 Minn. Laws, chap. 366, art. 17, § 6. Effective the day following final enactment.

Section 2. Tax Incidence Study Report. Amends Minn. Stat. § 270C.13, subd. 1, to allow the commissioner to request information from any state officer or agency for the Minnesota Department of Revenue's reports under Minn. Stat. § 270C.13. The state officer or agency shall provide the data requested to the extent permitted by law. Effective the day following final enactment.

Section 3. Publication of tax preparers. Amends § 270C.446, subd. 2(a), to require publication of a paid tax preparer who has been assessed a penalty in excess of \$1,000 for failing to provide a Preparer Tax Identification Number on returns they prepare and file for others. Effective for returns filed after December 31, 2023.

Section 4. Owner or managing agent to furnish rent certificate. Amends Minn. Stat. § 290A.19. The Department, after consulting with affected representatives, can require owners and managing agents to e-file copies of certificates of rent paid (CRPs) issued to renters. The change supplements

that authority by letting the Department require CRP issuers to submit their taxpayer identification number to the Department when e-filing the CRPs. Effective for refund claims based on rent paid in 2023 and thereafter.

Sections 5 and 6. Background Check; Access to Federal Tax Information. Amends Minn. Stat. § 299C.76, subds. 1 and 2, to address the feedback that the Minnesota Bureau of Criminal Apprehension received from the U.S. Department of Justice / FBI in order to satisfy the requirements under Pub. L. 92-544. Effective the day following final enactment.

Section 7. Homestead Property Tax Burden Report. Amends 2008 Minn. Laws, chap. 366, art. 17, § 6, to allow the commissioner to request information from any state officer or agency. The state officer or agency shall provide the data requested to the extent permitted by law. Effective the day following final enactment.

ARTICLE 17 DEPARTMENT OF REVENUE: MISCELLANEOUS

Sections 1 and 2. Population used in tribal tax agreements. Amends Minn. Stat. § 270C.19, subds. 1 and 2, to provide that the population used to compute refunds and payments under tax agreements between the commissioner of revenue and tribal governments is the number of enrolled members of the tribe who live on or adjacent to the reservation as reported to the commissioner by the tribe. Current law provides that the on-or-adjacent-to population must be obtained from a Bureau of Indian Affairs report that is no longer submitted by the tribes or published by the Bureau. Also adds language that states that refunds are meant to approximate the tax paid on the reservation by tribal members, or the amount they would have paid on the reservation if there was no agreement. Also gives instructions to the commissioner on how estimates should be calculated. Effective retroactively for agreements entered into or amended after December 31, 2022.

Section 3. Health care provider. Amends Minn. Stat. § 295.50, subd. 4, to clarify that a health care provider, for MinnesotaCare Tax purposes, does not include a person or entity that receives all their payments for patient services from a source of funds that is excluded from tax under sections 295.50 to 295.59. Currently, the statute includes the word “exempt” but not “excluded.” Finally, the amendment replaces the words “this chapter” with “sections 295.50 to 295.59” since Chapter 295 also includes the unrelated liquor gross receipts tax, and this provision is not applicable to that tax. Effective the day following final enactment.

Section 4. Surcharge publication date. Amends Minn. Stat. § 296A.083, subd. 3, to move the annual deadline for publication of the debt service surcharge from April 1 to May 1. This change is necessary because the Department cannot publish the debt service surcharge until Minnesota Management and Budget publishes its debt service forecast, which is due on April 1 of each year. The amendment also removes outdated language from the subdivision. Effective the day following final enactment.

Section 5. Definition of “State.” Amends Minn. Stat. § 297A.61, subd. 29, to conform with the recently amended Streamlined Sales Tax definition of “state.” This amendment provides that, for sales and use tax purposes, “state” also includes any territory of the United States. Effective for sales and purchases made after June 30, 2023.