

1.1 A bill for an act

1.2 relating to taxation; modifying income and corporate franchise taxes, sales and
1.3 use taxes, local government aids, and other taxes and tax-related provisions;
1.4 providing for June accelerated payments of sales taxes by certain vendors;
1.5 modifying the research and development credit and making the credit partially
1.6 refundable; modifying payments under the Sustainable Forest Incentive Act;
1.7 increasing the tax on cannabis products; eliminating local cannabis aid; modifying
1.8 the sales and use tax exemption for data centers to remove the exemption for
1.9 electricity; modifying the appropriation for aquatic invasive species aid; making
1.10 related clarifying and technical changes; amending Minnesota Statutes 2024,
1.11 sections 289A.20, subdivision 4; 289A.60, by adding a subdivision; 290.068,
1.12 subdivision 3, by adding subdivisions; 290C.07; 290C.10; 295.81, subdivisions
1.13 2, 10; 297A.68, subdivision 42; 477A.19, subdivision 5; repealing Minnesota
1.14 Statutes 2024, section 477A.32.

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

1.16 Section 1. Minnesota Statutes 2024, section 289A.20, subdivision 4, is amended to read:

1.17 Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable
1.18 to the commissioner monthly on or before the 20th day of the month following the month
1.19 in which the taxable event occurred, or following another reporting period as the
1.20 commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f)
1.21 or (g), except that use taxes due on an annual use tax return as provided under section
1.22 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

1.23 ~~(b) A vendor having a liability of \$250,000 or more during a fiscal year ending June 30,~~
1.24 ~~except a vendor of construction materials as defined in paragraph (e), must remit the June~~
1.25 ~~liability for the next year in the following manner:~~

1.26 ~~(1) Two business days before June 30 of calendar year 2020 and 2021, the vendor must~~
1.27 ~~remit 87.5 percent of the estimated June liability to the commissioner. Two business days~~

~~before June 30 of calendar year 2022 and thereafter, the vendor must remit 84.5 percent, or a reduced percentage as certified by the commissioner under section 16A.152, subdivision 2, paragraph (a), clause (6), of the estimated June liability to the commissioner.~~

~~(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.~~

(b) A vendor having a liability of \$250,000 or more during a fiscal year ending June 30, except for taxes imposed under chapters 168E, 295, and 297H, must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of calendar year 2027 and each year thereafter, the vendor must remit 5.6 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) \$10,000 or more, but less than \$250,000, during a fiscal year must remit by electronic means all liabilities on returns due for periods beginning in all subsequent calendar years on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) \$250,000 or more during a fiscal year must remit by electronic means all liabilities in the manner provided in paragraph (a) on returns due for periods beginning in the subsequent calendar year, except that a vendor subject to the remittance requirements of paragraph (b) must remit the percentage of the estimated June liability, as provided in paragraph (b), clause (1), which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

~~(e) For the purposes of paragraph (b), "vendor of construction materials" means a retailer that sells any of the following construction materials, if 50 percent or more of the retailer's sales revenue for the fiscal year ending June 30 is from the sale of those materials:~~

~~(1) lumber, veneer, plywood, wood siding, wood roofing;~~

~~(2) millwork, including wood trim, wood doors, wood windows, wood flooring; or~~

~~(3) concrete, cement, and masonry.~~

~~(f) Paragraph (b) expires after the percentage of estimated payment is reduced to zero in accordance with section 16A.152, subdivision 2, paragraph (a), clause (6).~~

EFFECTIVE DATE. This section is effective for taxes remitted after May 31, 2027.

Sec. 2. Minnesota Statutes 2024, section 289A.60, is amended by adding a subdivision to read:

Subd. 15a. Accelerated payment of June sales tax liability; penalty for underpayment. For payments made after December 31, 2026, if a vendor is required by law to submit an estimation of June sales tax liabilities and 5.6 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of 5.6 percent of the preceding May's liability or 5.6 percent of the average monthly liability for the previous calendar year.

EFFECTIVE DATE. This section is effective for taxes remitted after May 31, 2027.

Sec. 3. Minnesota Statutes 2024, section 290.068, subdivision 3, is amended to read:

Subd. 3. Limitation; carryover. (a) The credit for taxable years beginning before January 1, 2025, shall not exceed the liability for tax.

(b) If the amount of the credit allowed for the taxable year exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group ~~for the taxable year~~, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

~~(b)~~ (c) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under paragraph ~~(a)~~ (b) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable

to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

~~(e)~~ (d) If the amount of the credit determined under this section for any taxable year exceeds the limitation under ~~paragraph~~ paragraphs (a) or (b) to (c), including amounts allocated to other members of the unitary group, and is not refunded under subdivision 3a, the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 4. Minnesota Statutes 2024, section 290.068, is amended by adding a subdivision to read:

Subd. 3a. Credit to be partially refundable. (a) If the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2024, exceeds the limitations in subdivision 3, paragraphs (a) to (c), including after the credit amounts are allocated to other members of the unitary group, the taxpayer may elect to receive a refund.

(b) The refundable amount allowed under paragraph (a) is equal to the refundability rate calculated under subdivision 3b multiplied by the excess, if any, of the credit amount remaining after the liability for tax has been reduced to zero. For purposes of this paragraph, liability for tax is determined prior to the application of any credit carryover allowed under subdivision 3, paragraph (d).

(c) Any amount not refunded under paragraph (a) is allowed as a carryover under subdivision 3, paragraph (d).

(d) An election under paragraph (a) is irrevocable for the taxable year.

(e) This subdivision applies only to an allowed credit claimed on a tax return filed on or before the due date under section 289A.18 or the extended due date under section 289A.19.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 5. Minnesota Statutes 2024, section 290.068, is amended by adding a subdivision to read:

Subd. 3b. **Determination of refundability rate.** (a) For purposes of this section, the refundability rate equals:

(1) 19.2 percent for taxable years beginning after December 31, 2024, and before January 1, 2026; and

(2) 25 percent for taxable years beginning after December 31, 2025, and before January 1, 2028.

(b) For taxable years beginning after December 31, 2027, the refundability rate equals the lesser of 25 percent or the rate determined under paragraph (c).

(c) By December 15, 2027, and each year thereafter, the commissioner must determine the refundability rate for the immediately succeeding taxable year based on the most recent November forecast required under section 16A.103. If the commissioner determines that the total amount of refunds paid under this section will exceed \$25,000,000 for the immediately succeeding taxable year, the commissioner must adjust the refundability rate so the total amount of projected refunds paid in the immediately succeeding taxable year will approximate \$25,000,000 or less. The percentage must be rounded to the nearest whole percentage point. The commissioner must publish the refundability rate on the department's external website.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 6. Minnesota Statutes 2024, section 290.068, is amended by adding a subdivision to read:

Subd. 8. **Appropriation.** An amount sufficient to pay the refunds required under this section is appropriated to the commissioner from the general fund.

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

Sec. 7. Minnesota Statutes 2024, section 290C.07, is amended to read:

290C.07 CALCULATION OF INCENTIVE PAYMENT.

(a) An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment for each acre of enrolled land, excluding any acre improved with a paved trail under easement, lease, or terminable license to the state of Minnesota or a

political subdivision. The payment shall equal a percentage of the property tax that would be paid on the land determined by using the previous year's statewide average total tax rate for all taxes levied within townships and unorganized territories, the estimated market value per acre as calculated in section 290C.06, and a class rate of one percent as follows: (1) for claimants enrolling land that is subject to a conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity before May 31, 2013, ~~25~~ 22.5 percent; (2) for claimants enrolling land that is not subject to a conservation easement under an eight-year covenant, ~~65~~ 58.5 percent; (3) for claimants enrolling land that is not subject to a conservation easement under a 20-year covenant, ~~90~~ 81 percent; and (4) for claimants enrolling land that is not subject to a conservation easement under a 50-year covenant, ~~115~~ 103.5 percent.

(b) The calculated payment must not increase ~~or decrease~~ by more than ten percent relative to the payment received for the previous year. In no case may the payment be less than 90 percent of the amount paid to the claimant for the land enrolled in the program in 2017. ~~If an eligible claimant elects to change the length of the covenant on enrolled land on or before May 15, 2019, the limits under this paragraph do not apply and the claimant must receive payment in the amount corresponding to the new covenant length as calculated under paragraph (a).~~

(c) In addition to the payments provided under this section, a claimant enrolling more than 1,920 acres shall be allowed an additional payment per acre equal to the amount prescribed in paragraph (a), clause (1), for all acres of enrolled land on which public access is allowed, as required under section 290C.03, paragraph (a), clause (6), excluding any land subject to a conservation easement funded under section 97A.056, or a permanent easement conveyed to a governmental or nonprofit entity that is required to allow for public access under section 290C.03, paragraph (a), clause (6).

EFFECTIVE DATE. This section is effective beginning for payments in calendar year 2027.

Sec. 8. Minnesota Statutes 2024, section 290C.10, is amended to read:

290C.10 WITHDRAWAL PROCEDURES.

(a) The current owner of land enrolled under the sustainable forest incentive program for a minimum of one-half the number of years of the covenant's minimum duration may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from

7.1 the sustainable forest incentive program. Termination of enrollment in the sustainable forest
7.2 incentive program occurs on January 1 of the calendar year following receipt by the
7.3 commissioner of the termination notice, but no earlier than January 1 of the fifth, 11th, or
7.4 26th calendar year for the eight-, 20-, or 50-year respective minimum covenant, subject to
7.5 the applicable covenant duration period under section 290C.055. After the commissioner
7.6 issues an effective date of termination, a claimant wishing to continue the land's enrollment
7.7 in the sustainable forest incentive program beyond the termination date must apply for
7.8 enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land
7.9 from this program may not reenroll the parcel for a period of three years. Within 90 days
7.10 after the termination date, the commissioner shall execute and acknowledge a document
7.11 releasing the land from the covenant required under this chapter. The document must be
7.12 mailed to the claimant and is entitled to be recorded.

7.13 (b) Notwithstanding paragraph (a), on request of the claimant, the commissioner may
7.14 allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the
7.15 state of Minnesota, any local government unit, or any other entity which has the power of
7.16 eminent domain acquires title or possession to the land for a public purpose. In the case of
7.17 an eligible acquisition under this paragraph, the commissioner shall execute and acknowledge
7.18 a document releasing the land acquired by the state, local government unit, or other entity
7.19 from the covenant.

7.20 (c) Notwithstanding paragraph (a), upon request of the claimant, the commissioner shall
7.21 allow early withdrawal from the Sustainable Forest Incentive Act without penalty when a
7.22 government or nonprofit entity acquires a permanent conservation easement on the enrolled
7.23 property and the conservation easement is at least as restrictive as the covenant required
7.24 under section 290C.04. The commissioner of natural resources must notify the commissioner
7.25 of lands acquired under this paragraph that are eligible for withdrawal. In the case of an
7.26 eligible easement acquisition under this paragraph, the commissioner shall execute and
7.27 acknowledge a document releasing the land subject to the easement from the covenant.

7.28 (d) Notwithstanding paragraph (a), upon request of the claimant, the commissioner shall
7.29 allow early withdrawal from the Sustainable Forest Incentive Act without penalty for land
7.30 that is subject to fee or easement acquisition or lease to the state of Minnesota or a political
7.31 subdivision of the state for the public purpose of a paved trail. The commissioner of natural
7.32 resources must notify the commissioner of lands acquired under this paragraph that are
7.33 eligible for withdrawal. In the case of an eligible fee or easement acquisition or lease under
7.34 this paragraph, the commissioner shall execute and acknowledge a document releasing the

8.1 land subject to fee or easement acquisition or lease by the state or political subdivision of
8.2 the state.

8.3 (e) Notwithstanding paragraph (a), as provided in section 290C.055, paragraph (c), on
8.4 request of the claimant, the commissioner must allow early withdrawal from the Sustainable
8.5 Forest Incentive Act without penalty: (1) if there is a reduction in payments due to changes
8.6 in the payment formula under section 290C.07; or (2) if, as a result of executive action, the
8.7 amount of payment a claimant is eligible to receive under section 290C.07 is reduced or
8.8 limited.

8.9 (f) All other enrolled land must remain in the program.

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

8.11 Sec. 9. Minnesota Statutes 2024, section 295.81, subdivision 2, is amended to read:

8.12 Subd. 2. **Gross receipts tax imposed.** (a) A tax equal to ~~ten~~ 15 percent of gross receipts
8.13 from retail sales in Minnesota of taxable cannabis products is imposed on any taxable
8.14 cannabis product retailer that sells these products to customers. A taxable cannabis product
8.15 retailer may but is not required to collect the tax imposed by this section from the purchaser
8.16 as long as the tax is separately stated on the receipt, invoice, bill of sale, or similar document
8.17 given to the purchaser.

8.18 (b) If a product subject to the tax imposed under this section is included in a bundled
8.19 transaction, the entire sales price of the bundled transaction is subject to the tax imposed
8.20 under this section.

8.21 (c) The tax imposed under this section is in addition to any other tax imposed on the
8.22 sale or use of taxable cannabis products.

8.23 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
8.24 30, 2025.

8.25 Sec. 10. Minnesota Statutes 2024, section 295.81, subdivision 10, is amended to read:

8.26 Subd. 10. **Deposit of revenues; account established.** ~~(a)~~ The commissioner must deposit
8.27 the revenues, including penalties and interest, derived from the tax imposed by this section
8.28 as follows:

8.29 ~~(1) 80 percent to in the general fund; and.~~

8.30 ~~(2) 20 percent to the local government cannabis aid account in the special revenue fund.~~

8.31 ~~(b) The local government cannabis aid account is established in the special revenue fund.~~

9.1 **EFFECTIVE DATE.** The amendment to paragraph (a) is effective for revenues received
9.2 after June 30, 2025. The amendment to paragraph (b) is effective January 2, 2026.

9.3 Sec. 11. Minnesota Statutes 2024, section 297A.68, subdivision 42, is amended to read:

9.4 Subd. 42. **Qualified data centers.** (a) Purchases of enterprise information technology
9.5 equipment and computer software for use in a qualified data center, or a qualified refurbished
9.6 data center, are exempt, except that computer software maintenance agreements are exempt
9.7 for purchases made after June 30, 2013. The tax on purchases exempt under this paragraph
9.8 must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied,
9.9 and then refunded after June 30, 2013, in the manner provided in section 297A.75. This
9.10 exemption includes enterprise information technology equipment and computer software
9.11 purchased to replace or upgrade enterprise information technology equipment and computer
9.12 software in a qualified data center, or a qualified refurbished data center.

9.13 ~~(b) Electricity used or consumed in the operation of a qualified data center or qualified~~
9.14 ~~refurbished data center is exempt.~~

9.15 ~~(e)~~ (b) For purposes of this subdivision, "qualified data center" means a facility in
9.16 Minnesota:

9.17 (1) that is comprised of one or more buildings that consist in the aggregate of at least
9.18 25,000 square feet, and that are located on a single parcel or on contiguous parcels, where
9.19 the total cost of construction or refurbishment, investment in enterprise information
9.20 technology equipment, and computer software is at least \$30,000,000 within a 48-month
9.21 period. The 48-month period begins no sooner than July 1, 2012, except that costs for
9.22 computer software maintenance agreements purchased before July 1, 2013, are not included
9.23 in determining if the \$30,000,000 threshold has been met;

9.24 (2) that is constructed or substantially refurbished after June 30, 2012, where
9.25 "substantially refurbished" means that at least 25,000 square feet have been rebuilt or
9.26 modified, including:

9.27 (i) installation of enterprise information technology equipment; environmental control,
9.28 computer software, and energy efficiency improvements; and

9.29 (ii) building improvements; and

9.30 (3) that is used to house enterprise information technology equipment, where the facility
9.31 has the following characteristics:

9.32 (i) uninterruptible power supplies, generator backup power, or both;

10.1 (ii) sophisticated fire suppression and prevention systems; and

10.2 (iii) enhanced security. A facility will be considered to have enhanced security if it has
10.3 restricted access to the facility to selected personnel; permanent security guards; video
10.4 camera surveillance; an electronic system requiring pass codes, keycards, or biometric scans,
10.5 such as hand scans and retinal or fingerprint recognition; or similar security features.

10.6 In determining whether the facility has the required square footage, the square footage
10.7 of the following spaces shall be included if the spaces support the operation of enterprise
10.8 information technology equipment: office space, meeting space, and mechanical and other
10.9 support facilities. For purposes of this subdivision, "computer software" includes, but is not
10.10 limited to, software utilized or loaded at a qualified data center or qualified refurbished data
10.11 center, including maintenance, licensing, and software customization.

10.12 ~~(d)~~ (c) For purposes of this subdivision, a "qualified refurbished data center" means an
10.13 existing facility that qualifies as a data center under paragraph ~~(e)~~ (b), clauses (2) and (3),
10.14 but that is comprised of one or more buildings that consist in the aggregate of at least 25,000
10.15 square feet, and that are located on a single parcel or contiguous parcels, where the total
10.16 cost of construction or refurbishment, investment in enterprise information technology
10.17 equipment, and computer software is at least \$50,000,000 within a 24-month period.

10.18 ~~(e)~~ (d) For purposes of this subdivision, "enterprise information technology equipment"
10.19 means computers and equipment supporting computing, networking, or data storage,
10.20 including servers and routers. It includes, but is not limited to: cooling systems, cooling
10.21 towers, and other temperature control infrastructure; power infrastructure for transformation,
10.22 distribution, or management of electricity used for the maintenance and operation of a
10.23 qualified data center or qualified refurbished data center, including but not limited to exterior
10.24 dedicated business-owned substations, backup power generation systems, battery systems,
10.25 and related infrastructure; and racking systems, cabling, and trays, which are necessary for
10.26 the maintenance and operation of the qualified data center or qualified refurbished data
10.27 center.

10.28 ~~(f)~~ (e) A qualified data center or qualified refurbished data center may claim the
10.29 exemptions in this subdivision for purchases made either within 20 years of the date of its
10.30 first purchase qualifying for the exemption under paragraph (a), or by June 30, 2042,
10.31 whichever is earlier.

10.32 ~~(g)~~ (f) The purpose of this exemption is to create jobs in the construction and data center
10.33 industries.

10.34 ~~(h)~~ (g) This subdivision is effective for sales and purchases made before July 1, 2042.

~~(i)~~ (h) The commissioner of employment and economic development must certify to the commissioner of revenue, in a format approved by the commissioner of revenue, when a qualified data center has met the requirements under paragraph ~~(e)~~ (b) or a qualified refurbished data center has met the requirements under paragraph ~~(d)~~ (c). The certification must provide the following information regarding each qualified data center or qualified refurbished data center:

(1) the total square footage amount;

(2) the total amount of construction or refurbishment costs and the total amount of qualifying investments in enterprise information technology equipment and computer software;

(3) the beginning and ending of the applicable period under either paragraph ~~(e)~~ (b) or ~~(d)~~ (c) in which the qualifying expenditures and purchases under clause (2) were made, but in no case shall the period begin before July 1, 2012; and

(4) the date upon which the qualified data center first met the requirements under paragraph ~~(e)~~ (b) or a qualified refurbished data center first met the requirements under paragraph ~~(d)~~ (c).

~~(i)~~ (k) Any refund for sales tax paid on qualifying purchases under this subdivision must not be issued unless the commissioner of revenue has received the certification required under paragraph ~~(i)~~ (h) issued by the commissioner of employment and economic development.

~~(k)~~ (j) The commissioner of employment and economic development must annually notify the commissioner of revenue of the qualified data centers that are projected to meet the requirements under paragraph ~~(e)~~ (b) and the qualified refurbished data centers that are projected to meet the requirements under paragraph ~~(d)~~ (c) in each of the next four years. The notification must provide the information required under paragraph ~~(i)~~ (h), clauses (1) to (4), for each qualified data center or qualified refurbished data center.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2025.

Sec. 12. Minnesota Statutes 2024, section 477A.19, subdivision 5, is amended to read:

Subd. 5. **Appropriation.** For aids payable in 2025 and 2026, \$10,000,000 each year is annually appropriated from the general fund to the commissioner of revenue to make the payments required under this section. For aids payable in 2027 and thereafter, \$5,000,000

12.1 is annually appropriated from the general fund to the commissioner of revenue to make the
12.2 payments required under this section.

12.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2026
12.4 and thereafter.

12.5 Sec. 13. **CANCELLATION OF AMOUNTS IN LOCAL GOVERNMENT CANNABIS**
12.6 **AID ACCOUNT.**

12.7 On January 2, 2026, any balance within the local government cannabis aid account in
12.8 the special revenue fund is canceled to the general fund.

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

12.10 Sec. 14. **REPEALER.**

12.11 Minnesota Statutes 2024, section 477A.32, is repealed.

12.12 **EFFECTIVE DATE.** This section is effective for aids payable in 2026 and thereafter.